

HUMANISING CAPITALISM
An address to PWC Namibia
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Protests are sweeping the world today. The target is capitalism. Yet there are many brands of capitalism and we must be careful not to lose faith in the system because of its wrongs. We should be trying to put it right for the benefit of all. Practically speaking, capitalism is not going to go away. The world's biggest and most productive nations and groupings - China, America, the European Union and the BRICS - are committed to it even though, in the current crisis, capitalism is being shaken to its foundations.

I suggest that the economic system we have is the only one the world is likely to have for generations to come and that we must make the best of it.

That is not fatalism, but optimism. The best of capitalism is very good indeed. It has endowed humanity with the benefits of production, consumption and quality of life that no other economic system comes close to. But there is a downside of capitalism that we must confront and defeat.

I understand that one in six Americans in the richest country in the world, the United States, lives in poverty. In South Africa, that figure is 50% - one in two! (according to the CIA World Fact Book). The SA Market Research Foundation has found that, between 2000 and 2006, a large number of black people moved into the upper middle class, but we are still saddled with a "second economy" in which huge majorities live in grinding poverty on less than a dollar a day.

Is capitalism failing our country and failing humanity?

Donald C. Dallas observer:

"It is just as illogical to suggest abolishing capitalism because it hasn't abolished poverty as it would be to suggest abolishing the churches because the churches haven't abolished sin".

This quote from Donald C Dallas suggests that the challenge is not to abolish capitalism but to humanise it. I believe that it is first and foremost a leadership responsibility to bring about a change in attitudes, practices, oversight and behaviour. The values of true free enterprise - in which we all enjoy economic freedom - must be affirmed by business and political leaders. They must ensure that the enabling environment is created and sustained to provide equal opportunities for all.

We must humanise capitalism to serve all. I believe that African humanism, or the spirit of Ubuntu, has the essential formula to change and improve capitalism and that we in South Africa can lead the way, not just locally but globally. Ubuntu emphasises our common humanness, and on this basis it prompts us to act ethically towards others, empathise with them, and rationally seek common ground or consensus for decisions and actions.

Business and political leaders need to embrace these principles for the good of all - and I believe that the current crisis of capitalism, along with the worldwide protests flowing from it, will force a re-evaluation of the way that corporates and governments behave. Leaders will have to set the example and show that they are both responsive and responsible to the stakeholders in our economic system.

What is wrong with the capitalism that we have today? In a nutshell, capitalism has degenerated into unfree enterprise on a narrow base that serves the interests of the rich - particularly those with close links to government. The corruption of good governance through selfishness and unrestrained greed, combined with government by elites in the interests of elites, goes by a name; plutocracy. It is plutocracy - rule by the wealthy - that is destroying faith in capitalism.

Freedom and fairness is the cry of the Occupy Wall Street movement which is now resonating in many nations of the world. My impression is that these protestors are not generally anticapitalist although there are strong leftwing and anarchist elements among them. The movement could wreck itself. But the protestors have justice on their side, for as the Economist has commented; by and large, the protestors are fed up with a lousy deal. Many have suffered the loss of their homes and jobs and human dignity while corporate executives continue to enrich themselves with outrageous payouts. It's simply immoral.

On our own streets, the call for jobs, education and opportunities has led to the 'long walk for economic freedom' in which ANC Youth League populists have attempted to seize the moral high ground. The high ground, however, does not belong to those who hope to nationalise the economy - which would seriously undermine wealth creation in South Africa. The campaign is already deterring foreign direct investment and shaking confidence in our future.

The high ground belongs to those who believe that our nascent democracy can deliver a better quality of life for all if we encourage individual and collective enterprise. Capitalism is the only proven economic system that unites the incentive of the profit motive with the delivery of goods and services to meet the demands of all. Capitalism should not be overturned but broadened to truly serve all.

Capitalism's weaknesses are writ large in the current recessionary crisis of major economies, caused initially by reckless bankers and thoughtless regulators. The subprime banking crisis in the United States in 2008 was a product of poorly regulated finance capitalism which spread its contagion to the world. Now, with a double dip recession, and with a sovereign debt crisis stalking European economies, it certainly looks as if capitalism has managed to consume itself and is tottering to an end.

