

The TAO of Finance

A WAAS-Initiative

WAAS mentorship Program
26.5. 2021

Brunnhuber



A. Western and Eastern Narratives

B. Living in A New Era

C. The TAO of Finance

D. Conclusion

A. Western and Eastern Narratives

The purpose of a Narrative

The West at its Best

The Eastern Approach

B: Living in A New Era

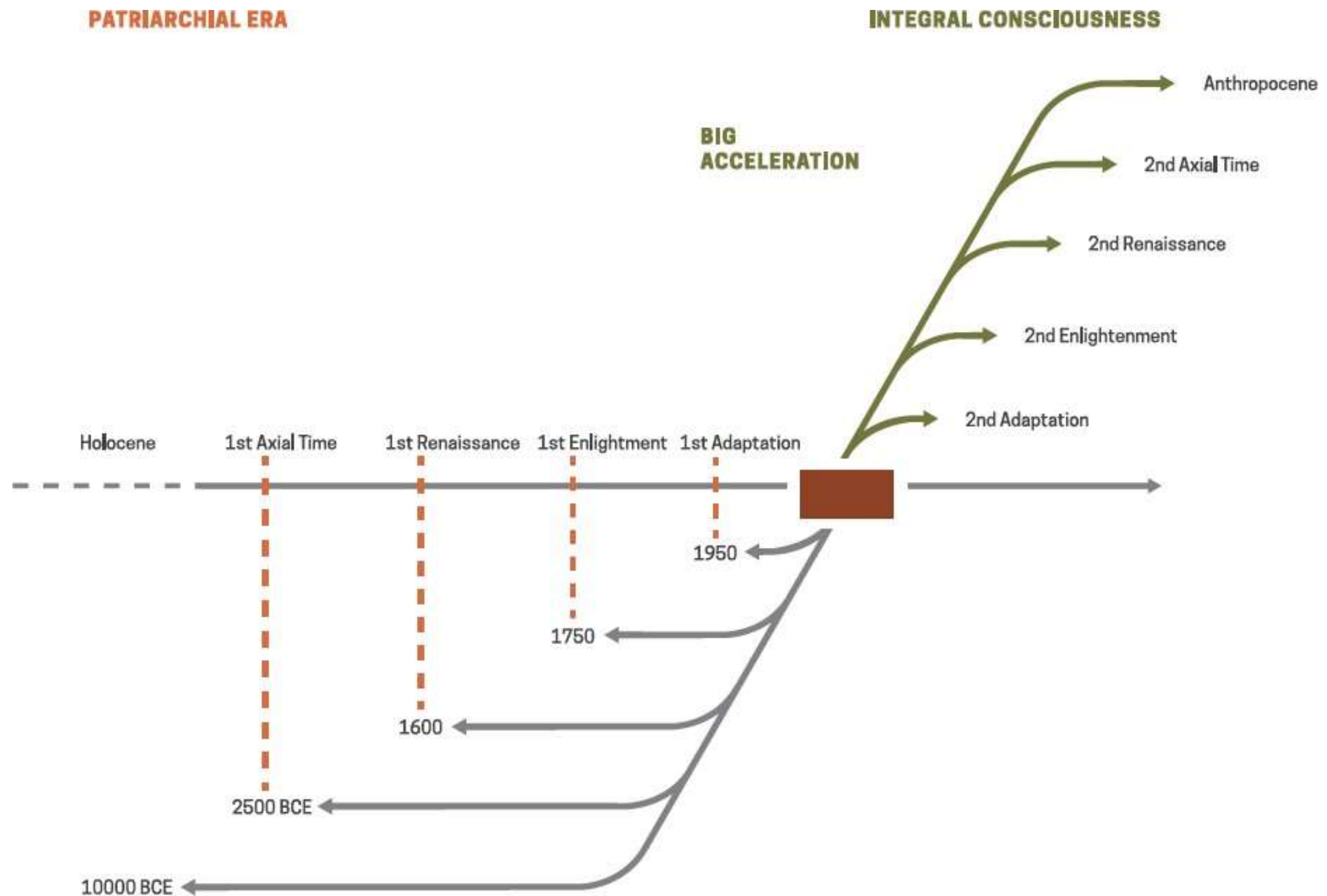
The last 5 seconds: Anthropocene

Boundaries & Interconnectedness

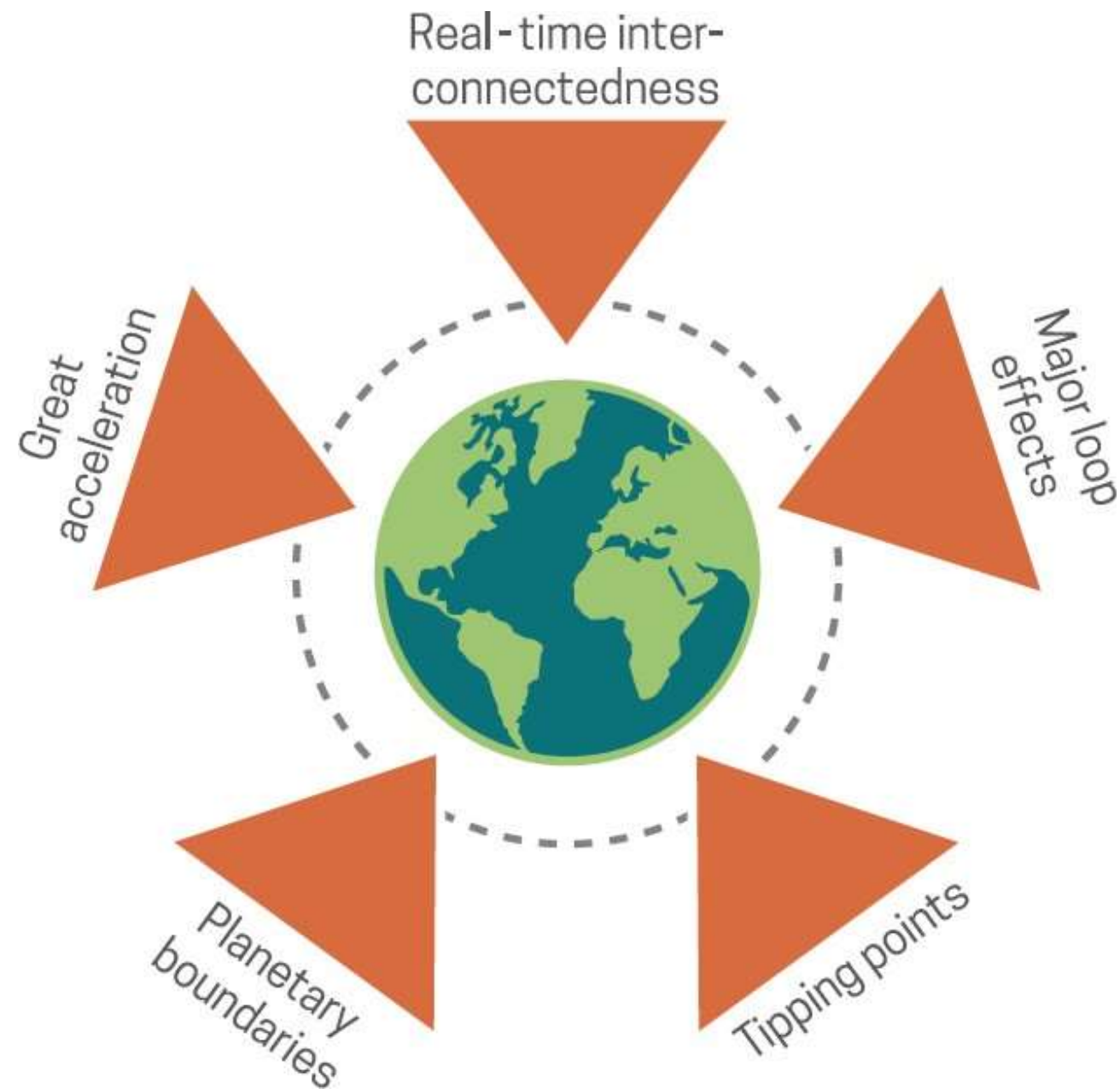
Complexity and Tipping points

UN-SDGs & Solutions

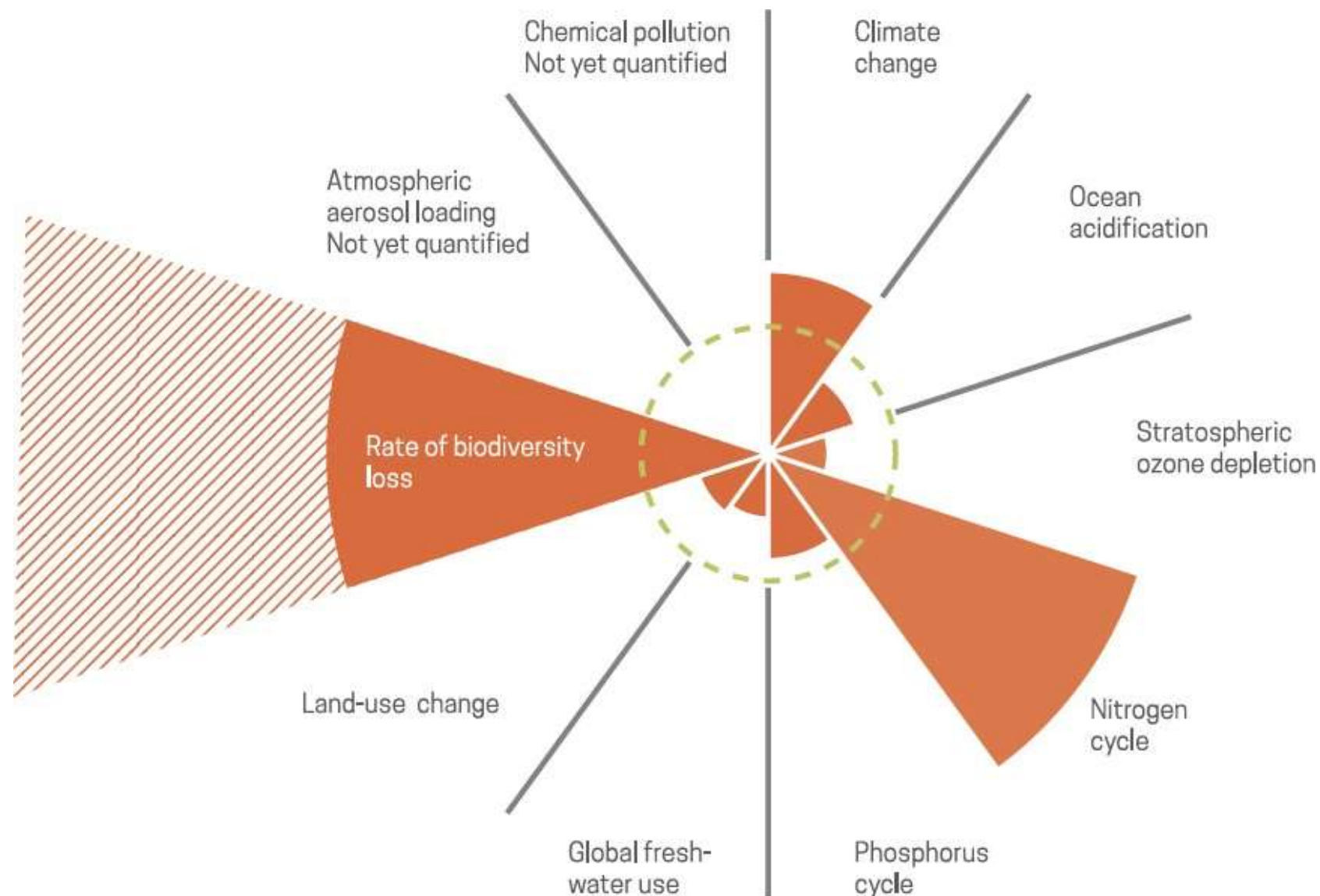
The last 5 seconds of a very long history



