

Dambisa Moyo: It's a no brainer. You need diversity if you want to compete in the 21st century. And not just for the emotional, sort of, optics of it. Actually, the numbers show it's really impactful in how decisions are made.

[MUSIC INTRO]

John Waldron: Hello everyone. I'm John Waldron, President and Chief Operating Officer of Goldman Sachs. I am very happy today to welcome Dr. Dambisa Moyo to today's Talks at GS session.

This conversation is part of a series Goldman Sachs is hosting as part of our One Million Black Women initiative. In this series, we'll explore the ways Black women are key contributors to the overall economy and how expanding Black women's access to capital and investment at key points in their lives will build new businesses and markets, uplift communities, and unlock economic growth.

Dr. Moyo is an economist and author of multiple best-selling books, including *Dead Aid: Why Aid Is Not Working* and *Edge of Chaos: Why Democracy Is Failing to Deliver Economic Growth and How to Fix It*. Her latest book, *How Boards Work: And How They Can Work Better in a Chaotic World* was just released this week.

Dr. Moyo's career background includes leadership roles both at the World Bank, as well as here at Goldman Sachs. She currently sits on the Board of Directors of the Chevron Corporation and the 3M Company. Dr. Moyo was also on the advisory board of One Million Black Women.

Dr. Moyo, thank you for joining us.

Dambisa Moyo: A pleasure to be here. Thank you so much for hosting me.

John Waldron: Okay, let's talk about the economy. I think you, before the pandemic, were making comments about your concerns about the fragile state of the world's economy. Now we've been through a pandemic and we're still living through the effects of the pandemic, in particular in certain countries like India. You know, it's raging worse than it has at any point in the last 18 months. Just talk about your perspective on the world economy. Why did you say that when you did? And how do you feel about it now?

Dambisa Moyo: So, it's clear to me at this moment we are in a

rebound. I mean, to be a bit clichéd about it, a rebound is not a recovery. And so, yes, we had aggregate demand shock. We were all at home last year. This year we're coming back, getting vaccinated, hoping we get to herd immunity. And that, I would give demand shock in the opposite direction, have a material affects on the economy. And we've seen that already from consumer sentiment through to PMIs and some of the risks that we're seeing around inflation. But also, the forecasts for growth.

So, absolutely no doubt about it, there's a rebound underway. But that's a very different scenario from a recovery. And I have continued to be deeply concerned about the prospects of a recovery. Not just because of the debt amount and the concerns around inflation. But if you look at the IMF forecasts now, they are already worried about an economic drag that may emerge at sort of the end of next year. Particularly, you mentioned India. Places like India are unlikely to reach herd immunity before February 2023, is sort of the most aggressive numbers that I've seen given where they are.

But, you know, why are people still so skeptical? And why did I write my book *Edge of Chaos* in 2018 with those concerns? It's because there's a confluence of factors that have emerged. Everything from technology, digitization, the risk of a jobless underclass, demographic shifts, both in terms of the quality and the quantity of the workforce and what that might look like. You know, the OECD talks about the underinvestment in education in places like the United States. And that, a shortage of human capital, is a big piece of it.

Inequality has been underscored, obviously, and sort of, perhaps risk of a K-shaped recovery where inequality will widen is something that's emerged. It's top of mind now but was already deeply entrenched with real diminution of social mobility and concerns around inequality, not just in income and wealth, but also in education and healthcare.

And then, of course, climate change. There are massive drags into growth in that transition of energy. But also, what the consequences of that might look like.

So, I was talking about the confluence of these challenges, which are further layered by the fact that we'd already been worried in the aftermath of the financial crisis with issues of the impotence of public policy, too much debt, negative interest rates. But also, you know, in many respects, short termism, both

with corporations, as well as with public policy. So, this whole confluence of factors was happening before COVID. And in that respect, COVID has essentially catalyzed or accelerated concerns from the Congressional Budget Office that in 2016 was already cautioning that the US government might not be able to meet its entitlement programs.

John Waldron: So, let me ask you, is there a policy response or a political response that you expect or suggest, you know, to what we have in front of us right now?

