

## My View on ... Business

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This post is part of an ongoing series in which I set out my views on significant issues in economics, political economy, politics, taxation, and accounting. It should be read in that context. It provides an overview of a position that I have developed over many years of writing and analysis, rather than a comprehensive treatment of the subject. If you would like to explore these ideas in more detail, the reading list at the end of this post provides a good place to start. The whole View On series is [available here](#).

*This article was written to underpin a video in the Understanding Economics series that will probably be published next Monday.*

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When people talk about business, they rarely stop to consider what they actually mean. The word carries a great deal of weight in political discourse; it is invoked by politicians of all parties as though its meaning were self-evident, and its interests were obviously desirable. Business, we are told, creates jobs, generates wealth, drives innovation, and,

in some versions of this story, is the principal source of everything good in modern life. Yet the word is doing enormous and largely unexamined work in these sentences. It is being conflated, often in the same breath, with the company, the firm, the market, and capitalism itself. These are not the same things. The failure to distinguish between them produces some of the most persistent muddles in economic thinking and economic policy, and I want to try to disentangle them here. I will begin with what business is not, move through the social and economic reality of what I believe it actually is, and address the objections that sceptical readers will want to raise before arriving at what I take to be the proper conclusions.

What the company is, and what it is not

The company is a legal form. In the United Kingdom, it is a creature of statute, brought into existence under the Companies Acts and given certain defining characteristics by law. It has a separate legal personality, distinct from its shareholders and directors; perpetual existence in principle; and limited liability for shareholders, who might lose what they invest into the share capital of the company if it fails, fails but nothing beyond that. These are genuinely significant legal innovations, most of which originated in the UK in the nineteenth century, and the limited liability company has played an important role in enabling large-scale economic organisation. But none of this tells us what the company is for.

The etymology of the word is revealing. "Company" derives from the Latin "companio," meaning literally a bread-fellow, a messmate, or quite literally, someone with whom you break bread. The original sense was of people working together toward a common purpose, sharing in the fruits of their common effort.

Modern company law has drifted remarkably far from that starting point. The current dominant doctrine, which holds that the duty of directors is primarily to shareholders and that the purpose of the company is to maximise returns to capital, represents a very recent and, I would argue, thoroughly misconceived departure from the original idea.

This doctrine also lacks solid legal foundation in British law and is instead best represented as economic mythology. The Companies Act 2006 does not require directors to maximise profits, nor does it impose a duty on them to minimise a company's tax liability. Section 172 requires directors to act in the way they consider, in good faith, most likely to promote the success of the company for the benefit of its members as a whole, taking into account amongst other things the interests of employees, the impact of the company's operations on the community, and the desirability of maintaining a reputation for high standards of business conduct. That is a stakeholder obligation, not a shareholder one. The shareholder-primacy doctrine is a piece of ideological confection, not a legal requirement.

The company is also, in modern capitalism, surprisingly transient. Whitbread began life

as a brewery and then became both a coffee shop and then a hotel chain, and continues to reinvent itself as its financial managers pursue returns in whatever direction currently seems most promising. Many of our largest corporations are in similar states of constant strategic restlessness, acquiring and divesting businesses in response to market fashion, financial incentive, and the preferences of institutional investors.

This tells us something important. The company, as a legal and financial vehicle, is often indifferent to the activity it contains. The business inside the corporate shell may change entirely while the legal entity continues unchanged. The shell and the substance are separable things, and it is the substance that we are actually talking about when we talk about business.

What the firm is, and what it is not

The "firm" is an economic concept rather than a legal one. In standard microeconomic theory, the firm is the unit of production. It takes inputs, transforms them through some production process, and produces outputs that it sells. The theory of the firm is built around the idea that firms exist to reduce transaction costs, that they maximise profits by equating marginal cost with marginal revenue, and that the model of market equilibrium is built up from this foundation.

This model might be used by some economists for analytical purposes, but it is a deeply misleading description of what actually happens in business. The firm in neoclassical theory has no internal life. It is a production function, not an organisation. Workers are inputs, not human beings with purposes and interests of their own. The manager of the firm is not a real person making decisions in conditions of genuine uncertainty; the manager is a utility-maximising agent embedded in a model that has already assumed away everything interesting about what organisations actually do. This theory is, then, just that: it is a theory, but it is not a portrayal of reality.

