Transprudentiality

Complementary Ecosociopsychonomies
Why Capitalism Needs Them

Transprudential Portfolio Diversification

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Structure of Ideas

Introduction

This document may seem to some degree to be somewhat technical, but I assume this is not a lay audience and so have also assumed a degree of background knowledge in the presentation of its ideas.

The perspective taken in this document may likely be very unusual for this audience and quite challenging in at times uncomfortable ways in the sobering issues it raises and addresses frankly. But I humbly ask that you seriously consider the thoughts contained herein with an open mind as the issues discussed may possibly become truly important to you given your great and grave public responsibilities to our world at this moment in time.

At this moment in world history, given your powerful background financial roles in our world, your decisions and actions will without any doubt have a more determinative effect on human destiny than you may realize.

You are very important and significant personages, even if not placed on newspaper front pages, and this is why I have taken the time and effort to address you in such a full and honest way without unnecessary varnish and politesse on the world issues I am raising here.

It is difficult to deny, and very much in line with compelling evidence to reason, that finance in the present phase is the most powerful practical motive force in our current human world.

This message will focus on how we may prudently and commonsensically mitigate the risks implicated in the returns we seek so we may even in the worst case outcome of our endeavours at the very least achieve a reasonably balanced and liveable outcome acceptably consistent with our driving desires.

We have a world to make, yes; but it is also a world we share . . .

Our general task here is how best, or most optimally, to Invest Public Funds in a Potentially Persistent Low-Return Environment of possibly unknowable duration.

Given my general views, which are probably well-known to some of you, I will be most interested in addressing this subject from the perspective of global collaboration for global opportunities and global solutions in what may appear to be unconventional asset classes from the point of view of conventional investment strategies because these would be asset classes peculiarly in the general global public interest.

Thus, my general thrust will be toward Innovative and Unconventional Adjustments to Investment Strategies in Response to The Prevailing Low-Return Environment.

My sense is that this approach, even if perhaps somewhat unusual for you, would nevertheless be of at least some relevant interest to you at this moment in time.

In light of this, I will be looking at Innovative and Unconventional Approaches to Asset Allocation, Portfolio Construction, and Risk Management in The General Global Public Interest.

Again, I will be approaching this more from the point of view of global collaboration, in other words, a pooling of funds and resources and interests of public funds and central banks around the world to address some very large global issues, than from the point of view of the limited interests of any one particular public fund or central bank.

I am interested in opportunities and solutions in the general global public interest.

Given the direction of my thinking, it is natural that I will be considering matters relating to specific global public sector considerations in the design of incentive structures for public funds and central banks, processes and techniques for the active management of public funds and central banks, and organisation and governance of the investment functions at public funds and central banks, sovereign wealth funds, and public pension plans.

These considerations would be generally in line with your special interests.

Given specifically that I will be looking at Globally Pooled Public Fund and Central Bank Investment in Innovation in Unconventional Asset Classes in The General Global Public Interest, it is inevitable that I will be also be considering new approaches to the construal of global risk.

Therefore, I will be touching on some other specific subjects of your particular interest such as risk budgeting techniques for active management, risk control versus risk management in the context of an active management, and especially the use of derivative and hedging instruments to provide financial solutions to public investors.

Obviously, I will not be going into detail on these subjects in one message but it reasonably ought to lead to further more detailed work in the area.

Given the limited space and focused scope of a single message, my limited objective is to introduce a structure of ideas that will lead to further work in elaboration and implementation.

As mentioned above, I will not aim to detail these ideas: just to introduce them coherently enough in a sufficiency for clarity but not a sufficiency for programmatization without considerable further work in elaboration for implementation.

However, it is obvious to me that the global Bank for International Settlements ought to play a central part in helping to facilitate and coordinate such further work if it proves to be of sufficient timeliness and interest to you.

The Bank for International Settlement’s remit, reach, and concerns are global and it has an explicit institution organizing primary concern for financial, economic, and general stability on a world-scale.

Global Collaboration for Global Solutions as Global Innovation Opportunities in The General Global Public Interest employing “Unconventional” Global Asset Classes.

Those are my guiding words for this message.

I will trust that the general thrust of the ideas and proposals below will prove to be something worthy of your serious and favourable consideration.

Most Respectfully,

Joseph Edozien

Abstract

The perspective taken here is transystemic, transdisciplinary, and transprudential.

The essential factors considered in Ecosociopsychonomics are a structurally interconnected web of four basic systems which serve inextricably together as the experiential foundation and context for human action and destination:

1. Environmental Ecosystems
2. Sociocultural Systems
3. Psychobehavioural Systems
4. Economic Systems

These basic factors cannot truly, or ultimately genuinely productively, be considered in isolation from each other.

Everywhere around the world, within and between and around capitalist economies, and in the interstices and around the margins of the currently conventional and dominant global financial system, we now very importantly need protected free spaces for ecosociopsychonomic experimentation for ecosociopsychonomic innovation. This is the sum and substance of my proposals here.

In this context, we will also need systematic research into and development experimentation of financial innovations and new financial instruments for the current Global Financial System to help extend its currently indispensable service lifespan. This is because the complexity of inter-dependencies among the entities within the current Global Financial System have become a systemic fragility, or web of weakness and hazard, of the system itself.

The globally inter-transactive system of financial markets is itself a very large super-derivative. And it is derived from yet another derivative. This derivative is largely psycho-emotional. It is based on the system imperative for profitable financial return. It is underneath that derivative that we finally reach the underlying real asset base: the so-called "real economy:" the locus of our toil, sweat, tears, and joys. That's the economy we live and eat. But this real economy is securitized for profitable financial returns in financial markets and that is a profound source of many of the transprudential risks we face today and will face tomorrow.

A rapid, precipitous, and overtly unanticipated and seemingly uncontrolled collapse of the Global Financial System and the World Capitalism it supports would cause mayhem in our world, or at least be attended by great dysfunctionalities. Few would want that; I certainly don't. So: if global transitions are required, and they may be for a multiplicity of reasons, it would be better for the overarching transition to be gradual and in the context of the experimental research and development of viable living complements and alternatives, including expedients to prevent a too rapid and too cataclysmic a transition so that as one is more gently descending others are more gently ascending to provide needed life support for global human populations.

Looked at Transprudentially, Humanity and World Society is collectively taking the ultimate large existential risk of placing all its eggs in one very fragile basket: the current Global Financial System and the current World Capitalism based on it.

This is not prudential in any sense of that term. No Diversification.

Essentially, we have, as Humanity and World Society, bet everything on Capitalism.

In my view, there is an intertwining of meaning between the general concept of "Rationality" and the business quality concept of "Fit for Purpose." Something is rational in the context of its purpose if it is fit for that purpose.

In this sense, in an intra-systemic sense, Capitalism is an extremely rational system. All of its core incentives and institutions are designed in a very rigourous and consistent manner to achieve its overarching purpose: generate profitable financial returns in a manner mitigating the intra-systemic risk to the achievement of that purpose by unloading those risks extra-systemically even at the cost of inter-systemic dysfunctionalities.

Whether or not this is rational in a Transprudential Rationality is quite another matter.

It is quite possible for a system to be Macroprudentially Rational but Transprudentially Irrational precisely because it is Macroprudentially Rational.

This same relationship exists between Microprudentiality and Macroprudentiality.

It is microprudentially rational in the short term, for example, for an investment bank to seek an accounting maximization of the return on its assets in a manner that is macroprudentially destabilizing and even dangerous.

Capitalism, in a sense, is a very large investment bank with our whole social and environmental world, in the same sense, as the financial system being put at destabilizing and dangerous risk by its behaviour which is rational in its own terms.

We are compelled to consider these possibilities.

My recommendation, counter-intuitively, is a gradual systematic divestment of Capitalism from areas beyond its system design parameters but with a corresponding investment in the development, but not the operation, of Complementary Ecosociopsychonomies in order to better manage the high potential for adverse cascading political effects on Capitalism itself if it continues to act in unawareness or denial of its own limits.

We need to open up Legally and Politically Protected Freespaces for Ecosociopsychonomic Innovation.

Joseph Edozien

I. Futurenomic Transdisciplinarity of Ecosociopsychonomics

My perspective on the matters discussed herein is transdisciplinary.

In my view, certain broad factors are so unentangleably and profoundly inter-related that they comprise one integrated transdisciplinary subject which I call Ecosociopsychonomics.

This term is perhaps awkward and it may even be dauntingly cumbersome, but it serves well its purpose and is unambiguously descriptive in context.

The essential factors considered in Ecosociopsychonomics are a structurally interconnected web of four basic systems which serve inextricably together as the experiential foundation and context for human action and destination:

1. Environmental Ecosystems
2. Sociocultural Systems
3. Psychobehavioural Systems
4. Economic Systems

These basic factors cannot truly, or ultimately genuinely productively, be considered in isolation from each other.

Environmental Ecosystems

These are the natural geobionomic processes and ecosystems in which our socioeconomies are embedded and which, in several important inter-related senses, provide our surroundings and hence our context. They also determine us in the sense that they provide our natural limits.

Environmental Ecosystems have to become a factor in our decisions. We cannot ignore them.

Sociocultural Systems

These are the sort of systems studied in Anthropology and Sociology and Law.
Even Finance, at its best, recognizes that these are unavoidable factors.

Psychobehavioural Systems

Your own reactions to whatever you have read here so far are in themselves evidence of the essentiality of these.

For some reason, the currently orthodox science of economics is only just beginning to formally recognize the essentiality of this factor in its emerging new subdiscipline called “Behavioural Economics” -- even if that subdiscipline is going about that in the wrong way for the wrong reasons.

Economic Systems

These include our financial systems too.

Conclusion

In sum, I do not believe we can approach our future intelligently if we do not consider these four factors as essentially one complex thing -- or at the very least as mutually impacting in mutually determinative ways.

When we think broadly about benefit, and what is more narrowly considered in financial terms as “return,” we will be compelled in the future, as actually we are already compelled in the present whether or not we realize that, to think holistically about benefit and malefit as ecosociopsychonomic return . . .

II. Trans-Systemic Risk-Management for Ecosociopsychonomic Futures

The terms “Risk” and “Return” are considered here in generalizations of their standard meanings in conventional financial terms.

Risk

Risk is today something more important than Return to ponder because in current times our probable risks overwhelm our probable returns: near extreme volatility is today our new normal.

It is therefore more rational today to give more weight to risk than to return precisely also because returns are low and so even sub-normally acceptable returns will entail the undertaking of greater risks.

The Financial Definition of Risk is a reasonable and pertinent one: the rationally estimable Probabilities of Loss Options among A Reasonably Knowable Set of Possibilities including the rationally estimable Probabilities of Gain Options and those with both Gains and Losses in various degrees of rough balances and notable imbalances toward either extreme.

It is generally considered to be unreasonable and imprudent to consider the possibility of gain without also soberly considering the probability of loss.

Moreover, especially in the field of finance, there is a very strong synonymity between the words “Risk” and “Volatility.” They are in some senses mutually definitional.

This is reasonable in general because relevantly high volatility in irregular patterns is almost a definition of uncertainty; and the words “Risk” and “Uncertainty” go intimately together too, even as some try to make a sharp distinction between the two.

Most of us will agree in any case that there is something of uncertainty in risk and something of risk in uncertainty.

