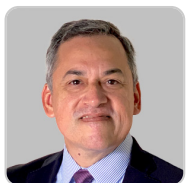


FUND FINANCE FRIDAY

Fund Finance Symposium Panel Recap: A Geopolitics Discussion with Pippa Malmgren

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One distinct and lasting memory that I have of law school is the feeling that I was being let in on a secret. Through the (hundreds of) cases that we read and our other coursework, we were learning about how the world really worked – not just the legal world, but also the government, politics, businesses (and the corporate world generally), property (and by extension property owners), the criminal system, and people generally. It was fascinating, and wholly unlike the rest of my education. It probably goes without saying that I very much enjoyed law school.

I got that same feeling of being let in on a secret about the way things really work at one of the final panels last Thursday at the FFA Global Symposium in Miami. The panel was “A Geopolitics Discussion with Pippa Malmgren.” Dr. Malmgren is an economist who advised the President of the United States during 9/11. She served on The National Economic Council and The President’s Working Groups on Corporate Governance and on Financial Markets. She has founded and supports several tech and other ventures and is also the author of a few books, including *The Leadership Lab*, which won the 2019 Business Book of the Year.

Dr. Malmgren discussed Chinese balloons, AI, the war in Ukraine, “wars” in various other places (including space), computing power, glocalization, yoga mats and other topics, and in each case explained why we should care about the topic (and managed to cover all of that in 50 minutes). We can’t discuss all of the topics she covered here, but below is a brief summary of a few of them.

A Hot War in Cold Places

Dr. Malmgren discussed a couple of areas here, and noted that there is not a lot of press about these because they are happening where there are no or few journalists. The first was the increasing tension and conflicts between superpowers (primarily the U.S. and China, but also Russia) at sea, with the South China Sea probably being the most prominent.

The bigger discussion was about the “war” for space, and among the same three countries. First she talked about satellites – the cutting of an underwater cable in the Arctic circle that carries virtually all satellite communications with Earth (there are redundancies, so this didn’t cut off the communications), Russia purposely blowing up a satellite and showering that orbit with debris (making it unusable by other satellites), NASA financing companies trying to clean up space debris, and China “dazzling” U.S. satellites when they pass over China. Next was the race to the moon (including Starship and the U.S.’s Artemis 1 rocket) – not just to reach the moon, but to stay there, build launch pads and manufacture on the moon. Dr. Malmgren stated that many of Earth’s problems can be solved with space-based solutions – unlimited cheap green energy, resources and connectivity. Mining asteroids for materials (noting that the value of the resources in a single asteroid, Psyche, would be enough to make every person on Earth a billionaire). Saudi Arabia is already working on space-based solar power. Some experts in this area see the race for space as a winner-takes-all scenario, with the potential to shift the geopolitical balance of power on Earth. All of this will have incredible spinoffs for the private sector (much bigger than in the 1960s and 1970s).

Invisible War and Spy Games

Why would China want to spy on Montana? Dr. Malmgren explained that most of the U.S.’s nuclear missile silos are in Montana (and Wyoming). And that data from a spy balloon could be fed into SenseTime’s facial recognition software, which can not only recognize faces but determine someone’s (like a silo operator) emotional state. She then showed a slide with a recent quote from the UN Secretary General – “This is the closest the clock has ever stood to humanity’s darkest hour, and closer than even during the height of the Cold War.” However, Dr. Malmgren managed to be positive, noting that all past issues re: nuclear alerts have been resolved. She also noted that preventing nuclear war is one of the few subjects that gets bipartisan support among the Republicans and Democrats, so that’s something.

Dr. Malmgren also discussed the war in the Ukraine and war, conflict and relations with Russia and China generally, noting their focus on resources in Africa and the Arctic and other areas of conflict (which includes access to computing power and technology) which are not receiving much attention, but that investors in these regions should be aware of. She also discussed how Russia and China will ultimately need to be included in resolving all of these conflicts and in rebuilding (both Ukraine and Russia, as well as getting China’s economy back on track) once they are over.

Computational Power and Digital Currency

In addition to the massive amounts of computational power necessary in connection with the space activities mentioned above, Dr. Malmgren discussed the Central Bank Digital Currency and the new monetary policy this could bring and the amount of personal data and financial information that will need to be processed, and the work that is already being done to develop the necessary hardware and shardware to accommodate this. Again, bringing it back to the audience, she noted that changing the whole system of money and accounting would affect all the deals that are being done. She had a slide showing that pre-1900 human knowledge doubled every century and in 2020 that had moved to every 12 hours – there is simply too much information to process without automation and computer algorithms.

Dr. Malmgren succeeded in giving us all too much information about a myriad set of topics to process, and discussing topics that could ultimately matter a great deal in our lives but that we knew little, if anything, about. From an investing and opportunity standpoint, the implications of the things she talked about are relevant to determine where the deals are, in what sectors they will be, and which sectors or deals may no longer make sense in the face of some of these technologies. She hoped she got us to lift our heads up from looking at the details of deals all day long and to draw our attention to whole new sectors that may be massive and full of deals and that will have implications for every other sector.