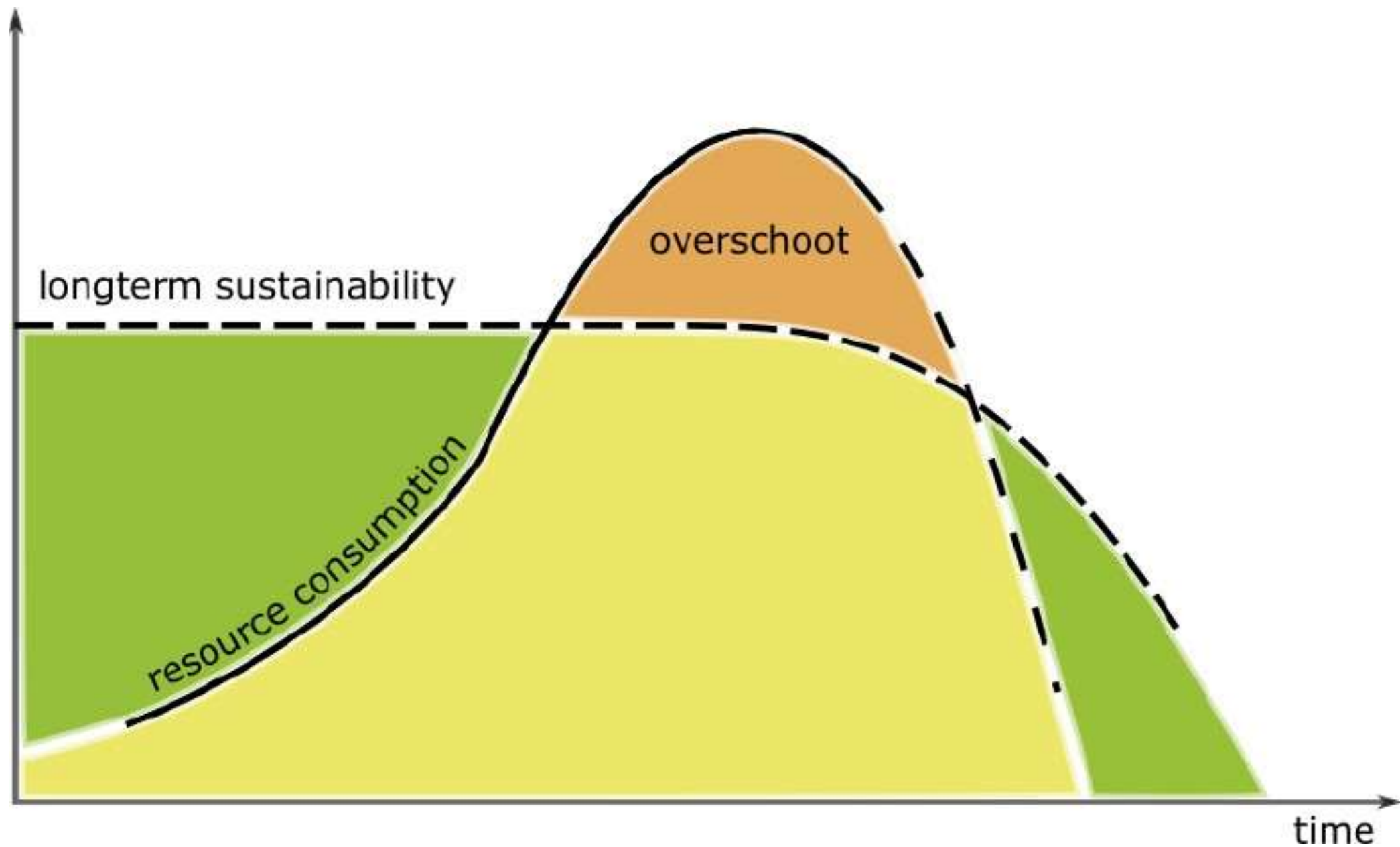
The Era of the Anthropocene



Planetary Boundaries & Interconnectedness



The Seneca-Effect: Tipping Points



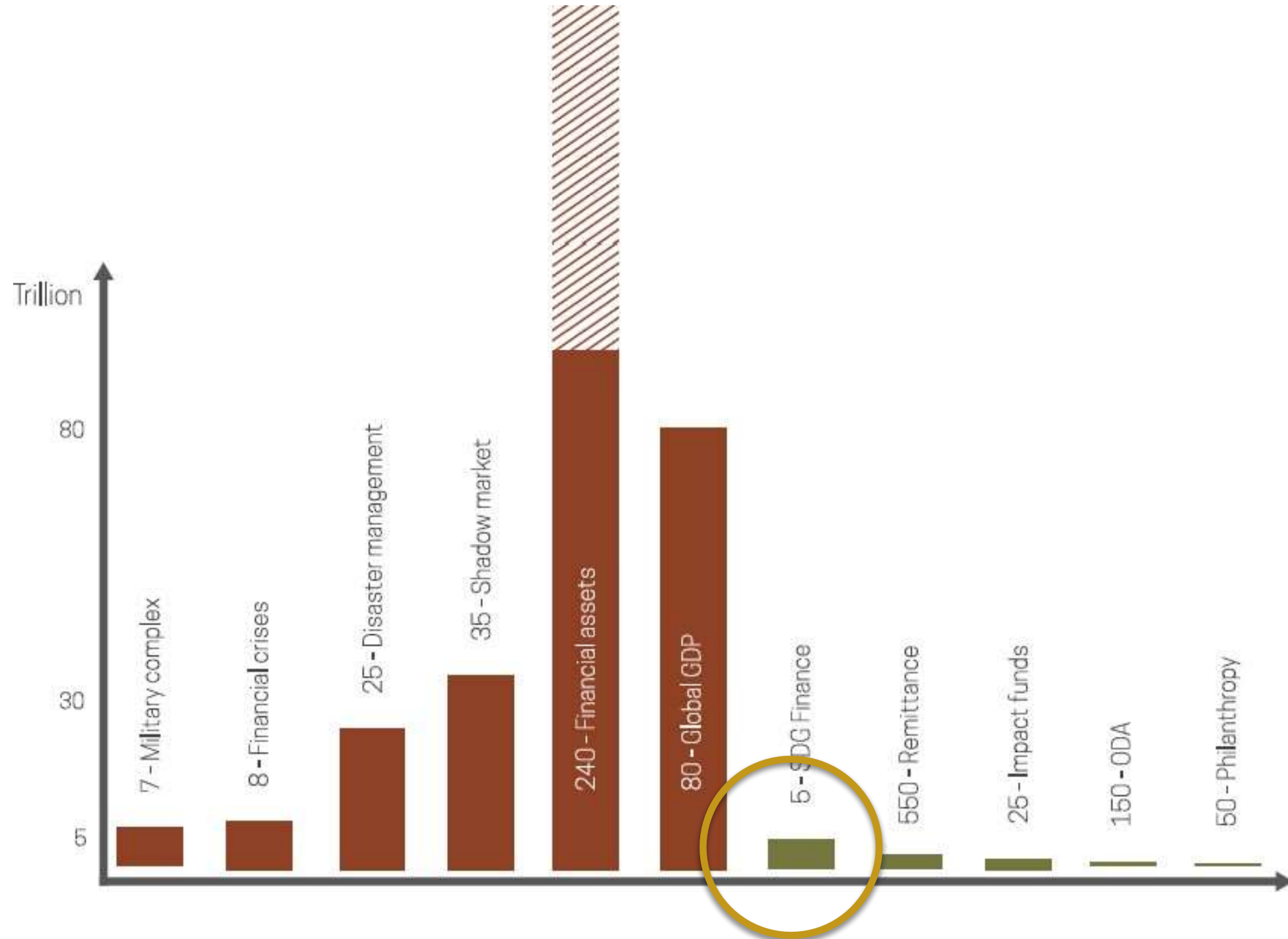
The UN-Sustainability Development Goals



The UN-Sustainability Development Solutions



Getting the figures right: 5 tn/a over 15 y



First calibration

“What is required is additional liquidity at a high scale, at full speed, targeted towards SDG’s in an intelligent manner and different to what has been done in the past. We are talking about 5 Trill USD annually for the next 15- 20 years.”