Risk, in its financial sense, is directly proportional to Asset Price Volatility since such volatility, especially if it is supernormal, makes Price Magnitudes uncertain at particular future times of our interest. This, of course, has an effect on our Anticipated Returns since there is a direct link between Anticipated Return and Asset Value in The Season of Asset Harvesting or Liquidation.

An obvious trend of the Global Financial System of Capitalism is the systemic distribution of risk.

When critical risks cannot be diffused throughout the system, the whole system can become catastrophically vulnerable to single points of failure if those single points are globally critical to the functioning of the entire system, either because of their sheer size and weight or because of the system criticality of their functions: especially if the system is somehow rigidly centralized in its subterranean core by a fragile monopoly of an existentially critical system function, and the locus of that monopoly is itself vulnerable to fragility.

But if the system is such that a few hyperconnected hypercritical core nodes have amplificatory disproportionate nodal influence with global power to globally diffuse, as in distribute, their already disproportionate local risks with global impacts, the system as a whole can eventually be made even more vulnerable in an exponential amplification of gradually increasingly unmanageable risk.

In such a system, a catastrophic cascading collapse of priorly unimaginable rapidity for such a system, even if of vast expanse, becomes more probable than is probably calculated by the principal and sub-principal actors in that system.

In short, when the largest risk factories spread their risks they raise the background "risk temperature" of the entire system.

When we consider risk, therefore, we also have to ponder "hidden risk."

In the context considered here, there are three relevant factors of hidden risk.

Hidden Risk:
- Unconsidered Risks
- Externalized Risks
- Paradigm Risks

Our entire discussion below will have these hidden risk factors in mind.

In my view, there is such a thing as "The Global Financial System" (GFS): increasingly, banks and financial markets are interconnected in one system globally.

Some dispute this notion.

In my view, in any case, The Global Financial System is:

1. A Single Inter-Currency System
2. A Single Interlocking System of Financial Markets
3. A Single Network of Inter-Transactive Financial Institutions.

The globally inter-transactive system of financial markets is itself a very large super-derivative. And it is derived from yet another derivative. This derivative is largely psycho-emotional. It is based on the system imperative for profitable financial return. It is underneath that derivative that we finally reach the underlying real asset base: the so-called "real economy:" the locus of our toil, sweat, tears, and joys. That's the economy we live and eat. But this real economy is securitized for profitable financial returns in financial markets and that is a profound source of many of the transprudential risks we face today and will face tomorrow.

Entropic Risk Arbitrage for Systemic Dispersion of Risk

An evident trend of Capitalism, exemplified by the operational dynamics of the Global Financial System, is the systemic distribution of risk – as stated above.

I would even go so far as to say that one leading edge of the development of Capitalism, seen clearly in advanced financial innovation, is “Deliberate Risk Spreading,” or the systematic diffusion of risk throughout the enveloping system engendering the phenomenon of risk contagion.

My term for this, pertaining to financial markets, is “Financial Entropy:” which I see as a form of something more general which I term “Entropic Risk Arbitrage.”

Entropic Risk Arbitrage is a very important development in Capitalism, something extending beyond just finance, which is well expressed both in System Cost Externalizations and in Financial Innovation using Securitization and Derivative Security Instruments.

We also see this phenomenon dramatically at work politically and legislatively in financial crises when Global Financial System risks are socialized by governments using social mechanisms such as bailouts and bailins and then various social austerities for consequent sovereign debt growth control.

From a “local” point of view, the development of entropic risk arbitrage is rational, and probably necessary in the context of system incentives, in a narrow individual-entity construal of self-interest.

From a “global” point of view, the development of entropic risk arbitrage may be irrational even from the narrow construal of individual-entity self-interest when unanticipated feedback effects on that entity, perhaps initially misconstrued as so far in the future as not to matter or too unlocalized to have significant effect, are considered. But, certainly, entropic risk arbitrage malaffects the sustainability of the larger enveloping system which is used as the passive dumping ground for hyper-concentrated and now temporarily diffused risk.

This subject is both deep and complicated so I will only touch upon it here.

Suffice it to say that the net macro-effect of Entropic Risk Arbitrage is to diffuse super-compressed risk from points of system-criticality to the system as a whole.

In the near term, and this is the local rationality in it, it reduces the immediate threat to the system of catastrophic malfunction at critical single points of macro-system failure.

In the long run, however, and that run is not so long as we may believe, it has the entropic maleffect on the whole system of gradually increasing the riskiness of the entire system as a single interconnected whole.

We see the symptoms of this in gradually increasing system-wide inter-connected volatilities encompassing various spheres of human endeavor and consequence.

Given its advancement, Entropic Risk Arbitrage is a process which can probably no longer be stopped in Capitalism; and because of underlying exponentiations it can also no longer be meaningfully slowed down.

Therefore, ***there is a "gradually" and inexorably unstoppable increasing probability of a catastrophic multiply cascading inter-linked implosive failure of the entire Capitalist system.*** This is what I term, in this context, **Existential Systemic Risk**.

It is a matter to be seriously and thoughtfully considered in a prudential manner.

My general sense of the matter is that the development of **Systematic Entropic Risk Arbitrage** (SERA) is itself signal of an at least "unconscious" sentience of some sort amongst critical system participants of growing existential systemic risk.

Let me note here that a related other problem with risk spreading is a sort of Moral Hazard problem. The successful ability to spread risk tends to amplify risk producing behaviour in the knowledge that the risk can be successfully spread. In this manner, specific points in the "space" offload their risks to all points in the "space," so to speak.

Existential Risk Management

In my view, Risk Management is Risk Selection not Risk Elimination since risk cannot be reasonably or realistically eliminated even if it can be more or less passed off to some other entity, some other space, some other time, or to some combination thereof.

Thus, ***the core skill of expert risk management in a world of unavoidable risk is artful and intelligent risk selection***.

The kernel in this core is the art of exchanging unacceptable risks for acceptable risks . . .

We shall come back to this notion.

The idea I wish to get to in this realm is the idea of Existential Risk Management.

In my opinion, Existential Risk Management is a critical skill we need now.

Existential Systemic Risk *(Existential Macrorisk)*

Systemic Risks are those which affect the entire system as a single whole. I also call them Macrorisks.

Existential Systemic Risks are those which affect the entire existence of the entire system as a single interconnected whole. I call them Existential Macrorisks.

In my opinion***, the Existential Systemic Risk for Humanity in its modernist context is increasing rapidly today in large part because of the radically increasing interconnectivity of the financial-economic system we have today, with its increasing sway over all aspects of human existence, since it is an interconnectivity relevantly devoid of diversity.***

Intra-Systemic Risk *(Microrisk)*
Intra-Systemic Risk, or Microrisk as I also call it, is the risk incurred by an individual-entity in its interactions with other individual-entities in the same system.

When an individual-entity is of great significance in or to a system, its individual-entity risks can also become systemic risks.

It is thus notable that some individual-entities can hyper-concentrate, or super-compress, risk. Such individual entities, especially if they are of systemic significance, can thus put the whole system at immediate risk if they have no way to diffuse their super-compressed risks.

A very powerful method for hyper-concentrating, or super-compressing, risk is **Exponentiated Leverage**.

Good examples of Exponentiated Leverage are sociopolitical leverage from financial monopolies, geopolitical leverage from nuclear weaponated unstoppable long distance delivery systems, and financial leverage from “higher-level” financial derivatives with multiplicative options.

Generally speaking, though, it is the aggregative nature of microrisks which can yield macrorisk if there is a relevant uniformity in certain microrisks, especially if the uniformity engenders the same sort of risk spreading behaviours at roughly the same time among the individual entities which even if in each case small can collectively become entropic.

Inter-Systemic Risk *(Transrisk)*

Inter-Systemic Risk is a form of what I call “Transrisk:” a term I shall define later.

Suffice it to say for now that Inter-Systemic Risk is the risk “between” systems.

Usually, this refers to the risk impact of one large system on another large system, or on “surrounding” large systems.

For example, a purely financial disaster in the financial system may have a profound effect on the political system even so far as to irremediably destabilize it. A more subtle and ill-understood example of similar, which I have examined in some depth, is the impact of the financial-economic system on the psycho-emotional systems of people. People often tend to see the two as separate when they are in fact very intimately intertwined.

The relevance of Inter-Systemic Risk here is that it encourages us to look beyond the confines of the systems in which we find ourselves embedded.

Trans-Systemic Risk *(Transrisk)*

Trans-Systemic Risk is one of my core perspectives here.

Trans-Systemic Risk is related to Inter-Systemic Risk.

Trans-Systemic Risk is the kaleidoscope of Inter-Systemic Risks as viewed from the super-vision perspective on multiple systems at the same time.

From this point of view, for example, one may consider the human risks to World Societies in general of the economic risks of World Capitalism or the financial risks to World Capitalism stemming from the operational risks of the Global Financial System.

This is in the main the perspective taken here.

Transrisk, as you may have already surmised, is Trans-Systemic Risk.

Paradigm Risk, then, is a form of both Systemic and Trans-Systemic Risk.

Paradigm Risk is a relevant risk to ponder if the very paradigm in which we live and operate is itself, in the whole, a high risk paradigm.

From this notion of Paradigm Risk, I derive the notion of "Trans-Systemic Concentration Risk."

A simple colloquial way to capture this risk notion is the phrase: "too many, or all, eggs in one basket (system paradigm)."

This is a very real existential risk indeed if we have access to only one livelihood paradigm.

The existential risk is made even greater if that one paradigm is also very high risk paradigm.

This matter appears today to be largely an "Unconsidered Risk" which in fact amplifies the risk.

We shall consider that risk here.

III. Transprudentiality for Transprudential Portfolio Diversification

For my purposes here, irrespective of however it is defined elsewhere, I shall define Prudentiality as Macroscopic Long-Term Risk Management under the governing mental umbrella of Prudence.

Prudence, from time immemorial, has been well-considered a wise virtue.

A prudential focus is required today.

One approach to Prudence is to prepare simultaneously for several probable future scenarios yielding different relevantly impacting outcomes of interest, especially if one is not confident in which scenario is most likely.

World Capitalism is already doing this based, in my opinion, on an under-estimation of its social and financial fragility and an over-estimation of its from here long-term resilience and social necessity and attractiveness -- leading it to, perhaps fatally from its own system perspective, misinterpret the signals to which it is responding.

For example, it is quite evident that World Capitalism is preparing for its own descent, though it may not construe it in those terms.

One sees this in the increasing construction of elaborate surveillance and security systems which are in effect barricades against the public it is financially and economically responsible for -- even if intended, as stated by it, as protections for them.

When one compares the financial, social, psycho-emotional, and constitutional costs of these new systems in relation to the real actual costs of the incidents justifying them, a notable disproportionality of cost becomes quite apparent.

The systems seem to be a disproportionate and exaggerated cost response to the signals to which they seem overtly to be responding to.

One can then reasonably conclude that they may be prudential measures for other probable scenarios.

My sense is that one of these other probable scenarios is a more or less conscious forecast of probable system descent.

Moreover, ***from the perspective of World Human Society, the current Global Financial System is becoming an ultra-high risk single point of failure.***

Societies are completely ill-prepared for a catastrophic implosion of the current Global Financial System.

And this may be a more or less conscious objective of the intense preparations noted above.

The probability of such implosion is unknown, but it is certainly not low.

In fact, there is evidence in recent history that it is high.

There is also evidence that there is Systemic Deflation in the core.

