Teneo Insights Webinar: Macroeconomics and Global Affairs

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Kevin Kajiwara (KK): Well, good day everyone. Thank you for joining today's edition of Teneo Insights, I'm Kevin Kajiwara, Co-President of Teneo Political Risk Advisory here in New York City. Noted author and economist, Dambisa Moyo is with me today. She started her career as an economist with the World Bank and subsequently with Goldman Sachs. She is the author of four books which were New York Times bestsellers, the latest of which was Edge of Chaos in 2018. She was a World Economic Forum Young Global Leader and a member of the Time 100.

Today she sits on the boards of Chevron and 3M, and in May she's got another book coming out called How Boards Work and How They Can Work Better in a Chaotic World, which will resonate with a lot of you on this call today. I am delighted to have her here on

Teneo Insights for the first time. If you'd like to join our conversation, please submit your questions via the moderator chat button on your screen and we'll try to get to them. Dambisa, welcome. You've got a lot of hats to wear, we're going to try to get you to wear as many of them as possible here this morning.

A lot of ground to cover. I want to start if we can with the big economic picture but with a particular focus on the U.S. I mean, COVID cases and deaths have dropped dramatically from the post-holiday peaks but we're starting to see plateau at levels that are higher than last summer's second peak, so still over 60,000 cases per day and about 2,000 deaths per day. Vaccines are being rolled out but obviously not without hiccups and without hesitancy. But President Biden says that all adult Americans will be able to get vaccinated by the end of May. States are reopening though federal officials suggest that that may be prematurely, but more stimulus is obviously on the way. So how are you assessing the economic outlook here in early March?

Dambisa Moyo (DM): Well, first of all thank you, Kevin, for hosting me. I'm delighted to be here. I look forward to comments and questions and I think it's wonderful to be able to connect at a time where there's so many questions, still so many questions and perhaps a lot of risk around the answers. At a very high level I would put it this way. We, as everyone knows, have been dealing with a multifaceted, multi-period problem. What you've outlined, Kevin, has largely focused on the health aspect of the COVID problem. As an economist and as a businessperson our purview has tended to be really quite focused on the aggregate demand shock that we experienced, the shutdown and really trying to now figure out how does this look in terms of a rebound.

It's worth saying, and I should at the onset say that my fundamental view is that we will and we are already seeing a rebound. But fundamentally for a whole host of reasons which I'll outline in a moment, we're not seeing quite yet a recovery. And I think that the context here in terms of the delineation is that even before COVID hit in 2020 in earnest, the global economy was already addressing or dealing with many structural challenges which I had highlighted in my book Edge of Chaos that you mentioned from 2018.

I won't delve into details because people will be familiar with a lot of them, but just in terms of at a very high level, structural economic growth was on a path of decline including rates of return. So if you look at the IMF World Economic Outlook, this is a report that they put out twice a year in April and October, the 2014 World Economic Outlook, the IMF said that they did not expect the global economy to ever see the rates of growth that we had seen prior to 2008. In a similar vein, we've had companies like McKinsey in 2015 had forecasted that the global economy growth rate in the next 50 years would be half of the global economy growth rates in the prior 50 years and a lot of that, we know what has happened and I'll again come to those specific points in a moment.

But it's not just that the growth forecast and the equity return forecast had collapsed to relatively low levels, and just as a rule of thumb, in order for a country to double per capita incomes in a generation so by that really putting a dent in poverty, you need to be growing at 3% per year. Before COVID hit, the United Kingdom in 2019 was growing at between 1.2 and 1.4%. Germany, Q4 2019 was growing at 0%. If you start to look at the large major emerging market economies, so these are the economies that have at least 50 million people, Brazil, Argentina, South Africa, Russia, etc., they were all growing far below that 3% and many of them had just started to emerge from recessions.

So the global picture as well as the United States, of course the U.S., President Trump was always trumpeting how the U.S. was above that 3% magic number but even now if you look at the forecast, real deterioration, most of these economies will probably grow no more than around 2% over the next decade. But if I may just take a moment to talk about these headwinds which have been capitalized or have been made worse by the arrival of COVID, they include risk of job losses because of technology, so what's called technological unemployment. We will come back to that because boards, in terms of our allocating of capital, a real big issue right now is digitization, but that has been on the table for a while. Some of the forecasts in 2013 were that half of the U.S. economy would be automated, including job losses by 2030.

Demographic shifts, enormous shifts both in terms of the quality and the quantity of the world's population. There are about 8 billion of us now. The world's population will continue to grow at a clip until there are 11 billion of us by 2100, according to the United Nations. This is massively skewed towards the young in the emerging markets where 60 to 70% of the population is under the age of 25. Real issues in terms of the workforce that's been produced. OECD, the Organization of Economic Corporation and Development, has talked about how this generation of Americans for the first time in the history of the country is less educated than the preceding generation. The consequences of that in an economy that's becoming less manufacturing and services-based and more automated and tech-based are enormous as we know.

