



Capitalism challenged

99% – population whose total wealth less than that of richest 1%

48% – angry about too much money being in the hands of too few people

Capitalism challenged

Unable to shake key issues like inequality, capitalist societies face cries for change, structural challenges and technology enabled freedoms. Together these re-write the rules and propose a more participative, collaborative landscape of all working together.

Capitalism is under siege from the likes of a sharing economy, a connected world, a slowdown in the take up of democracy, and intractable problems such as inequality and climate change. Many believe capitalism contributed to the global crisis, while providing no solution, and desire to see a fairer system take its place.

It is inequality that is at the heart of this backlash. President Obama calls income inequality the “defining challenge of our times”, Pope Francis says “inequality is the roots of social ills” and in the order of 80% of Britons today now think the income gap is too large. Thomas Piketty, author of *Capital in the Twenty-First Century*, is convinced that rising inequality is a nut that will never be cracked by capitalism. His particular emphasis is on wealth inequality. Wealth inequality in Europe and the US is roughly twice that of income – the top 10% possess between 60% and 70% of wealth but only 25% to 35% of income and that the western growth in equality in the 60 years or so that preceded the 1970s is a one-off, and this is very unlikely to occur again. So, with no resolution for inequality in sight, Piketty’s dark prediction is social unrest – lots of it. As such, tackling wealth inequality makes good economic sense; Wilkinson and Pickett say that economies with greater inequality suffer adverse consequences in areas like health, violence, drug addiction and lifespan.

Evidence for a shift towards more egalitarian societies, or perhaps, social democracies is political news - Justin Trudeau in office in Canada, hopefuls Bernie Sanders in the US and Jeremy Corbyn in the UK - all high profile cases in point. That they are enjoying the limelight is testament to the strength of the questions being asked of capitalism.

Coming at the issue from another direction is economic and social theorist, Jeremy Rifkin, who focuses instead on near-zero marginal cost, the by-product of a connected, sharing world. ‘A growing legion of prosumers is producing and sharing information, not only knowledge, news and entertainment, but also renewable energy, 3D printed products and online college courses at near-zero marginal cost on the collaborative commons. They are even sharing cars, homes, clothes and tools, entirely bypassing the conventional capitalist market.’ In effect, we’re seeing what looks like capitalism doing itself out of a job.

Wealth inequality in Europe and the US is roughly twice that of income.

Unequal access



What pushback or adaptations can be expected? After all, capitalists will want a say in all of this. For a start, economies and political systems will make best advantage of technology-based participation. These can be very useful for assisting political and societal decision-making processes in areas like sharing data on crime, public information, events and of course, elections. Increased participation encourages the attributes of collaboration and transparency and has the potential to make capitalism (still) more representative of its population. Meu Rio (My River), an online community intent on making Rio de Janeiro more democratic, inclusive and sustainable, is a prime example.

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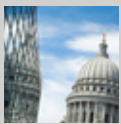
In the next decade look for more governments and organisations to put less emphasis on 'quarterly capitalism' and instead embrace the concept of a multi-capital focus (a.k.a. integrated reporting). A multi-capital focus not only serves traditional forms of capital like physical and financial, but societal, human and natural forms as well. Are there examples of this activity in play today? Yes, plenty. When Founders Ben Cohen and Jerry Greenfield sold their ice cream business in 2000, they asked the buyer, Unilever to continue the organisation's Social Mission programme. Unilever not only agreed, but also responded by asking the duo to identify appropriate social metrics to measure success, and thus a high profile, MultiCapital Scorecard was piloted. In 2012, New Zealand celebrated the relationship between indigenous communities and the natural world by declaring the Whanganui River a legal entity with rights and interests, just as organisations have. They weren't the first with the idea, as Ecuador has embraced Rights of Nature, or Pacha Mama, in its constitution since 2008. Finally, another example from today is the highly successful UK retail partnership, John Lewis, where an official pay ratio is in effect and no one person can earn more than 75x the average pay.

Perhaps the big question that will be explored in the coming years is this: what is the point of any economic system? How does it work and what are its consequences? If, for example, the economic system were said to exist in order to meet the needs of its users, would you start with capitalism as the base?

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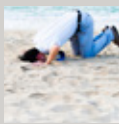
Related insights

Declining government influence



National governments' ability to lead change comes under greater pressure from both above and below - multinational organisations increasingly set the rules while citizens trust and support local and network based actions.

Still being stupid



Despite a better understanding of the long-term challenges we face, we individually and collectively continue to make decisions that may make sense in the short-term - but do not lead to better longer-term consequences.

Full cost



Increasing transparency of society's reliance on nature, intensify requirements for business to pay the true cost of the resources provided by 'natural capital' and so compensate for their negative impact on society.

Access to transport



The widespread need for individuals to travel short distances becomes a key feature of urban design and regeneration. Planners use transport infrastructure to influence social change and lower carbon living.