C: The TAO of Finance

The Traditional Approach

Sustainability & Finance revised

The 'six pack'

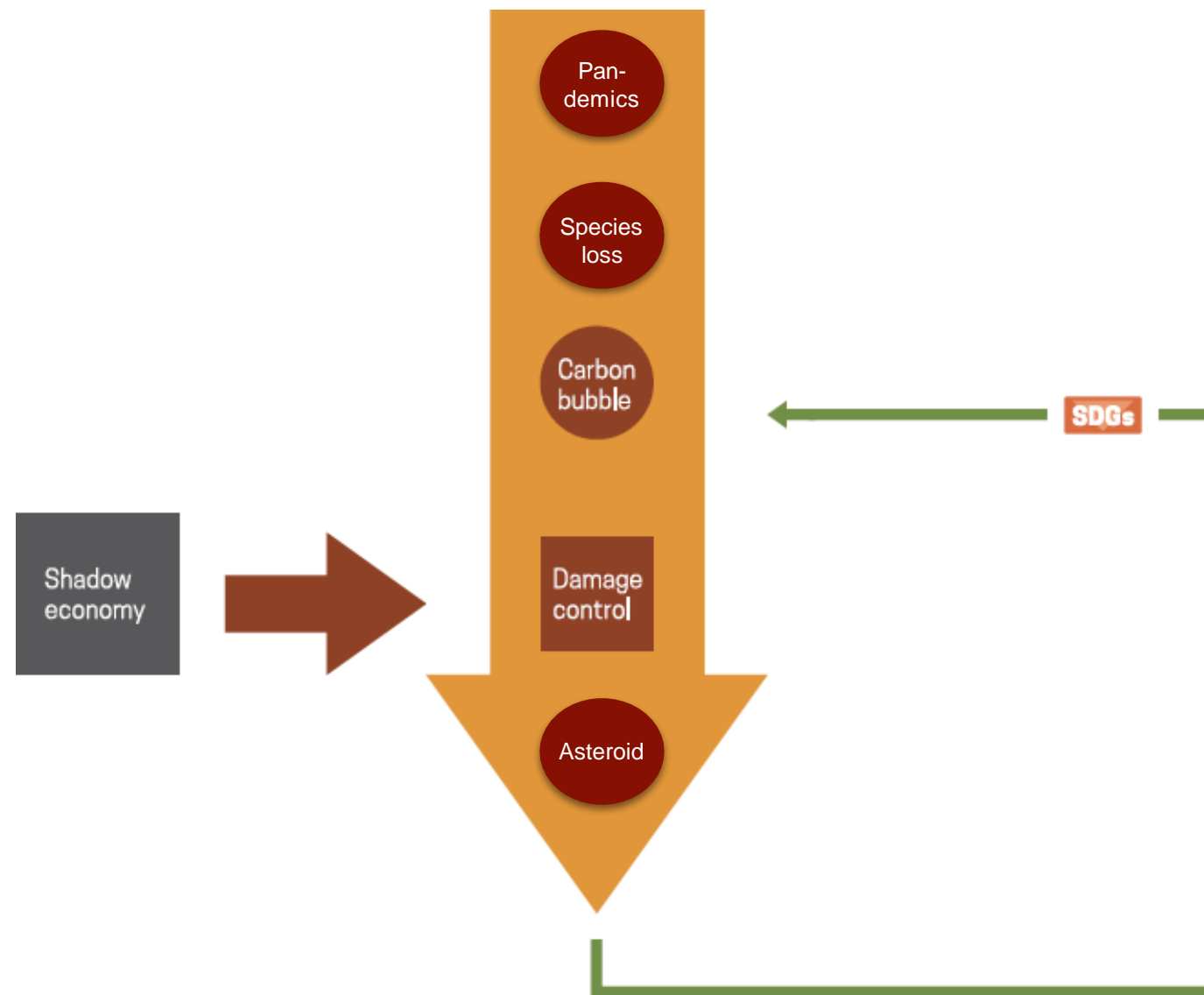
Riding a Bike with two Wheels

Two questions:

“What is the common denominator between the US-petrodollar system and the Chinese Silk Road?”

“What would happen, if a asteroid hit Europe and 10% are destroyed?”

The Traditional Way: End of Pipe Finance

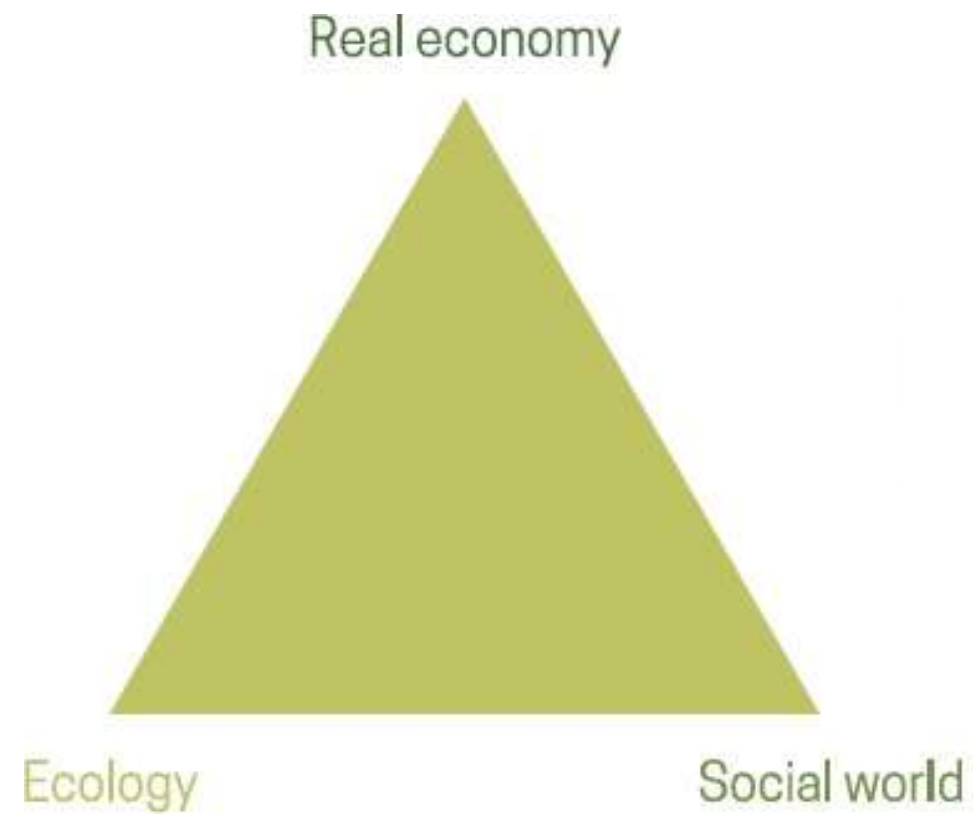


Why Financing SDGs is so difficult?