Dambisa Moyo: I do, actually. So, I get very nervous when I see, and I spent a lot of time in China in part of a group, about 20 of us, spent time with the president of China, including Larry Summers and a number of Nobel Laureates like Joe Stiglitz and Amartya Sen. And so, we spent time with President Xi. And clearly, and maybe I should put it this way, I think that the Chinese government seems to be much more where the US government was in the 1950s. They have much more visionary, big programs around, similar to the Manhattan Project and DARPA and the development of Silicon Valley. And we don't really hear of those really magnanimous type of programs anymore. And that relationship between corporations and government, I'm afraid, has become more and more fractured at precisely the wrong time.

So, you know, what kind of things do I think matter? I like something that Mike Bloomberg always says. We need government to be more data driven and focused on measured outcomes, forward leaning, and not corrupt. And if you have a government that functions like that, you can only win. But we have so much short termism. A lot of real gaps in terms of data driven. And we are behind in terms of technology.

There's a wonderful article I was reading about a chip. Gelsinger, who is the incoming CEO at Intel, really lamenting, really concerned about semiconductors. So, we're sitting here and seeing all these trends. And it worries me that we're not investing in education. According to McKinsey, by 2050 the US will be majority minority. So, by that I mean Blacks and Latinos will be the largest proportion of society. And the underinvestments in education in those groups in this country could put the country in a permanent economic recession. And what are we doing about it? We're watching paint dry, you know, essentially. And it's just not sufficient.

I touched on the fact that the American Society of Civil Engineers has graded infrastructure in this country as D+,

mainly conventional infrastructure: bridges, roads, airports. But that is not a formula for success. And I worry a lot that we've become very good at pointing fingers, blaming China for everything. But there are so many things we should be doing to enhance our prospects: investing in technology, investing in transition energy. And we're not even doing that. And somehow, it's become sort of an acceptable malaise.

John Waldron: So, you pointed out China and their focus and their strategy. I want to unpack that a little bit. I often think about the fact that the US and China are clearly the two kind of global powers in the world right now. We can debate, you know, sort of what the state of the relationship is. But I think those are the two models that are going to emerge in terms of the world's, you know, stewards going forward in many respects. What do you make of the China model versus the US model, the sort of more democratic capitalist model versus a state controlled model? And how do you think it will evolve?

Dambisa Moyo: Well, just to put it into context, we've only had market capitalism and liberal democracy for about 1 percent of human time. And you know, as economists we love mean reversion. And so, you know, I do think, I do worry, and I express this view in my board meetings all the time, I worry that we have sort of been seduced by the last 50 years of real cooperation and globalization. Even much more extensive and expansive than what we saw in the Gilded Age. And we've kind of gotten used to, assuming that that is the sort of *raison d'être* or the status quo that, you know, everybody wants. And clearly that's not the case.

And we know for a fact that China today is the largest foreign lender to emerging markets. It's bigger than the IMF, the World Bank and Paris Club. We know that China is the biggest investor. It's the biggest trading partner of many developed and developing countries. And in many respects, it's become a harder pitch to say, democracy and market capitalism and globalization, these big themes that really defined a generation of Washington consensus, it's harder to explain that those things are still worth defending when, in China, people say, well, wait a second, you're the guys who were the source of the crisis in 2008 with the financial crisis. And by the way, you guys are the ones we've got lots of populism that's incredibly destabilizing. And more recently, we haven't done a very good job of showing that we can cooperate, in not only coming together as democratic countries to say, hey, wait a second, something's wrong with this pandemic. And subsequently, trying to deal with the

vaccine. So, there are lots of areas that they can poke at us and say we're not doing well enough. And it's not a model worth pursuing.

I'll conclude by just saying, ultimately, a very good friend of mine always says "the numbers don't lie." And I think that that's the greatest challenge we have now. If we can create economic growth in a sustainable way, and by that, I mean a minimum of 3 percent per year, which is what you need to double per capita incomes in a generation, 25 years, if we can do that in a credible way, then I think we will get acolytes. If we can't, and we've been struggling to do that, it becomes a harder narrative at a time when China is posting insane numbers and continues to show itself to be a model that, you know, forget about the long term, but in the here and now is quite appealing. So, that's the needle that we thread.