We purchase insurance for all sorts of improbable but foreseeable catastrophes.

It makes sense for us to do so for our livelihood sustainability in the quite likely case of increasing incapacity of the system to support many or most of us.

Prudentiality

There are several basic aspects to Prudentiality in the sense in which I use that term in this context.

We have:
1. Microprudentiality
2. Macroprudentiality
3. Transprudentiality

The most important and original idea in this context is "Transprudentiality."

Transprudentiality will likely be an unfamiliar term because it was a term I was forced to invent to express the key notion of this structure of ideas. Nevertheless, it is a term, and a meaning, which I believe will be of growing importance.

The General Aim of Prudentiality is The Safety and Soundness of The Stewarded Systems.

Microprudentiality

Microprudentiality is The Prudential Management of Intra-Systemic Risks.

The General Aim of Microprudentiality is The Safety and Soundness of The Stewarded Institutions (Individual-Entities) of The Stewarded System.

Macroprudentiality

Macroprudentiality is The Prudential Management of Systemic Risks.

The General Aim of Macroprudentiality is The Safety and Soundness of The Stewarded System itself.

Macroprudentiality is prudential if the underlying problem is system malfunctioning.

Macroprudentiality may not be prudential, or at least not as prudential as anticipated, if the underlying problem is system functioning: in other words, functioning as designed and according to its de facto intrinsic inbuilt incentives if they are not sufficiently overt.

In this case, Macroprudential measures may unintentionally degrade system functioning: removing some symptoms by inducing greater unexpected other ones because the removed symptoms are due to non-obvious causes essential to the de facto system functioning.

For example, given underlying systemic growth pressures, it is not improbable that macroprudential regulation of liquidity and capital risks could actually stimulate even more dangerous "workarounds."

It is also not improbable that what could be, in effect, countercyclical macroprudential financialization processes taxations could have unexpected sociopsychological impacts on long-term public confidence in the financial system leading to unintended sociopolitical consequences of an unanticipatable nature. People may sense such as faith-undermining regulatory pessimism.

It is important to note also that Microprudential Management and Macroprudential Management can work at cross purposes.

Some Microprudential measures can have negative effects on systemically necessary growth. Therefore, efforts to reduce systemic risk could actually increase systemic risk.
For example, as financial institutions are forced into "workarounds" to meet systemic growth pressures leading to more "complex," thus risky, behaviours than would otherwise be the case.

These are just a few of the many reasons it is necessary to go beyond Macroprudentiality to Transprudentiality, which is Global Public Interest Level Risk Management in this context.

Central Banks ought to consider Transprudentiality to be one of their new prudential considerations.

But: it cannot become a regulatory consideration for Central Banks because that is contrary to the notion of Transprudentiality.

Transprudentiality

Transprudentiality is The Prudential Management of Trans-Systemic Risks in The Mitigation of Inter-Systemic Risks.

The General Aim of Transprudentiality is The Safety and Soundness of The Stewarded Relationships of The Stewarded Systems as Co-Equal Sovereignties with mutually respectable purposes intrinsic to themselves and in mitigation of the mutual destructiveness which occurs when one system acts for all systems in its own narrow solipsistic interest irrespective of the interests of the others. In the end, such solipsism is not only other-destructive, it is also self-destructive: and when amplified by coreactivities is interactively mutually destructive.

Transprudentiality is a form of Trans-Systemic Multi-Laterality.

While such a consideration may seem counter-intuitive now, it may become an increasingly important consideration as the future unfolds.

It is not rational, within the bounds of its intrinsic drives and incentives, for a system such as Capitalism to contemplate its own self-limitation since its very design is to grow without limit.

And it is not usually "normal" for any system to contemplate its own self-mortality.

Humans, for example, on a personal level, usually don't do so except when faced squarely with an inescapable crisis, or are feeling relieflessly depressed, or are feeling hopeless and worthless.

But it is not beyond the bounds of reasonable contemplation to think that at some point in the not too far future, we may become compelled to consider Transprudentially such matters as system survivability in the context of social sustainability.

While such thoughts may seem remote to some today, it is nevertheless reasonable, in a Transprudential sense, to have some future options ready and open even as a normal investment discipline of diversifying our risks by hedging our bets.

While we may be held accountable for profit, we remain in any case members of societies as living human beings.

For financial institutions such as public funds and pension funds, Transprudentiality is important to limit long-term liability just in case of underperformance, or worse, of the Global Financial System*. *Transprudentiality ought to become a core part of Public Fund and Pension Fund portfolios for risk mitigation and a key part of their risk management strategies.

The longer the term from here today is the investment horizon, the greater is the Trans-Systemic Risk.

This is even truer in light of demographic considerations. Globally, the human population is still growing and it is living longer.

From a Transprudential perspective, therefore, one may wish to mitigate the impact of the incentive risks of World Capitalism on World Human Societies, or one may wish to mitigate the impact of the operational risks of the Global Financial System on World Capitalism.

The former is central to my concerns and proposals here.

In my view, as I will discuss later, the latter is the core, but not the only, new Transprudential Role of Central Banks acting in concert across the world as coordinated through the Bank for International Settlements as I shall propose.

Central Banks already assume a Macroprudential role for Capitalism in their various States. I propose here that they also assume a Transprudential role in addition for World Capitalism in their already existing collaboration through the Bank for International Settlements.

But whatever they do must be done in light of the quite obviously diminishing determinacy of “Western” protagonism on the world stage since that relative, and needed, contraction of world influence itself poses a Trans-Systemic Risk in great need of thoughtful Transprudentiality.

Epic, even if slow moving, World Transitions can be very dangerous moments in World History.

It is very difficult for masters of a receding order to allow, let alone enable and facilitate, the necessary arrival and ascension of an approaching and needed other one.

Their usual obstructive and destructive “defensive” reactions are futile (sometimes even controlled demolitions in anticipation of uncontrolled collapses) – because ultimately self-destructive in the acceleration of the processes they were trying to prevent . . .

We have seen this in history before. And the rise of Capitalism itself out of old Monarchies is quite instructive in this respect. Some Kings and Queens saw and lived; others didn’t and didn’t.

Sometimes, things are ending and the attempts to save them ends them before their end was due.

But in a more tortuous and painful way for all than needed . . .

Transprudentiality can help us avoid something unnecessary which is ultimately not constructive.

There is no reason why recession cannot be gentle for one while ascension is gradual and without hubris and retribution for the other . . .

Transprudential Portfolio Diversification

Transprudential Portfolio Diversification (TPD) is diversification beyond the borders of the system.

This is diversification without the system in contrast to diversification within the system.

I suggest we do this.

People do this sort of thing all the time.

I may be a specialist professional financial market investor with a “within system” diversified portfolio of bonds, shares, and derivatives of various carefully counter-weighted risk profiles.

But I may “without system” buy a farm in Nebraska just in case . . .

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"Get Rid of Non-Performing Assets!"

This injunction is not unfamiliar to any asset manager or return-savvy investor.

For its own profitable self-sustainability, Capitalism needs now to gradually divest itself of its non-performing social assets (in its own profitability terms) in a manner which enhances the social stability necessary to sustain the ability of Humanity and Environment to continue to host the profitable returns of Capitalism in a more appropriate manner.

In truth, some of these core social assets are social liabilities for Capitalism without corresponding commercializable social assets on which it can place profitable claims and book financial returns in its own terms.

It is futile and self-defeating in the terms of Capitalism itself to bear liabilities without corresponding assets. This is a recipe for system insolvency.

The very deeply entangled and entwined association between modern Capitalism and modern Government creates a profound and convoluted confusion which seems to extend the social responsibilities of Capitalism beyond its intrinsic system design parameters.

Capitalism cannot assume de facto social sovereignty on the one hand and then claim de jure responsibility only, in effect, to the profit maximization of productive asset bondholders and shareholders on the other hand.

Social Sovereignty, whether de facto or de jure, entails responsibility for more than narrowly financially defined productive assets and their profitable yields.

Capitalism says in effect: "we have de facto social sovereignty, but Government has de jure social sovereignty so we take the profits and Government takes the losses."

This is not sustainable for any society in the long run.

Social Sovereignty is all or nothing: whether it is de facto or de jure.

In its inner essence, **Capitalism is a for profit financial system for commercial purposes**.

Capitalism is not designed paramountly to be a social welfare system for non-commercial wellbeing. That is ancillary to its main purpose and something outside its system design parameters.

Government, on the other hand, is, properly, a non-profit social infrastructure for social stability in the harmonization of the communal interests of human society.

The two purposes are not by their respective natures coterminous.

The former (commercial purpose) is properly a part, or sub-sphere, of the latter (social purpose) and cannot effectively become the whole of it.

This is why there has always historically been an unresolvable tension between Capitalism and Society.

There is more to social purpose, and even to economic purpose, than commercial purpose.

When Capitalism attempts to become the de facto governor, or regulator, or sovereign, or glue, or standard of all society it reduces all of human society to a profit motivated venture which cannot capture all values of society and thusly Capitalism begins to become an unsustainable burden and an encumbrance on society and an over-reaching drag on itself.

There is much historical evidence to support this contention.

It would seem, therefore, that Capitalism needs to reduce its sphere to that which it does best and which history has proven it does very well: organize some, but not all, commercial activity for profitable financial return.

Given that World Society is now profoundly dependent on World Capitalism for its subsistence, we are now left with very complicated world problems as the limits of the design parameters of World Capitalism are being increasingly breached by the increasingly complicated needs of human society and human survival in its increasingly strained environmental context.

We now need to thoughtfully and collaboratively begin a knowledge-based disentangling process if World Capitalism is to survive as a profitable venture within its intrinsic design parameters as a financially driven engine of commercial profit built to seek and create financially defined returns within its financial accounting frameworks at tolerable social risk and manageable operating and environmental costs.

And since the depth of confusion and conflation has become so increasingly profound, this cannot be a fast or hasty process. It needs to be a slow and gradual process that is experimental to be effective.

Economics itself, properly, is only partially commercial and financial.

This is because, ultimately and in the main, properly, economics is about human livelihood in all its aspects as embedded in human society, culture, and nature.

And since livelihood touches every aspect of the entire web of human values it cannot be in every aspect a profitable venture in financial terms.

How, for example, do we sustainably financialize all aspects of Family, Friendship, and Community?

But these are all essential for livelihood and always have been.

How do we care for the indigent for sustainable financial profit?

But most indigents are indigent relative to the current financial system and not necessarily due to intrinsic factors of human life and human survival.

They are indigent, but they still walk and talk and live and survive as an increasing burden on a financial system decreasingly able to support them.

Their numbers seem to be growing rather than diminishing and so they appear increasingly as a social tax on Capitalism and as a chronic and increasingly threatening drag on its profits.

Who will pay for a human population which in a demographically “baked in” process will approach ten billion souls before there is any humane possibility for peaking population?

Capitalism cannot assume, within its profitable means, full social responsibility and thus total financial liability for all of these above, even if it may be a cause of at least some of them though more likely of most of them, and we have still left most of these matters unmentioned.

Capitalism is designed to be a for financial profit commercial system.

Capitalism is not designed to be a comprehensive social system, social service mechanism, or non-commercial social governance system.

Increasingly, Capitalism is becoming coterminous with human activity to the increasing detriment of both.

By extending its sphere outside its system design parameters, the Global Financial System is putting itself and its survival at underestimated, underappreciated, and both understated and ill-understood risk.

