

NAME/TITLE

Henry Jackson Initiative for Inclusive Capitalism

<http://henryjacksoninitiative.org/>

Date commenced: 2012

Contributors, funders, political or ideological position

The Henry Jackson Initiative For Inclusive Capitalism (HJI) is a non-profit initiative working towards a more Inclusive Capitalism.

It grew out of the HJI Task Force project for Inclusive Capitalism, which was co-chaired by Dominic Barton, Global Managing Director of McKinsey, and Lady Lynn Forester de Rothschild, CEO of EI Rothschild.

ABOUT/KEY MESSAGES (in its own terms)

Mission

The HJI exists to foster and support the many excellent business actions building a more inclusive capitalist system.

The HJI supports all actions and behaviours that work towards a more inclusive system. Nevertheless, we have identified three pathways that we believe will have demonstrable impact:

- 1. Education for employment: addressing the gap between employer needs and employee skills*
- 2. Nurture start-ups and SMEs: mentoring small businesses and improving access to credit for them*
- 3. Reform management and governance for the long term: replacing today's focus on short term performance*

Does this initiative offer any compelling narrative for business leaders in particular, i.e. about the purpose and role of business and financial institutions, about values and ethics, about the relationship between business and society?

Improving the ethics of the business world is fundamental to solving capitalism's current problems. We are encouraged that the market itself is beginning to rectify the situation: some companies and shareholders are taking serious steps against excessive CEO compensation, for example. But the heart of the remedy must be a near revolution in personal ethics, for the regrettable behavior in the recent crisis was mostly unethical rather than illegal. Only if people become more aware of the moral dimension of their personalities, and bring them into their business decisions, will we avoid a repetition of the problems we have suffered.

WHAT QUESTIONS IS THIS INITIATIVE TRYING TO ANSWER?

'Towards a More Inclusive Capitalism' is a task force project designed to find solutions to the crisis in capitalism as a result of the global financial crisis of 2007 - 2008 and dislocations caused by the way that capitalism has been practiced over the past 30 years.

WHAT PROBLEMS IS THIS INITIATIVE ADDRESSING/ATTEMPTING TO SOLVE?

- Governance failures, managing to a short-term notion of shareholder value rather than to the businesses' long-term health
- Mismatch between today's educational model and the needs of today's job market
- Rising inequality in income and wealth; and reducing social mobility
- Falling success rates among SMEs

HOW DOES THIS INITIATIVE IMAGINE CAPITALISM WILL BE DIFFERENT IN THE FUTURE?

The case for capitalism

Despite what the current gloom might suggest, capitalism has made the world healthier, richer and freer than previous generations could have imagined. People in capitalist societies live longer than their forebears, earn more and are better educated. At the same time, we recognize the serious dislocations caused by developments in the capitalism of the last 30 years—developments exacerbated by the recent crisis:

- Several million manufacturing jobs have moved to developing countries where labor is cheaper. Many who lost their jobs in the developed world are not qualified for the alternative jobs that are emerging. Youth unemployment is unacceptably high.
- Income inequality has radically increased over the last 30 years in the U.S. and the U.K.
- Market pressure and compensation structures led managements to focus more sharply on short-term profits than on the long-term requirements of their businesses.

Three pathways

We believe the ideal response is for companies to ensure that everyone—all stakeholders, not just shareholders—derive benefits from business. The three crucial areas we have identified in which companies and institutions can make, and are making, positive progress are (a) education for employment, (b) support for small and medium-sized enterprises (SMEs), and (c) improvements in corporate management and governance for the long term.

WHAT RECOMMENDATIONS DOES THIS INITIATIVE MAKE FOR THE VARIOUS ACTORS

National governments/regulators

We are interested in maximizing the extent to which capitalism can heal its own ills. This is not an argument for an unregulated society, but we leave the details of regulation and taxation to others.

Trading corporations/business leaders/collective business institutions

Education for employment: We found several ways in which businesses, and sometimes successful business people, are addressing the education gap, including programs to get people into the workforce, apprenticeships, internships and education programs designed to lead to fulltime jobs.

Nurturing start-ups and SMEs: We believe large companies can help SMEs without making any significant compromises to their own profitability. For this to happen, however, they must mentor SMEs in working more successfully as suppliers to large companies. SMEs also need better access to credit.

Reforming management and governance for the long term: Today's focus on short-term performance must be replaced by long-term thinking on everybody's part. Companies need

not offer quarterly earnings guidance. They should seek ways to reward investors who hold their shares for the long term. Large investors should create portfolios of larger shares of fewer companies so that they can be more active owners of those companies. Directors must spend more time on strategy

Investors: individuals and institutional

See above: Large investors should create portfolios of larger shares of fewer companies so that they can be more active owners of those companies.

Financial institutions

International institutions

Does this initiative have anything to say about major medium to long term economic and social issues

- Supplies of the essentials of life: Food, Water, Housing, Energy and Transport
- Climate change, resource depletion, loss of biodiversity
- Population growth and demographic change
- Economic growth, innovation, employment, the distribution of income and wealth
- The governance of business and the financial system; public trust
- The respective roles of government and business
- The respective values of economic, social and environmental capital

This initiative addresses the questions of employment and the distribution of income and wealth.