This is not so. The system is robust and will continue. What has to happen is that a much more equitable delivery of benefits is required for stakeholders in our modern world. They demand no less. Only good corporate citizenship allied to principled government can bring this about. We have the means to serve our communities; what we need is the resolute drive.

In the Arab Spring we saw how movements that were predominantly driven by the call for freedom, human dignity, and economic opportunities overthrew dictators who had

been comfortably ensconced for decades, ruling through fear but claiming legitimacy for themselves. That claim was falsified by mass turnouts against the regimes.

When corporations are in cahoots with the state, ordinary people lose out. They cannot gain the benefits of democracy because their votes count for little so long as plutocrats rule the roost, with all the corruption and criminality that goes along with it. My argument is that corporatism has a good side as well as the bad one that we have seen. The power and resources of corporates can be applied for the common good rather than the gross enrichment of the few.

Plutocrats care nothing for social justice and they have no strategy for overcoming poverty and joblessness. In opposition to plutocracy, I believe that corporate communalism is the way ahead - not communism but communalism based on the community responsibilities of corporate entities. Corporate leaders need to understand that their businesses are ultimately only sustainable if they care for the wellbeing of the communities upon which business depends.

Communalism in business has three aspects: first of all it values its stakeholders as participants in the business. Secondly, it treats profits, people and planet as the three basic ingredients of sustainability: the triple bottom line. And thirdly, by serving stakeholders with longterm sustainability in mind, business becomes inclusive, transparent, accountable, and fundamentally humane.

This is not the place for me to go into detail about stakeholder capitalism. I have done so in my recently published book, *Attuned Leadership*, where I argue that business must be consultative not just for the sake of appearances but because it really matters. The legitimacy of business is at stake. You must confide in and work together with your employees, customers, surrounding communities, NGO activists, the media, government regulators and foreign interests.

All of them need to be kept informed and asked how the business should proceed. Ultimately it is up to business leadership to spell out the way ahead and take those bold, sometimes risky decisions that lead to success or failure. The model of the African village chief sitting under the big tree with his advisors and listening to the assembled people is a good one for business. It ensures the legitimacy of subsequent decisions and actions.

Lack of legitimacy is causing upsurge of protests against plutocratic capitalism. As the Economist commented on the Occupy Wall Street movement, the protests may be unfocused and incoherent at this stage but they are very important and could yet change the world. The Economist also draws attention to the display of communalism at street level:

.. the protest is also notable for scrupulous adherence to the sort of democratic values that Alexis de Tocqueville, a French chronicler of America, loved. A general assembly meets up to twice a day to discuss proposals from working groups. Politicians are wary of persecuting such well-disciplined gatherings and the police have largely stayed their hand.

To speak of humanising capitalism may raise eyebrows among those who think you cannot take a bad system and make it good. If the system is bad to start with, any so-called

reforms could make it worse, for example by helping exploiters to exploit others even more efficiently!

Our history in South Africa makes us well aware of the social responsibilities of business. In a word, business must set out to be inclusive and if it does so it ensures its own future while at the same time showing the human face of capitalism.

A proverbial expression from African wisdom is pertinent here:

“Ditau tsa go tlhoka seboka di sitwa ke nare e tlhotsa”. (An uncooperative pride of lions cannot bring down even a limping buffalo).

African lions hunt in a pride: they are cooperative, coordinated and goal focused, and willing to sacrifice themselves for the sake of the pride. Naturally, they serve themselves too by getting a good meal. The cardinal motif here is inclusivity: not just all for one and one for all, but all for all. African humanism as an African life philosophy advocates this. The lessons we learn from a lower but powerful species, the lions, have to be refined for African survival.

Yes, we have had to survive, through ages of slavery, colonialism, apartheid, and now a world system that seems to sideline us in the relentless pursuit of profits for the rich nations. We now inhabit a world system that seems, objectively, to be something governed by iron laws of the market. No quarter is given to anyone.