In other words, the de facto and de jure monopoly of Capitalist finance is the single biggest future threat to its own existence.

If no-one can live outside the Global Financial System, but a great and growing number do not have enough of it to survive or to live a reasonably acceptable life they will without any possible doubt become a “problem” because people are hardy survivors so they would eventually survive without the Global Financial System . . .

There needs to be a way to arrange the co-survival of Humanity and Capitalism, at least for a graceful period of time, if Capitalism wishes to retain broad-based human support, in a way which works well for both in their respective spheres of comparative advantage.

The former subsumes the latter, not the other way around.

Some would do away with Capitalism.

Some would rather do away with most of Humanity.

Others want to transform Capitalism into something else.

Yet others rather want to transform Humanity into something else.

It is doubtful any of the approaches above would work peacefully or elegantly.

We ought, therefore, to consider and try a different approach and this is what I suggest.

State Government and Central Bank Transprudential Risk Management

The Global Financial System is fragile because it is suffused with multiple interlocking vulnerabilities which many experts are aware of but which very few really understand.

For just one “simple” surface example, it has become a tangled web of intertwined loans based on confidence in the solvency of each and backed by the attitude of “in a crisis of confidence it will be your hide on the line and not mine.” That’s just one surface risk of the banking system: especially if everyone in it, or almost everyone, holds that attitude.

And the complicated degree of interconnectivity and interactivity in the Global Financial System is such that the tapestry of vulnerabilities may not even be understandable in any construal to a comprehensive enough degree for effective long-term management.

There are limits even to creative unconventional tools of monetary policy and we seem to be approaching those limits.

“Moral Suasion” of admirable degrees of subtlety and soothing brilliance has proven in many critical ways to be one of the most powerful tools of monetary policy so far. But even that has its limits since it depends greatly on the persistent confidence of an increasingly doubtful and wary world public.

The most precious coin of finance is public confidence, faith, and belief.
It is evident, too, that we are approaching those limits.

In the structure and operation of modern Capitalism, we are told, State Governments are usually held to be The Borrowers of Last Resort and Central Banks are usually held to be The Lenders of Last Resort. This seems indisputably true and is most clearly illuminated in financial crises.

It is also true of Capitalism, historically and presently, and this truth is often obscured in normal times, that State Governments are The Borrowers of First Resort and Central Banks are The Lenders of First Resort (even if as framework facilitators for other intermediaries).

The Global Financial System, at least in the form we know it presently, could neither arise nor function if this were not true for then there would not be a legal tender foundation.

It is thereby true that the Global Financial System of World Capitalism, at least as we know it presently, begins and ends, denominately, with State Governments and Central Banks.

In other words, Sovereign Debt is necessary to the financial operation of Capitalism and can never and will never be eradicated in conventional Capitalism as we know it.

These truths contain profound implications for The Global Transprudential Management of World Capitalism.

The idea that The Nominal Sovereign can never become insolvent because it can always “print money” to pay its debts is not only unrealistic, it is a very dangerous and hazardous idea. But economists and finance professionals are taught this at University.

The Nominal Sovereign can indeed become insolvent, especially if it does not actually control the “printing press.”

The Global Financial System now has a real need to preserve the solvency of its sovereign clients for its own Existential Macroprudential reasons.

But it will not be sustainable to do so by withdrawing social services without sustainable livelihood complements or alternatives: not only for indigent and poor people but also for those descending from the “middle class” under financial pressure in real terms.

Capitalism simply does not now have the financial structure to fully support everyone in need in a sustainable way going forward and so we should simply accept this evident truth without ideological rancor or blame-shifting in one direction or the other.

It is neither purely an issue merely of excessive greed on one side or merely of insufficient ability on the other side.

The issues are, at the very least in penultimate causation, structural and technical and extremely difficult to unravel because very profoundly entrenched in obscured financial system design, function, and operation and further obscured by ideological interests on the various sides of the already obscured issues.

In any case, my general proposal here is that State Governments, Public Funds, Pension Funds, and Central Banks now assume Transprudentiality as one of their central tasks.

Public Fund and Pension Fund Investment in Transprudential Risk Management

The need for Transprudentiality by Public Funds and Pension Funds should now be evident since they hold very long-term obligations with profound public fiduciaries.
(Note: I class Sovereign Wealth Funds as Public Funds.)

IV. Self-Referentiality for Self-Referential Super-Financial Sky-Scraping

One aspect of the concept of Financial Self-Referentiality is the notion that financial markets now often reflect themselves to themselves in an almost solipsistic manner: they react to their own dynamics and not necessarily to extra-market dynamics in the real economy.

There is an underlying extra-market basis, of course, since financial markets are originally epiphenomenal on real economies; but, in my opinion anyway, within themselves they eventually become driven by their own non-externally reflective dynamic. They become solipsistically self-referential in large measure.

Within financial markets today, price fluctuations are often based not on real variables but on self-referential financial and intra-market variables independently of real utilities.

The real connection between real economies and financial markets are not really prices anymore but money moving from one to the other as effective demand: either for real utilities in real markets from financial markets or for financial instruments in financial markets from real markets.

The connection would be prices, as they may have been originally, if financial markets were markets for real utilities and thus a direct representation of them in prices.

Self-Referentiality: *"The Self-Referentialization of Self-Referentiality"*

In this context, I mean by "Self-Referentiality" the notion of a system relating to itself in a largely solipsistic manner as if there were no other existence other than itself.

The Trans-Systemic Risk we face today is that this attribute has been the mark of modernity.

And, today, we are beginning to face its consequences.

Self-Referentiality, in my view, has been a defining mark of Capitalism and is in fact one of the underlying issues driving our growing need for Transprudentiality.

But given that this is its nature, it cannot really be otherwise.

Our task now is to see how we may contain this characteristic within survivable limits.

The answer, it seems to me, paradoxically enough, lies in The Self-Referentialization of Self-Referentiality . . .

Self-Referential Super-Financial Sky-Scraping

Capitalism seems to have reached, or is reaching, its social limits for healthy sustainable profitable growth.

It would be psycho-emotionally and socially dangerous for Capitalism to commercialize every possible area and every aspect of human existence since not all aspects and areas of human existence are commercial or healthily commercializable in sustainably profitable ways.

That some sort of social limit is being reached, perhaps even breached, is amply demonstrated by Capitalism's now necessary evolution toward rapidly intensifying self-referential financialization.

It thus seems inevitable for endogenous system reasons for this trend to continue.

Intensification usually occurs as limits are being reached or breached.

A common example of this in business is when companies resell new offerings to their market bases to survive profitably when they can no longer expand them adequately.

Usually, they first expand the market base with their current offerings to take advantage of economies of scale and experience later incurring intensification costs as their market base growth rate drops toward zero.

The most feasible high growth path for Capitalism, therefore, is toward further intensification of its current self-referential financialization processes and not in further social expansion.

Expansion beyond the current social borders of Capitalism will be expansion into areas of necessarily diminishing returns. This seems to be true in a geospatial sense too.

Africa, for example, will not yield the expected returns from the perspective of the global system as rising consumption there feeds back into increasing natural resource constraints elsewhere.

My recommendation, therefore, is that Capitalism seek further exponential growth largely within its current social borders in a largely self-referential manner.

This implies further intensification of current securitization processes with further derivative financial instruments built on top of securitization packages.

Since the expansion and acceleration of production inputs can also yield only diminishing returns and an amplification of the inherent problem of systemic underconsumption (from the point of view of the profitable liquidation of industrial produce) further self-referential financialization will also be required to book accounting profits for the system as a whole.

The physical analogue of my contentions here is the building of skyscrapers as cities reach the practical geospatial limits of urban expansion in a particular terrain – usually for topographical, but also sometimes for related political, reasons.

Skyscrapers are intensification artifacts.

Beyond the natural borders of that terrain, spatial expansion becomes increasingly inhospitable for urbanization for one reason or the other; and the expense of clearing the surrounding area, or building over water, becomes too great in relation to the yield from building skyscrapers in an urban intensification process.

In this sense, it becomes more feasible to grow upward rather than to grow outward.

I will expand on these thoughts in other documents in perhaps other venues.

My point here is simply this: that we may be forced to build self-referential super-financial sky-scrapers within the current "urbanity" of Capitalism because outlying "terrains" are becoming increasingly inhospitable for profitable exploitation as "outward" expansion into further social spaces begins to reach and breach profitable social limits.

My general observation is that The Self-Referential Super-Financial Sky-Scraping of World Capitalism will continue inexorably because for it to stop would not only be systemically impossible, the attempt to stop it would itself be systemically catastrophic. It is now a critical system necessity.

There is too much debt in the world for deflation to correct without catastrophic consequences.

And ***there is no longer enough space for outward social or geospatial expansion to meet the debt-absorption need.***

And even if there were enough space for the needed debt-absorption, it would suck all the not-for-profit oxygen out of human life with irreparable long-term negative social and psycho-emotional consequences for human living.

Rather, ***we need World Capitalism to shrink at the margins and build upwards instead.***

We need Self-Referential Super-Financial Sky-Scrapers rather than Other-Reflective Super-Financial Sprawling-Ranches.

There is not enough room for the spread of the minimum size of the super-financial ranches that would be needed. This is why ***the current desperate scramble "outward" is futile.***

World Capitalism needs to build further up and not to build further out.

The main strength of Capitalism is also its main weakness.

Capitalism is very, very good at what it does best: organize everything it touches for financially defined profit whether or not that organization is always good for everything it so organizes.

But. **Going forward, Capitalism will increasingly need to extract profit from itself through an intensification of the processes of its own self-referentiality.**

The main current tools for Self-Referential Super-Financial Sky-Scraping are:

1. Multi-Tier Securitization
2. Multi-Tier Derivative Construction
3. Multi-Tier Financial Market Making

Other tools are feasible and will require further research and development.

Together, these tools form a Self-Reinforcing Self-Referentiality.

The use of these tools will continue and will continue to amplify and ramify.

They can neither be stopped nor adequately controlled within the current system because they exist for systemic reasons.

V. Systemic Unemployment engendering Systemic Deflation of Capitalisms

Unemployment is an ambiguous term which can refer to either or both of labour unemployment and/or asset unemployment (also known as factor unemployment or productive capacity unemployment, etc.)

I include "under-employment" within the class of "unemployment."

Unemployment is only meaningful relative to an economic system if it causes problems in that system in the terms of that system. Otherwise, it is meaningless and a non-issue. Thus, "unemployment," in an economic context, is a relative concept without an absolute meaning.

There are several forms of periodic unemployment analyzed by economists:

- Frictional Unemployment
- Seasonal Unemployment
- Cyclical Unemployment
- Structural Unemployment

I would like to introduce a new category of unemployment: Systemic Unemployment.

I will expand further on this form of unemployment at another time.

Let me provisionally, for my purposes here, define Systemic Unemployment thus:

Systemic Unemployment is unemployment of a chronic, pervasive, and perpetual nature which is due to the normal technical functioning of a particular economic paradigm whether by intention or by intrinsic design engendering a relevant operating deficiency.

Systemic Unemployment is a variable quantity which will tend to increase as the economic paradigm which produces it develops, intensifies, and expands.

For any given economic paradigm, there will be several apparent causes of Systemic Unemployment.

It is not a new phenomenon as such; thus, it is not a phenomenon unique to Capitalism.