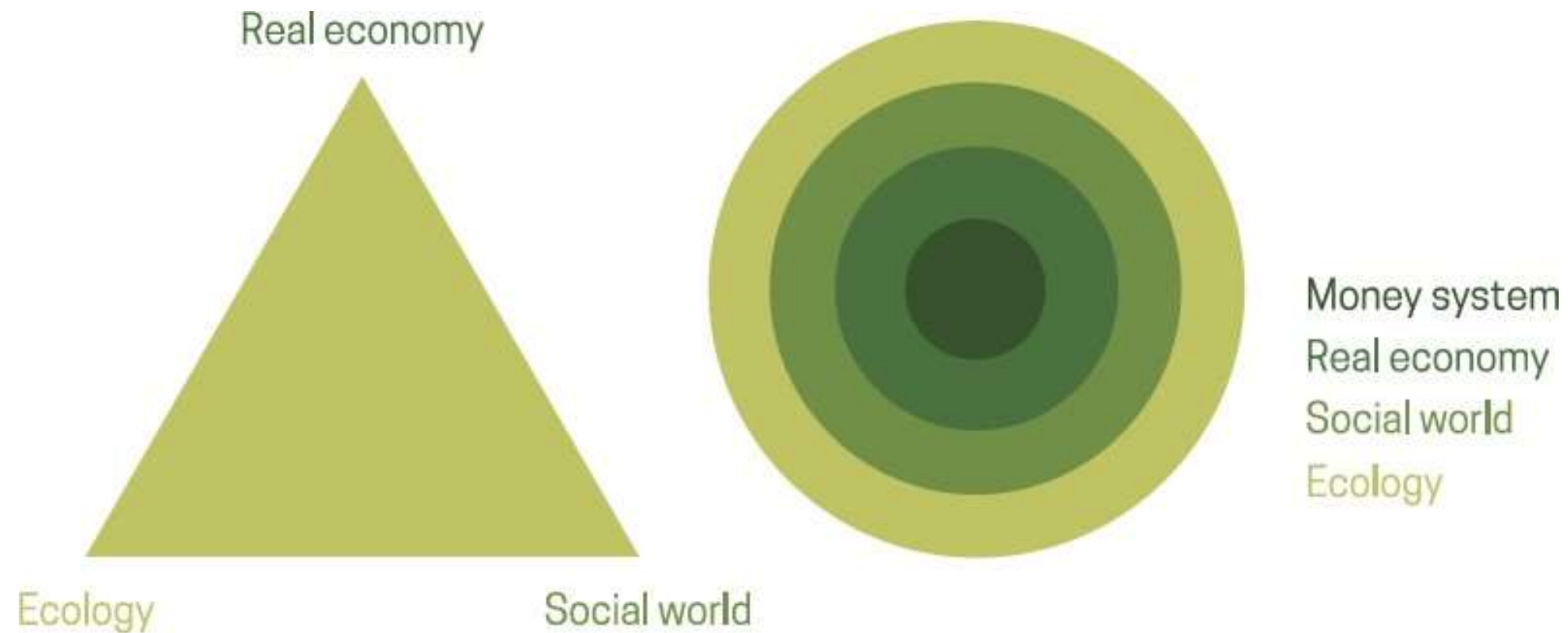
asymmetric shocks - asteroids - pandemics - species losses

- SDG's: 5 Trill USD /a
- System is instabil: >10 events / a
- Multiple Lock-in effects
- Redistribution is next to impossible: 100 years
- SDG's: 2/3 are commons
- Commons ROI: 1:10 - 1:100
- Black market - Illicit transactions - Informal sector