Issues of income inequality and the breakdown of social mobility, well-known. Just to put a number on it, the U.S. social mobility, the probability of being born in the low-income household and ending your life in a high-income household has gone down by 50% in the past three decades. We don't know as economists how to solve income inequality. We've tried left-leaning policies such as tax and redistribution, which are very popular in Europe, that has not worked. We have tried more right-leaning policies, sort of the supply side, low taxation with the hope of expanding the GDP pie, that has also not worked. So, we're really looking for a real considerable innovation in terms of thinking and we can talk a little bit about some of the things that people are working on.

Natural resources and climate change, again seen as many as a big concern, massive headwind before COVID, it's even a bigger issue now regarding trade-offs. I mean, where do you put your marginal dollar? Is it towards vaccinations or is it towards combating climate change? Again, one of the problems particularly for emerging countries, which by the way are not ring-fenced in a world of pandemics, it ultimately means whatever we do in the U.S. regarding pandemics is not good enough as long as out there 90% of the world's population lives in the emerging markets. People are still vulnerable and can still transport new strains, so we needed a global approach and that hasn't happened.

Very quickly, the debt levels, again, something we know. Even again, before COVID, before these enormous stimulus packages, the Congressional Budget Office was warning that the United States would have unsustainable entitlement programs by 2050. And again, that's a report that was coming out in 2016, so that situation, like an option expiry, has become much more of a concern in a much shorter period. I will just end up by saying one other thing, that this confluence of factors has been made more challenged, of course, by COVID catalyzing the sorts of speed and aggressiveness of many of these issues in terms of debt, in terms of the risk of putting climate change in the back foot, etc.

But perhaps the bigger worry we have as economists and people interested in public policy is that the response, the toolkit in terms of public policy response is clearly largely impotent. And by that I mean monetary policies that we know has already been negative rates, low rates, and we'll come to inflation because obviously we've seen a move in the 10-years recently, but fundamentally we've been in an incredibly low-rate environment and fiscal policies although have been jump-started, have raised concerns that we'll end up much more looking at Japan.

May I just say one point about inflation and then I'll take a pause to have you react to what I've said, which is to comment on inflation. So, at an aggregate level you've heard what the Fed has said with respect to monitoring it, but I would say they're not deeply concerned. But if you look at disaggregated numbers, and by that, I mean separating health and education from transportation, telecommunications, even food production, there's clear evidence that there is inflation buildup in the system.

Healthcare, and by the way I'm happy, Kevin, if you're interested, I can send you a chart of this, but over time there's enormous inflationary pressures, price changes in both healthcare and education and those are forecast to continue given the environment we're in. But there has been massive deflation in telecommunications, in transportation, in food production, largely due to technology. Now, having said that, notwithstanding what I've just said, we are in many locales starting to see a pickup in inflation, in things like paper and wood pulp, and transportation and logistics.

As a publisher or as an author, my publishing house is concerned because a lot of printing companies have gone out of business as one example and there's a lot of buildup in aggregate demand which we expect to come online because of the vaccination, but that is not being supported by aggregate supply in a lot of these areas. I'm more concerned about inflation perhaps than others. I'm seeing it in many different hallways, and I think that we are discounting inflation because we tend to look at it in a very aggregated way and not in a disaggregated way. I'll stop here for a moment, Kevin, and then we can continue.

KK: There's a lot there and let's try to unpack some of this. So, on the one hand you have laid out a very clear picture with regards to the structural headwinds that the global economy is facing and you made the remark that we're seeing the green shoots of rebound if not recovery. But you also talk about the challenges that we have seen from different policy responses through the years both liberal and more conservative approaches that have had their limitations in terms of the results, but obviously we're in a situation where policymakers can't do nothing.

Often times during the pandemic there has been the wartime analogy made and the re-rise of the Keynesian response mechanism. So, throw as much money as needed at this. I guess I'd like to know your take on that kind of a fiscal response. Obviously right now we're waiting for the president's $1.9 trillion proposal to make its way through Congress, but coming on the heels as it does from the stimulus measures or survival measures if you want to call that from last year, in aggregate these numbers are enormous versus the overall size of the economy. What is your assessment of this? Why $1.9 trillion? Is it a Goldilocks number? I mean, why is it not more, why is it not less? I guess, will it do in your view what it is meant to do given where we are on the health recovery continuum?

DM: Well, I hear two questions in there. One is a look-back, a historical look-back to perhaps what the shape of a recovery might look like based on what we've seen in the past and the role of government, and perhaps I'll come back to that. Let me start off with what I think is the second question, which is kind of here and now what is likely to happen on the back of this enormous stimulus. And very fortuitously I've been in a number of conversations with people who are close to the administration but also people who are on the other side of the aisle, are part of the same group but are deeply concerned. And I'll say they're concerned for two fundamental reasons. One is that it's not entirely clear how the money will be spent.