Systemic Unemployment in Capitalisms is caused by the intrinsic functioning of The Financial Regime of Capitalism as a consequence of its underlying purpose, motive, and mechanism.

In the arena of Capitalism, and in its particular relation to human labour resources, much of it has to do with the fact that wages are a cost, or means, and not a goal, or end, of Capitalism even though wages are the main life support for most people in Capitalism.

The ultimate cause of both labour and asset unemployment in Capitalism is deeper and interesting, and requires much expansion, but is not crucially relevant to the discussion here.

If under a pervasively socially entrenched Capitalism (because with little outside inside and no outside outside) you need money to live, then you cannot live without sufficient money to live, except in dependence, fully or partially, and directly or indirectly, on those with super-sufficient money for their own living needs.

This is a core and quite wide-spread practical human problem of Capitalisms, especially when most of those being depended upon don't have enough for themselves, let alone for those dependent on them.

If there is, from the perspective of the basic living needs of many or most in a Capitalism, a technical system dysfunction in the distribution of sufficient income for many or most in that Capitalism to live an adequate life relative to the living requirements and norms of that Capitalism, Systemic Unemployment will appear in that Capitalism as a systemically deflating human living problem for many or most suffering the inadequate distribution of income in that Capitalism.

This is a cause of much distress and most of the living stress and living pressure on many or most people in Capitalism.

The main sources of income distribution in Capitalisms are interest, rents, dividends, wages, and taxes.

Of these, wages are by far the largest source of income for most of the people in Capitalisms.

Therefore, the social stability of Capitalism is directly linked to its ability to distribute sufficient wages for most people in Capitalisms to achieve livelihood.

Anything which threatens, weakens, or disrupts wage distribution threatens, weakens, or disrupts Capitalism. And this includes the growing tax burden on wages which is required for income distribution and supplementation as more and more people become dependent on taxes for essential and supplemental income distribution which puts further pressure on diminishing real wages necessitating more government borrowing to pay for people who can't pay the taxes to pay for the increasing sovereign debt burden.

We know that it is not necessary for Capitalisms to distribute sufficient wages to everyone in the Capitalism. It is only necessary to distribute enough wages to enough wage earners to support the rest, directly or indirectly, ex of those who derive most of their income from interests, rents, and dividends and who are always a tiny minority of those in the Capitalism.

A seriously ramifying problem thus occurs for a Capitalism when wage distribution is not sufficient to support enough to support the rest.

What is foreseeable is that this “borrow to borrow more to borrow even more because of insufficient tax to pay with for debt or social obligations” trap-like situation for Governments is likely to increasingly occur and intensify in the developing future of World Capitalism and seems already to be beginning to occur: sucking more oxygen out of Sovereign degrees of freedom thus ultimately leaving The Sovereign a sovereign in name only but also leaving the creditor who thinks he holds all the cards in an increasingly precarious position also.

A penultimate root cause of much of all of this is rising population along with rising productivity of employed capital with slowing real growth rates in the context of the direct link between wages and production.

The relentlessly rising productivity that the relentless profit drive of the financial regime of Capitalism needs is itself slowly becoming a trap for the financial regime of Capitalism.

***A system in which the distribution of effective demand for most people is dependent on jobs for wages will not work well in conditions of wide-spread automation, robotification, and cybernification without accelerated real growth rates; but real growth rates cannot accelerate “naturally” if there is ill-dispersed income distribution since over-concentration of income is systemically deflationary.* Mass distribution without wages will be needed in the future.**

Financialization cannot be a solution to this developing problem for World Capitalism, even if it is a solution to other systemic problems, because, in the end, economies are linked to human needs and human consumption potentials which can only be infinite with an infinite human population. Therefore, any highly financializationalized income distribution system which locks even astronomical financial returns in virtual spaces for relatively few insiders is not going to solve practical living problems for enough people for it to be ultimately useful other than for self-referential system viability needs. That is not a recipe for permanence even if it is a good recipe for “buying time” to come up with better real practical solutions for more people in real need of real practical living solutions.

A financial system that cannot provide adequate income for a large majority of the people dependent on it will eventually inevitably lose its social reason for being and its popular relevance and support.

For this reason, in addition to the obvious humanitarian ones, Government programs are in place to address the increasingly evident problem of insufficient employment: which problem is largely an income distribution problem and not necessarily an income availability problem.

But it will not be sustainable, in any case, for a consequently increasing share of government borrowing to be spent on untaxable people for effectively unchargeable social welfare services.

This creates a growing problem of insolvency, not only for governments and central banks but also for primary and secondary investors in sovereign debt.

All of these issues are in the net and in the aggregate ultimately systemically deflationary.

Such **Systemic Deflations** are then, wittingly or unwittingly, managed with various expedients of increasing complexity and cost: with some eventually boomerangingly "clever" measures being quite serpentine in their many turns to walk what is in truth a quite simple straight line . ..

The key relevance of this matter to this discussion is this:

People ought to be able to Opt-Out of Capitalisms if they wish to without dire livelihood consequences if it is not meeting their living needs. There have to be practical ways for them to do so if only so they don't become a growing drag on, or disruptive force within, Capitalism.

Capitalism either has to be able to support everyone adequately, or it ought to let those it cannot support go free to go their own way.

The alternative is unthinkable . . .

For all sides actually, even for those who may think they hold all the cards.

The evident rising cost of Personal Self-Support in Capitalisms, experienced already by most people, is, paradoxically, a form and symptom of increasing Systemic Unemployment.

Increasingly, too, more and more people are needing to work longer each day and each week, many even at more than one job, to make ends meet. And this is becoming true even over lifespans as many now need to work longer over the span of their lives since their retirement benefits can no longer support them adequately; and the atomizing stress of current Capitalism has broken the family bonds which could have supported them previously.

The commonality in all of these phenomena is insufficient income distribution to a growing number of people in Capitalisms to provide adequate life support according to the norms and induced living expectations and promises of World Capitalism which many now derive, in an ironically eventually self-defeating boomerang for Capitalism, from television, cinema, and advertising "smart" media of various sorts and gadgetry.

This is all predictive of an incipient, or eventual, broad-based world-wide social legitimation problem for World Capitalism. And it won't be because people have an alternative in mind. They likely won't. It will simply be because it just is not working for them. Simple as that.

Growing Systemic Unemployment is a long and subtle leading indicator, one of many but a particularly and intimately human one, of the slowly emerging system failure of the financial regime of, and social justification for, World Capitalism as a comprehensive financial-economic system intending to serve all of Humanity everywhere, at all times, and in all basic ways.

It makes very good pragmatic sense for World Capitalism, especially its leading principals, known and unknown, to support System Complements for their own sake, before World Capitalism fails Humanity completely in the process of failing itself.

VI. Inter-Systemic Complementarity of Complementary Ecosociopsychonomies

Inter-Systemic Complementarity

Inter-Systemic Complementarity is a quality of the relationship between systems.

It is the quality of "Complementarity."

Inter-Systemic Complementarity occurs when two or more systems are complementary between or among themselves.

Complementary Systems complete, or perfect, themselves in their relationship with each other.

In this context, I suggest that ***World Capitalism has certain critical insufficiencies that it is structurally and systemically incapable of fulfilling in terms of its obligations to the needs of human society. Therefore, systems which can meet those unmet needs ought to be researched and experimentally developed on a world-scale as complements to World Capitalism so all together can meet all the human needs and human goals of human societies as embedded in environmental ecosystems.***

In an important sense, complementary systems are not alternative systems, though they are in another sense alternative to each other in the sense of being different from each other.

They are, in the important sense, complementary.

Each has what the other does not; but all together meet all our needs.

Complementary Ecosociopsychonomies (CEs)

Complementary Ecosociopsychonomies (CEs), in their relevant complementary contrast here with World Capitalism since World Capitalism is also a Complementary Ecosociopsychonomy (CE) from their perspective, are Nonprofit Comprehensive Sustainable Wellbeing Livelihood Systems.

The important relevant contrast here is that the new CEs are built on and as a Non-Profit Economy (NPE) whereas Capitalism, as itself a CE, is built on and as a For-Profit Economy (FPE).

This contrast is essential to human survivability because Capitalism in its for-profit mechanism has a structurally and systemically inbuilt, and perhaps ultimately suicidal, infinite growth drive that cannot be contained from within itself but must be contained by a "from outside itself."

In any case, the CEs considered here are not intended to "contain Capitalism," they are intended to meet core critical human needs in human communities which Capitalism simply cannot adequately meet and serve. If, in the process, they help to contain The Infinitization Process of

Capitalisms that would be a side-effect of their existence and not the primary intended effect of their existence. The intended effect of their existence is to meet unmet human sustenance needs.

They are practical Living Provision Systems without a profit motive impelling them.

Their propeller, so to speak, is a sustainable provision motive on a noncommercial basis.

I place Complementary Ecosociopsychonomies, of the sort considered here, in the category of not yet invented, except conceptually, but very clearly needed.

CEs, at the moment, require systematic research and development for experimental innovation.

An example of something already existing which is somewhat like a Complementary Ecosociopsychonomy (CE), in that it is a nonprofit practical and pragmatic sustainable livelihood system able to self-support whole communities of people in need, is Traditional Indigenous Subsistence Farming.

I do not see Traditional Indigenous Subsistence Farming as a CE because it is contextually different. It is antecedent to Capitalism and is not an adequate post-modern solution to the systemic incapacity of Capitalism to support everyone.

But Traditional Indigenous Subsistence Farming could become a CE of one kind in certain areas if it were structurally protected and enhanced by policy: something which I personally would recommend as a good idea in any case. For example, I would personally support the protection of the lifeways of “uncontacted peoples” in the Amazon rainforests.

The purpose of a Complementary Ecosociopsychonomy is to provide sustainable livelihood for its members.

CEs are necessary because of the decreasing ability of Capitalism to provide a sustainable livelihood for all of Humanity.

Capitalism needs CEs because if a growing number of people cannot find sustainable livelihood inside Capitalism and cannot find sustainable livelihood outside Capitalism this will become an increasingly, over time, existential problem for Capitalism itself because it is the dominant system which people tend today to see as the default reference mechanism for their livelihood.

Since people are natural organisms (whatever else we may or may not be), and we tend to forget this when we live in cities, people are natural survivors. People will always find a way to survive. If there is no outside, they will make inside outside . . .

Survival is the basic instinct. If the default reference system cannot, or can no longer sufficiently, provide, people will do something about it. And if there is no complement, or alternative, the system controllers will eventually be held accountable. And that may not be in a gentle and decorous way.

While seemingly remote today, this issue is not as remote as it may seem.

It is not good for our world, and it is even worse in the long run for Capitalism, for every person in every area and in every social space of our world to get sucked into a Capitalism that cannot provide support for them in whole or in all critical aspects of their being.

The end result of this will be rising system destabilization and psycho-social dysfunction.

Capitalism is like a conquering army that needs now to halt its outward march and perhaps even retreat a little so that it can consolidate its gains in the territory it has already conquered.

Otherwise, Capitalism risks extending its reach well beyond its grasp.

MAJOR PREMISE

Capitalism CANNOT support Everyone, Everywhere, Everywhen, Everyhow!

Everyone: Systemic Poor, Systemic Unemployed, Unemployable, Saintlies, Opt-Outers, Etc.

Several "marginal" sorts of people -- I call them "Visionaries, Saintlies, and Opt-Outers" – enrich our souls and societies in their various ways and with their various sensings; so, they ought to be able to live OUTSIDE the current grid to live their sensings and in their ways unhindered and in sustenance because they often are our leading lights and saving graces.