Sustainability & Finance revised



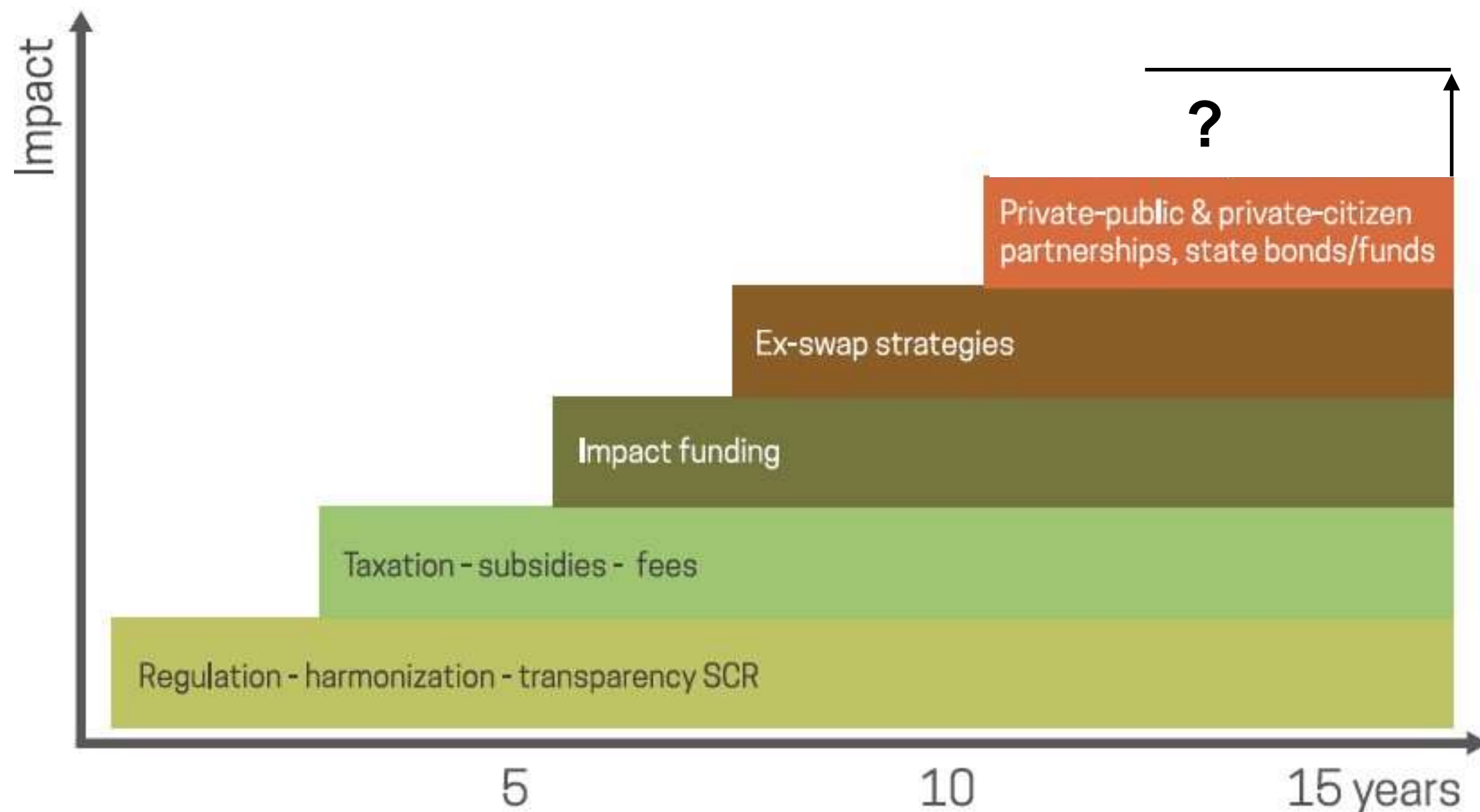
Sustainability & Finance revised



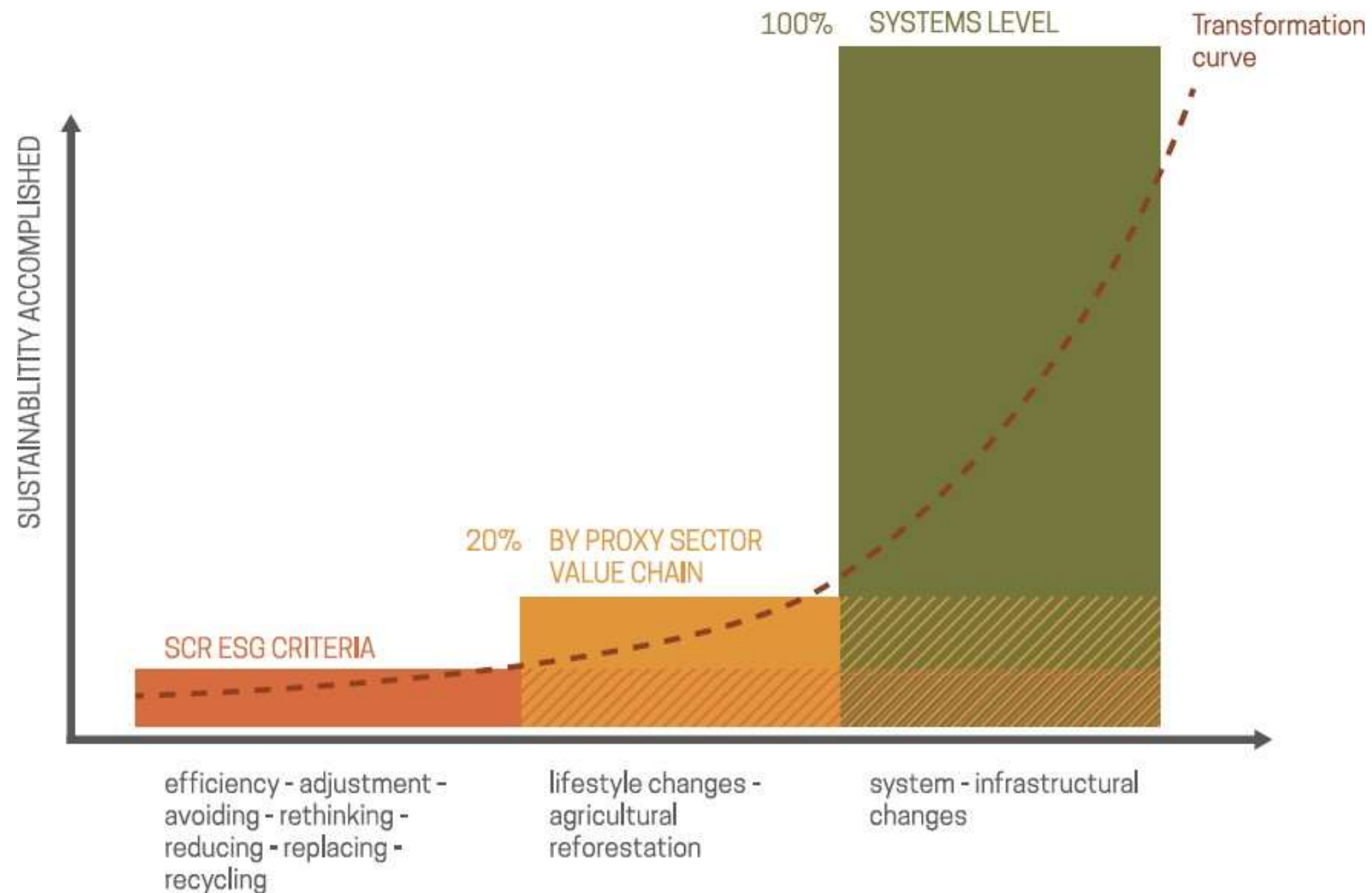
The Western narrative on Finance revised

- Sustainable Finance is not '*Financing Sustainability*'
- Finance drives Sustainability: It should be '*Sustainability drives Finance*'
- Taxation, Borrowing & Spending (TABS) is a myth
- Money is not a thing & Finance not a natural law
- Money is the most important human invention
- '*Weapons of mass-destructions*' into '*tools of massive social and ecological investments*'
- Two approaches: Repairing the given system and/or creating a parallel one in addition
- This is happening already (CC, Regio, CBDCs)
- '*unmet needs*' (opportunity costs) and '*unchecked risks*' (hedging and blended finance)

