



# THE RECOVERY IS YOU

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**EPISODE 4** - Featuring Frédéric Oudéa, CEO of Societe Generale

Much 'digital' ink has been spilled over what consequences the Covid-19 pandemic was likely to have on society. What part of these known and unknown consequences are likely to be transitory versus on lasting or even permanent? In this new episode, Kokou Agbo-Bloua elaborates on the societal scars of Covid-19 and their long-term effects. Frédéric Oudéa, CEO of Societe Generale, makes a special guest appearance to discuss Covid-19 related to challenges and how companies and CEOs are adapting.



## 2050 INVESTORS – EPISODE 4 SCRIPT

(Opening credits for all episode of the podcast)

Welcome to 2050 Investors, the podcast that deciphers economic and market mega-trends to meet tomorrow's challenges.

I'm Kokou Agbo-Bloua, I head up Economics, Cross-Asset and Quant Research at Societe Generale.

In each episode of 2050 Investors, I'll investigate a key mega-trend that relates to the Economy, the Planet, Markets and You.

(Beginning of episode 4)

I hope that you managed to squeeze in a holiday this summer. In France, the month of August is basically a national holiday.

By solidarity, I had to comply with the tradition and was quite busy testing out the Demand Satiety principle that we discussed in the Inflation episode... I confess I did not make it to 50 pina colodas.

But back to reality. It appears that we have won the war against Covid-19! England ended most of its mandatory social distancing rules back on July 19<sup>th</sup>, right before the summer holiday month of August.

This Freedom Day was a sort of second UK Independence Day, the last one was... hum... Brexit? or maybe the Bastille day equivalent where we finally overcame the tyranny and oppression of covid-19, the Crown-virus? which literally is translation of coronavirus by the way.

Hum... I can sense some hesitation and un-easiness.

And indeed, we still have the Delta variant spreading among unvaccinated people. And in some cases, vaccinated or partially vaccinated people. Thankfully with a much lower mortality rate.

The rest of the world is far from achieving herd immunity. There is even talk of vaccine efficacy starting to wane.

Wearing a mask has indeed become part of our daily routine for over a year now. It's even a sign of mutual respect. This uneasiness could last longer than we think and could be a symptom of 'psychological long covid'.

**Much 'digital' ink has been spilled over what consequences the covid-19 pandemic was likely to have on society. And especially the collateral damage future generations may have to bear.**

**What part of these known and unknown consequences are likely to be transitory versus long lasting or even permanent?**

These societal scars of covid-19 and their long-term effects on you and the economy is today's topic du jour.

As a disclaimer, we will focus a bit more on human psychology and the 'You' in this episode. Why? Because markets and the economy are not always driven by theoretical concepts, econometric

models and mathematical formulas. Human emotions such as fear and greed, confidence or despair play a significant role. This is one of the reasons why behavioural finance has become so popular.

So, let's start our investigation.

Let's first search "social consequences of covid-19" on Yahoo. Nothing personal against Google by the way, it's just business 101, never get all your information from the same source.

Unsurprisingly, you see a plethora of articles, newspapers, academic research papers and so forth.

TO be thorough, let me read all of the 71,600,000 hits out loud one by one ... are you ready? Let's start.... just kidding. Wow! What a volcanic eruption of silence to this joke. I was once told that when you become a manager, it is usually the last day you really know whether your jokes are funny or not.

Back to our scars. And in my infinite kindness, let me summarise my findings in 4 main points.

**Point One.** The obvious long-term physical scars are well documented: loss of smell, loss of taste, tiredness, headaches, allergic reactions. But other studies have even uncovered other less known effects of Long Covid, such as heart conditions, neurological issues, etc. Most of these consequences are more likely transitory though.

**Point Two.** The psychological scars, the trauma of having lost relatives, of having lost loved ones over a short period of time without an opportunity to properly grieve. One can also think about the social phobia, fear of others, or crowds. Aka Agoraphobia. This can also lead to lower risk appetite and entrepreneurial spirit.

Lower mental wellbeing is one of the most common scars. Several months of lockdowns and quarantines have indeed taken their toll on many of us, triggering bouts of depression and lower self-esteem.

This reminds me of French philosopher **Jean-Paul Sartre** and his play Huis Clos or No Exit. He mentioned the famous and often misunderstood quote "L'enfer c'est les autres", "Hell is other". By this he did not mean that other people are the worst and that you should run away from them.

But rather, he more subtly meant, and I am quoting here: "when we think about ourselves, when we try to know ourselves, we use the knowledge of us which other people already have. We judge ourselves with the means other people have and have given us for judging ourselves".