Everywhere: Systemic Poor (exploited regions), Structurally Unemployed (regional victims of "creative destruction" even in "rich" countries, such as decaying deindustrialized cities and old mining towns, etc.), Unemployable (for instance in contested territories).
Everywhen: Cyclically Unemployed (times of recession and depression), Systemic Poor (most times), Systemically Unemployed (all times), Unemployable (all times), Saintlies (all times), Opt-Outers (all times).
Everyhow: (Uncommercializable Wellbeing Necessary Human Activities).
Etc. . . .

This is not necessarily to suggest that the productive capacity of Capitalism is inherently unable. It is to suggest that ***the capacity of Capitalism is necessarily unable within the specific profit motive rationale of its specific financial regime and the distribution system it thus engenders.***

One approach may be to deconstruct the financial regime of Capitalism and reconstruct a new one on different principles. But such an argument, even if it is true, is laden with political obstacles and legal frictions and is not the approach considered here, even if that approach may in the longer term become necessary.

In any case, ***it is Transprudentially possible that we may need "socioeconomic lifeboats."***

In advanced capitalisms, we are now well in the midst of a the transition from industrialization-based economies to financialization-based economies which are currently causing rising geopolitical tensions on the global stage because of the simultaneously different phases of different capitalisms now co-existing as one single inter-connected global system.

What is also very likely now, in a likely surprisingly near future, is an emerging transition even from financialization-based economies in advanced capitalisms.

Given its fundamental underlying financial nature, it is not unreasonable to suppose that Hyper-Financialization is actually an end-state phase for Capitalism.

If that is the case, ***financial measures to support transitions beyond Hyper-Financialization can only be temporary and can only serve to keep the global capitalist system going for some indeterminable time, more likely shorter rather than longer, while there are no viable complements or alternatives to support burgeoning human populations***.

Therefore, the proposals I make above and below seen necessary, reasonable, and prudential.

Under normal conditions of growth vitality, Capitalism has three primary macro-strategic objectives:

1. Social Extension
2. Financial Return
3. Cost Reduction

Historically, Social Extension has been the pre-requisite for large-scale Financial Returns.

Therefore, Social Extension has been the path for centuries, acceleratingly so for several decades, and is now reaching its profitable limits.

A variant of Social Extension is Geospatial Expansion with the aid of various geopolitical and geoeconomic instruments. This has also been the path for centuries in various forms, and also acceleratingly so for several decades in various new forms of old forms. That this too is reaching its limits is evident in rising geopolitical and geoeconomic tensions and emerging forms of geopolitical and geoeconomic breakdowns.

Financial Returns in the aggregate are decreasing and will continue, for technical financial and other reasons, to decrease in the aggregate in chronic and now probably permanent ways.

Cost Reduction is a long-standing perpetual macro-goal of Capitalism and demonstrates itself in various guises some of which are evinced historically in labour-related tensions, some others in the geopolitics of georesource contentions, yet others in such accounting expedients as environmental and social cost externalizations, and in many other ways, etc.

However, in the aggregate, costs seem to be rising in unavoidable ways.

It seems to me that at this stage in its history, Capitalism now needs to set new macro-strategic objectives and focus primarily on two large objectives:

1. **Cost Reduction**
2. **Financial Transformation**

Financial Transformation will be necessary, but seems too large a step for Capitalism to take presently. The issues with that are more political than technical.

There is a sense in which financial transformation of some "create on the fly" sort is already underway in a series of ad hoc expedients to "prop up" the financial system by key central banks, one expedient leading haphazardly to a further one, with each further one leading further away from any visible non-perilously traversable return path to "normalcy."

And the new monetary policy terrain seems increasingly exotic and quite uncharted . . .

In any case . . .

Cost Reduction is the most currently "intra-politically" feasible option for Capitalism in the near, short, and mid-term: even if just to gain time for the necessity for comprehensive Financial Transformation to fully and indisputably reveal itself.

Therefore, I will not be addressing **Global Financial Transformation** here even though that is the ultimate solution for the Global Financial System. My views on this matter are well-known in any case. ***The financial system we have today is in principle and design pre-modern anyway***. And that is one of the main of its very many problems.

My focus here is on "unconventional" proposals for profitable macroeconomic cost reduction for transprudential reasons.

Essentially, I believe **Capitalism needs a gradual experimentally based disinvestment from its intrinsically loss-making social liabilities**.

Capitalism needs also to disinvest from environmental assets but it cannot do so with its current financial regime and attendant incentive systems because the necessary structures and expedients would not allow sufficiently for the centralization of profit through its financial regime.

If returns are low and costs are increasing, then costs must be reduced to increase margins (called yields in finance).

The recipe is not complicated in principle: divest from areas of high cost with low to no returns and refocus on core capabilities.

One high cost with low return activity, for example, is government borrowing for activities in the furtherance of public interests with no, low, or otherwise insufficient tax bases for profitable return.

One problem, from the perspective of conventional finance, is social investment for social welfare: especially for indigent and poor people.

We see this clearly in the distribution of even necessary and basic social services and the sorts of veiled complaints we hear from tough talking fiscal “grownups” (as they see themselves).

There is no direct profit in social investment for social welfare (especially for indigent and poor people), let alone supernormal profit. It is neither taxable at the points of investment nor sufficiently revenue generative at those points. Therefore, it is not a natural attractor of “normal” capital. Capital does not normally or naturally move towards social points of zero or negative return. That is not what it is designed for. That is outside its design parameters. It only does so as a productive cost if it is clearing space for truly profitable investments in its own terms.

Moreover, the aggregate gains from social welfare, which are qualitative, are usually non-excludable gains which cannot be efficiently assigned to owners or creditors. And they are usually of a long-term social “background” nature. This is one reason that “social stability” is unpriceable and therefore not directly marketable even though we are all intuitively aware that it is a robust platform for profit generation which intuition we attempt to capture explicitly in political risk calculations when considering investments in geospatial extensions.

Social Welfare is a sub-optimal investment area for Capitalism in the direct terms of the assignable profit requirements of Capitalism.

The profundity in the problems considered here is that **we are systematically exceeding the system design parameters of Capitalism by employing it in activities not appropriate to its intrinsic nature or values**.

Essentially, we are reaching and breaching the limits of the outward social extension of the capitalist sphere.

The developing chronic and pervasive low return environment, additionally, is placing pressure for divestment from social liabilities just as the need for such investment is correspondingly rising. This is highly predictive of increased sociopolitical instability.

My recommendation, counter-intuitively, is a gradual systematic divestment of Capitalism from areas beyond its system design parameters but with a corresponding investment in the development, but not the operation, of Complementary Ecosociopsychonomies in order to better manage the high potential for adverse cascading political effects on Capitalism itself if it continues to act in unawareness or denial of its limits.

We need to open up Legally and Politically Protected Freespaces for Ecosociopsychonomic Innovation.

One major forestalling difficulty for this proposal, of course, is that “status quo” is massively inertial once perceptions, expectations, incentives, and institutions become habituated to it.

The psycho-emotionality of the “sunk cost” of massive investment in “the way things are” also becomes an appreciable frictional barrier to exit from areas of ineffective domination.

But, nonetheless, it is clear that we need an exit strategy from the areas where the system cannot or can no longer meet its social obligations.

The alternative, if we continue as we are going, does not seem very difficult to foresee.

One way, perhaps euphemistic, to look at the most likely future we will face if we continue as we are going is in terms of the fragility of a complexity which is more mechanical than organic.

This has to do with the complexity of the interconnectivity and interactivity of intra-systemic variables each not on its own of great goal-flexibility or autonomy.

In such a complexity, even the attempt to change a variable because it seems to control some apparent malfunction is likely to cause unintended cascading effects of unforeknowable extent and injuriousness: each move of each change causes greater interlocking change as it cascades.

And while, in so doing, we may achieve benefits we did not expect, it is usually more likely in the nature of things to cause us unwanted unanticipated changes.

It is clear to me, for example, that ***we have to hedge against the likelihood that the changes we are seeing today are not just normal cyclic instabilities but the foreshocks of even deeper systemic fragilities.***

In the large then, there are only two realistic profitable growth paths for Capitalism now:

1. Internal Intensification through Self-Referential Financialization
2. Cost Externalization in the form of Social Divestment

Cost Externalization, in this context, is a very simple and commonsensical idea in principle.

Get the people you cannot feed to feed themselves.

What could be simpler?

In principle . . .

If you cannot feed all the people then let those you cannot feed feed themselves by other means congenial to them or necessary for them.

Then don’t sabotage them if they are successful in doing so . . .

Quantification, Return, and The Qualification of Returns

A primary issue with Quantification is Simplification.

In other words, behind the complexity of quantified formulae are often unrealistically simplistic assumptions about the phenomena under consideration. And this is usually true if the phenomenon under consideration, in one way or another, is human reality.

Statistics can be predictive about aggregative behaviour in a synchronistic sense based on previously observed and quantified data. But statistics cannot determine the most important thing, and that is the true instrumentality of intention in the service of genuinely determinative values. This is even truer when those intentions are operative in a rapidly changing context generating previously inexperienced patterns.

When we most sagely evaluate financial action in the context of the real values driving them, the true indicia will always be qualitative with the most important ones being emotional.

Quantification is extremely dangerous when the real world with real people in it disappears entirely and then assumptions about it are made which are conditioned by the simplificatory requirements of pre-existing quantitative formalisms (formalisms usually originally derived in non-human contexts of far more simple phenomena) rather than by genuine perceptions of the real human world in all its concrete convoluted psycho-emotional and social particularities.

What we have to consider here is that there is no quantitative historical data much preceding the 21st Century for the sort of intra-systemic financial issues, opportunities, and dangers we face today. But there is ample Transprudential data of a qualitative nature.

We have seen civilizations, empires, and financial regimes come and go with regularity and turmoil throughout history.

This lack of extended previously observed quantitative data for nascent unfamiliar phenomena does not lend strength to statistical techniques and quantitative models which assume regularities we can no longer depend on.

Should all Returns be counted in money form?

Should all Returns be accounted in financial terms?

From the perspective of the current financial regime, the above questions are quite meaningless.

Returns have meaning only in financial terms as monetary units: even when they are expressed as percentages.

But there is a deeper meaning in these questions for financial institutions with public fiduciary responsibilities such as public investment funds, social welfare funds, and central banks.

Should they not also consider “nebulous” abstractions such as “social return on investment”?

Can such a thing be really meaningfully quantified?

Or ***can “Returns” be defined as qualitatively describable Social Benefits within the explicit and implicit public fiduciary responsibilities of public institutions?***

Financial institutions with public fiduciary responsibilities often need long-term horizons spanning at least decades even though much central bank action has a short-term focus.

Since Central Banks are in some senses The System Stewards of Capitalism, since they are custodians of its financial system, they will likely do their job best if they have a long-term view spanning decades in addition to their far more short-term operating horizon.

The reason to view the short-term in light of the long-term is to avoid long-term loss for short-term gain.

It may sometimes be more prudent to incur short-term loss in financial terms for long-term gain in social terms.

However, the most intensely felt pressures on both central banks and public funds are short-term: pressure for short-term financial-economic results on central banks and constant pressure on short-term financial-profit returns on public funds.