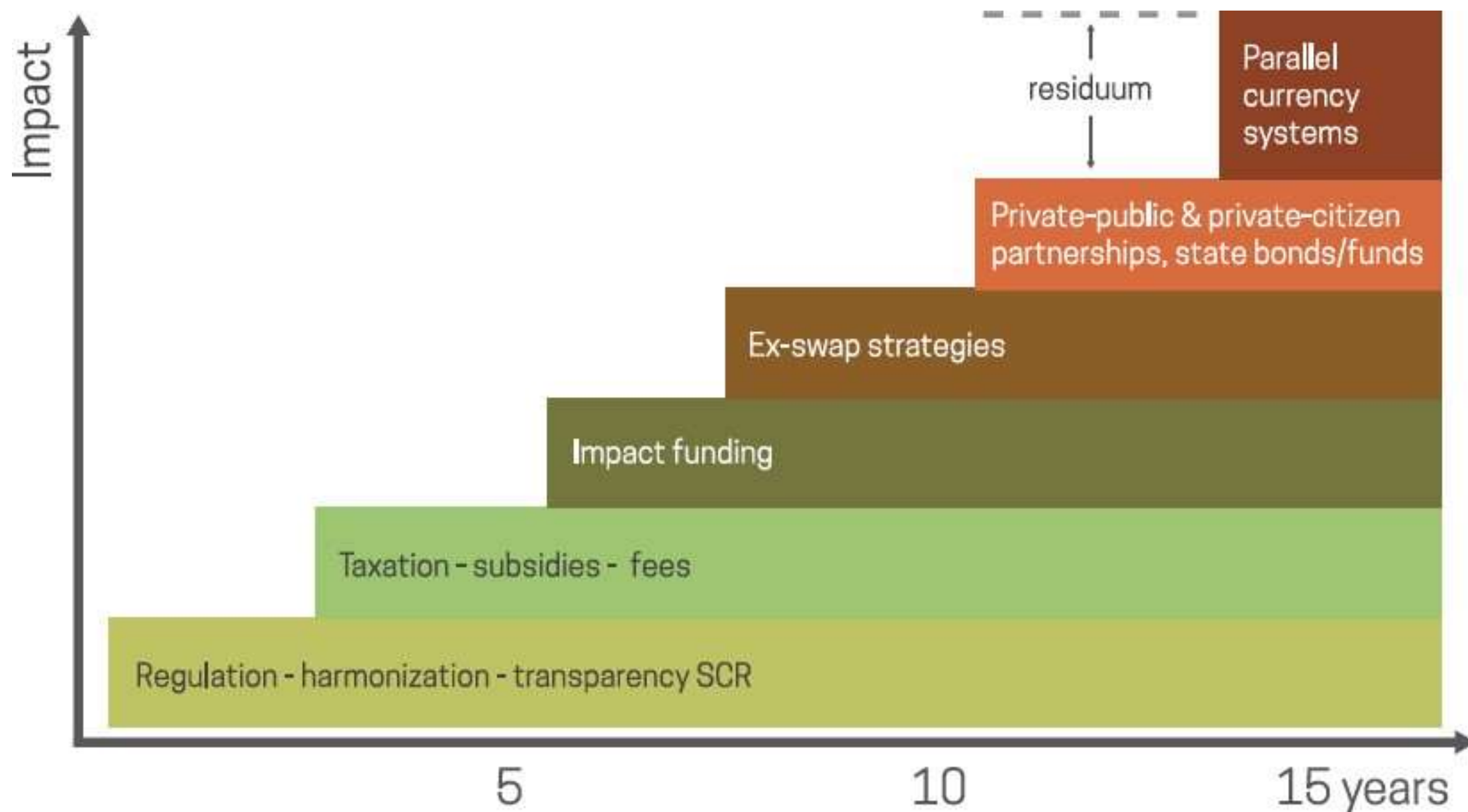
The Traditional Way: revised



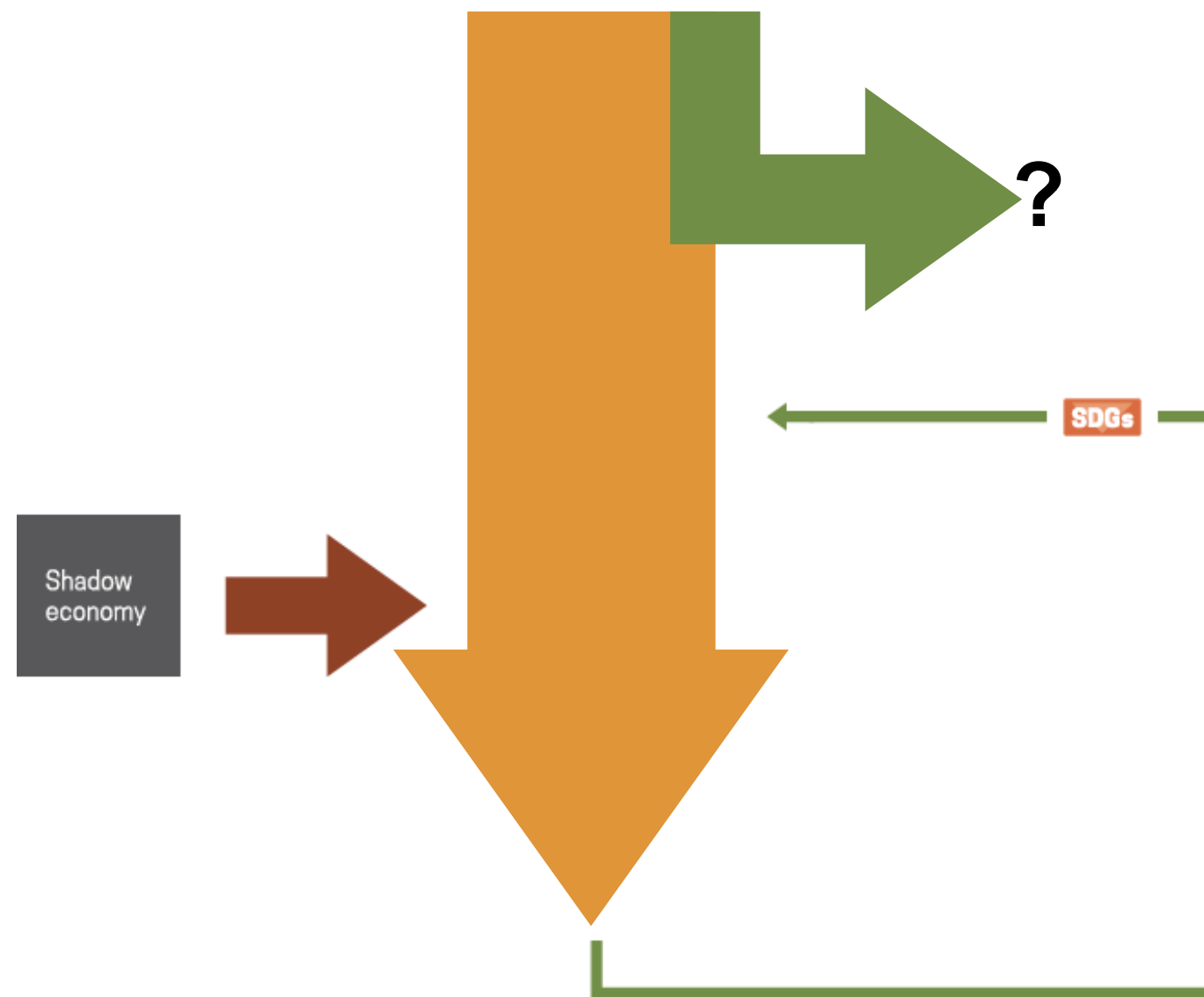
Systems-change requires a change of the rules



The 'Six pack'



The Traditional Way: Can we do it differently?



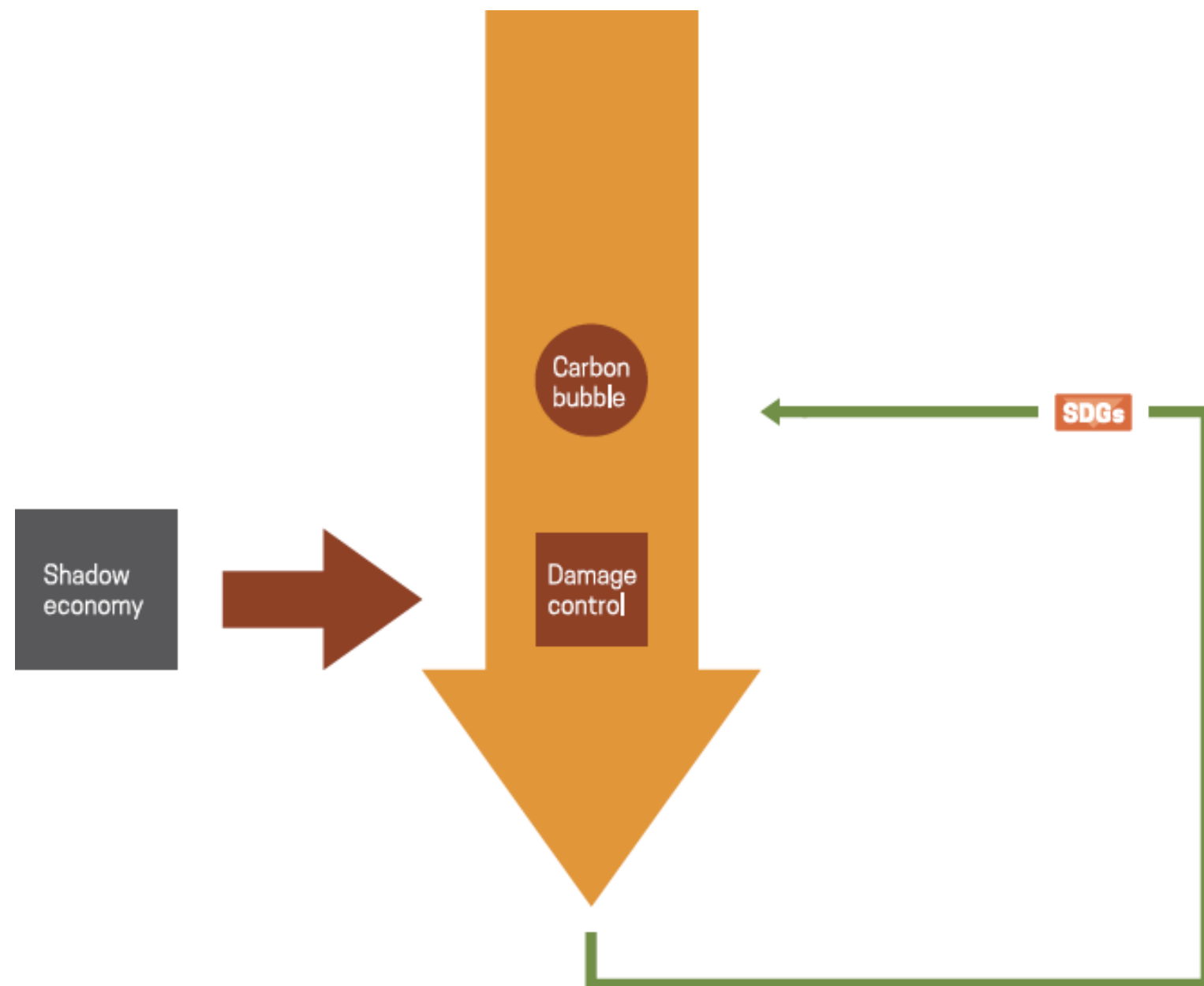
Does this systems-change happens already?



