



SUMMIT OF MINDS

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The annual event of the

MONTHLY
BAROMETER
PRESCIENT & SUCCINCT ANALYSIS OF WHAT'S OUT THERE

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A VIEW FROM: SUMMIT OF MINDS 2019

The 2019 Summit in Seven Quotes

"Be who you say you are – otherwise don't say it."

"If you cannot be perfect, be remarkable."

"The canary is the Arctic. And the canary is dead."

"You don't need to be bigger to be better; you do need to be better to be bigger."

"We should be learning from history, but Britain is living in it."

"Those who do not say anything must also be heard."

"Our idea of the problem creates our idea of the solution"

OVERVIEW

The mornings were bright and crisp, the afternoons warm and sunny, the evenings mild and lazy. The weather was on its best behaviour in Chamonix.

But what of the weather to come?



The threat of climate change hung over the Summit like a storm-cloud waiting to burst. Looking up at Mont Blanc, one feared to see the snow melting away, never to return. The Summit learnt first hand that some cultures go beyond looking and reflecting – they pay actual physical tribute to major natural sites. Their relationship with nature is predicated differently from ours.

If there were any climate-change sceptics at the Summit of Minds this year, they did not declare themselves.

The physical dread of climate change was matched at the Summit by a metaphysical dread – present last year but more present this year – that our time, our political time, is somehow out of joint. On more than one occasion reference was made to our democratic institutions failing to capture the opinions of large swathes of the electorate – particularly the beleaguered middle classes of Western democracies. Populist demagogues move into fill this vacuum with rhetoric formulated to exploit a growing sense of abandonment and impatience for change.

It was almost as though we were engaging in competitive pessimism. Only by taking the darkest possible view could we hope to be surprised on the upside.

THE CASE FOR PESSIMISM

"There is a sense of unease or anxiety about the state of the world. It is different from all the other crises."

"Since the invention of agriculture, we thought we were the pinnacle of creation; now climate change is teaching us that we are just one species among many."

"Science fiction is an offspring of foresight; All science fiction is about the fear that technology will make us less human."

THE CASE FOR OPTIMISM

"The next generation are pushing for change. They are far more mobilised than we were at their age."

"Disruption can be a force for reform, in politics and trade. Existential threats are a powerful sign that our views of the world are ossified but may also provide the catalyst for change."



"International disorder allows new leaders to emerge. Jacinta Ardern [the prime minister of New Zealand] is a hero for our times."

But how, now, to move the needle in the right direction?

Narratives matter. Images matter. You cannot solve a problem that you cannot understand, cannot visualise. The view from the window of Apollo 8 told us a story about our Earth that changed everything we had heard or imagined before. Our Earth had been a globe in a classroom, a map on the wall. Now it was a Pale Blue Dot in Space. It was because we had seen the holes in the ozone layer from space that governments agreed to ban CSC gases.

Maps matter. We need to know where we are going. But no map is perfect. One has to read a map correctly. One has to know its limitations, what it leaves out. No map incorporates every fragment of information, otherwise it would be the same size as the territory.

Life Lessons from Mountain Climbing

- Expect to find yourself in unknown territory
- Use GPS, but know what to do if GPS fails
- Know when to follow others, and when to strike out alone
- Aim to reach your goal, but know when to turn back
- The number two priority is to reach the summit
- The number one priority is to come back alive.

POLITICS & GEOPOLITICS

We are in a phase of mild global disorder. America's loss of global authority is not being counterbalanced by gains in global authority elsewhere. International institutions are weak; China is a work in progress; Russia is opportunistic; Europe is introspective.

Three scenarios for a new world order:

1. Coalitions of the willing that come together to address specific challenges, then dissolve once a given task is complete. This might provide some order, though would likely leave many challenges unaddressed.
2. A new bi-polar system with one pole centred on the United States and the other on a China/Russia strategic alliance.
3. A resurgence of multilateral cooperation, perhaps based on collective fear of climate change.

AFRICA

We need to remind ourselves that Africa is not one country but 54 countries, where national borders can pose maddening obstacles to the free movement of goods and people. But still, the opportunities are vast. The mobile phone enables the innovative and agile provision of services across a broad range of sectors, including banking, agriculture, healthcare and education.

The population of Africa is set to increase by another 1.2 billion people over the coming 30 years – another India, in effect. This will lead to increased demand for goods and services, particularly in the most basic areas, such as water, education, and healthcare, which are in deficit even at current levels of population.

Africa is under-banked. Retail banking services are only now taking off. Margins are high and NPL ratios are low. One speaker's advice: Don't even try to raise bank finance for your investment project; buy the bank instead.