So, if you look back the stimulus package last year, the checks that people received, there was a sense that, and in fact, in economics there is this Ricardian theory that when people get a windfall check like that, they're not dumb. They understand that wait a second, sometime in the future the government is going to tax us, so we'll put this money away. But that is not what seems to have happened. People seem to have spent some of that money in perhaps ways, and there's data out there, in perhaps ways that were not going to be sustainable. And I think a lot of us had the framing that it was going to be a short shock to the system.

We're all going to be back out and working and back into our daily lives by the summer. I think that that was the approach and the attitude towards the checks that were received last year. So, part of the question is, where does this money get spent? How does it get spent? Is it going to be just to put a band aid on people's living or is it going to be invested? And we're seeing a lot of movement in real estate, for example, people are trying to figure out whether we're going to see the jump-start in more structural, fundamental assets and how people are thinking about opportunities for investment in longer term. I don't want to overplay that it's $1,400, so I don't want to make a big deal of it, but that's one fundamental question.

The second question, which people like Larry Summers have highlighted, is that it might be too much of a stimulus. Not only are we worried about inflationary effects, but more fundamentally, if this doesn't work, politically what happens next? We will know the answer to that i.e., whether it's worked, whether the economy is sort of back on fire, really by the autumn months. Come September, October, I think we'll have much more visibility. As you pointed out, the vaccines would have been rolled out. People will be back, there's lots of questions. Are people going to rush out, go to restaurants and movie theaters. Maybe once, but maybe we've all been retrained to stay home, and we won't be bothered. Maybe not bothered to go out for the second or third time.

Those are open questions. And as I said, it's not just about the economics of it, of whether the stimulus, how will it be spent, but much more fundamentally around the politics. If this does not work, we could end up in a political impasse and have no more bullets really to spend given this congressional budget office and some of the debt issues. As you know, China is the, if not first, because they interchange with Japan, the second largest foreign lender to the United States. Which has made the debt story less of an economics question and financial question, and much more of a geopolitical question, which again, I think we'll come to. But if I may go to your first question and look back in history to talk a little bit about what we might see next and what we can learn from history.

I've spent an inordinate amount of time on this question in the past year. To my mind, the best example of the recent history is the Gilded Age, which is the period between 1870 and 1900 in the United States. Very much like the period of 1950 to 2008. These are two periods that are characterized by high economic growth, massive globalization in trade, the movement of capital, movement of people in terms of immigration, in terms of global standards and global cooperation. So, those are absolutely a hallmark of both the Gilded Age and this period of 1950 to 2008. These are also periods of a relatively laissez faire government. Government is seen as stepping in when there are crises, not really involved in the economy. These are also periods of massive income inequality, widening income inequality. The Gilded Age, as we know, was punctured by three things. We had at the turn of the century, turn to 1900.

We had World War One, which is 1914 to 1918. Quickly on the heels of that, the Spanish flu, 1918 to 1920. Then we had the stock market crash of 1929, which led to a global recession, which people know. Perhaps what many might not know or might not remember in terms of their history lessons, the period from 1930 to 1954 was a complete 25-year reversal of the Gilded Age. By that, I mean, this period of 25 years is characterized by low economic growth and high unemployment, complete unwind of globalization. You have a period of Smoot–Hawley that emerges. Immigration is completely undermined. By the way, Smoot-Hawley was a legislature in the United States government who imposed tariffs on thousands of goods.

We also had immigration. Just, again, to give you some numbers, the percentage of foreign-born people in the United States is about 14% today, it was about 14% in the Gilded Age, towards the end of the Gilded Age. There was a dip in the period I'm talking about down to 6%. So, immigration was also really largely shut down. But also, we saw massive government intervention. Government becomes a big player, putting in a lot of public policy initiatives such as FDIC and social security to try and combat income inequality. With that, really also antitrust legislation. So, that was on the back of the Sherman Act, a lot of breakups of standard oil, the railway barons, etc. Now, some of you might be asking, what does that have to do with where we are today?

I think it has to do a lot with where we are today. Those people who love following the stock market, one of the data points is that the Dow Jones Industrial Index peaked in 1929 at 381 points. The Dow Jones industrial index did not again reach that point of 381 points until 1954. So, for 25 years, you're in deep economic malaise, a complete reversal of the policies that had dominated the Gilded Age, as I said. I believe we are headed for a very similar landscape. We have just emerged from 1950 to 2008 of high growth environment. In fact, the average growth rate over that period was about 8% globally.

Massive globalization, as we know, in all the pillars of globalization, trade, capital movements, immigration, etc. We also saw, as I said, relatively laissez faire governments, big corporations and income inequality widening. I do believe we're now headed for a time that will be characterized by big government. The government is big already. I'm talking about debt and deficits. U.S. debt to GDP is about a 100%. Global debt to GDP right now is around 320%. Just to pepper in really quickly here, for those of you who love to follow statistics, have another look at the wonderful book called This Time Is Different, by two wonderful economists, Ken Rogoff and Carmen Reinhart. It came out a few years ago.