This effect is potentially the most long lasting one. And the one with the most important consequences for the broader economy.

**Point Three.** Changes to our relationship to work, the breach of the physical and emotional boundaries between work and home, the pressure of childcare, home schooling. Some companies are asking their staff to come back full time, others are more flexible.

*The key question here is whether or not we are going from being confined at home to the feeling of being confined at work. **Another potentially long lasting and transformative legacy of covid-19. But more on this topic later with our special guest.***

**And finally, point Four**, which is probably the most interesting and permanent one. It is the worsening social inequalities across the world. In terms of access to education, work, income and

even vaccine. It's about the sustainability of the social fabric of communities and support systems within most countries.

The National Bureau of Economic Research put out a very interesting research paper called "Scarring Body and Mind: The long-term belief-scarring effects of Covid19". This research paper talks about the change in the perceived probability of an extreme, negative shock in the future. A shock which could in turn have an impact on economic output, via the channel of marginal propensity to consume and the level of happiness.

As discussed in "The Roaring 2020s" episode, a vibrant and healthy economy relies on animal spirits, risk taking, self-confidence and entrepreneurship. It also requires low wealth inequality. That's because the more unequal a society is, the lower potential growth is, and the higher social tensions become.

This is simply because higher income households spend less of their disposable income and save more. While their lower income peers spend a higher proportion of their income, which is more stimulative for the economy.

French economist Thomas Piketty, from the Paris School of Economics, wrote an interesting book called "Capital in the 21<sup>st</sup> century". I have it somewhere here on my bookshelf.

It shows that the power of compounding return on capital was much greater than income growth from labour. And this explains the massive rise in inequality over the past decades.

According to Credit Swiss' Global Wealth Report, the world's richest 1% own 43.4% of the world's wealth. According to Oxfam, in 2009, the combined wealth of the world's richest 380 people equalled the wealth of the bottom half. And 9 years later, in 2018, just 26 billionaires had as much as the bottom 50%.

This has gotten even worse during Covid in 2020– Data released by the Federal reserve in Q3 2020 shows that the combined net worth of the top 1% of Americans held a staggering 16 times more wealth than the bottom 50% combined.

No wonder Einstein said "Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it."

**Ok. So, to recap, emotional scars, a new relationship to work and inequalities have the potential to change you and thus the economy.**

**The big question now is: how many of these scars are transitory and how many are permanent? And what can we do about it.**

Let's consider the positive side of societal self-cure via entertainment and the key benefits of turning back the page of covid-19.

Legendary Greek philosopher Aristotle once said: "Man is by nature a social animal". Man cannot live alone.

We must therefore talk about football and our ingrained need for entertainment. Why football? Because in England, we literally had more than 60 000 people in Wembley Stadium – unheard of since the start of Covid-19. This was the ultimate collective mass healing experience, a big step towards getting our lives back.

England lost the final of the Euro. And let me tell you, here in London, the excitement was electric until the penalty shoot-out.

For Italy, this victory came at the end of a series of doubt, uncertainty, and nail-biting moments. This audacity of hope reached its peak with a national celebration or rather a national healing after the trauma of the Covid-19 pandemic.

For England however, the country went through its five stages of grief.

That is: denial, anger, bargaining, depression, and acceptance. While most have shown their gratitude to what was achieved by these champions, it is still appalling to see that some continued to be victims of racial abuse.

Let's remember the words of James Baldwin "Not everything that is faced can be changed; but nothing can be changed until it is faced".

I'm always amazed to see and witness the power that football can have on a nation. It really can bring the best, and the worst, out of people.

I still remember the national euphoria when France won the 1998 world cup. It coincided with my successful passing of the competitive exams to enter the French business school HEC. We all sang... "We are the Champions, my friends".

It also generally boosts consumption which benefits the overall economy. In France for instance, preparation for the 1998 world cup involved several multi-billion-euro infrastructure projects.

**Ok. So, one way to heal from the psychological scars of covid is through collective experiences. The other way is through individual resilience and the desire to succeed.**

**Think about the key exams you had to take. That next interview for that dream job. Or that important product pitch in front of a management board or getting that venture capital financing for your start up.**

Going beyond our limits, making new discoveries, beating an Olympic world record, yearning for that dream to explore space, it's all part of that fundamental human trait that has inspired generations and fuels economic progress. Mohamed Ali summed it up nicely: "Don't limit your challenges, challenge your limits"

Think about Richard Branson's extraordinary achievement this past July. Aboard his Virgin Galactic spacecraft, he reached the edge of space after climbing at 3 times the speed of sound. This project cost him about 1bn of his fortune.

