

NEW GOSPEL OF WEALTH / THE FUTURE OF PHILANTHROPY

Can capitalism ever really be inclusive? featuring Lynn Forester de Rothschild and Stephanie Mehta

Lynn Forester de Rothschild, CEO of E.L. Rothschild, explains the challenges that will arise with increasing economic inequality and what we must do now to create a more inclusive and equitable future. Moderated by Stephanie Mehta of Fast Company.

This video is part of a collection of conversations with leaders, thinkers, and activists from philanthropy, business, the arts, tech, and beyond outlining bold visions for the future of philanthropy.

Transcript begins.

[Can capitalism ever really be inclusive? Lynn Forester de Rothschild, founder and CEO, Coalition for Inclusive Capitalism. CEO, E.L. Rothschild. A tall white athletic woman wearing a black sleeveless top and blue skirt. Stephanie Mehta, editor-in-chief, Fast Company. An Asian American woman wearing a black long-sleeved dress, black tights, and Mary Jane style shoes.]

ANNOUNCER: Please welcome Lynn Forester de Rothschild and Stephanie Mehta.

[applause]

STEPHANIE MEHTA: I'm very pleased to be interviewing Lynn de Rothschild, who is a philanthropist, a seasoned executive, and, most importantly, for the purposes of this conversation, she is the founder and CEO of the Center for Inclusive Capitalism, which is focused on advancing economic and social justice. So, Lynn, thank you for being with us here today.

LYNN FORESTER DE ROTHSCHILD: Thank you. Thank you for having me, and thank you for this cover. See what she did today? "Capitalism is dead. Long live capitalism." We will figure this out, okay, Stephanie?

STEPHANIE MEHTA: In 15 minutes or less. But I want to start, before we get to the question of whether or not capitalism can ever be truly inclusive, by talking a little bit about the challenge—the challenge that societies and businesses and economic systems face. At the center, you've done some research that really tries to pinpoint some of the challenges around inequality that we have. At a very high level and very quickly, what are you seeing?

LYNN FORESTER DE ROTHSCHILD: So, just to level set—and if we don't mind, just keeping it to America—with a few facts: Um, our top one percent controls 42 percent of our national wealth. Our top 0.1 percent controls 22 percent of our national wealth. And to give that

perspective, that amount of money is the same that the remaining bottom 90 percent controls. And—40 percent can't come up with \$500 in an emergency. Surprise, surprise: 60 percent of Americans don't believe the system works. That's kind of a rational reaction, I think. So, if we don't have inclusive capitalism, which means an economy that works for all—not equal outcomes for all, but equal access to the outcomes that a person desires. We're talking a lot about what's in people's hearts. What motivates a person is what they can do with their lives, that they can have a dream. There was something once called the American dream, and that was if you work hard and play by the rules, you can make anything happen in your life. I was born in 1954, and I certainly believed in that American dream. For me, "inclusive capitalism" was, you know, a redundancy. I wouldn't think—because I knew it included me. For no reason. I was a skinny, you know, blonde girl from nowhere. And I believed it worked. I believed it was inclusive. But people today think it's a complete oxymoron, and either we've got to decide we're going to give up on capitalism or we have to make real reforms, so that it is a sustainable, inclusive, trusted system that leads to strong economic growth. is economic growth alone doesn't do it. That 0.1 percent—they've had a thousand percent increase in their income, while the bottom 50 has been flat since 1980.

STEPHANIE MEHTA: So, what needs to change for us to truly have corporations that are taking an inclusive approach? You know, we have enlightened leaders of corporations, who may be trying to do the right things. What needs to—what conversation needs to be had with investors so it's not like we're sneaking spinach into the brownies when we talk about, you know, the right thing to do for our corporations?

LYNN FORESTER DE ROTHSCHILD: Right, no, it is really, really critical, and what the Coalition for Inclusive Capitalism and a lot of the groups look at is the entire ecosystem—that this is not about asking CEOs to stand up and do the right thing. It is about that, but an example of where it can really go wrong for a CEO is, a couple years ago the CEO of American Airlines decided that he would pay his flight attendants their increased salary a year earlier than their union-negotiated contract demanded. And he announced that. He put that out, and the Wall Street Journal said, "America pay—American pays its employees more. Wall Street goes nuts." So, you can't expect a lot of CEOs to travel down that route. So, your question is absolutely right. It's the, it's the entire ecosystem of the capital markets that have to be engaged in accepting a couple of things. Accepting, number one, that, you know, God didn't create the corporation. The corporation is a construct of society, and that social contract that the business has with society—if it collapses, nobody's going to have a, a decent, um, a decent business. The other part of it is that study after study shows that companies that pay attention to their customers, to their employees, to their communities, are better long-term value creators. So, the asset owners need to lead the way, and, um, what inclusive capitalism is, is not philanthropy and not CSR. And it's not how we give away our money, but how are we making our money. And each of us, from wherever we are sitting—whether we're an employee, a CEO, or, or a philanthropist who's—wherever we are, we have to ask that question. Are we making our money in the right way?

STEPHANIE MEHTA: Well, it sounds like the answer to the question we were setting out to answer is—can capitalism be truly inclusive, and the answer appears to be yes. Thank you, Lynn.

LYNN FORESTER DE ROTHSCHILD: Thank you. Thanks.

[applause]

[New gospel of wealth. What does #GenerosityToJustice look like to you? Ford Foundation dot org forward slash new gospel.]

End of transcript.