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

Crutzen, Nature 2002
UN 2015ff
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

1. Government
2. Technology
3. Geoengineering
4. Renewables
5. Sink
6. Monetary Regulation
7. Science
8. Finance
9. Corporate World
10. Culture
11. Demography
12. NGO's/NPO's
13. Mindset
14. Social Pacts
15. Digitalization
16. Integral Education

Brunnhuber 2015ff
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 happen already?

**Parallels Currencies**

**Top Down**
- Central Bank Digital Currencies (CBDC): >15
- Control Regulation Steering
- Extended mandate - base money - non-defaulatable loan
- Experimental

**Bottom Up**
- Cryptocurrencies (CyC): >2300
- Investment Speculation Commercial
- Denationalization of money - private high capitalization (950 billion USD) decentralized, smart contract
- Ripple, Etherium, Skyledger, Corda, Libra among others.
- Community Currencies (CoC): >3400
- Social / Environmental Business
- Social capital consumptive intermediary low capitalization case-by-case evidence
- Time Dollars (50%), LETS (41%), Barter (1.5%), RegioMoney (7%)
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 feedback 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. |

Brunnhuber et al, 2021
Some more concrete examples

Central Bank

Commercial Banks

Negative Spill-overs
Subsidies, ecological and social externalities (water, health, Co2)

Pork Farming

Taxation and Fees

Preschooling

Positive Spill-overs
Wealth, Health, environment, well being, reduced birth rate, crime rate, reduced costs for social exclusion

Community
Subsidies and negative spill overs are covered by the community

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 kinderkarden. The negative spill overs are covered by the community as a whole. This generates a Pareto-inferior equilibrium of wealth.

Preschooling 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

**CENTRAL BANK**

- **COMMERCIAL BANKS**
  - **NEGATIVE SPILL-OVERS**
    - Subsidies, ecological and social externalities (water, health, Co2)
  - **COMMUNITY**
    - Subsidies and negative spill overs are covered by the community

- **MULTILATERAL DEVELOPMENT BANKS**
  - **POSITIVE SPILL-OVERS**
    - Wealth, Health, environment, well being, reduced birth rate, crime rate, reduced costs for social exclusion
  - **PRE-SCHOOLING**

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*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 Kindergarten, nursing kids has a high ROI for the community as a whole. Compared to the Pork farm, Kindergarten 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

The TAO of Finance - Initiative of WAAS
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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