This is the inhuman face of capitalism and we are led to believe by hardline economists that we must accept the brutal rules of the game or perish. But is this really so? From an African perspective what is lacking is a sense of the common humanness of everyone across the globe. It is our human commonality that should form the foundation of a more caring and humane economic system. Indeed, humanity should not let itself be pushed around by so-called “market forces” that are somehow divorced from our real needs and values. We should not see ourselves as victims of circumstance: we make the circumstances!

Why do I believe this? When I first entered business I encountered a culture of exploitation of black people in South Africa which took the form of racial capitalism. This is still with us in sectors of the economy today, I fought for management promotion; I had to prove myself doubly, first as a black, then as a newcomer without the inherited wealth of the elite. But I worked hard, studied hard, rose through the ranks, became a management consultant, and finally my great opportunity came when I was appointed Chairman of Eskom by Nelson Mandela. I had a hand-up but I did not need a hand-out.

As non-executive chairman in Eskom I engaged at every level with the administration, in the power stations and those in the field. In my book *Let Africa Lead*, published in 2006 after I had stepped down, I described how corporate communalism actually worked within the state-owned enterprise to bring about a greater sense of purpose and shared mission. There was consultation with employees, service providers and customers: we truly sought broad-based solutions to the provision of power, and we worked within Africa too to form alliances.

Unfortunately the South African government did not listen to our advice to build more power stations and result was the roiling blackouts of 2007. Here was an instance where our only shareholder, the state, did not heed the interests of the nation.

Quite soon Eskom carried the blame, its legitimacy was tarnished, and its corporate governance virtually collapsed. Chairman Bobby Godsell felt himself obliged to resign, while the CEO was effectively fired, all against a background of recriminations between the public, the media, the government and the corporation. Finally, President Thabo Mbeki acknowledged that Eskom had been right and government had failed to act in time.

I mention this because it illustrates that major corporations and governments are closely tied and must work together. But this does not mean that well-resourced organisations and the state are necessarily bound together in an alliance of the rich and powerful. Far from it. Plutocracy is no solution for democracy. Businesses and governments are responsible to their stakeholders - their customers and their voters - to ensure good governance, fairness and social justice.

The current crisis of capitalism will not be dealt with through high-handed decision making or secretive pacts between power holders. It will not do for senior people in business to continue on down the road of self-enrichment without caring for the welfare of communities.

Levels of executive compensation are a particular burning issue for the protestors. Estimates vary, but according to one study by the Center for American Progress, the ratio of CEO pay to average worker pay in America rose from 145:1 in 2002 to 240:1 just two years later in 2004. The trend is continuing and I saw a figure of 350:1 recently.

The American Progress report says these ratios are not typical of the industrialised world where CEOs earn “only about one third” of what American CEOs make. But we do have gross disparities in South Africa too.

In England, the Guardian’s annual survey of boardroom pay in 2009 found that Executives at Britain’s top companies saw their basic salaries leap 10% last year, despite the onset of the worst global recession in decades, in which their companies lost almost a third of their value amid a record decline in the FTSE.

These figures have triggered increasingly strident calls for much higher taxes on millionaires and billionaires, who often seem to pay no taxes at all. In South Africa, according to a calculation by Labour Research Services, a low-wage worker would have to work for 330 years to earn what an average CEO was paid in 2008.

As a company director myself with long experience in management, my own attitude is that executives must be compensated according to market levels, but not excessively so. Personal greed is a very bad thing and should not be encouraged by boards. But payment for services rendered in growing a firm, in making a success of a top position, and leading effectively so that company culture becomes innovative and enterprising, deserves just rewards.

This is not an easy argument to make to those who have lost their jobs and homes and lack any prospect of personal advancement. But the argument is true and logical, and I believe it will make sense to those who want the benefits of capitalism without plutocracy.

In many respects the Occupy Wall Street movement echoes the Arab Spring, and it has further echoes on our own streets in South Africa. Youth in particular are frustrated and feeling marginalised because job prospects are few and without a job one lacks human dignity. The result is social turmoil. Rather than calling for nationalisation, leaders should be strategising how to liberate the power of youth to engage in productive business.

