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As part of the *Café Insights* series of interviews with inspiring speakers, The Insight Bureau recently caught up with Dr Dambisa Moyo, leading global economist and author who analyzes the macroeconomy and global affairs and advises international organizations.

AV: Well, hello, and welcome to another in the series of Cafe Insights. I'm Andrew Vine, CEO of The Insight Bureau. And today it's my very great pleasure to be in conversation with Dr. Dambisa Moyo, internationally renowned economist, columnist, author, and speaker. Dambisa is originally from Zambia, educated there, in the US and the UK, has a doctorate in economics from Oxford University, previously worked at the World Bank, and for a while at the investment bank Goldman Sachs, and is a best-selling author. In fact, the three books are Dead Aid: Why Aid is Not Working and How There is a Better Way for Africa, How the West was Lost: Fifty Years of Economic Folly and the Stark Choices That Lie Ahead, and Winner Take All: China's Race for Resources and What It Means for the World. So welcome.

DM: Thank you. Nice to be here.

AV: Nice to see you back in Singapore.

DM: Real good to see you.

AV: So what brings you here?

DM: So here for a commodity conference, The Global Traders Summit. We'll be talking a little bit about the macroeconomic environment and then getting into more detail about the commodity environment.

AV: Okay. And generally, what keeps you busy these days?

DM: So, in addition to writing books, I sit on the boards of four companies, including Chevron, Barclays Bank, Barrick Gold, and the technology company in Silicon Valley called Seagate. So, I've been quite busy with those, as you can imagine. The oil price is keeping us attentive, but also a lot of the macroeconomic shifts, deglobalization themes, in particular, have meant that a lot of the board work is around reconstituting the businesses to make sure that they are versatile in a world that becomes much more siloed.

AV: As a speaker, an adviser, you're talking about the macro economy, geopolitics, the markets, but also strategic issues that face the organization for the 21st century.

DM: Absolutely.

AV: So in a nutshell; everything that makes the commercial world go round!

DM: Well, hopefully. I mean, I've been very focused recently on this whole idea that really what sets one company apart from another company is capital allocation. In fact, there are a lot of studies that show that businesses where the CEO's only job is capital allocation and everything else is ceded to another person -- the president of the company, the COOs, by that I mean legal, compliance, human resources, etc. -- those types of businesses tend to out-perform. So, in a world where there's a lot of regulation, a lot of noise, the risks in geopolitics and macroeconomic environment and regulators on our backs, how do we make sure that the CEO is 100% focused on the capital allocation decision? What are they going to do with that marginal dollar? How will they spend it?

AV: Because right now there is a lot of noise.

DM: A lot of noise.

AV: I think economics has become much more difficult, and it sounds like politics is kind of trumping economics at the moment. It's hard for companies to make sense of, and then keep their eye on the main thing.

DM: Yeah. And it's funny because I think this is a little bit hard for economists to swallow, but I think the truth is that politics tends to trump economics even in more peaceful times. I mean, ultimately, the license to trade, regulation, issues around monopolistic behaviour etc. are determined by regulators. And so you're right, the best businesses have always really focused on what's going on in the politic, yes.

AV: You talk a lot about globalization or the issues related to being a global company and operating in a global world. But we seem to be hearing more and more voices talking about the end of globalization, or it really slowing up or going in reverse. Is that really true?

DM: Well, if you think about the four key pillars of the globalization theme, it was really around trade liberalization; it was around capital flows – cross-border capital flows; it was around the movement of people, which is immigration. And then the fourth aspect was really about the size of government -- the fact that government was really relatively small. These are the real main pillars of the Washington Consensus. I mean, you could add to that, also, the permeation of ideas, for argument's sake. So what we have seen recently, in the last 10 years for sure, reduction in the amount of trade flows. Trade growth has stalled globally over the past 10 years -- it has definitely been much lower than we've seen in previous years. We've also seen the increase in protectionism, whether it's naked protectionism in tariffs and quotas or the use of exchange rates. So clearly a decrease in global trade. Cross border capital feels very similar. If you look at numbers from the Bank of International Settlements, for example, cross border capital closes down about 9 or 10% over the last couple of years. So also a very big theme of capital returning to home countries or home buyers. And then immigration, we know has always been a very nationalistic, as opposed to global, agenda. It never actually did take off. And then finally I would say with regards to size of government, it's now a situation where the government is becoming bigger and a much more important role. In fact, if you look at the top 10 largest employers in the world, 7 of them are government.

AV: You've mentioned earlier that you're still working on your next book, out next year sometime.

DM: Yes. That's right.

AV: A bit premature to talk about it, but it's really focusing on growth and reforming democracy.