More fundamentally, macroeconomics cannot be built reliably from microeconomic foundations of this kind. The behaviour of the economy as a whole is not simply the aggregate of individual firm decisions, and more than it is the aggregate of all people's decisions because the conditions that shape those decisions, including the availability of capital and money, the level of demand, the institutional framework, and the distribution of income, are themselves the products of macroeconomic processes. The firm, as economists have constructed it, is a model designed to make a particular kind of mathematics tractable. It tells us little about what business is or what it is for.

What markets are, and what they are not

It is also important to note that markets are not business. They are the institutional arenas within which business takes place, and the distinction matters. A market is created by a set of rules, backed by law and enforced by the state, that results in an

space within which buyers and sellers can exchange goods, services, and assets. Without those rules, there is no market; there is merely power, and in conditions of raw power the strong take what they want from the weak without needing to offer anything in return.

In that case there are no free markets in the meaningful sense of the term. All markets depend on the state for their existence. They require property rights, which are legal constructs. They require contract law, which is state-provided. They require a currency, which is created by the state or under state supervision. They require regulation to prevent monopoly, fraud, and coercion. They require a judicial system to enforce their rules. The idea that markets arise spontaneously from human nature, and that the state is an obstacle to their proper functioning, is one of the most persistent and damaging myths in modern economics. The reality is that deregulation does not liberate markets; it tends to corrupt them by removing the protections that prevent powerful actors from extracting value from weaker ones.

Business operates within markets. It uses markets as the mechanism through which it reaches customers and suppliers. But business is not the market, any more than a football team is the pitch it plays on. The market provides the arena and sets some of the rules. What happens within it, and why, is a different question entirely, and conflating the two has caused serious damage to both economic theory and economic policy.

What capitalism is, and what it is not

Capitalism is a politically created system of ownership and accumulation. In its original sense, it refers to the organisation of production around the ownership of capital, which in this context usually refers to either financial or physical resources, with the returns to capital accruing to those who own it rather than those who work with it.

There is a version of capitalism, rooted in genuine risk-taking and the creation of new value, to which I have no principled objection. A fishing boat owner who saves, buys a boat, takes the risk of putting to sea, and earns a living from the catch is engaged in a form of capitalism that serves both the owner and society. The risk is real; the return is earned; the activity creates something.

But modern capitalism, particularly in its financialised form, has moved a considerable distance from that model. The dominant tendency in large corporate capitalism is not value creation but value extraction: that is, the accumulation of returns not through genuine innovation and risk-taking but through the exploitation of market position, the acquisition of monopoly rights, the extraction of rents from assets that the owner did not create, and the manipulation of legal and regulatory frameworks to suppress competition and socialise costs while privatising gains. The rent-seeking multinational corporation, which routes its profits through tax havens, exploits its workers through subcontracting and casualised labour, and captures the regulatory agencies that are

supposed to constrain it, is not an aberration from capitalism in its current form; it has become its characteristic expression.

Mariana Mazzucato has done important work in demonstrating that the state has been deeply involved in underwriting innovation and creating the conditions within which private enterprise operates, and that much of what passes for private entrepreneurship depends heavily on public investment and public risk-taking. As such she has exposed much of the mythology behind the supposed benefits of modern capitalism. But even that critique may not go far enough. If the capitalist system consistently produces inequality, instability, and environmental destruction, then more active state involvement in directing it may only postpone the reckoning for capitalism as we now know it, rather than resolve it.

Capitalism as currently practised, and business as I understand it, are not the same thing, and the policies that serve the interests of financialised capitalism are often actively harmful to the kind of business activity that genuinely creates value and serves social needs. Rather than acting in unison, the interests of productive business and financialised capitalism are often opposed to each other, as I often witnessed during my career as a chartered accountant.

What business actually is

If business is not the company, not the firm, not the market, and not capitalism, what is it? My answer is that business is organised human activity directed toward the meeting of needs, the creation of value, and the sustaining of livelihoods, embedded within a social and institutional context on which it depends.