Free enterprise and its market mechanisms encourage us to grow, to innovate, to become entrepreneurs, and to keep learning. Ultimately this enriches the lives of others with new ideas, new products and new processes. When everyone is thus motivated, progress occurs on a broad front.

How many of our youths know and understand these principles? I suspect that years of socialist rhetoric and the idea that government should solve every problem and ensure jobs for all has induced a psychology of dependency in our youth. It is not government but private enterprise that is the main engine of job creation and development.

I strongly believe in self-improvement. This includes the profit motive but is not limited to making money. In the final analysis a productive life is one in which you self-actualise. You realise your own potential. You empower yourself, and in the process, you empower others to follow your example.

I strongly believe that capitalism is the only system that marries individual incentive to economic development. We desperately need to remind ourselves of the fact that communist and socialist systems have shown us that if you divorce the profit motive from work, you get economic stagnation. Worse, a massive bureaucracy is required to run nationalised industries, becomes costly, top-heavy, and corrupt.

In South Africa, free markets are distorted by tenderpreneurs who make use of government connections to gain lucrative contracts. It's a form of plutocracy: a distortion of free markets by those with access to power and wealth.

There is an African proverb which translates: "The best time to plant a tree was 20 years ago. The second best is today." We may have lost years but we can catch up. If we wish to create conditions that are conducive to private sector activity and economic development we must convey a tough but necessary message to the populace as well as those who run the economy.

The message is that capitalism is the world system we have and it is not about to go away. It is a system that helps those who help themselves. It is a system in which people can thrive provided they enjoy the economic freedom to do so.

In my view the only dynamic likely to transform the situation is leadership. If we look to the system to reform itself we will wait a long time and surely be disappointed. If we look to leadership to champion change by inspiring a new vision of capitalism's human

possibilities, we will get somewhere.

I hasten to say that the leadership I have in mind will not be dictatorial or rashly populist. It will not dictate to the rest of us what is to happen, or, conversely, take advantage of rebellion from the bottom up to impose mob solutions. It has to be a leadership that emerges from within communities -what I call Attuned Leadership, the title of my recent book. Attuned leadership is both responsive to human needs and responsible in terms of ethical values.

An attuned leader recognises the plight of people and sets out to respond with solutions that are good for the commonwealth. In the case of business leaders, they need to demonstrate that capitalism is indeed good for the commonwealth and not just for the wealthy few.

The qualities of leadership may be intangible things of the spirit, yet no modern leader can afford to ignore the material wellbeing of the followership. In the past, leadership success was measured in military triumphs and symbols of glory. Today a leader walks the same earth as we do; naked aggression is frowned upon; and power is personalised in media images of politicians answering to their voters. Today a leader must seek to deliver jobs, services and benefits quickly or lose the race.

Predatory capitalism is out. It will be exposed, laid bare, by the very stakeholders that business needs as its friends. By treating its operations as inclusive of social needs - not separate from or opposed to the demands of communities - a business becomes a true citizen in our democracy.

It is time, then, to call for a kind of Marshall Plan by businesses here in South Africa and in other parts of the world to commit themselves to social upliftment. This is for their own sustainability but also because they owe it to their stakeholders to make a return on human investment. I cannot forespell in detail how this Marshall Plan would work but I can say that the mighty resources of the corporate world do harbour the potential to overcome poverty, raise educational standards, and provide broad-based opportunities for work and entrepreneurship.

In conclusion, it may surprise you to hear me take a leaf out of Lenin's book What is to be done? Lenin argued that to concentrate on narrow material goals was "economism". He wanted workers to break free of their self-interest and contribute to the greater good of all through revolutionary activities. I am not proposing a Russian style revolution! What I am saying is that Lenin was right about economism: there are things that matter more than our self-interest. But where I diverge is in believing that self-interest is one of the most important motivators of social action.

If properly understood and applied, the incentive to better oneself is the foundation for bettering one's society. To transform individual action into the pursuit of the common good - a collective goal - is, as I see it, the purpose of free enterprise. That is what our African traditions teach, and that is what we have to teach the world: Humanised capitalism.