For the avoidance of doubt, I'm a big pro democracy and definitely pro market capitalism and globalization, with obviously the caveats about the need for regulation and for government support and government partnerships.

John Waldron: I want to talk about public/private partnerships. You've spoken about the value of public/private partnership at Goldman Sachs. We really advocate and believe in public/private partnerships. Maybe you can give some examples of where they can be valuable. And do you have any specific examples of successful partnerships you would highlight that we should reflect on?

Dambisa Moyo: I personally believe that we should be using the muscle that we have the best advantage in. So, things like financial skills, things like job creation, supporting small and medium enterprises, which is why I think that the program for Black women that Goldman Sachs has initiated with Dina Powell and others is brilliant, because that's real. Those are practical ways to actually transform people's lives in a sustainable way. And we do that. We do that by providing loans. I wrote an article in *The Harvard Business Review* recently talking about how the role of corporations is going to change, even, you know, without ESG and become much more focused on subcontractors, suppliers, thinking about the sort of nature of the ecosystem. And the only way we can do that is really a working partnership with government, as we've seen with the vaccines. So, yeah, I have lots of different examples. That just might be a bit of flavor.

John Waldron: I want to transition to One Million Black Women.

But before I do, just one last question on this thread. Something I think a lot about, which is the disconnect between, as you've talked about, long-term economic progress and having to be very strategic and thinking about how to build economies and create growth for the long term sustainably, with short term political tenures and election processes and, you know, a system that kind of seems like everybody's always running for election as opposed to governing. Do you have a comment on that? Do you agree with that? Do you worry about it?

Dambisa Moyo: Yeah. So, in fact it's an interesting point because I alluded to my last book, the 2018 book called *Edge of Chaos*. And the book was really in two parts. It really highlighted a lot of the points that I raised here about these long-term systemic problems that we're dealing with: the breakdown of social mobility, climate change, demographic shifts, technology and its impact on job creation. So, those are all long-term, intergenerational structural shifts that we're experiencing. And they should be matched by long-term thinking. But, of course, as you said, we have elections every couple of years. And so, it becomes this sort of schism between long term and short term.

In that book, the second half of the book actually had ten proposals on what we might do to extend the terms, extend the way people think about some of these issues. So, just to give you, maybe, one or two quick examples. One of the things I think is really interesting in Singapore - and by the way, I should say all ten proposals are based and rooted in reality. So, it's not like I was just cooking them up in my kitchen. They are drawn from live experiences of how other countries run some of their democratic processes.

But one suggestion was in Singapore. Compensation is much higher for public officials. So, the Head of State there I think earns over a million dollars every year, which is quite something compared to other heads of state. But also, what I thought was really interesting is that for different ministers who are responsible for key sectors: healthcare, education, infrastructure, their salaries are higher. But very much like private sector, they've built in malus and clawback restrictions. Which put in simple parlance, in the years to come, if you find out that actually they claimed that they reduced infinite mortality and extended life expectancy, and they actually didn't do that, the government is able to clawback on their pensions and their incomes. And I just think it's kind of brilliant because we do that already in the private sector.

So, the notion that they would do it in the public sector, I thought, was pretty innovative.

And then there are other ways, things like extending terms, but also limiting the terms. So, you have a six year term, or a seven year term better matched with business cycles. But you don't want the person to stick around forever. So, you only allow them to have one term. I think those are kinds of innovations, again, that have been shown to be quite credible and to work. So, it takes a lot to change the system. But I thought they were interesting anyway.

John Waldron: Okay, let's pivot to One Million Black Women, which is something you highlighted, I referenced at the beginning, we're extremely proud of what we're trying to do here. We've got a lot of work ahead of us, but the idea, we think, has real merit.

You're a member of the advisory board, which we really appreciate your willingness to do that, to support us and to support the impact that we think we can have for Black women across the United States.

What are the key issues that you see that are really affecting Black women when it comes to their financial health and access to resources?