The key word in that definition is "human." Business is, before everything else, an expression of human purpose. When someone starts a business of the sort just defined, they are almost never, in my experience primarily motivated by the desire to maximise profit. They are motivated by the desire to do something: to make a product they believe in, to provide a service they think people need, to practise a skill they have developed, to express something creative, to build something lasting. The profit they need to generate is not the purpose of the enterprise; it is the condition of its survival. If the business does not make enough money to pay its costs and sustain itself, it will fail, and the purpose for which it was created will not be achieved. But the existence of that requirement does not mean that profit is what the business is for.

This is not a trivial distinction. It has profound implications for how we think about accountability, governance, and the proper objectives of business. If a business exists to serve a purpose, then its obligations extend to the people and communities that share in that purpose: its workers, its customers, its suppliers, its neighbours, the public authorities that provide the infrastructure it depends on, and the natural environment whose resources it uses. Company law already recognises something like this, as I noted above. What has corrupted it is the shareholder-primacy ideology, which insists

that all other considerations must be subordinated to the financial interests of those who own shares.

The etymology of "company" is again useful here. The community of shared purpose, the organisation as a social unit built on mutual obligation and common effort, is not a romantic fantasy; it is a more accurate description of what makes businesses work than the thin abstraction of the profit-maximising firm. Businesses run by people who care about what they do, who treat their workers with respect, who take seriously their obligations to their communities, tend to be more productive, more innovative, and more resilient than businesses run by people whose only question is how to extract more from every relationship.

There is one more dimension to this that accounting has systematically obscured. Labour is not a cost. Or rather, treating it as a cost is a choice, an ideological decision embedded in accounting conventions, not an economic necessity. Labour is the source of value in an enterprise. The output of a business comes from the application of human skill and effort to raw materials and capital. The current framework charges labour as an expense and treats the residual, after paying all other costs, as the return to capital. But there is nothing economically inevitable about that ordering. One could equally start from the premise that the human effort in the enterprise should receive the residual, with capital costs treated as prior charges. That would produce a very different set of implications for how businesses are owned, governed, and remunerated, and it would reflect the economic reality of where value actually originates.

### Small business and large business

One of the most important distinctions in economics is also one of the most routinely ignored: the distinction between small and large businesses. These are not the same kind of thing operating at different scales; they are qualitatively different entities.

The small business is typically an expression of purpose. The person who sets it up is usually doing something they have chosen to do, something they are good at, and something they believe is worth doing. They take personal risk. They are accountable directly to the people they serve. They are embedded in communities, both geographic and professional. They do not have the resources to manipulate regulatory frameworks or to externalise their costs onto workers and taxpayers. When they succeed, they do so by creating genuine value. When they fail, they bear the consequences personally.

The large corporation has often become something categorically different. It creates markets for things people did not previously want or need, using advertising and financial engineering to generate demand that serves the corporation's growth ambitions rather than genuine consumer needs. It entraps consumers in debt. It externalises costs through subcontracting and labour market casualisation, converting workers who were once employees into bogus self-employed contractors who bear the risk without commensurate reward. It lobbies to weaken the regulatory frameworks that

would constrain its most harmful activities. It channels profits through tax havens, denying public revenues to the society whose infrastructure it depends on. These are not the behaviours of an organisation primarily concerned with meeting needs and creating value; they are the behaviours of an organisation primarily concerned with accumulating financial returns to the owners of its share capital.

This does not mean that all large organisations are malign. Cooperatives, mutuals, and public bodies operating in the public interest are forms of large-scale organisation that function on quite different principles. What they have in common is a commitment to a purpose that extends beyond financial extraction, and governance structures that enforce accountability to a wider range of stakeholders. The problem is not scale alone but ownership, purpose, and governance.

The City of London has, for decades, been structurally oriented toward serving the interests of large financial capital rather than funding genuine business activity. Small businesses in particular have been consistently failed by the UK financial system, which finds relationship-based lending to genuine enterprises far less attractive than the fees and arbitrage opportunities of investment banking. The consequences of this have been felt across communities outside the major financial centres, where genuine business has been starved of the capital it needs while financial extraction has flourished.

Common objections, and why I think they miss the point

The position I have argued in this piece will attract at least three serious objections from well-informed and sceptical readers, and I want to address each of them directly.