They looked at 900 years of government debt, and they conclude that a debt to GDP ratio above 60%, your growth declines to around 2%. And if you recall, I mentioned the 3% number being really important to breach. So big government, one other data point really quickly before I go through the other points. Angela Merkel of Germany has lamented very publicly a deep concern that Europe represents just 7% of the world's population, but it's 25% of world GDP and 50%, half of welfare payments, global welfare payments are just to Europe. If you add the United States and Europe, you're talking about 12% of the world's population, 50% of world GDP, and 90% of welfare payments are to the U.S. and Europe. As I touched on earlier, 90% of the world's population lives in the poor emerging markets.

She's talked about this imbalance and how this could be very problematic. Some of the other themes I think are going to emerge based on what we saw post Gilded Age, government's going to have a much bigger role in the economy as an arbiter of capital and labor. We've seen some of this, the fed buying sub-investment grade debt. I think these types of movements are not just going to be emergency movements in the COVID era, I think more fundamentally, governments are going to be playing a bigger role. I believe we'll have fewer corporations of these publicly traded companies. We've seen that data, look at the Wiltshire statistics. Over the past 10 years, we've gone from 7,000 companies that are listed down to 3,000 and continuing to see a lot of companies choosing to go private or a lot more consolidation, which leads to the next point.

I think we're heading for a period of much more taxation, much more regulation. Pretty much every sector, banking, technology, airlines, pharmaceuticals, energy companies, have ended up as oligopolies. And much like the Sherman Act and antitrust, I think government is agitating to try and break up. So, I think because of these natural oligopolies that have emerged, I think we'll see more of that. Then the last point, Kevin, before I stop here, is that we were already seeing de-globalization in trade and capital immigration standards with the splinternet, the risk that China will have its own competing intellectual platform, as well as a breakdown of global corporation multi-literalism.

We saw that before COVID, I think we'll see much more of that, even regardless of the fact that the U.S. is basically claiming to be back and much more engaged. China, very last point, is now the leading foreign direct investor, leading trading partner and leading debt lender to many countries, developed and developing around the world. In fact, it is now the largest lender to a number of emerging countries. In fact, to the emerging world, bigger than the Paris club, bigger than the IMF, bigger than the World Bank. So, we're seeing this live, and I think China will continue to play a big role. Let me stop there.

KK: Well, I've been drinking my coffee over here while you gave that, but given the sobering assessment, I might have to move on to something harder here. I want to pivot a little bit because your background obviously was spent on looking at a lot of the emerging markets as a professional economist. I want to get your take on what all of this means. You've touched on that a bit here for the rest of the world, but particularly with emerging markets. You're talking about all of these headwinds; you're talking about the pent-up inflation that's out there. Talking about the debt overhang, and these pending obligations that the Western world has on their welfare systems.

I'm wondering here, we saw this scare in bond markets last week, this kind of reemergence of inflationary concern. Even though the fed continues to insist that it's willing to let the economy run hot, so on and so forth. But given that the emerging markets don't have the fiscal space that the Western world does. Given that they are behind in terms of getting the vaccine allocations and therefore disbursements, are you concerned that we could have a situation where you get this more aggregate V-shape recovery in the developed world? It forces the Fed and the other major central banks to act and to actually tighten before the emerging market economies have been able to catch up, and we've got a new crisis on that front.

DM: Yes, absolutely. Here's the way I would headline this. I would say, it's really important that we understand that the emerging markets crisis, whatever that may look like, is not an emerging markets crisis. It's a global economy crisis. There's no way that 90% of the world's population can be in an environment of slow vaccine rollouts, massive ongoing contraction economically, and that not be felt through trade and global commerce and many other avenue risks of other pandemics, etc., for the rest of the world. If you look at the World Bank statistics, this COVID pandemic has actually sent 150 million people back into extreme poverty. Which is a big deal, because for 20 years we've only seen improvements.

The other aspect of this, which is just is not just an economic problem. And with all that portends in terms of civil unrest, etc. But I think it's also a geopolitical problem, because what that means is that there will be an opening, as I alluded to a moment ago, for China to step in and become a much bigger player. And I don't think given the urgency and the immediacy of the COVID and the vaccine rollout, we're spending enough time thinking about the important. Which is basically, what does the world look like? Is the world going to bifurcate, become much more balkanized, and in that sense, siloed? And what does that mean for business? Which is an area that we'll touch on in a moment, that I'm thinking about.

As people responsible for businesses, business leaders, what is our hedge for a world where China becomes ever more dominant. Not just in China, but globally, and how does that play out for our ability to run global businesses? Everything from supply chains and trade, but also our ability to do the carry trade. Borrow money in New York and London and invest in Brazil and South Africa for higher risk adjusted returns. I mean, all our modeling and our purview regarding how the world works has been basically colored by the last 50 years.