Dambisa Moyo: I would say fundamentally it's information. And by the way, it's particularly acute with minority women. But the truth is, I think, a lot of people in the country, particularly in a capitalist society, just don't have much information about where to access loans, how to access loans, you know, notwithstanding structural impediments that mean that even if they do get that information and they submit an application for a loan with collateral, there might be some overhang or redlining or whatever, you can take your pick, that might create structural challenges for them to raise capital. So, capital is the problem.

But I do think even before that we are living in a society where a lot of people don't have a bank account. Don't even know how to open a bank account. The notion of savings. The notion of how the markets function. Although, it's such an integral part of day to day living in a capitalist society like this, it's just something that people just don't have any information.

John Waldron: Can I ask you just to further elaborate? Are

there things that you think the political sector, the policy apparatus can do to address some of these issues? You know, whether it's financial literacy or otherwise, just you know, in terms of, again, focusing on Black women as we are in this initiative, are there things that you would advocate from a policy standpoint that we and others should be pushing in our agenda?

Dambisa Moyo: Yeah. You know, I think, look, like many other people I've become less sanguine about the ability for government to take serious action on these issues. And so, we are thinking a lot in the boardroom about what specifically companies can do. And I think there is a lot of leverage there.

For instance, you know, we tend to think a lot about employees and how to diversify the employee base, which is critical. We know the numbers are in. Companies that are more diverse, their return on equity is higher. They're clearing the cost of capital. We know all those statistics. And in my book *How Boards Work*, I talk a lot about that, the importance of having that sort of pure data as evidence.

You asked specifically about where public policy has a role. One of the things that I think is hard to implement but I really have been sort of pushing for several years now with not much success is that, ultimately, the asset owners of a lot of pension funds and with money that asset managers like institutional investors like BlackRock or State Street and Vanguard are managing is our money as citizens. And I think we've got a lot more room, but actually even government has a lot more room, to say, "You know what, we want to see more investment in things that enhance society." So, pensions, at least some proportion should be targeted more aggressively to areas of infrastructure build out. We all need infrastructure. It's not some big mystery. And by the way, I know the arguments: the returns are low. Liability. I get all all of that. But if this is about social construct and social improvement, it seems to me we've got many more degrees of freedom and much more wiggle room to use the sort of portfolio of levers that we have. And government can be much more innovative than they've been.

John Waldron: We've been pretty vocal about diversity on boards. You sit on a lot of boards and have on a lot of boards. I'm interested in your perspective on the diversity of the boards you've sat on. How you think it makes the boards better? Where do you think we are in the journey of having the right diversity on boards? What has to happen to make that better?

Dambisa Moyo: Yeah. So, you know, as a high level, as I mentioned earlier, it's a no brainer. You need diversity if you want to compete in the 21st century. And not just for the emotional, sort of, optics of it. Actually, the numbers show it's really impactful in how decisions are made, how we allocate capital, which is a critical piece of success of companies. So, I think we should all just accept that that is a known known.

When I joined my first board 12 years ago, I was on three boards, large boards, and I was the only woman, and I was the only visible person of color. I talk about in the book how somebody pointed a finger, a shareholder at an AGM, pointed a finger at me very aggressively and said, "What are the credentials of that statutory woman that she should be on the board?" And I was very struck by that because it reminded me that nobody wants to be on a board if they aren't qualified. And the good news is that we don't have to worry about that because there is a lot of talent. There is a wall of talent that comes in the form of women. It comes in the forms of Black people, Latinos, Asians, and people of non-traditional backgrounds.

And what the onus is now for corporations, is to broaden their aperture and to say, "Well, this person, we can't just look at the pipeline of CEOs. We need to broaden that thinking and thinking about how we need people who understand technology or academia, healthcare and life sciences, geopolitics. These are the issues that we're dealing with, and we need more of those people." And you know, as I said, the good news is there's plenty of talent out there. We just have to do much more work than being quite narrow in how we've approached it in the past.

John Waldron: Well, sadly, we're coming to the time when we have to part. But I just can't thank you enough for our comments. And you've got a lot of great runway in front of you. And we really appreciate your affiliation with the firm and your work with us on One Million Black Women. So, appreciate the time. And I wish you well.

Dambisa Moyo: All the best to you. Thank you so much. It's a pleasure.

John Waldron: Thanks.

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