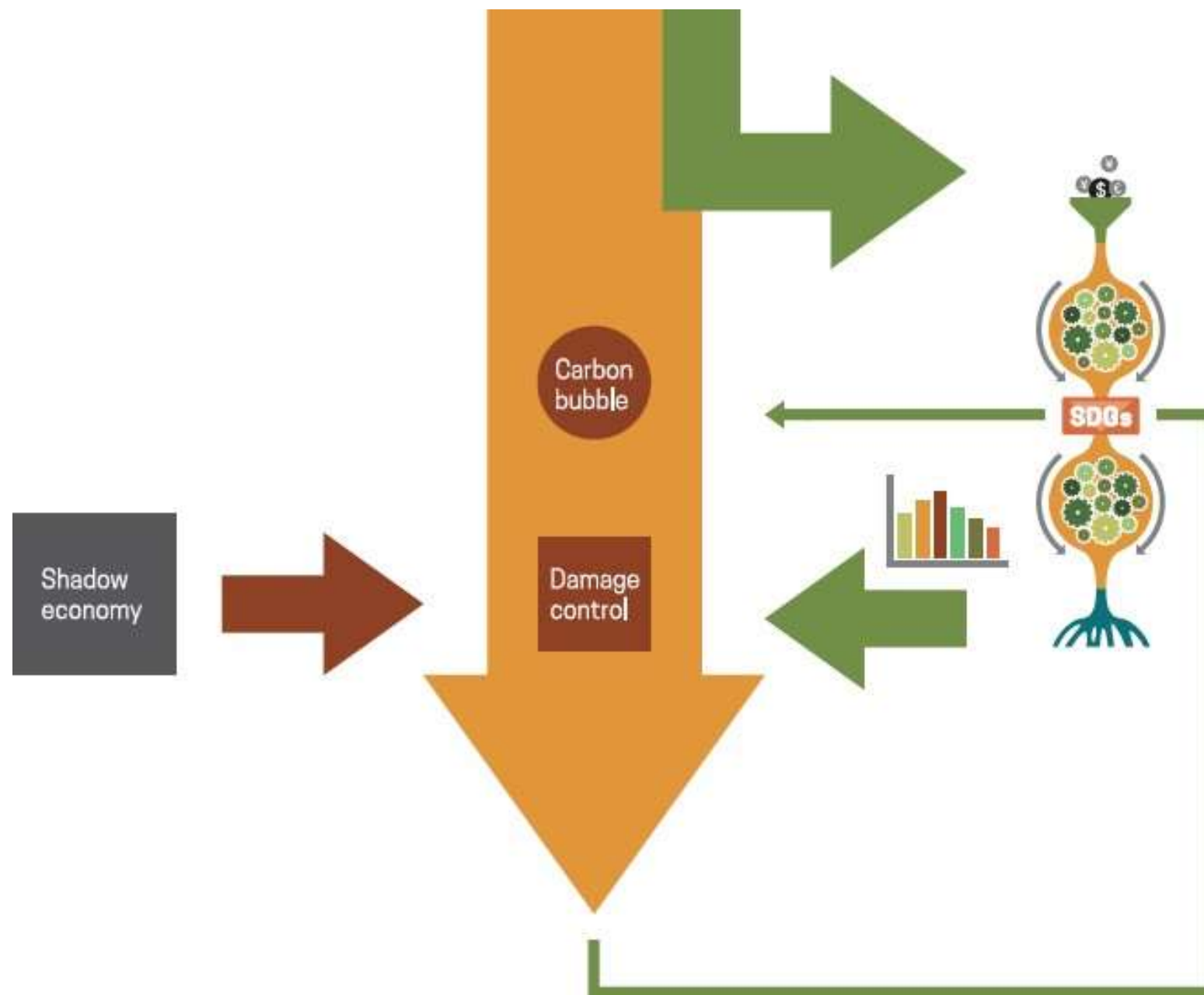
Why such a dual digital currency system?

- Pre-distributive *not* Re-distributive (private versus public, disentanglement effect)
- Targeted Liquidity (anti-cyclical, overcome negative distribution effects of MMT1.0)
- Block chain Technology (steering, new monetary channels)
- Multiple positive feed back loops (carry trader, investor freeze)
- Towards a monetary ecosystem (beyond monetary monopoly)
- Honouring Complementarity, Complexity and Uncertainty (pareto-superior)

The Traditional Way: revised



The full Picture: Riding a bike with two wheels

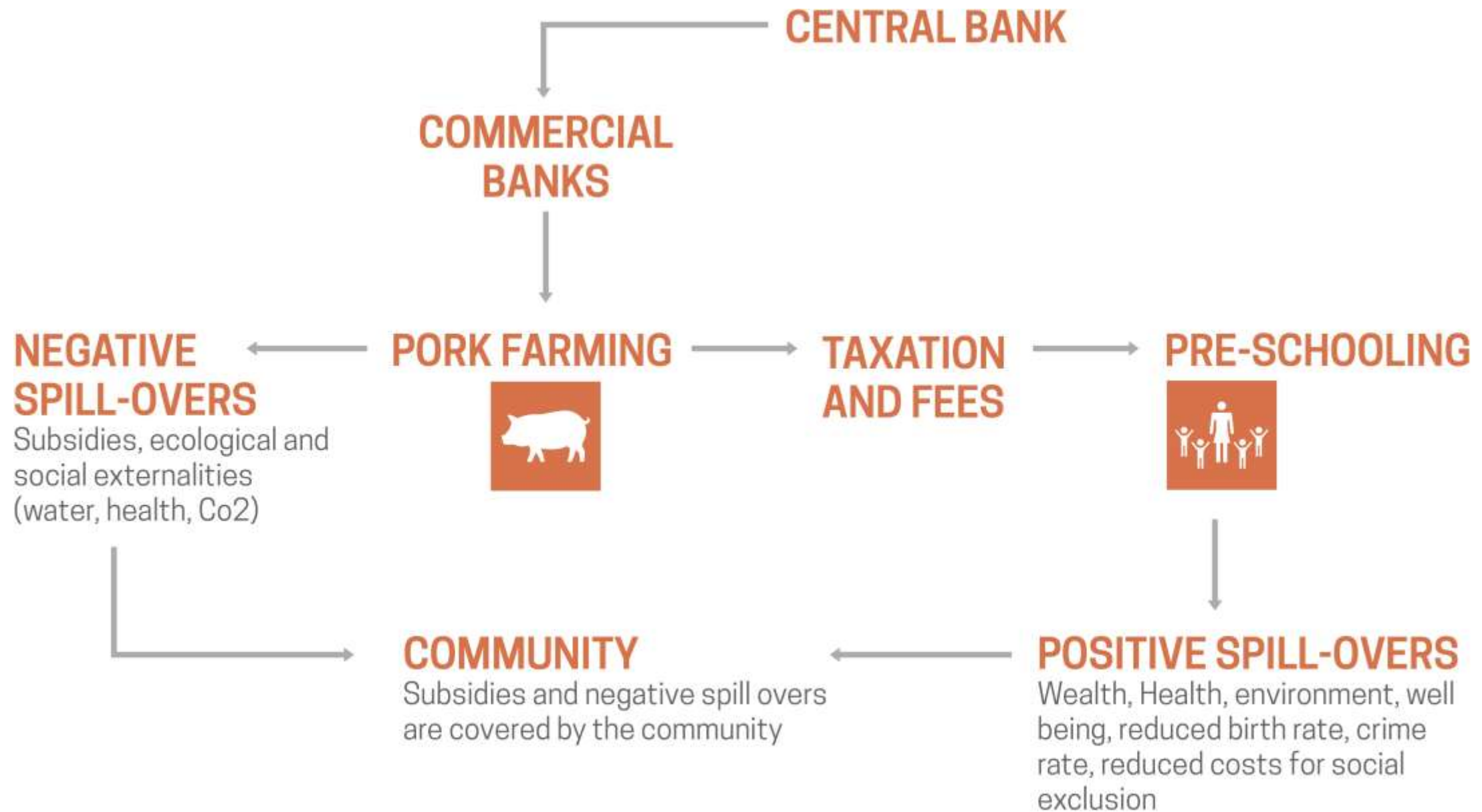


Living in a ,dual currency world':

Major unsystematic effects for a no-regret approach
From ,*weapons of mass destructions*' to ,*tools of massive social and environmental inventions*'.

1. regaining control self efficacy	and	9. illicite transactions shadow economy	17. Pareto superiority no-regret approach	25. positive distributive effects
2. disentanglement effect		10. advanced regulatory steering (data base)	18. positive externalities (Health, Social inclusion, jobs), co-benefits	26. confidence, trust & social capital
3. anticyclical		11. anti-inflationary	19. peace & security	27. adjusted risk assessment (data, reporting directives)
4. multiple second round effects		12. resiliency & anti- fragility	20. overcoming the new normal	28. beyond open societies & digital autocracies
5. fraktal & scalable		13. green jobs and income	21. carbon bubble & fossile dependency	29. beyond wind fall revenues
6. unleashing our commons		14. green public revenues	22. positive carry trader	30. managing opportunity costs
7. overcoming the force to grow		15. reducing damage control	23. investor freeze & gaining longtermism	31. safe, targeted & fast conditioned
8. beyond traditional regulation (end of pipe, predistributive)		16. new financial engineering & hedging	24. blended finance & securitization	32. risks & unmet needs drive finance
33. Impact on tax havens, off shoring, off balancing		34.	35.	35.