What I would like to emphasize is that, what we have seen in terms of globalization in terms of market capitalism and liberal democracy has actually only been around for 1% of human history. The general trend line is for much more siloed, much more competitive than cooperative, and I fear that a lot of corporations and institutions more generally are just not thinking long and hard about this environment, where the emerging world sort of splinters off and causes a lot of problems because we're just not as ring-fenced as we would like to think.

KK: So I want to shift to your new book since you brought it up in a moment here, but one question I want to ask sort of goes back to your old books, which is in How The West Was Lost back in 2010 and Edge of Chaos in 2018, you discussed the failures of the rich Western democracies and you've discussed that at length here. I wonder if you could take a look from the other perspective. So, China obviously has been a juggernaut economically, strategically, and now Xi Jinping is emerging from Deng Xiaoping's wait and bide your time.

He is putting it on the world stage in a very significant way. But when you go beyond the headlines, and especially in this pandemic era, has China squandered this opportunity, or is it really, for lack of a better term, capitalizing on that opportunity from your perspective?

DM: So really quickly, the way I think about China now, China is where the United States was in the 1950s. So really a stamping of an imprimatur by the government. Government is heavily involved in all aspects, key sectors, which is why I thought the Biden administration announcement last week about relooking at industrial sectors in America, it's sort of sacrilege to call it an industrial policy plan, but really that's what it is. Looking at the different industries from banking, industrials, technology, etc., and trying to figure out how to support these industries, that's what the United States did in the past. The Manhattan Project, all the rollout of Silicon Valley, etc., it was really big government ideas. I'm not saying squeezing out the private sector. They work hand in hand in partnership to develop these programs. That's where China is today.

This is not the first time that China has been potentially the largest economy in the world. They were the largest economy in the 1700s if you look at the Angus Madison data. They put in some catastrophic policies and it's cost them 300 years. I don't think they're going to make that mistake again. And what I want to make sure that people understand, I'm not at all saying I'm such a Sinophile or that I'm not recognizing that the United States has a good hand. I do think on the relative basis, the United States has the ability and the flexibility to reshape and to change direction and it's urgently warranted right now.

But at the same time, I don't want people to think that this is the end of the world and it's a disaster. I think fortunes are going to be made. Even in the boardroom, I worry a lot that we spend a lot of time thinking about risk downside and not enough about upside leverage. Environment is one example of this. Everybody talks about CO2 emissions and greenhouse gases and water intensity, and all of that is critically important, but very rarely is there enough of a conversation about where the opportunities are for new product lines, new businesses, and I think government should be leading in that.

To bring it back to China, I think if you have, and I have, I've been fortunate enough to spend time with even President Xi Jinping on a number of occasions as part of a group that I'm involved with based here in the United States, but their conversation is for sure risk identification, but very quickly looking at things from a lens of, "Okay, how do we solve this in a sort of upside leverage, upside opportunity, upside way?" I don't have to harp on short-termism. We know about those concerns. I think certainly in the private sector, we've tried to address short-termism to a great deal. But in essence, I wouldn't necessarily bet against the United States. I do think Western portfolios or pension funds have far too little exposure to China given where I think China is. I think the average is around 2%. I think it should be closer to 15 myself.

KK: So, we have got on the line here a number of board members and a lot of people who answer to boards or advise boards. So, let's pivot to your new book, How Boards Work. So especially within the context of everything you've been talking about and corporate America for all of its attempts to break away from short-termism is still constrained by a quarterly earnings cycle, a two-year congressional election cycle, etc. So, give us a sense, that you can, of the assertions of your new book and your conclusions.

DM: Well, I think the fundamental assertion is that the board structure has been in place since the 1700s. On the one hand, it's due for a refresh in a sensible way. I do think it's fundamentally the right governance structure to have at the helm a handful of people who provide oversight, not just in the traditional support of financial shareholders, but very much as business roundtable, and as we know, moving away from that Milton Friedman view to think about the broader utility in society. But it's worth just emphasizing that boards play a critical role for corporations, I believe. I was looking at some of the data in the United States, the largest Fortune companies actually employ 30 million people. Their revenues are two thirds of U.S. GDP. It's critically important that we get this right.

I go beyond just discussing the fundamental mandate of the board, which is obviously oversight of strategy, selecting the CEO, and then this whole cultural frontier, which I will say in the 10 years that I've served on boards has really been quite a ride. It wasn't that big a deal when I first joined 10 years ago. Now it's right at the hearts. And by cultural frontier, I'm talking about not just diversity and inclusion and issues around environment, I'm talking about real challenges that make it difficult and challenging to be a board member, things like worker advocacy, data privacy issues, competitiveness in a world where pay equity and gender equity, things that may on the surface seem obvious that are simply not obvious. They require big trade-offs that boards are being much more required to address.

