**Theme:** 1.

**Reading:** Capital versus Talent: The Battle that’s Reshaping Business.

**Author:** R. L. Martin and M. C. Moldoveanu.

**Summary**

-Capital dominated: it was scarce.

-Capital weakened: Financial markets grew and capital became widely available.

-Labour strengthened: Collectivisation.

-Labour weakened/Capital strengthened: Business consolidation, Globalisation.

-Talent strengthened: Managerial Capitalism/Equity Dilution/Knowledge Economy.

**The History: Capital Versus Labour**

1. Industrialisation: 18th-19th C: Capital and Labour required to start/run factories.

-Capital was scarce and held by few individuals.

-Labour was plentiful.

Thus, Capital earned most of the profits.

2. Collectivisation:

-Communism: Bolsheviks in Russia empowered Labour over Capital.

-Unions: U.S.A. and U.K. workers United to fight for a larger share.

Unions: -1930: Had gained power. Auto, steel, mining, trucking industries.

-1935: Labour Relations Act passed. (Roosevelt).

-Union members earned +25% than non-union industry workers.

-+40% more in 1950.

3. Retaliation: -Locked workers out.

-Physical fight between police and Ford workers (Michigan, 1932).

-Labour lost power:

-Relocation to non-unionised regions.

-Outsourcing/Foreign competition: *(Steel, Auto industries).*

-Substitution with technology/Automation.

***-Capital defeated Labour***

-Thatcher: Business power consolidated.

-Reagan: Fired over 11,000 air-traffic controllers for striking.

**The History: Capital Versus Talent**

Pre-WWI: Capital had centralised power:

-Monopolies.

-Shareholder Capitalism.

Post-WWII: Capital’s power was dispersed:

-Organisations grew massively:

-Managerial Capitalism replaced Shareholder Capitalism.

-Expansionary finance was raised by share issue/equity diluted.

Unequal rewards: U.S. C.E.O.’s received 33% less per dollar earned for shareholders in 1980 than they did in 1960.

**1980s: Balance Begins to Shift**

-Intellectual Capital: -Managers built business that need less capital backing.

e.g. Consultancy, Legal, Accountancy firms.

-Attracted the graduates from business schools.

Human/Structural Capital: -Shareholders of firms whose profits relied on key people lost bargaining power to those people.

-Shareholders of firms whose profits relied on the organisation itself maintained their power.

e.g. Fund management.

Warren Buffet: 1991: Slashed bonus pool in Salomon investment bank. Fund managers left. Series of mergers, Citigroup dropped the brand name ‘Salomon’ in April 2003.

**Political Shift**

-*The Left* will support Capital: because they are mostly pension funds representing working class.

-*The Left* were previously against Capital and would’ve seemed to support talent.

-*The Right* will support Talent because they are the wealthy majority in society.

-*The Right* previously supported Capital because they were the wealthy majority in society.

**Who Will Win?**

-Legislators will eventually restrict Talent’s power.

-Talent, Capital and Labour will eventually stop fight as Capital and Labour did.