I'm sure you'd agree it was "one 'not so' small stash of cash, and one giant step for hum... the space travel industry".

**Ok, all of this makes sense. This was short and medium term though. But what about the long-term effects of the Covid-19 pandemic? Can they distort this drive for success of the younger part of the population? Our kids and teenagers.**

**Are they going to suffer from long lasting post-traumatic stress disorder which might affect risk taking, spending patterns and the ability to seize the moment "carpe diem"?**

**I don't think so. I mean, I hope not. And here is why.**

Humans cannot stand still. Entertainment is a profound or even primal need for humans. Think about your kids. That's probably why we spend decades in the education system to learn how to control ourselves. To learn how to stay still.

Roman dictators and then emperors such as Julius Caesar, Commodus and Caligula understood the power of gladiatorial games. Who does not remember the famous quote by Roman poet Juvenal: "Panem et Circenses". Bread and Circus. Give the crowd bread and circuses to control them.

I guess the modern-day equivalent of "Panem et Circenses" might be "Deliveroo and Netflix".

French Philosopher Blaise Pascal was spot on when he said: "All of humanity's problems stem from man's inability to sit quietly in a room alone". We need to be entertained.

[voice of Kokou's daughters: Daddy, daddy I want a puppy right now. I'm hungry]

Sounds familiar? That was part of my lockdown soundtrack. Another very pertinent quote by Blaise Pascal is: "Distraction is the only thing that consoles us for miseries and yet it is itself the greatest of our miseries".

This reminds me of a specific section of the book Freakonomics, which says that one of the key factors that determines whether a child will succeed at school and in the future is simply linked to whether his parents read him or her bedtime stories. The power of imagination, of dreams and of storytelling.

Hum.... That is what podcasts and even research is about.... Storytelling and brainstorming.

Not surprising then for Einstein to say: "Imagination is more important than knowledge. For knowledge is limited, whereas imagination embraces the entire world, stimulating progress, giving birth to evolution".

To put it differently, "Logic will get you from A to B. Imagination will take you everywhere".

This very profound need to be entertained is the reason behind the amazing performance of internet related stocks, online gaming, online shopping, etc.. for the past decade. It is why US equities, led by the FAANG stocks, have done so well before, during and even after lockdowns. FAANG stocks is a term that groups Facebook, Amazon, Apple, Netflix, and Alphabet stocks. Together, they are worth a staggering 3 trillion dollars or 15% of the entire US equity market.

**Think about this, why are these companies worth trillions in market cap? If you get something for free, it usually means that YOU are the product. Remember the movie Matrix, where humans are harvested for the electricity their body generates by putting them in a virtual reality world from birth. Food for thought. This whole analysis was well explained in Jeff Orlowski's documentary "The Social Dilemma".**

The value of personal data for more effective and addictive advertising via the use of artificial intelligence has become one of the most valuable assets. The most valuable companies in the world are linked to entertainment. Some more food for thought.

**Now, let's shift gear to talk about work life balance and the return to the office. What will be transitory and what will be permanent changes? And who better to ask than Frederic Oudéa, Chief Executive Officer of Societe Generale.**

[Interview starts]

**Kokou:** Hello Frederic, thank you so much for taking the time and share some of your thoughts and insights on this very profound topic of Covid.

**Frederic:** Hello, Kokou, it's a pleasure.

### **Question 1**

**Kokou:** Let's kick off. How did Covid19 disrupt your routine as a CEO?

**Frederic:** Well, like many people, a lot of changes and disruption, no more travelling, for example, which was, of course, a big part of the agenda. No more meetings, just sometimes videos for interaction with our teams, a huge commitment to deal with the brutal change of the way of working. And, of course, I had to ensure the organisation would function as a whole. And of course, I became like many people a better expert in the video systems of all kinds. A big change, but we had to adapt and there was no choice.

### **Question 2**

**Kokou:** So, Frederic, is this new set up, transitory or permanent? What is your take on the future of work?

**Frederic:** Kokou before perhaps speaking specifically about the future of work, let me just say first that I don't think we are going to turn the page like this of such a crisis and come back to the world before. It is an extraordinary crisis. We had constraints, we have seen a strong involvement of governments, an impact on public debt. All in all, there will be long-term consequences on our countries, but also on individual trajectories.

We saw people also reflecting on their own trajectories and making certain individual choices.