I like, and I quote President Obama, that by the time these things are in his inbox, it means that they were very difficult and not easy. The fact that the board is dealing with not just succession and strategy, but also this cultural frontier should tell us all that these are hard questions that boards are dealing with. The last thing I'll just say is obviously we know that there's a suite of headwinds that the global economy and companies are dealing with, but that also requires that boards evolve. And whether that's around having ethics committees or thinking more strategically about how they do their role on strategy and succession, I detail a handful of proposals on how to make boards better.

KK: So obviously there's a lot to unpack with regards to what you just said. I want to focus on diversity for just a second, because there's been a lot of movement, Teneo itself has been very involved in this through our leadership on BDAA with a number of our senior advisors and the like, and that's been focused a lot on say racial diversity, clearly there's a gender diversity drive as well. But you talk a lot about the unprecedented nature of the headwinds that we're facing and the change that is going on in the world.

Frankly, going through something right now that nobody who's in a position of power and influence has actually ever gone through before this, this period also with the supplanting of the United States by China ultimately as the largest economy of the world and so on and so forth. So, levels of experience now mean different things when you're entering into truly a new territory and disruptive territory. So, do you think that corporate America is doing a good job, good enough job, fast enough job, at diversifying, in every sense of the word, their boards and leaderships overall?

DM: Well, look, my board colleagues would tell you, I pound the table that I think we should be much more ambitious. I think corporations have a number of levers that they haven't pulled on over the past several decades that I think they are going to be called to pull on. I'll give you a specific example. Throughout my career on Wall Street, people always talked about retaining and hiring and attracting diverse candidates, but we are able as businesses to say, "You know what? We have an annual conference in Tampa or in Chicago or in Indiana, wherever. Take your pick.

Rather than just write out enormous multi-million dollar checks, why don't we put pressure and demand that S&P and Moody's or somebody gives us a ranking or data on how these municipalities and jurisdictions are performing on everything from education, criminal justice, healthcare, and just improvements in their citizens' livelihoods?" I think we can then start to influence a lot more change. And then of course there are lots of other areas. We shouldn't just be thinking about how we hire. We should also be thinking about subcontractors. What is the definition of an employee?

I've written recently in Harvard Business Review about this expanding role of what it means to be an employee. I think that companies can look towards the suppliers and subcontractors, our advisors and accountants and lawyers to say, "Hey, wait a second. We want to see much more diversity, not just in race and gender, but in thinking and thought. That's the only way we're going to be competitive." My husband often talks about this idea of leading a great sports team. In a sports team you want the best talent. You want the people who are going to make your team an A team. And the good news is that the talent is out there in diverse packaging.

I think we just haven't done a very good job at attracting and ensuring that that talent is part and parcel of the problem solving that is going to be required. I'll say one very last thing, Kevin, which is why this has become a board issue is that it's not just about pursuing diversity at the expense of other groups, for example, white men. I think it's about pulling the whole team, the whole organization together, and they should not be an either or. We are about creating the muscles and the efficiencies to create the best and most competitive teams so that they are able to succeed over the long-term. And that's the custodial role of the board.

KK: So, you sit on the boards of both Chevron and 3M, two iconic major blue-chip companies. And both of those companies are in the midst of and, in some sense, at the tip of the spear of all of these issues that you're talking about, they're multinational corporations. So, they're affected by all of this globally. How are you and your colleagues on these boards in this environment really maintaining the level of knowledge and forward-thinking that you need to be able to bring to that boardroom on everything from all of the near term concerns, but also the bigger aspirational concerns that are encompassed in say umbrella concepts, like ESG as an example?

Or when you look at what is happening throughout our society as a result of the pandemic and what it's doing to education and so on and so forth that were this kind of human capital infrastructure deficit is going to continue to build, which will have impact on you and your employees for years to come. How do you remain as informed and educated on all of these issues so that you can work with the management of these incredibly complex organizations?

DM: Well, I'm sure you're tempted for me to say we hired Teneo. On a serious note, look, and this links into what I was saying a moment ago, I take a very sort of obvious view about what's going to be important in the next 50 years. To me, it's just clear. China's going to be important. Technology is going to be important, not just in terms of consumerism and social media. Much more in terms of public goods, healthcare, education, ability to increase efficiencies, and then of course, green, the whole climate change agenda. So, when I think about this, that's how I look at the lens of hiring. It goes back to the team. Who is it?

And for me, I really like this idea of a T-shaped board member, board members who have the broad enough knowledge and understanding to sort of block and tackle on things that boards have to do. We have to sign off on financials. We have to oversee the strategy. We have to pick a CEO, etc. But at the same time, bringing in that expertise at the bottom part of the T, people who have deep knowledge of what digitization is going to mean. How do we actually transition these organizations to be more automated? I'm not equipped to do that because that's not my background. But also thinking about China, having that perspective. I mean, it's shocking. I talk about this in the book.

