Brexit or Bretton Woods IV

The world is suffering conditions that amount to a cumulative WWIII. Brexit is an attempt by the electorate to 'control' legal immigration, not because they are racist but because of economic desperation. Brexit supporters act to stop the penetration of this saturating global condition. The referendum is a poisoned chalice because it offers to address the national experience of a global symptom by deleting a body of law that is part of our toolset for cooperation on global solutions.
The choice is clear: Use it or Lose it.

Regarding the impotence of "Bretton Woods III": Humanity is not a "complex, adaptive system" like a plasmodium. It is by the suffering, vision and designation of our ancestors that we have inherited and built international institutions to give us leverage in the scalar niche where visionary win-win strategies can be realistic. It is time to give it its online manifestation and harvest a new value that will allow us to get making again.

A Universal Engineered Collateral—a fungible, liquid and super-safe asset—originated in lockstep with the completion of illiquid and specific Infrastructure assets. The technological advances in satellite photography, manufacturing standards, cognitive studies and web platforms can be brought together in an Audit Ecology that produces a new kind of Audit Value. This Audit Value is the crucial addend that will allow us to elaborate a new valency of liquid money and illiquid matter to start a renaissance of finance and making. We need to add an *audit value* to hold the *collateral value* distinct from *the use-value* of the physical asset. The ecology to support this will also give this *collateral value* a strong *market value.* The sale of this new *collateral value* will provide a new revenue stream to infrastructure creation, unlocking progressive scientific strategies around the world.

The connection/distinction between the physically specific nature of collateral and the abstract fungibility of currency was clearer at the outset of Bretton Woods I than today in its aftermath. The gold-linked dollar allowed conversion between a yellow piece of metal and an abstract promise you could carry in your pocket. While they shared the 'qualities of money', roughly speaking, Gold was the collateral form you could bury and Dollars represented the liquidity you could exchange in any market. This connection/distinction grows even more subtle in the debt-derived dollar and dollar bonds we rely on today, and refer to both as liquid, fungible and triple-A collateral. Technology allows us to reverse this trend and elaborate the relationship.

Basel III and Frank Dodd legislation seek to increase the quantity and quality of collateral underpinning financial engineering and fractional reserve lending. To ease compliance, the collateral conversion mechanisms of Central Banks seek to increase the availability of quality collateral. A new understanding of the underlying 'chemistry' must complement these 'mechanical' and 'alchemical' efforts. It is the effort and expense of 'mining' that creates the unique encoded specificity of a given bitcoin. The possession of this unique cryptologic key gives its owner inclusion and interest in the ecology that supports its realism. I prefer a more Heideggerian model of the deeper cognitive roots of collateral: it is the aesthetic, physical proof in hand that satisfies our care. The more intermediated this *to hand* satisfaction of our *care,* the more it squanders the cognitive behavioral basis of *collateral as proof.* The more intermediation, the more we rely on *faith*. When *faith* is shaken it reveals itself to be a hunger like any other, in its rush to seek satisfaction in sensual *proof*.

Humanity has now accumulated the technical ingredients for an ecology where *sensual proof* can reclaim its place as the gold standard definition of *collateral.* An ecology where ownership of the aesthetic audit of a specific solar panel or flood barrier is a tradable liquid value, real estate on a platform. The 'ecology' is simply the technological/visual consolidation of surveillance or *audit value.* A visually reinforced hyper ledger google earth. By adding visual, geospecific surveillance to the physical reality of an infrastructure asset, we can split off its collateral value and render it to the market.

Collateral value is ownership of the aesthetic proof of the existence of the physical asset. We should imagine the *audit value* we are adding to support that connection/distinction as an unbreakable tether between a specific physical instance and its aesthetic representation in digital perspectival space.

Collateral value must stay connected to the physical asset from which it was originated in order to establish its *durability denomination* (tenure). The durability of the representation (collateral value) must be directly related to the durability of the underlying physical asset (a function of its quality + use value - any fragilities e.g. the projected legality of its technologies). This connection must be constantly updated.

The owner of the physical asset is interested in the maintenance and appreciation of its use or rental value. While the owner of the collateral value is interested in the maintenance and appreciation of its durability tenure. The cost of maintenance falls to the owner of the use/rental value of the asset. The cost of reinsuring it falls to the audit ecology, which must have claim upon the physical asset against failed maintenance. There must be a clear avenue by which either party can invest in improving the physical asset. (much more on this later)

As a process:
Long-term investment flows into infrastructure banks. The infrastructure banks pool approved money and projects, and enact them according to criteria (Epitaxis! I will deal with later). The completed asset is offered to the Audit. The audit ecology adds its audit value in the form of permanent and visual tethers between the physical asset it audits and the collateral asset it issues. The collateral assets are denominated by quantity and durability and sold to the market. This provides the revenue stream to the stratum banks, which return it to their investors. The audit power takes a cut of this for the functioning and maintenance of its platform.

