

## To Serve Society Better, Capitalism Needs a Redesign

25 January 2012

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- While how well the business community is meeting its social responsibilities is a matter of debate, efforts are needed to ensure that capitalism is fair and better serves society
- A critical focus should be on education and promoting innovation and creativity
- The theme of the 42nd World Economic Forum [Annual Meeting](#) is *The Great Transformation: Shaping New Models*. For more information, visit <http://wef.ch/Davos>

**Davos-Klosters, Switzerland, 25 January 2012** – Capitalism needs to serve society better, business, banking, labour and academic leaders agreed in a lively debate on the opening day of the World Economic Forum's 42nd Annual Meeting in Davos-Klosters. Speaking in a session on the future of capitalism, which was hosted by *Time* magazine, Australian labour leader Sharan Burrow, General Secretary of the International Trade Union Confederation (ITUC) in Brussels, argued that widening income inequality and high unemployment, especially among young people, are an indication that the capitalist system has failed society. The business community "has lost its moral compass," she reckoned. "We must redesign the model. We must reset it. Stop the greed. Unless employers and workers sit down with governments, the system will continue to fail."

Other panellists in the session disagreed with Burrow's view on how well businesses are meeting their social responsibilities. "The business community has not lost its moral compass," asserted David M. Rubenstein, Co-Founder and Managing Director of the Carlyle Group, a private-equity firm and global asset manager. "Capitalism may be the worst economic system except for any of the others." Businesses do not think about ways to reduce wealth and jobs, he added. To ensure that capitalism is fair, focus on improving laws and regulations, investing in education and promoting innovation and creativity, Rubenstein advised.

Responding to the criticism levelled at large financial institutions since the global economic crisis unfolded that they are irresponsible risk takers that focus entirely on profits, Brian T. Moynihan, Chief Executive Officer of Bank of America, said that banks do not enjoy unfair advantages because they are too big to fail. "Our power, size and capabilities come from our clients. Our revenue is representative of the economic activity taking place. We are big because our clients are [global] and we support them."

Growing income inequality is fuelled not by bad corporate governance but by "far deeper forces," including the development of technology, the emergence of a global market and the need for innovation, Raghuram G. Rajan, the Eric J. Gleacher Distinguished Service Professor of Finance at the Booth School of Business in the University of Chicago, explained. These forces are increasing the demand for skills and pushing pay higher. "These are not going to be affected by corporate governance," Rajan told participants. "The right debate is about how we get the innovation and creativity we need." Concluded Ben J. Verwaayen, Chief Executive Officer of Alcatel-Lucent: "We need to talk about innovation, real sustainability and reforms – not about corporations and greed. It's about decision-making. We have to go for transformation. We have to talk about job creation, not job security."

## Notes to Editors

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