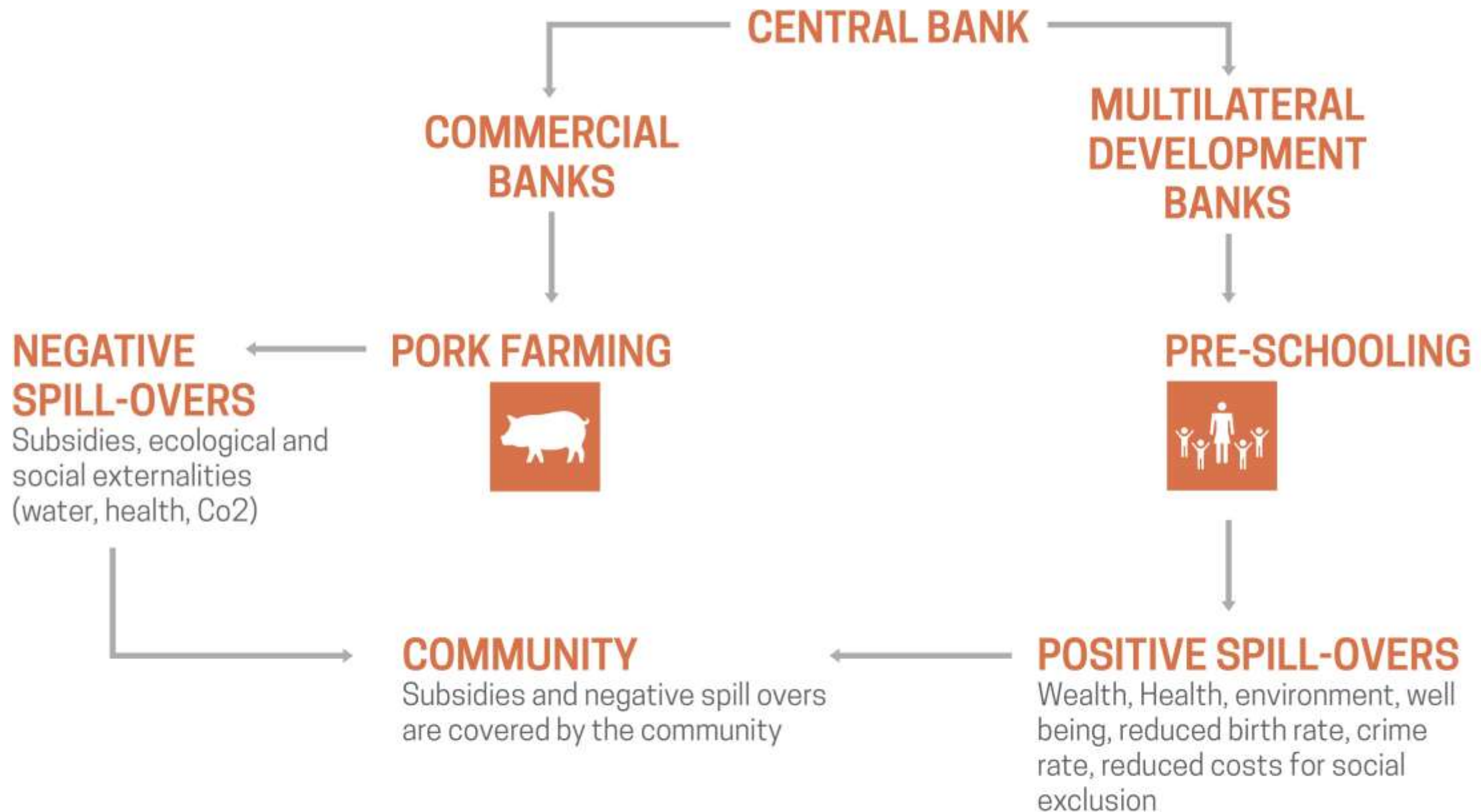
Some more concrete examples



Under BAU Central Banks, generate money to finance commercial banking, which in consequence provide a credit line to the pork farm. The pork farm is taxed and the community is building a kinderkarten. The negative spill overs are covered by the community as a whole: This generates a Pareto-inferior equilibrium of wealth.

Pre-schooling is funded by private taxes, fees and philanthropy. Education is causing multiple positive externalities for the community as a whole. However education is chronically underfunded, despite its high Return on investment.

Some more concrete examples



If we started to internalize the entire costs of the Pork farm in a total cost analysis (TCA), exporting porks systemically will very likely not generate any private revenues anymore. This business model is a default. To note: In this scenario, corporate taxation can be reduced, enabling a more free market model.

If we started considering the entire positive spill overs of a Kindergarden, nursing kids has a high ROI for the community as a whole. Compared to the Pork farm, Kindergarden is the better investment with a higher yield. The equilibrium becomes pareto-superior.

Two answers to the two questions:

“What is the common denominator between the US-petrodollar system and the Chinese Silk Road?”

The money system

“What would happen, if a asteroid hit Europe and 10% are destroyed?”

We generate additional liquidity to finance the 10% beyond taxing the 90%

A more holistic non-regret approach



D: Conclusion

The Mind set matters

Upgrade our monetary system

The real tragedy of the commons

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The dual mind: Parallel processing

“We are psychologically trapped by the idea that there can only be one monetary system, providing a single, specific form of liquidity for all purposes, and assume that allocative distribution through a monetary monoculture is most efficient and effective.”

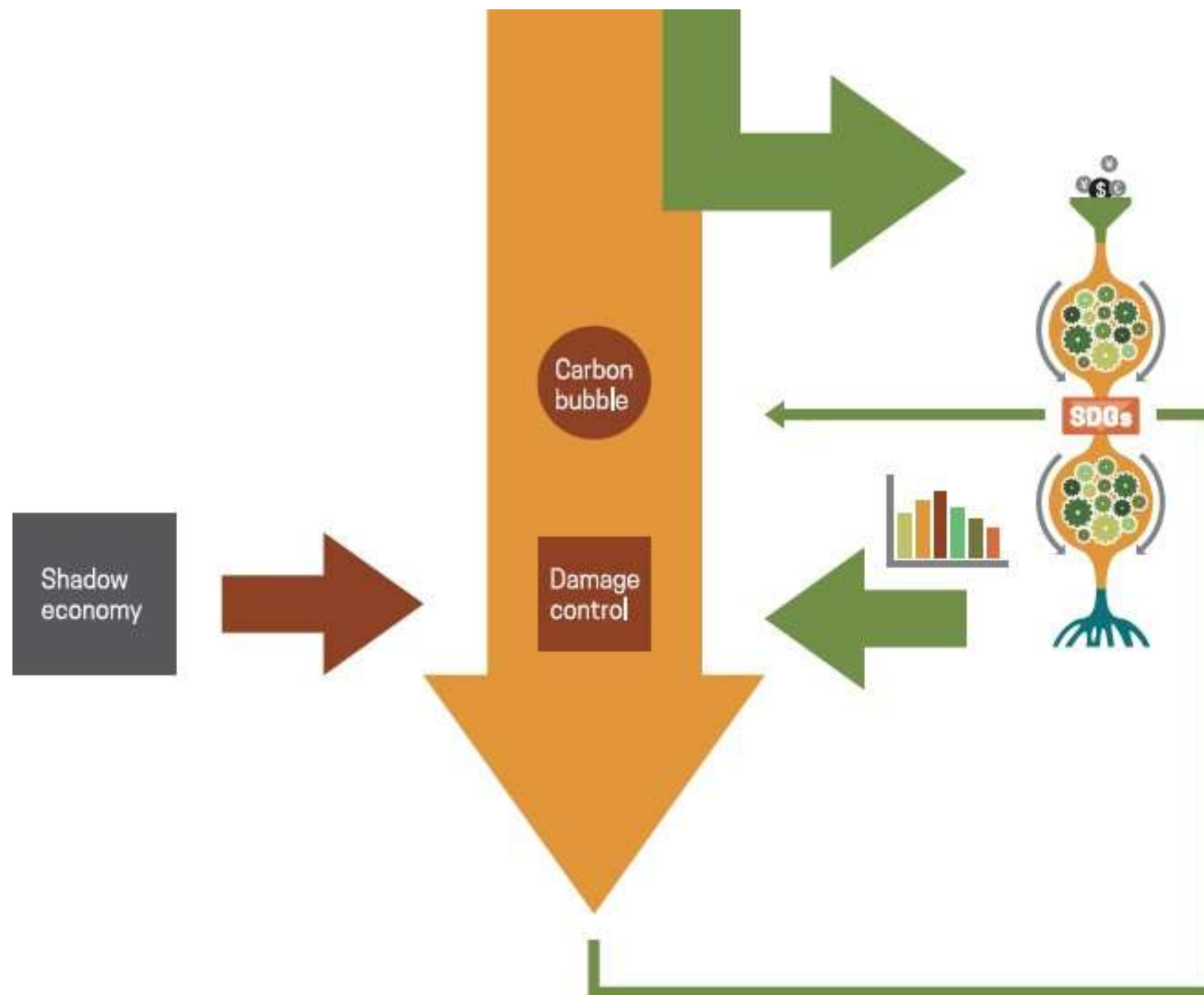
The real Tragedy of the Commons

“... is not their overuse or free rider, as fresh water, clean air or a kindergarten will remain fresh water, clean air or a kindergarten; it is the underlying financial incentives allowing to enable fresh water, clean air or a kindergarten...”

The TAO of Finance



The TAO of Finance: A dual currency system



The ,TAO of Finance'- Initiative of WAAS

- A brochure in Chinese language is available
- Multiple study papers are available
- 'Financing our Future' (in press 2021)
- Road show in the making
- Further collaboration requested
- Please contact us: www.stefan-brunnhuber.de

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