Regarding more specifically the way companies will adapt the way they function and how to organise the work of the staff. I think here it's structural. I think people have seen the benefit, probably not of a systematic and imposed working from home, which is not the right way of thinking, but of a more balanced way of working in a company with moments at home or without being present in the office, wherever you are. And again, of course, moments that you will still spend with your colleagues for innovation, for working together, for convivial moments that you cannot have with just videos and again, which will further nurture the feeling of belonging to a community belonging to a group belonging to a company.

So, it's certainly at least the way we want to go forward on our side. I think it can help to attract talent, in particular the young generations who are expecting something like this and also retain talents. And I think it's here to stay.

And I think you can organise that with also benefits for the company in terms of productivity on the one hand and again, a feel-good sentiment for your staff and so, I think it's structural and not just transitory.

### **Question 3**

**Kokou:** So, you are in charge of a hundred and fifty-year-old institution. It survived World Wars and now a second pandemic. What are for you the key ingredients for companies to stand the test of time?

**Frederic:** What's what strikes me is that in the last 15 years, we've experienced probably two of the major crises of modern history, the financial crisis with a strong impact on the economies, on jobs, and, of course, from the financial sector, with some aftermath, with the eurozone crisis also and then coming from nowhere, this incredible pandemic. Which has basically had as a consequence to stop more or less the global economy or half of the global economy at the same moment.

So, I think we are in a world where companies need to be ready to face the unexpected. And I think what is very important to go through that, even if you experience shocks and to be resilient, is really around at the end of the day, the staff commitment and attachment to the company. And here you touch upon shared values, culture, the fact that people will dedicate their full energy together to find solutions, pragmatic solutions.

And it's true also for the dedication to the clients. We have experience as a bank, an extraordinary moment where we had to be there to support our clients, to give comfort to the clients. And it was, of course, something positive to nurture a feeling of being useful. You know, when people talk about purpose, there's not a better moment to do to illustrate the purpose of the bank than in difficult times.

And who knows when the next crisis will be. We are going to remain in a world of tensions, in a world of, with, you know, ESG, the climate issues which are going to happen, geopolitical tensions, we can we have to be ready for the unexpected.

And again, it's the deep values which are shared within the company, which will help them to survive and go through the bad moments.

### **Question 4**

**Kokou:** One last question, what advice would you give to the 2050 SG CEO?

**Frederic:** Well, first, what strikes me and, you know, I've been now CEO for something like 13 years is how more demanding the job has become. There are many sectors of the economy which are going through extraordinary transformation. On top of that, in the financial sector it's a new game, the rules are different, the regulation is very much it's very demanding in many aspects. And then you have this fundamental transformation about digital, the usage of digital technologies and ESG, which would mean changing fundamentally business models.

If I had to give some recommendations more than ever, you have as a CEO to have a cocktail, a mix of confidence, which has to be fed by the feeling you are consistent with deep rooted convictions, that you act according to your convictions, that you don't play a role. And at the same time of humility because, again, you have as a CEO, so much to learn.

I'm learning every day I have to train on digital technologies, but also now on ESG. So, we need to have this humility. And sometimes it's much younger people at the lower level of hierarchy who knows better than you. And you have to accept that and take advantage of their presence to learn.



And of course, let me just highlight that technology, something very important, even before 2050, I think CEOs have to improve their understanding of what these new technologies can mean in the way of thinking about business, client relationship, internal processes.

So, I would expect the new CEO to remain humble, open to learning, consistent with their personal convictions and tech savvy.

### **Conclusion**

**Kokou:** Thank you Frederic. It's been a great pleasure having your insight and thoughts and looking forward to catching up with you in person sometime this year or next year.

**Frederic:** Thank you so much Kokou.

[Interview ends]

To sum this up, let me re-enact a scene from the DreamWorks movie « Kung Fu Panda ».

And credit for this goes to my daughters who sat me down to watch the film. So here it goes:

Kung fu panda asked his father, Mr Ping, “What is the secret sauce of your special and very popular noodle soup?”

Mr Ping looked at Kung Fu panda and said: “The secret ingredient is... nothing. You heard me. Nothing. There is no secret ingredient. To make something special, you just need to believe its special.”

Kung fu panda then opened the secret roll and saw his reflection.

The moral of the story is that the secret sauce was himself. And self-belief.

As Eminem said in his song “Lose Yourself”: “You only get one shot, do not miss your chance to blow, this opportunity comes once in a lifetime.”

(Credits)

Thank you for listening to this episode of 2050 Investors and thanks to [Frédéric Oudéa] for sharing some useful insights with us.

I hope this episode has helped you get a better glimpse of the future of finance! You can find the show on your regular streaming apps. Please subscribe, leave some stars on Apple Podcasts, leave comments anywhere you like and spread the word!

See you at the next episode!

(Disclaimer)

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