The percentage of companies in the United States that have very large revenue, over 50% revenue coming from outside the United States, but they don't have any international board members. How can you be competitive in that space in that way? Green economy, this is not just about bringing heretics onto the board to heckle and scream constantly. It's about constructive dialogue to say, "Wait a second, let's not lose sight, as I said earlier, about not just risk mitigation, but also upside opportunities." So, it really, to me, boils down to the team. Who are the people on the board? Because they know where the sort of bodies are buried in terms of where to get the best sources of information, where to get the best knowledge.

And ultimately, it's also about picking the CEO. We have brilliant CEOs running these companies, and they understand these issues. They're constantly probing and tapping into different networks to be at that sort of tip of the spear, as you say, on all these major issues that are going to define success or failure in the years to come.

KK: Since I've got you, I want to ask you a little bit of a narrower question for a second. And that is, there's been a lot made of late of the dearth of both women, people of color, and especially women of color in the economics profession. There are very few economists at the Federal Reserve Banks, as an example, who meet that description. At the same time, I was on a call the other day with Lael Brainard at the Fed. And she brings a very interesting perspective when she talks about the impact of the pandemic on women specifically.

Because so many women have effectively left the workforce because of schools being closed and childcare being closed, that they've had to reassert that role of taking care of the family in a sense, and that, that's going to have long-term implications in the recovery. And obviously Gita Gopinath at the IMF, is kind of the exception that proves the rule as you are as well. But how are you in the profession thinking about how do we get more girls and then women who are in college, how do we get more of them into economics as a field, and then into the professional sphere? It's got to start early, right?

DM: Absolutely. And it's the classic problem that we face, because everybody points at boards, "You don't have enough diversity. Point at corporations, you don't have enough diversity." But society itself, and that includes governments, civil society, NGOs, we have to all do something much earlier. It's just not good enough to try and put a band-aid later on, or to put a gun to people's heads and say, "Why have you not addressed this issue?" This is systemic, it's multi-generational. But having said that, for people who are looking for women and minorities, have a look at the Sadie Collective. This is an NGO that basically supports black women economists. And these institutions exist. I think that we don't do a good enough job of thinking laterally on how we should think about these issues. If I may take myself as an example, I'm deeply gratified to have served not only on Chevron and 3M, but other boards, because they did take a flyer.

Traditionally companies have said, "We only want people from the C-suite." And that I think has limited our ability to not only bring in diversity of gender and race, but also of thoughts. We need people who can help us think through the challenges that are coming. It's the only way that companies will survive longer term. And I think that we just need to be much more flexible about how we think about what kind of athletes we want at the helm of these organizations and essentially driving change, but also driving success longer term, given the ethical challenges, given the risks and the geopolitical economic challenges that we know the world is going to be dealing with.

KK: So, going back to this question of boards having that diversity of thought and the civil discourse to think about how to move their institutions forward. On the one hand, you've got things like ESG

where there's tension from all sides. So institutional investors, regulatory measures taken, and boards and companies have to react, and they have to fit. But what about things, when you've got, say large but old companies? What do you see when you look at say the companies that are at the extreme end of innovation and the like? So, we look at a company like Tesla as an example. Not just in terms of what they're doing operationally, but when the board essentially authorizes putting $1.5 billion into Bitcoin, how does that change how you think about treasury at your companies when somebody does something like that and it's new?

DM: Yeah. So, this is the point about innovation. The one thing that is certain is that companies are not going to be stagnant. And there's a big risk. I certainly don't want to be at the helm on the board of a company that goes bankrupt. Nobody does. And indeed, even I would go as far as to say, I would rather that the company continues as a growing concern. It doesn't necessarily get acquired. Obviously, value is an issue we have to think about. But I like the example that you just picked about Bitcoin and Tesla. I actually have an article coming out in the next day or so in the Financial Times on this very point. I put my hand up. I'm the generation of skeptics. There's a lot of reasons to be skeptical about cryptocurrencies, partly because they are as a medium of exchange.

If you look at the sort of three things that we tend to think about money, medium of exchange, unit of account, and store of value. Really medium of exchange, it's hard to do a transaction. Visa takes 24,000 transactions, I think it is, in a second or in a minute, something quite extreme. It takes seven minutes to do something on Bitcoin. I might have the numbers roughly wrong, but they are in this article that I'm publishing. But then you also think about unit of account, there's too much volatility, so much volatility in Bitcoin as an example. You can't really plan. You can't really think about a price discovery and valuation when you've got so much volatility underpinning the currency. But as a store of value, and my main point in the article is that companies can't ignore Bitcoin. You can't just be a skeptic and say, "Well, it's not going to happen." Because we know our customers are using it. We know suppliers are using it. And those are important arguments just as a hedge.