BREXIT

Brexit continues to perplex, as to its causes and to its effects.

Opinion at the Summit was divided as to whether Brexit would even happen. It was seen as a mixture of tragedy and comedy – a safe subject for jokes, and for wry observations about the British character.

At last year's Summit, Brexit was blamed primarily on exaggerated fears in Britain about immigration. At this year's Summit speakers expanded on how Brexit has exposed an underlying crisis of national identity in the Union of the United Kingdom and Northern Ireland, coupled with a disconnect between the Westminster bubble and the rest of the country. Add to this the failure of successive British governments (and the EU itself) to explain the European project effectively to a domestic audience. Speakers also attributed Brexit to distortions in the British education system; and on a political failure to manage the effects of de-industrialisation.

The Summit heard that, well into the 1960s, British children learned in school that their country was a world power, and that the British Empire had been a good thing with its legacy deeply, and largely subconsciously, embedded in the national psyche. In 2017 these by-now elderly voters turned out en masse to vote for Brexit.

However, and importantly, what Brexit has done in the UK is to re-energise a parliamentary democracy that had become complacent. Accordingly, there is room for hope, although the Brexit story has a long way to run yet.

CHINA

The 2008 financial crisis changed China's view of the West profoundly. Until 2008 China basically wanted to emulate the Western financial economy. After 2008 China thought: we can do better.

Xi Jinping did not plan this confrontation with America. He thought a Trump presidency would allow for a good transactional relationship. But things have gone badly, Xi has been forced to take a fresh view, and he has decided that China is ready to challenge US supremacy. The US has always been an adversary, in the mind of China; it was only a question of when to challenge the US openly. The US-China tensions visible now are not limited to a trade war, a currency war is coming, and all will be affected. This is a broad-based full confrontation.



FRANCE

Tech is embracing France, and France is embracing tech. Series A-type financings for tech start-ups have increased roughly six-fold in France on an annualised basis over the past two years. The proportion of 18-25-year-olds wanting to become "entrepreneurs" has increased from 13% to 60% in the past decade. France now has some of the world's most generous tax breaks and most liberal visa rules for start-ups and founders.

HONG KONG

The reputation of Hong Kong as a model of free-market capitalism has suffered a serious correction. Ten families control one-third of Hong Kong's wealth, and have captured the government; more than 20% of the population lives in poverty; blue-collar wages have been falling. This is the real story of the protests. We may think the protesters foolhardy, given the precedent of Tiananmen; but most are scarcely even aware of Tiananmen.

INDIA

India is facing a downturn in its economy. The BJP government of Narendra Modi is now some 100 days into its second term. What is the verdict on Modi's economic policy to date?

As Chief Minister of Gujarat, Modi established a reputation as an effective administrator and won support among the business community. His governing style is assertive, and he is not afraid to take difficult decisions; for example, the introduction of the Goods and Services Tax in 2017 (GST), which harmonised a previous multiplicity of tax regimes. His government has just cut corporation tax from 30% to 22%, bringing it down to one of the lowest rates in Asia. It has liberalised the foreign direct investment regime.

However, labour law reform and the engagement of those working in the agrarian economy remain significant challenges. In addition, Modi's government has alienated many with its willingness to prosecute. In the media sector, this has compromised the ability of organisations that have diversified into other business sectors for revenue reasons to hold the government to account.

For now, the jury is out.

ENVIRONMENT

A crisis is also an opportunity. But only if the crisis will pass. The mood at the Summit was that there will be no exit from climate change in our lifetimes, nor for many lifetimes to come; if, indeed, there will be lifetimes to come.

How then, to adjust? How to "invest accordingly"?

One answer is to weight investment towards assets with high ESG ratings. ESG stands for "environmental, social, and governance". Companies and instruments are rated for ESG much as they are for credit-worthiness. MSCI, the leading provider of ESG ratings, grades companies from AAA (best) to CCC (worst).

But ESG ratings are more of a marketing tool than anything else. They are marketed to companies as a means of attracting more investors, and marketed to investors as a means of identifying companies that will perform better in the long-term, because consumers and regulators will demand more ESG-type compliance.

A more radical model would favour companies and projects in the "circular economy" – companies and projects that prioritise returns to nature.



The circular economy aims to maintain the value of existing resources by recycling materials and minimising waste, ideally with a multiplier effect. For example: If you repair and re-use a pair of jeans, you are not only saving cotton, you are also saving the 11 tonnes of water that would be used in producing a new pair of jeans.