The first objection is that profit is, inescapably, what drives business. Without the prospect of financial return, the argument runs, no one would take the risk of setting up an enterprise. The market would not receive the goods and services that people want. Investment would not flow to where it is most productively deployed. The profit motive is not a flaw in the system but the mechanism through which the system allocates resources efficiently and rewards the people who serve consumers well.

I accept the premise that profit is necessary for business survival and that, in a market economy, the prospect of reward is a legitimate incentive. What I reject is the stronger claim that profit maximisation is the proper objective of business, or that it adequately describes what motivates the people who actually build enterprises. The evidence is not ambiguous. Most people who create businesses do so because they want to do something, and the need to make enough money to continue doing it is a constraint rather than the end in view. Beyond the level required for survival and development, additional profit is often a by-product rather than a goal. The companies that have done most damage to workers, consumers, and the environment in recent decades have typically been those most singularly focused on financial extraction. That is not a coincidence.

The second objection is that the company form is essential for organising the large-scale activity that modern society requires, and that any critique of shareholder primacy risks undermining the legal and institutional framework within which that activity takes place. Without clear rights for capital owners, the argument runs, investment would dry up, and the large organisations that we depend on would cease to function.

This objection confuses the company as a legal mechanism with the ideological content that has been poured into it over the past half-century. There is nothing in company law that requires shareholders to have primacy over all other stakeholders. There is nothing that prevents governance arrangements that give workers, communities, and public authorities a formal voice in how large organisations might be run. The argument that capital will simply leave if its supremacy is challenged is, in many cases, itself a form of rent-seeking: an attempt to defend extracted privilege by threatening the withdrawal of something that society cannot afford to lose. Good corporate governance requires accountability to all those who depend on and contribute to an organisation's success, not only those who hold financial claims on its surplus.

The third objection is that the distinctions I have drawn between business on one hand and capitalism, the firm, and the market on the other are essentially academic ones that make no practical difference to how the economy should be governed. If business as I have described it is what mostly happens anyway, then the analytical distinctions are a distraction from the practical questions of tax, regulation, labour law, and competition policy.

My response is that the conceptual confusion has very real practical consequences. When "business" is treated as synonymous with what large corporations want, the policy agenda becomes one of cutting taxes, weakening labour protections, reducing regulation, and clearing away the public institutions that impose costs on capital. When business is understood as I have argued it should be, the policy agenda looks quite different. It involves supporting the institutions, including public finance, skilled labour, strong regulatory frameworks, and accessible markets, that allow genuine business to flourish. It involves distinguishing between businesses that create value and those that extract it and using tax and regulatory policy to reward the former and constrain the latter. It involves recognising that the small business and the financialised multinational have different interests, different social functions, and deserve different treatment from the state.

## Conclusions

Business is not the company, though it might operate within companies. It is not the firm, though economists model it as one. It is not the market, though it takes place within markets. It is not capitalism, though it operates under capitalist conditions. It is something simpler and more human than any of these things.

At its best, business is organised human purposefulness: the expression of skill, care, commitment, and purpose through economic activity that serves genuine needs, creates real value, employs people under conditions of dignity and fairness, and sustains the communities on which all economic activity ultimately depends. The profit it generates is the evidence that it is doing these things well enough to survive and continue. It is a means, not an end.

The great distortion of the past half-century has been the subordination of this kind of business to the demands of financialised capitalism, in which the purpose of enterprise is not to meet needs but to generate returns to capital owners, and in which every other obligation, to workers, to communities, to the natural environment, to the public purse, is treated as a cost to be minimised rather than a relationship to be honoured. This distortion has not served most businesses well. It has served very well the interests of those who own large quantities of financial capital, which is not at all the same thing.

What I want to see is a recovery of the original understanding of business as purposeful human association directed toward serving genuine needs within a social context that sustains it. That means better company law, enforcing the stakeholder obligations that are already present in principle but routinely ignored in practice. It means tax policy that distinguishes between genuine entrepreneurship and rent-seeking. It means governance structures, including meaningful worker representation, that bring the voices of those whose labour makes organisations function into the decision-making of large enterprises. It means public investment in the infrastructure, the skills, and the institutional frameworks that genuine business depends on.