For this very reason, ***both central banks and public funds have a prudential reason, though almost unthinkably counter-intuitive for them, to hedge their bets on The Universality of Capitalism and find extra-systemic ways to reduce long-term pressure on their fiduciaries. Counter-intuitively though it may be for them, this is one reason they need to invest in Complementary Ecosociopsychonomies.***

Capital Reallocation based on long-term diminishing returns on investment is a well-known investment hedging and investment diversification phenomenon of Capitalism sometimes known as the “Creative Destruction” process of Capitalism which provides a basis for its dynamism.

But looked at macroscopically and transprudentially, this truism applies to Capitalism itself.

The entire world capitalist system seems to be entering into a senescent system phase of long-term diminishing returns on investment when averaged over the global system as a whole.

One sees this in the trend of average GDP growth rates in the advanced capitalisms.

This already evident trendline of leading capitalisms will manifest in lagging capitalisms sooner than global, regional, and local policymakers may think and expect because there are no local and regional capitalisms left.

***World Capitalism is a single global system; thus, global capital allocation and reallocation is not based primarily on local or regional needs in the main*.**

The financial superstructure of the global system increasingly organizes capital distribution for allocation and reallocation based on its own increasingly self-referential needs.

***It is Transprudential to consider a gradual process of long-term social capital reallocation from Capitalism itself in a process of Creative Transition to better balance the global trans-system*.**

Uncomfortable as this consideration may be for some, it is socially, politically, and existentially imprudent not to consider these issues in a prudential manner.

***The growing, and increasingly evident, systemic inability, but not necessarily incapacity, of Capitalism to meet the needs of a majority of the current world-wide population in satisfying ways, not to mention the majority of the future world population, is more likely than not to generate growing and increasingly endemic public disorders on a global scale which can only increase the costs of local, regional, and global governance with predictable consequences on sovereign and system solvency in the financial terms of Capitalism*.**

A profit oriented system needs to cut its losses and not increase them.

Some "Flowstream Drags" Addressed

Some Downward Drags on Capitalism necessitating Complementary Ecosociopsychonomies are:

- Systemic Unemployment
- Systemic Poverty
- Systemic Psycho-Emotional Distress
- Systemic Social Services (Welfare) Insufficiency

Systemic Unemployment is pervasive and persistent Unemployment caused by the normal functioning of the system itself.

Systemic Poverty is pervasive and persistent Poverty caused by the normal functioning of the system itself.

Systemic Psycho-Emotional Distress is pervasive and persistent Psycho-Emotional Distress caused by the normal functioning of the system itself.

Systemic Social Services (Welfare) Insufficiency is pervasive and persistent Systemic Social Services (Welfare) Insufficiency caused by the normal functioning of the system itself.

Capitalism creates these systemic phenomena in the normal course of its technical and profitable functioning, and they were all systemic advantages to Capitalism in its early stages as cost suppressors during its development and expansion, world social and global resource accumulation, and ultra-high growth phases but they have become a drag on Capitalism in its later stages.

Complementary Ecosociopsychonomies (CEs) are especially necessary for resource rich governments around the world, especially those in the so-called "Global South."

These governments do not have the capacity for the social burdens they are increasingly carrying as they move further toward an intensifying Capitalism.

In that mode, they have increasingly assumed the role, by whatever agency, of being the nominal property owner of the marketable commons resources in their territory of apparent governance.

Complementary Ecosociopsychonomies will enable them as nominal stewards of those resources, for the term during which they are those nominal stewards, to be able to achieve better social returns on those assets they nominally steward given certain "malfunctions" in the systems of distribution of the fruits of those nominally stewarded resources in cash and/or services to most of the people in their territory of apparent governance.

Those "maldistribution" problems are insoluble in the current system in part because the source of the problem is not at the local locus of blame.

These governments need relief from burdens they cannot actually carry for reasons underappreciatively linked to the structural role, function, and organization of those governments in the world system. Moreover, these social burdens are prohibitive to "foreign" investors in their contemplated investments outside the usual georesource properties even as they increasingly anxiously seek wider consumptive potential. These burdens are usually expressed as "political risk factors" in their contemplations of direct investments in consumer development.

Complementary Ecosociopsychonomies can aid as self-sustaining self-development self-help livelihood systems for the four problems of Systemic Unemployment, Systemic Poverty, Systemic Psycho-Emotional Distress, and Systemic Social Services (Welfare) Insufficiency mentioned above, amongst others, and that is part of their complementarity in the global trans-system.

For-Profit Economy

Risk: Sovereign Insolvency causing Insolvency of the Global Financial System

Need: Sustainability of Sovereign Solvency

Among other reasons, ***the Global Financial System needs Complementary Ecosociopsychonomies for The Sustainability of Sovereign Solvency for its own solvency***.

Complementary Ecosociopsychonomies, therefore, are of the greatest importance to The Global Financial System because they protect Sovereign Solvency for the long-term Sovereign Debt which is fundamentally essential to the functioning of the financial system in its current form.

By systemically and systematically reducing the Nonprofitable Social Costs for Governments, Revenue Enhancement for Sovereign Solvency for Long-Term Sovereign Debt is improved.

The risk otherwise is Sovereign Insolvency which is the largest possible threat to the Global Financial System other than Massive Wide-Spread Global Social Loss of Confidence in it: the two risks being not unrelated to each other either.

Evidence is that we are already reaching, or have reached, or will soon reach, Sovereign Insolvency in some very large and very system critical economies even though this emerging issue is being very carefully and exceedingly creatively managed with various highly unconventional monetary policy innovations which by their nature can only be temporary in a "kicking the can down the road" expediency: perhaps in anticipation of a "geopolitical" rescue.

Essentially, **Governments need to offload their liabilities in a politically sustainable manner**.

In effect, **Capitalism can only long survive now by the expedient of allowing, even enabling and facilitating, functional complements to itself to flourish freely even within itself.**

In the not so long run, the choice for Capitalism is between monopoly and nopoly.

Better to allow polypoly then.

Capitalism is best in its proper sphere within its system design parameters.

A primary additional locus of existential risk for Capitalism today is at its margins.

This is true because we are at a confluence of intrinsic systemic limits.

This was not generally historically true of Capitalism before it began to reach and breach a confluence of its own intrinsic system limits.

These margins are within States and across regions.

The risk at the margins is the hidden cost of extension to and development at and beyond the margins.

Returns from the margins are unlikely to reward the costs and risks of extension to and development at and beyond the margins.

If the margins are too costly to develop as a profitable basis for further system expansion they will have to find their own sustainability on a non-profit basis since, once disturbed, communities there cannot usually simply return to their previously undisturbed state.

One side-effect of non-profit based development is to remove, or mitigate, the increasing pressure on governments in regions at the margins of Capitalism to open further their populations and cultures for commercial exploitation which is doubly destructive because it destroys self-sustainability while not realizing the expected gains for both governments and investors (who are usually foreign and from places of diminishing return).

The end result of these commercial exploitation projects has usually been sunk costs for the investors, usually foreign as said above, and lower than anticipated returns, and previously non-existent social costs for the Governments as once self-supporting and self-sustaining peasants now look to Governments for livelihood assistance, social services, and welfare they can no longer provide for themselves which then manifests as rising political costs and sociocultural instabilities with neither the tax base nor the expected foreign investments to meet it.

Global Public Institutions then enter with a condescending "know it all" attitude and proceed to further exacerbate the problems and create even deeper sociocultural and psycho-emotional insecurities and maladies for the people, for their governments, and for themselves.

Even worse are when these margins are contestation grounds for geoeconomic rivalries over georesource properties by remote powers with distant agencies without true local sensitivities.

It will be wiser, even if slower, to let and help the denizens at contested margins develop their own georesources themselves in their own self-preserving ways as a medium for their own long run global trade leverage which balancing factor will in the long run yield greater global stability and greater aggregate global wealth and peace when considered in global transprudential terms.

Development at the margins, from hereon, in the manner in which it is being done, will yield constant and continuously diminishing returns; and in the net and in the aggregate in the future, constant and consistently negative returns in financial terms.

There will not be long-term sustainable profitable growth for Capitalism at the margins because the margins were "marginal" for a reason . . .
And if there were, what happens when the margins are developed to diminishing returns?
It is generally true that easier, cheaper, or more sustainably profitable areas to develop first, especially as consumption sinks or low-cost production engines, are usually developed first.

The fundamental driving pressure, in any case, which necessitates Complementarity is the infinite growth force which the drive for profit in the capitalist financial regime systemically engenders as a constant and unrelenting pressure to which all must respond.

Non-Profit Economy

The Transprudential Reason for Non-Profit Economies (NPEs) is to counterbalance the infinite growth pressures of For-Profit Economies (FPEs).

There is nothing more existentially dangerous for Capitalism itself than to have no external restraints on itself; for its intra-system rationality for growth and financial return is so powerful and so fundamental to its inner nature that it is itself completely systemically incapable of long-term internal regulation of these fundamental drives.

Left to itself, if the whole world were left completely to it, Capitalism would eventually completely consume itself in the process of consuming the whole entire world.

In the end, the biggest threat to Capitalism is Capitalism itself.

There are no problems more fundamental to human self-existence, self-sustainability, and self-survival at this stage in world history than this issue.

We must consider it.

It seems impossible, in the nature of things in any case, for all employers of financial leverage to make returns above the employment costs of financial leverage all the time since if that were true there would eventually be no lenders because all would become borrowers and so there could be no lenders in the ultimate. Therefore, a system based on leverage will eventually guarantee that there must be more losers than winners so as to sustain the leverageability of the system.

The above means that we must create other outlets for livelihood activity based on non-leveraged assets: non-leveraged in the conventional financial sense of the word "leverage" (debt).

We must have zones of opportunity based on sustainable non-profit livelihood.

Complementary Ecosociopsychonomies are Non-Profit Economies.

The "complementarity" here is relative to For-Profit Economies.

We definitely need Nonprofit Economies for the indigent, the poor, the unemployable, the creatives, the visionaries, the saintly, and the opt-outers so they may live in the dignity and wellbeing they deserve as duly fully rightful fellow human beings:

". . . The Useless Eaters of Capitalism . . ."

This phrase immediately above, while shocking and unpleasant, even to some insulting, is intensely descriptive: and which is why it is here.

These people, and others, while they may have played a "useful" role, from the perspective of profit generation, in earlier phases of Capitalism as unwitting agents of wage cost suppression, are "useless" to advanced capitalisms from that same perspective of profit generation.

They won't even be needed as cheap labour in the future. What will "we" do with them then? Especially since "we" are now responsible for them because "we" sold them, or otherwise "persuaded" them into, "our" system for "our" own needs.

While these truths may seem unattractive or unpleasant to hear, they are nevertheless system truths. These people are of no use to Capitalism but they are a cost to Capitalism because they can no longer eat without money. Yet: they have as much right to live as those with money. **It is dangerous to Humanity for Capitalism to determine who lives and who does not.**

Generally speaking, it is genuinely irrational today to prevent, or otherwise obstruct, people from doing for themselves what you cannot do for them, especially when it is something as basic and as essential as livelihood. It is at this point that Capitalism stops acting in its own interest and begins to become an impediment to human progress and to its own survival.

NPE Within and Between and Around FPE

We need Non-Profit Economy within and between and around For-Profit Economy.

Non-Profit Economy is the real, unrecognized, and underappreciated glue which truly holds our whole human world together.

