

Next-gen CAPITALISM

We need a reboot, for goodness sake

IF THEY ARE TO ENDURE, CAPITAL AND CAPITALISM NEED TO SHOW flexibility. Nothing lasts forever. The marathon runner must eventually rest; the mightiest war fleets wind up scuttled, rotted and replaced; empires fall more easily than they rise; even the Great Pyramids of Egypt have eroded, on their long return march into sand.

Strength and stamina have limits. To push further requires something more: flexibility. The British monarchy and the churches continue to prosper only by adapting to the time. Henry VIII authored an early soft Brexit by dissolving the monasteries, helping ensure the survival of the Crown. And in the end, even the monarchy had to yield to the Rule of Law.

Now capital and capitalism find themselves similarly challenged. The power of the current system is made manifest only through the willing participation of workers, consumers and investors. If business institutions no longer command the trust of the public at large, they cannot endure.

We have seen great changes to corporate structures, ethics and behavior. The robber barons – those swashbuckling Rockefellers and Vanderbilts who saw business as a war where all was fair if it ended profitably – are gone. A socially conscious class of industry captains has risen up: Bill Gates, Richard Branson. Yet the corporate landscape is hardly benign.

Vast funds roam the prairie like lions and can devour almost any prey that comes into view. Rarely do they hunt long-term value – more often they target “efficiency,” over the short term – the lion loves a quick buck.

An aircraft builder or nuclear power station with a 30- or 100-year payback simply can’t survive these hungry investors, if selling the factory to a residential builder can return the same money in five years. The result is a world of two-bedroom flats, with no flights and no lights.

The system still works but its heart is faltering. Quick profit wins, short-termism prevails – trust vanishes. Technology adds inhuman speed to the hunt for vulnerable shares, worsening the problem. Business needs the support of the people – and for that, it needs to change.

In the UK, Unilever has made a start by calling for reform to the Takeover Code. Limiting executive pay and increasing diversity on boards are also worthy, if tedious, initiatives. But these are not enough.

The search is now on for a more complete, new structure that delivers something beyond the accretion of capital. When the benefit to society is clearly visible to all – as clear as the benefit to the capital provider – then endurance will be assured. Think of this as a built-in mandate for some radical reform – not something that comes easy to legacy institutions.

Good and thoughtful ideas are being aired. They need a fair hearing.

Rob Webb QC is a Brunswick Senior Adviser based in London.



ILLUSTRATION: ROBERT NEUBECKER / PHOTOGRAPH: SEAN GALLUP, GETTY