GARY LITMAN

Senior Vice President for Global Initiatives at the U.S. Chamber of Commerce

I think I am the only panelist who is not burdened by any economic knowledge or credentials so I will simply convey what we are hearing from companies over many years working at the US Chamber of Commerce. A lot of companies are extremely optimistic, especially when they speak in public about what the new administration and new Congress might bring, particularly in terms of reducing regulations. At the same time, I think the mood in private reflects the uncertainty and especially that larger companies have to shift pretty quickly from the narrative of investing in the energy transition and climate to investing in security and tech. As John has demonstrated with numbers, the investment in tech has certainly been going on for some time but it is now going to be the dominant narrative with everybody saying they have huge investment in mind. That will basically mean that investment in most other sectors will dry up because there is just not enough money. When you go to conferences and meetings with companies, with high-tech majors and others, they are talking about literally investing billions and billions a year in an arms race to be the first to develop the next model, the next version of AI.

Looking at the capital markets, as Mr. Lévy-Lang said, there is a huge capital market advantage and a lot of that is the enormous valuations of the same 10 companies. If you think about that, the way that these companies who define the next several years and our economic performance will monetize that investment or show any return is very unclear unless, and people are talking about that a lot, they look at everything as another Manhattan Project. What that means is a Cold War scenario thinking that it is very difficult to build a growth model for large companies investing billions and billions in AI if the government does not pay for it. Ultimately, it is unclear whether the consumer will get a lot more money to pay for those enormous investments, especially the consumers playing golf in their retirement communities but not seeing a huge raise.

What I am picking up is that companies are racing to develop enormous positions and to be at the leading edge of compute power regardless of whether or not they have a clear plan for generating returns on their investment. You have to be the first and then you dominate and then you can turn to the government because you will be indispensable, just like a systemically important bank. Several companies that are doing that, maybe not deliberately, but they are playing that game together and it is not necessarily yet to build any solutions to problems we are facing. Setting aside the defense industry where the problems are defined by the DOD, they are just building up the compute power and competing with each other for the talent but also, importantly, for the sheer, massive hardware. Other countries will be compelled to respond in kind but very few will be able to afford it. India may, China will, the EU probably, but in most of the countries the money will mostly come from government spending.

We have the advantage of initially tapping into the capital markets but ultimately, when you consider what the valuation of these companies is based on, go to their meetings and listen to them, even today, last week, everybody's valuation model is based on global markets. If you look at the numbers, they are saying they will be making gazillions of dollars because of 10 billion consumers. However, if you have a confrontation or market fragmentation, our companies will not be able to sell the digital services that define our capital markets to the world. They will be able to sell at home, which is half a billion consumers, and maybe to Europe and Japan but that is about it. The concern is that while economic growth looks tremendously good for the US, there is an arms race that will basically put the government in the situation where it will have to choose whom to bail out. There is a discussion that if a government does that it will have to take over the digital infrastructure, not the applications, the language models, etc., but bail out the enormous digital capacity. India is already building publicly owned digital infrastructure, we do not but that is the scenario that we will have to have a government response to.

That brings me to our favorite conversation, what will Trump do? We clearly hope that the new administration will be able to use its business smarts but also rely on institutions and find some way to respond to whatever problems we may have, including possible market correction. That is really the question we are hearing from many companies, whether they will be able to do that. The administration has brought together a strong team, but their backgrounds are mostly in high-risk areas of business, they are anything if not risk-averse. Therefore, if there is a challenge from an external shock or internal market correction, we will all be required to work with them, especially Congress, to find solutions. I am afraid we will see situations where these extraordinary investments will take much longer to pay back than is currently assumed by people who have put their money into this, VCs and institutional investors. They are aware of that and that is why there is a huge campaign to find more ways to underwrite these technological companies beyond just the attention economy.

My last point is that the majority of companies who are financing their investment are assuming that they will be able to sell eyeballs to advertisers. There is not enough advertising money to underwrite USD 40 billion of more compute that will be required next year just to maintain the new language model, not even going beyond that. The advertising industry will not be in a position to show data to the ultimate buyers of their services that the consumer can spend that much more because they are using AI in some search. I think that is where the problem is with our model of development, which has generated tremendous opportunities so far, we need to be thinking about moving away from the attention economy to other applications and trying to make sure that we preserve the economies of scale so that we can sell what we produce to other countries.

Jean-Claude Trichet, former President of the European Central Bank, Honorary Governor of the Banque de France

Thank you very much indeed, Gary. I have to say that it is a fantastic way of exchanging views, and a lot of very interesting things have been mentioned, and I note that we might have several views on the US.