Business, properly understood, is one of the things that human beings do that is genuinely worth doing. We should talk about it accurately, which means distinguishing it clearly from the company, the firm, the market, and the particular form of capitalism that has come to dominate our economic arrangements. When we do that, the policy agenda becomes clearer, the priorities become more defensible, and the case for a different kind of economy becomes both more rigorous and more compelling.

Reading list

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Post

Date

What it covers

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## [Are businesses really formed to make profit?](#)

October 2017

*Argues that most businesses are created from passion and purpose, not profit motive; profit is necessary for survival but is not the founding rationale of enterprise.*

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## [We need to get back to the essence of the company](#)

May 2018

*Recovers the etymology of "company" (companion, bread-fellow) and argues for a collaborative, shared-purpose model of organisation as the proper basis for business.*

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## [The transient enterprise](#)

August 2018

*Critiques corporations that constantly reshape themselves for financial returns, losing any coherent business identity and purpose in the process.*

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## [Companies do not have a legal duty to maximise profit or to avoid tax](#)

January 2013

*Demonstrates, using the Companies Act 2006 s.172, that shareholder primacy and profit maximisation have no legal basis in UK company law.*

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## [Good corporate governance is not a matter determined by company ownership alone](#)

July 2021

*Argues that governance obligations extend to all stakeholders, not just shareholders, and that this principle applies regardless of whether a company is listed or private.*

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### [The curse of rentierism](#)

March 2024

*Analyses how rentierism pervades modern economies, driving inequality and destroying innovation while conferring returns on those who did not create the underlying value.*

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### [Big and small businesses are nothing like each other](#)

October 2024

*Sets out the key distinction between genuinely entrepreneurial small businesses and large corporations that trap consumers in debt and extract value rather than create it.*

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### [Subcontracting is the curse of the modern economy](#)

October 2024

*Examines how subcontracting externalises risk from large firms onto workers, undermining employment standards and the social obligations of business.*

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### [The economics of small business](#)

November 2024

*Sets out how small businesses operate differently from large corporations, meeting genuine needs and creating real value in local communities.*

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### [Capitalism](#)

March 2025

*Distinguishes between genuine risk-taking capitalism and the false claims to entrepreneurship made by corporate employees, property renters, and those setting up tax avoidance schemes.*

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### [Profit, purpose and society](#)

November 2025

*Argues that when profit becomes the purpose of enterprise rather than a means to sustain it, society becomes the cost, and that business must recognise its interdependence with workers, government, and communities.*

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### [Is my work aimed at preserving capitalism?](#)

December 2025

*Clarifies that the aim is to transform economic structures rather than preserve them, distinguishing pragmatic engagement with markets from acceptance of financialised capitalism.*

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### [There are no free markets](#)

January 2026

*Argues that markets are legal and institutional constructs that depend entirely on state infrastructure, and that the "free market" ideology misrepresents both markets and the role of the state.*

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### [What is worthwhile work?](#)

March 2026

*Explores how modern economies systematically undervalue genuine human contribution, including unpaid labour, and argues for revaluing all forms of productive*

activity.

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[Economic questions: the Mariana Mazzucato question](#)

April 2026

*Examines Mazzucato's work on value creation and the entrepreneurial state, finding it illuminating but insufficient as a response to the structural contradictions of capitalism.*

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[Is capitalism undermining democracy?](#)

April 2026

*Traces how financialised capitalism has been used to remove economic decision-making from democratic accountability through mechanisms including fiscal rules and central bank independence.*

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[The City does not believe in funding small business. The government should.](#)

May 2026

*Argues that UK financial institutions are structurally oriented toward value extraction rather than the productive investment that genuine small business requires.*

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[My View On ... Work](#)

July 2026

*Sets out a comprehensive account of work as more than employment, grounding business activity in the broader context of human productive effort and social contribution.*

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## [What is the economy for?](#)

August 2026

*Examines the fundamental purpose of economic activity, arguing that profit and capitalism are not ends in themselves but should serve broader human and social goals.*

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## [What if labour was not a cost?](#)

September 2026

*Proposes inverting the standard accounting framework so that labour, as the scarce resource and source of value, receives the residual claim on enterprise returns rather than financial capital.*