For-Profit Economy, though it does not acknowledge this, is actually built on top of Non-Profit Economy.

Neither For-Profit Economy, nor any of us, could possibly survive without Non-Profit Economy.

Non-Profit Economy is The Mother Foundation of Human Existence.

Our task now is to protect Non-Profit Economy from For-Profit Economy and enhance its ability to continue to support both us, all of us, and For-Profit Economy.

And that in the main are what Complementary Ecosociopsychonomies are all about.

Helping FPE Support, Enable, and Facilitate NPE *(Derivatives Et Al)*

An important global social stability objective is to create for the Global Financial System, in its current form with its current drives, an explicit stake in the success of Complementary Ecosociopsychonomic Innovations and Experiments in its own financial terms as it sees it.

That the success of CE innovations and experiments is necessary for global social stability and thus for the continued social support of Capitalism is Transprudentially obvious. But that does not by itself translate into the profit motives of Capitalism in a direct transmission from CEs to financial returns since CEs are intentionally designed to exclude the extraction of profit.

CEs are NPEs. They are non-profit sustainable livelihood systems.

But we must realistically accept the probability that Capitalism would oppose or attempt to coopt that from which it cannot extract or otherwise derive direct profit even if the “that” is actually in its favour. Such is the intensity and expansiveness of the profit motive of Capitalism in the quest for financial yield. It is a system imperative based on a structural need.

Since direct profit extraction from CEs would be destructive of the very meaning and reason for the existence of CEs, we must devise processes for Capitalism to derive quantifiable indirect profit from the existence and success of CEs.

But this must be indirect profit derivation without political or economic interference or taxation of any sort.

Complementary Ecosociopsychonomies must be Independent and Self-Sovereign. They must be Tax-Free. They must be Free Zones for Non-Profit Sustainable Livelihood Generation and Operation. They must be legally, legislatively, politically, economically, and financially protected "Freespaces".

The challenge, thus, is the achievement of Indirect Financial Profit Derivation for Capitalisms from Free Zones of Sustainability for Non-Profit Economy.

That this matter is even a necessary challenge, and a serious and unavoidable practical consideration is, ironically enough, a clearest possible illustration of why such zones are needed in the Transprudential Public Interest of Humanity.

Every Protection requires a Speculation.

This is true because pre-emptive protective behaviour is based on speculative forethought.

Therefore, it seems reasonable, even necessary, for the currently conventional Global Financial System to seek rational profit from its own self-protective behaviours within its institutionalized transactional values and involving its financial market mechanisms.

This is technically feasible through the reasoned and judicious employment of derivative financial instruments since, in the main, derivatives are predictive protective financial instruments also useful for purely speculative purposes.

This is also necessary since the Global Financial System is designed to be a return-seeking system.

The Global Financial System, given its intrinsic design and system imperatives, cannot, and will not, sustainably support in any consistent way, let alone actively enable and facilitate, exogenous self-protective complementary systems if it cannot somehow derive profit from them: directly or indirectly.

Direct profit extraction would be self-defeating in this case. So we must explore possibilities for indirect profit in the transactional terms of the financial system we are protecting from itself here.

In must somehow be possible, within the mechanisms of current finance, even if applied in innovative and unusual ways, for large-scale financial investors to invest profitably in their own transprudential sustainability, survival, and self-protection.

All sides of the reasoned, and also instinctive, concern for our deepening human predicaments need this because of the overwhelming dominance of the Global Financial System in all of our lives in light of its undeniable agency in our growing collective connected problems.

We all need the Global Financial System to actively support, enable, and facilitate the opening up of free spaces for complementary means of non-profit sustainable livelihood.

We all need Capitalism to protect itself from itself and ourselves from it in a manner that is financially profitable for Capitalism.

By being actively inactive, so to speak, in Complementary Ecosociopsychonomies, Capitalism can derive indirect financial profit from them if we design the right financial instruments.

The purposes, utilities and outcomes of Complementary Ecosociopsychonomies are qualitative but their effects can be indirectly quantifiable in terms of their impact on numerizable indexes such as macroeconomic indicators thus providing a foundation for indirect financialization into negotiable instruments.

This basic design of financially marketable derivative security instruments based on macroeconomic indexes is the subject of elaboration in another related study but is the basis of the INDIRECT NON-INTERFERENCE EXO-FINANCIALIZATION of CEs for the self-profitable purposes of conventional finance in its own venues OUTSIDE CEs.

There can be no direct financial return from CEs: certainly not in adequate enough amounts to justify large-scale financial investments on that basis.

The financial return value of CEs is indirect in financial terms: but more than large enough to justify very large-scale investments for Transprudential reasons.

In the main, CEs are about allowing people, especially those Capitalism cannot adequately support, to have living choices: sustainable livelihood choices.

CEs are not designed to be charities as such, at least not in the currently usual connotations of that term

CEs are meant to be practical non-profit living frameworks within which people can pragmatically life-support themselves and theirs in comprehensive enough ways for reasonable, adequate, and comfortable existence and lifelong sustenance.

In the main, these are mostly currently under-served people: indigents, poor people, and people whose means of subsistence are under systemic threat. But they're good for Opt-Outers too.

Directly funding CEs by “priming the pump” is one thing, and a good thing to forestall in-crises births, but on-going direct funding of CEs in conventional terms would be just as destructive and corrupting of them as direct profit extraction since CEs are meant and intended to be self-supporting systems whether or not they can be initially self-generative.

CEs are meant to be something complementary.

You cannot be complementary if you are the same thing as what you intend to be complementary to.

The whole intent of CEs is livelihood self-sustainability on a non-profitability basis.

If they cannot prove themselves to be self-sustainable on a non-profitability basis then we have no real need for CEs other than as idealistic curiousities holding no real solutions for the currently developing human predicament even if they may contain some useful models.

Complementary Ecosociopsychonomies have to prove their self-viability in a program of long-range experimentation.

Part of this experimentation is legal and legislative protection from the strictures and demands of Capitalisms.

The overall aim of such legal and legislative protection is to Create Free Spaces for Ecosociopsychonomic Innovation.

But World Capitalism can and will play an important role in the generation and protection of Complementary Ecosociopsychonomic Innovation if it sees some, even indirect, profit for itself in it.

That they help Capitalism itself survive may not be a sufficient attractor for Capital since “survival” is a qualitative and not a quantitative concept.

Survival is not priceable: except perhaps in the indirect sense of comparison to the quantifiable opportunity costs of non-survival; thus, survival is not marketable in a very important sense of that world “marketable.”

That we can market things because we survive is not an argument against the inherent unpriceability of survival but an illustration of how we may indirectly price survival as the opportunity cost of what we could not market because we did not survive.

Therefore, **it wouldn’t be a bad idea for World Capitalism to “price” Complementary Ecosociopsychonomies, the proposal at least, in light of what it may lose if it were not to survive because it lost the social support of world populations under pressure from the unrelenting commercialization of every aspect of their lives in the context of a rising ocean of people who can’t eat and live without money but who don’t have enough money to eat and live . . .**

VII. GEIST!

A core lesson of world history seems to be that we cannot rely on any one single monolithic financial, economic, or political paradigm to deliver sustainable livelihoods to all of humanity co-existing at any single period of time.

We need a multiplicity of such paradigms coexisting, coevolving, and collaborating interactively together to adequately cover the sustainable livelihood needs of all of humanity living coexistingly together on earth at any particular moment in history.

The only universal paradigm which has ever existed for humanity, able to deliver sustainable livelihoods to the whole world human population extant at the time, is The Foraging Ecosociopsychonomy of our long ago ancestors.

But the world human population is now far too large and far too dense for that to be now a viable option as the world universal ecosociopsychonomic paradigm.

If we cause or otherwise suffer a cataclysm, of course, Foraging could well indeed re-emerge as the future universal paradigm for the rebuilding surviving humanity.

Historically, the different extant paradigms have contended and conflicted at their points of contact when not trading with each other. This is usually either because there is a sense among some, but usually not all, that their way can be, or should be, the only one way; or because one or another paradigm has dominance needs or desires.

But it does not have to be that way and that is what we can craft together now.

We can together craft several workable paradigms for the different living needs of differentially situated and desiring humans which can co-exist together and in which people, depending on their living needs and desires, can participate in several, either at the same time or at different periods in their lives according to their living needs in those times.

We need: The Resilient Co-Evolution of Ecosociopsychonomic Complementarity.

My recommendation to help facilitate this is simple. . .

Let’s establish GEIST!

Global Ecosociopsychonomic Innovations Superfund Trust.

It is of relevant interest, accidental though it may be, that the acronym GEIST is also the German word for ***Spirit . . .***

My recommendation is that we establish GEIST! ***immediately:*** and initially as a Thirty Year Research and Development Experimentation Project.

GEIST! is A Transprudential Instrument: an initial effort in Transprudentiality.

GEIST! is a large-scale global initiative of Transprudential Portfolio Diversification.

GEIST! is A World-Wide Innovation Fund.

GEIST! will fund and manage CE research and development projects around the world.

Some Proposed GEIST! Guidelines

Cooperative Complementary Diversity
A Balance of All Relevant Perspectives.
A Dynamic Equilibrium of Even Contradictory Interests
Representativity is A Core Value
Necessary Voices Not Always Heard on The World Stage
(First Nations, Aboriginals, Indigents, Poor, Creatives, Saintlies, Opt-Outers, Etc.)
Reconciliation With First Nations
Harmonious Transition Innovation
Oriented to People not Governments or Institutions
Development of Autonomous Global Civil Society
Planetary Benefit Entrepreneurs in The Global Public Interest
(Locally, Regionally, Globally)
Planetary Benefit Enterprises
Non-Profit Economy
A Planetary Approach

- Independent
- Inclusive
- Innovative
- Imaginative
- Impartial

Public Funds and Central Banks ought to come together in this in a large-scale Global Pool of Funds in The General Global Public Interest.

State Governments and Global Public Institutions ought to support, enable, and facilitate GEIST! in The General Global Public Interest.

But since all of these super-powerful and well-resourced institutions are so heavily invested in the way things are, being themselves the front-leading institutions of it, and are thus so used to control and domination, they must have no determining influence on GEIST! because the temptation to bend it to their ways and to “politicize” or “neuter” or “domesticate” it will be irresistible.

GEIST! ought to have complete independence for the same reasons Central Banks do: freedom from political interference. This is a knowledge-building innovation-making technical job.

My recommendation is that the banker for GEIST! be BIS.
(Bank for International Settlements)

Everywhere around the world, within and between and around capitalist economies, and in the interstices and around the margins of the currently conventional and dominant global financial system, we now very importantly need protected free spaces for ecosociopsychonomic experimentation for ecosociopsychonomic innovation.
This is the sum and substance of my proposals here.

Joseph Edozien

Joseph Edozien

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Joseph Edozien was educated at St. John’s College in the United States of America (Foundations of Mathematics) and Stanford University also in the United States of America (Artificial Intelligence).

With his theoretical, technological, and business experience in Cybernetics, he was a pioneer in the Internet business revolution. He was also a Principal at Arthur Andersen Business Consulting Global Unit heading up a global emerging technology watch organization for business solutions. He currently serves as Executive Chairman of the South African New Economics Foundation specializing in New Economic Architectures and Experimental Complementary Economies as an Economic Systems Architect specializing as a New Economy Architect.

Joseph Edozien is an American citizen of African heritage, an African-American, who considers himself to be a World Citizen.