Of the many more things to be clarified I will only call your attention to one. The nature of the long-term investment vehicles produced by the stratum banks. In the old days, a government would invest in infrastructure on a grand scale and harvest a return by taxing the epitaxial prosperity of the society. The stratum banks take a different path by stratifying the space between infrastructure and epitaxy, and stepping the investment from one to the next towards epitaxis. The three strata of banks are Infrastructure, systems, economies&ecologies (after that is epitaxial experience like ice-cream). After an asset in one had been completed and its

collateral value sold to the market, it would action a right of reinvestment atop what it had accomplished. After making the solar field or sewer pipe, it could reinvest in the creation of their power and water grids. After liquefying these they would have the right to produce the real estate, universities and labs. The layers appreciate as they come to support the layers built upon them. In this way the initial investment would climb the strata of development to an epitaxial maturity.
In this way the ownership of the assets could default to nationalization in exchange for maintenance contracts.

Now is the perfect time to bring together 1) the savings and pension glut searching for safe 5% long-term investment, 2) financial engineering demand for quality liquid collateral, 3) government's need for real economy growth,4) humanity's need for quality jobs and 5) posterity's need for a global infrastructure renaissance.
In the creation of a new global collateral currency and an ecology to support its realism.

1) Firstly, there is a vast supply of money in unproductive investments, siloed for safety, hidden from taxes or as government surplus looking for something worth investing in. Something with safety, anonymity, morality, quality and multiplier effects to raise global fundamentals. Bonds give negative returns. The popularity of ETFs is as much a resignation to experimental probing their scalar limits amidst a lack of other options. It is not clear that the ETF's insulation from sharp change is much more than difficulty in pricing an unwinding. Furthermore, with corporate investment so low, ETF's produce no multiplier effects on the diminishing conditions they track.

2) Secondly, Basel 3/Frank Dodd, the flight to safety and the loss of safe assets are creating unanswered demand for a new kind of collateral to support high quality financial engineering, and instantaneous settlement regimes.
The global supply constraints of the yellow metal have returned in a new form: the arbitrary linkage of global collateral supply and US debt origination. Our capacity to create safe assets is lagging behind our string-pushing efforts. And when we do make safe assets, anyone in the world can buy them, provoking the creation of hedged apparatuses of hoarding. ECB corporate bond purchase (collateral conversion arrangements) would be quite capable of an accelerated renationalization of collateral to meet its domestic needs in a collateral crunch/crisis.

3,4,5) The world needs a new model of infrastructure finance. With the rarest of exceptions it is crumbling and inadequate. Monetary Policy is demanding help. From Pension Funds desperately seeking a super safe 5% to labor looking for evidence that work rather than rioting will leave behind betterment for the next generation. This weakness lies inside any progressive scientific growth strategy that seeks to build the high-friction illiquid assets we need to be making. They all suffer the lack of an infrastructure investment model. A new model that provides a revenue stream and total safety from weak currencies or nationalization whilst being universally applicable and prosperity-provoking because it does not rely on charging for use of the infrastructure. A new model that relieves government debt of its historical infrastructure duty whilst being of a scale that can provoke and harvest its return from the epitaxial growth and prosperity.

We need a scalar leap in making than can only be accomplished by adding traction on the scalar niche of world by updating the core code of the international monetary system. The situation is not unlike that after the WW1&2 and the solution lies in the same place. The renaissance that would kick start global growth, avoid the worst geochemical acidification and turn-back the tide on economic desperation is a scalar leap that can only be accomplished from the leverage point of the international systems set we have inherited and neglected. This is the scale where win-win strategies are realistic. Below that, beggar thy neighbor mercantilism, competitive devaluation, cheating speculators and defection strategies tend nation states to war.

After the financial crisis, the IMF and the PBoC agreed on the virtues of Bancor to untether the international reserve currency from any nation's domestic policy. The burden of systemic strength rests on the United States as provider and guarantor of the default global reserve and exchange currency with fading distinctions from the vast field of Eurodollars creating real distortions. Never mind the constraints on national monetary policy. The fragility of this arrangement demands an addition rather than a replacement. The IMF and PBoC agreed on the lack of good options for the transitional possibilities of e.g. SDR, compared to the self-evident advantages and efficiencies of a real global reserve currency. Take the lesson from European Union and aim for the goal at the outset.

The task is to extract a new kind of collateral—fungible, liquid and AAAA—from the illiquid high-friction infrastructure assets we need to be making. Offering this new collateral to financial engineers with whom there is a large and lucrative market opens a revenue stream to infrastructure investors.
The scarcity of safe collateral in quantities and quality to match liabilities because of general economic flight to security, Post-crisis collateral requirements and central bank collateral-buying, provides a real demand for an apparatus capable of creating quality pledged collateral in quantity.

To get liquid, fungible and AAAA secure collateral from an low-volatility, illiquid asset like infrastructure, and without a claim on the physical asset underlying it, demands we elaborate the connection between *collateral value* that can be pledged to the market and *the underlying physical illiquid asset.* Thought of as a chemical procedure, we need to add an *audit value* to hold the *collateral value* distinct from *the physical asset.*