DM: Yes. Yeah, that's exactly right. So as I intimated a moment ago, I am a born and bred PhD in economics. And so very much of the lens that issues around global growth, income inequality, have to be solved with a pure economic lens. What we are seeing, just going back to what you said earlier, is that we're now heavily dominated by geopolitical risk and by political decisions and political institutions. Must say, there's also an acknowledgment that those institutions have become weaker. I mean, I think there are real concerns around the nature of the decision-making process, the decisions around Brexit and why were they made, or the election of Trump as president. How did we get to that situation? And so really, rather than put a lens on blatantly non-democratic countries-- people tend to talk about North Korea, or Cuba, or even China -- I was very keen to investigate how we might improve democracy in the quest for creating economic growth, or at least jump-starting economic growth seeing as it is quite stagnant

AV: Right. Because when you come to Asia, that question of democracy, it's not quite the same; a capitalistic system but with an Asian slant.

DM: Yes. And I think it's also about this whole idea of short-termism. I think that's ultimately what the problem is in the democratic process, is that it's inbuilt to the electoral process is the short-termism. And it's always refreshing to come to Asia-- I mean, we just saw last week, the One Belt One Road conference in China. They're pledging $100 billion, real expansive long-term thinking about infrastructure build up at the very same time that the US has been rated D-plus in terms of their infrastructure. So, the conversation is completely different, and I think that there's something there.

AV: And the conversation about China's changing. Now it's looking more the near infrastructure channels.

DM: For me, I've spent an hour with the Chinese President -- a small group of us a couple of years ago -- and I think what impressed me is that there is a lot of tactics, a lot of noise, and I think that the important thing for public policy to do is to focus on the signals. And they're very clear that they needed to invest in infrastructure and it's not just about the need for physical capabilities to boost growth, but it's also about the geopolitical aspect of maintaining a footprint globally. And I think that that's quite impressive.

AV: Yeah, and so the prospects for Asia, despite everything and a kind of uncertainty, seems to be as strong as ever.

DM: Well, I think that as long as China is able to successfully do the transition from export lead invest into more consumer lead, which is what their plan, that's where the story really hitches on that. Because obviously, I think that they will face challenges. It's not going to be linear. There's a lot of issues around their debt and nonperforming loans, etc. We've heard this story for many, many years, but I think their ability to transition an economy that size is really where the success of this region lies.

AV: Yeah. And in Singapore here, we're even more conscious of the potential of ASEAN as well, which I think people were looking for as an additional engine of growth, so that not all eggs were in China's basket.

DM: Yeah, and you're absolutely right. I mean I think that it's almost naive, especially since I've had the luxury of traveling throughout Asia, it's naive really to just focus on China. And what you're seeing in other parts of the region, you're right, next door to a 200 million population in Indonesia, 30 million to the north with Malaysia, etc. I think that there is a broader conversation to be had, not just about the geopolitics as people tend to veer towards, but also more generally about economic prospect long term.

AV: And India, of course, as well.

DM: Absolutely, right round the corner.

AV: It's always been promising, but never quite delivering what we want, but still …

DM: And yet again, another live experiment about the failings of democracy. It's got lots of promise, and I personally love the idea of being free, but I think that it's a live experiment. China and India, roughly the same population. India has really struggled to have sustained, what I would see as sustained economic performance. They're doing well, but it seems to be quite patchy.

AV: And you've spoken about that magic 7% growth. And we're kind of falling short on that. Is that worrisome?

DM: We are. Yeah, so in order to double per capita incomes in one generation, which is about 25 years, you need to be growing at around 7% per year. We are falling short. The scary thing is according to world economic outlook report by the IMF in 2014, they say that they do not expect the global economy to ever see those types of rates of growth ever again and so-- and then I think those are where the structural issues come in, issues around productivity decline, which is a very big theme in the US and Europe now. But also demographic shifts to the population, technology, and underclass, jobless underclass. So there are some structural themes that I think put a cap on growth.

AV: Well, you talk to a range of different audiences, sometimes it's investors and other times it's academia, but a lot of the time it's businesses and as you said, advising senior level meetings. Just to finish up on really is, what do you see as being the challenges on the agenda for the corporations of the 21st century? What are they having to get to grips with?

DM: I think that's a fantastic question. From the vantage point of my board work, but also spending a lot of time on the road, it's absolutely about capital allocation and one of the worrying statistics for me, and I've written extensively on this, is the fact that over the last eight months, you've seen that the dividends to retained earnings ratio is over 100%. So put it another way, companies are now preferring to pay dividends and to pay for share buybacks rather than reinvest the capital. And that theme suggests to me that the CEOs don't feel comfortable about the long-term prospects of the delivering economy gains in their businesses, and that is a theme that's been gathering a lot of momentum. The other thing, which I think is worth thinking about, is we're seeing a lot of de-listings from the stock market. So companies are now going much more private and I think it's because they're worried about being subjected to short-termism, which is quarterly reporting cycles. But again, I think there's a concern that they're not really going to be able to deliver the outperformance that shareholders will want in the near term.

AV: Well, Dambisa, it's great to meet you. Nice to spend a little time with me to answer these questions and to get a little bit more insight about how you think about the world. Look forward to seeing you again soon.

DM: It's a pleasure to see you, Andrew. Thank you.

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