But I think more fundamentally, it's really important for boards to think about what their role and their responsibility as companies is in an industry if they are not seen as a leader. So, for example, in your example that you just gave, Kevin, Tesla. $1.5 billion is an enormous amount of money. If they turn out to be right and this currency actually continues to appreciate, they have a bigger balance sheet. And with that, they can have much more flexibility and degrees of freedom in terms of acquisitions, in terms of how they play in the automobile sector, compared to a GM or Ford, as an example, who might not have cryptocurrencies on their balance sheet. I'm not therefore saying, "Oh, everybody should have cryptocurrencies. But I'm saying it's really incumbent on boards and corporations to think innovatively, not just in terms of the here and now, but really force themselves to think about long term, "What does this mean? How do we continue to innovate? Are we going to be acquired? Are we going to acquire?"

I was very struck by something that Jeff Bezos said, he doesn't think Amazon is going to be around in 30 years. How can he say that? This is one of the most successful companies. But it's that kind of thinking, how do you duck and weave constantly to make sure that you are really at the tip of the spear on these ideas, and you are protected from whether it's a siloed world or innovation in cryptocurrency. But not just protected, as I said, in terms of risk, but also leaning into opportunities. It's really critical. I will just say one last thing. We talked about race, gender, and diversity of ideas being important. What you've just discussed and raised here, also shows that companies need to think a lot more about bringing in younger people into the boardroom as a way of bringing in new thinking and more cutting edge thinking in these areas.

KK: And beyond these sorts of individual cryptocurrencies led by Bitcoin, of course, on the other end of the spectrum, we're seeing China is moving aggressively on a central bank, digital currency, and even Janet Yellen and Jerry Powell are talking about it as well. So, a lot going on, on that front. I'm conscious of the time. So, I have two very last questions for you. If you could answer quickly, it would be great, even though they probably require longer responses. But one is a board question. And then the other is your economist hat. The first is, markets have been flying, we've been in a long upward swing aside from the blip in the spring of last year when we initially went into lockdown. Money has been essentially free.

And I'm just wondering how you on boards think about market conditions in terms of the price discovery mechanism that the market is fundamentally meant to present has kind of gotten lost with just this flood of money into the markets and everything going up. How does that concern you when it comes to kind of assessing where your company is?

DM: Yes, absolutely. Just to put a broader point on this, about 15% of American companies are zombies. So, by that I mean they don't even have enough cashflows to cover the interest that they owe on debt. I think what that tells me is that a lot of companies are not running disciplined balance sheets. They are not running disciplined financials and possibly not even running disciplined operations. So yes, it looks on the surface, very attractive at these rates to put more debt on your balance sheet. But for me, I'm looking at the broader, longer term perspective. What is that debt for? Are you going to generate the returns in a low growth environment, that's not just going to cover the debt payments that are going to be required, but thinking about dividends and share buy backs and importantly reinvestment? Because ultimately, we cannot continue to have these companies.

They won't thrive in an environment where they are not growing. So in a nutshell, what I'm saying, Kevin, is that what might look attractive like low interest rates in the short term is something that has much more of a complex discussion around it, to make sure that companies have that veracity to survive downdrafts that we just, in a very surprising way, experienced last year. These companies that are going to get taken over or not going to survive over the long-term without massive bailouts are companies that I don't think have got that message right.

KK: And my final question here is that tomorrow the Chinese National People's Congress convenes, and they are going to formalize both the 14th Five Year Plan and their long-range objectives, which includes surpassing the United States as the largest economy in the world by 2035. Is that going to happen?

DM: Yes. However, I think about this with companies. I do think China's going to be the largest economy in GDP terms, the forecast from the IMF and World Bank already show that, that's the case. But the question is, does it really matter? For me, I think much more about returns as opposed to size. There are a lot of companies, I think about Goldman Sachs, where I worked many years ago, which has always been relatively smaller in terms of the number of employees. But in terms of returns, return on equity, for example, it's always posted better returns. I don't think being bigger in and of itself is an issue. Obviously as a juggernaut, it has a big role in politics and economics globally in terms of debts, etc., as we talked about. But I think the question is what does this mean for returns and innovation, humans, living standards, that kind of thing. And I think the question is much more complicated.

KK: I wish we had the time to unpack all of that, but hopefully you'll come back and we can do so. Dambisa Moyo's new book is How Boards Work, it's coming out in May. Dambisa, thank you so much for joining me today.

DM: Pleasure.

KK: And thank you all for joining as well. Our next call will be on March 25th. My guest is going to be one of Teneo's newest Senior Advisors, a former Obama White House official, Van Jones, probably known to most of you by his appearances on CNN. And he will be joined by Mark Weinberger, the former global CEO and Chairman of Ernst & Young, EY. Until then, thank you very much for joining. If you have any questions, please reach out to us at teneoinsights@teneo.com. I'm Kevin Kajiwara in New York. Have a great day.

DM: Thank you, Kevin.

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