The magnitude of the environmental challenge requires commensurate solutions, some diverse and ambitious ones were aired at the Summit like:

A project already well underway: 250,000 hectares conservation area in the Carpathian region of Romania providing not only a source of sustainable rural development for the local community but also constituting a vast European carbon sink.

A concept beginning to gain traction: an internationally endorsed carbon tax on conflict aimed at quantifying and taxing the real cost of war.

The Summit heard this statement: when asset classes, investment propositions and even defence spending fail to price in the environmental and societal costs in effect we are talking in market terms about subsidised 'products' and that subsidy is coming from society and the environment.

MACROECONOMICS

It is hard enough to fine-tune monetary policy even during a relatively “normal” business cycle. Under current conditions, when international co-operation is failing, globalisation is reversing, currency wars are looming, populist governments are abandoning fiscal responsibility, populations are ageing and interest rates are turning negative, it is all but impossible.

To attempt vast open-market interventions in such a climate is quixotic; but that is what central banks have been doing by means of quantitative easing, a big blunt instrument of uncertain effects.

In the current environment of moderate global growth and relatively weak investment, we should expect to see equilibrium conditions of low inflation and low but positive interest rates. Central banks should co-ordinate more, intervene less, and let this new equilibrium be found.

It is something of a puzzle that prolonged low interest rates are not encouraging more investment. The answer, perhaps, is that very cheap money allows very poor companies – zombie companies – to continue in business, deterring new entrants and new investors.



MEDIA & TECHNOLOGY

Incumbent media companies have always seen new technologies as threatening; but the new technologies always prevail, the market always expands, the media industry always adjusts. It happened with radio and with television, it happened with CDs, it is happening with streaming.

The fundamental change now is one of scale and capital. The increasing returns to successful blockbuster films are creating a movie industry with less and less place for independent and art-house films. The main threat to newspapers is not social media, but private equity companies and vulture investors seeking to consolidate, leverage and asset-strip the industry. Old and new players – Apple, Netflix, Disney among them – are pouring billions of dollars into what we still call “television”, but which has less and less connection with our television sets.

Technology itself is undergoing something of a moral crisis. There was a time not long ago when it seemed that technology was the answer to many of the world’s most pressing problems. Now it can often seem as though technology itself is our most pressing problem.

The Summit kept alive the vision of technology as a force for good. The 2019 Tech4Good Awards were judged and presented in Chamonix to start-ups that matched virtue with promise. The winning company, Meditect, is building a platform to monitor medical supply chains for counterfeit pharmaceuticals. Meditect’s CEO, Arnaud Pourredon, is currently focussing on Africa as the primary market.

Advice from a White-Hat Hacker

- The fastest way to spread malicious code is to build it into an Android app
- The second-fastest way is by attaching it to the “terms and conditions” box which everybody checks unthinkingly
- If you think things are complicated now, wait for the Internet of Things to take over the world in a few years’ time. It will be like having an IP address for every grain of sand on the planet.

HEALTH & WELLNESS

The rise of new medical technologies risks obscuring the fact that the main factors in maintaining good public health are infrastructure and social norms. A nation needs clean water, a decent education system, and routine vaccinations. Get those right, and the rest will follow. Perhaps two-thirds of common adult health issues can be alleviated by eating, sleeping and exercising well. The incidence of prostate cancer, for example, correlates primarily with lifestyle and environment, not with genetic endowment. New research in the realm of epigenetics shows that we are not slaves to our genetic inheritance. Nothing is pre-determined: the 3Ms (movement, meditation, mindfulness) combined with better diet and work life balance can positively impact our wellbeing and transform improved life-span into improved health-span.

Populations are ageing; partly because birth rates have fallen, partly because better nutrition and lower infant mortality has led to longer life-spans. We worry about maintaining our physical health in old age; we worry about dementia; but we should also be thinking about the most common complaint of the elderly – loneliness.



Work-related social ties will fall away with retirement; communication skills and confidence may ebb when we no longer need to display them in the workplace. To avoid loneliness in old age, it is vital to develop or maintain a portfolio of interests outside the workplace, ahead of time, to keep the social self well-tuned.

It is not only the elderly who risk feeling alone. The taboo so long attached to mental illness and depression means that the actual suffering is often exacerbated by a sense of isolation. The value of sharing personal experience cannot be underestimated. Medication and therapy at the right time and in right measure have an important part to play in coping with mental ill-health. While incremental life style changes are the most effective to achieve lasting and sustainable improvement.

Wellness is a big macro trend but not a specific asset class. It equates to a personal journey, a quest for authenticity and a state of mind. Investment opportunities abound across diverse sectors but beware of bubbles.

Books Recommended by Summit Speakers:

- Start Here: Master The Lifelong Habit Of Well-Being, by Eric Langshur
- Being Mortal: Medicine And What Matters In The End, by Atul Gawande
 - Deep Medicine, by Eric Topol
 - Younger Next Year, by Chris Crowley
 - Pour Une Révolution Délicieuse, by Olivier Roellinger
- There's No Such Thing As A Bad Day, by Hamilton Jordan

LEADERSHIP

Good leaders need to meet two fundamental performance criteria: they must go in the right direction, and they must inspire others to follow them. Look for leadership qualities rather than leaders per se – leadership can be found in unexpected places.

The best leader is not necessarily the most intelligent leader; too much intelligence can have negative returns. As a rule of thumb, a group of workers with an IQ of 100 needs a manager with an IQ of 118-120. A manager with less general intelligence will not be effective; a manager with more general intelligence will not be understood.

Other skills and characteristics are highly contextual. You do not want a creative mind in an accounting position.

Conventional leaders are good at making decisions, good at building trust, and always receptive to advice. They have a sense of timing which may be learned or may be intuitive.



Edge-case leaders fall into one of three categories:

- Disruptors
- Enablers
- Manipulators

Such leaders are precision tools. They can achieve extraordinary results, but only in the right context, only in the right organization. They are not for general purposes.

Sometimes, leaders who are unsure of their direction will call in consultants to give advice. This rarely produces optimal results, because it is rarely done in an efficient way.

Where are you going to get advice on finding the right consultant to give you advice? That is a logical paradox; unless you have extensive past experience of using various consultancies, you have no choice but to act more or less instinctively. How can you ever find the right person to solve a problem that you do not understand? That is another logical paradox. As a result, consultancy is one of the worst-bought products in the world.

Leaders are never wholly free to lead; they will not last long unless they work within the culture of their organisation, which imposes certain values on them. But what to do when the organisation itself is subject to conflicting cultures with conflicting values?

This would once have sounded a fanciful question; but the combination of globalisation and identity politics means that companies can often be subject to competing moral claims. What, for example, if you are a Western hotel operator with an Islamic parent company? By what moral calculus can you market rooms to gay guests whom your proprietors would be happy to see executed?

BAZAAR

Participants enjoyed a rich array of offerings in the Bazaar: ranging from honing their public speaking skills to being shocked and re-assured in equal measure in the cyber security corner; reflective thinking on the role of money in society in the philosophy corner and the ubiquitous reminder from the tireless magic maestro that a little magic in our lives can go a long way.



EXPERIENTIAL ACTIVITIES

A conviction that physical movement and direct experience enhance not only our wellbeing but also our cognitive capacity lies at the heart of the Summit of Minds. During the weekend in Chamonix participants had ample opportunity to put this idea to the test. Creativity, climbing, canyoning, conversation while hiking, mountain biking and early morning meditation and stretching were all on offer and made the most of with enthusiasm.



CONCLUSION

We spent the Summit talking like pessimists. But the mere act of coming together, and thinking and talking, defined us as optimists. We would only have engaged if we thought there were solutions to be found, or, at least, improvements to be made.

We created a place-holder for the sort of big answer that we wanted; we called it "conscious capitalism", borrowing the term from John Mackey, founder of WholeFoods, a text-book case of virtue at scale.

We agreed that conscious capitalism broke with the capitalist orthodoxy of the past fifty years, which held that the only obligation for a corporation was to maximise shareholders returns.

We agreed that corporations also had to return value to, and create value for, workers, customers, society at large, even nature itself.

We had much less general confidence that corporations were properly incentivised to serve these wider purposes, at least without changes in the fiscal and regulatory environment.



But if "conscious capitalism" means that corporations are legally required to serve society as a whole, thereby diminishing the rights of their shareholders, is this not socialism by another name?

Perhaps it is.

Perhaps, though, the old categories and the old labels no longer apply, and we must do what the situation seems to require, recognising that we have not, as a species, been the very best judges of our own interests in the past.

Let us say, then, that in Chamonix we were pessimistic about the probabilities, and yet optimistic about the possibilities. We took our cue from Voltaire: "The most important decision one can make is to be in a good mood".

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Monthly Barometer / Summit of Minds

219 Chemin de la Croix des Pècles
74400 Chamonix Mont-Blanc
France

Email: info@monthlybarometer.com
www.monthlybarometer.com
www.summitofminds.com

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