Our Data, Episode 9—*A Modern Utopia: Digital Financing of the UN’s SDGs with Simon Zadek*

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*Our Data* is a podcast from the *Stanford CodeX Center for Legal Informatics*, in conjunction with the *Stanford CodeX Blockchain Group*, the *Stanford Climate Data Policy Initiative*, and the *Stanford Blockchain Education Initiative*.

In this special episode, recorded over two days, we sat down with Simon Zadek (Head, Secretariat, UN Secretary General’s Task Force on Digital Financing of the SDGs). In August 2020, the *Task Force on Digital Financing of the SDGs* released a report detailing their findings, and Simon joined us to share his thoughts and add a bit of context. Listen in as we discuss the report and its implications, digital currencies, social manipulation for good, and how to reframe our ideas of value.

In addition to his role as Head, Secretariat, UN Secretary General’s Task Force on Digital Financing of the SDGs, Simon Zadek is Principal of Project Catalyst at the United Nations Development Programme; and was Special Advisor on Sustainable Finance to the Deputy Secretary General. He also co-Directed UNEP’s Inquiry into Design Options for a Sustainable Financial System, is a writer and advisor, and was named one of the “Global Leaders of Tomorrow” by the World Economic Forum.

[Part 1: Opening]

**Mike Schmitz:**

We're really looking forward to today's podcast. We have a very special guest, who's going to talk about a really significant new report that’s been issued from the United Nations Secretary General's office. Simon Zadek is principal and project catalyst of the United Nations Development Program, and Special Advisor on Sustainable Finance to the Deputy Secretary General—in addition to a whole host of other things he's done throughout his career. We have Simon on the pod today to talk about his recently issued report from the Task Force on Digital Financing of the Sustainable Development Goals. There's a lot to go through... I'm going to let
Simon both introduce the report, the work of the task force, and himself. But we just want to underscore how significant the work and the potential implications are of this. Simon, it's great to have you. Welcome.

**Simon Zadek:**
Michael, Reuben, thank you very much. And thanks for drawing the work of the task force into your community; I think it is a community that we are very keen to reach out to and engage with, both to communicate the findings of the report, but also to bring in, to crowd in, some of their expertise and thinking going forward. So the context of this work is the Sustainable Development Goals, as you quite rightly say—17 goals that spell out, if you like, the best that the world can figure out as a set of collective ambitions, spanning environmental issues, economic issues, and social issues. So it's sort of the global 2030 objectives. And in order to achieve those goals over a relatively short period of time, a hell of a lot of finance is needed. Estimates range between something of the order of five and seven trillion dollars a year, much of which is going into clean infrastructure, but also education, and all sorts of other pieces of the puzzle that can deliver on this complex matrix of objectives.

Those funds are not forthcoming. And they're not forthcoming for multiple reasons. But none of those reasons have anything to do with there being a lack of money. In other words, the world is awash with cash. But that cash is flowing in directions that don't support many Sustainable Development Goals—and, in fact, as we know, in many instances, actively damage our prospects of reaching those goals, as we see in the climate space, biodiversity, other environmental issues, growing inequality, and so on. And so the challenge that the UN has embraced for a number of years and drawn in many actors to engage in is how to realign the world's global financial flows in ways that deliver, more effectively, the Sustainable Development Goals (or the SDGs). And into that equation comes digital.

Now digital obviously has many different characteristics across multiple aspects of our world. But one piece of this is the way in which digitalization is disrupting finance itself, changing the way in which both private financial and capital markets work. Changing the way in which individuals make savings, lending, investment, and consumption decisions. Changing the way in which governments move money around, demonstrate accountability or their lack thereof. And frankly, changing the way in which the legal economy in multiple dimensions also operates. And so the UN Secretary General, seeing this disruptive moment in the nature of finance and money, framed the question: how can we best harness this digital disruption in accelerating the alignment of financing with the Sustainable Development Goals? And [the UN Secretary General] established one of his high level task forces to go forth and look at this. Now, the Secretary General's task forces are always VIPs, but vary, of course, depending on the topic that's been chosen. In this particular case, the 17 task force members that were chosen are really quite extraordinary, not because they're all globally famous, but because they're all really amazing in what they do.
So on the one hand, you have an Eric Jing, who's the executive chairperson of the Ant Group, arguably the world's largest standalone FinTech company, a spinoff from Alibaba. On the other hand, you have Natalie Jabangwe from Zimbabwe, the CEO of EcoCash. And then you have the central bank governor of Kenya, a managing director from the World Economic Forum, and many other actors, all of whom have different pieces of the story. And arguably, by putting them together, different pieces of the solution. So we've worked for 18 months; we set up in November 2018. We have reported out now a couple of weeks ago, so early September [2020], and we're now ready to more effectively talk about what we found and the recommendations that we've made.

I'm going to jump through to the recommendations because we can always backtrack into where some of them came from in terms of the research and evidence and outreach and dialogues in multiple countries that we undertook. The action agenda that the taskforce has proposed effectively has three different levels.

**Level One**, we've identified what we've called Five Catalytic Opportunities, each of which amounts to multi-trillion dollar opportunities for moving money in different ways into more effective alignment with the SDGs. So on the one hand, we've put a lot of focus on the increased transparency and accountability of the public sector through a more effective use of digital in public financing. Going right over to the other side, we focused on how improved data about social and environmental effects impact both risk assessment and impact reporting in the world’s $185 trillion capital markets. On the one hand, we've looked at how individuals, in their consumption behavior (increasingly online), can be more effectively informed and guided by information about sustainable development outcomes associated with their consumption habits (so, digital information). And on the other hand, we've looked at how domestic savings—you know, those pence and dollars that people put behind their sofas or into their banks—could be more effectively channeled into long term development finance by the use of digital rails. So driving domestic savings into large scale investable pools through mobile devices, and then driving it along blockchain and other routes through more transparent approaches to spending that money on effective and transition infrastructure. So [the] first part of the action agenda is on the recommendation side, which is really where the opportunity lies.

And the **second part** of the story really lies on, what does it take to build an ecosystem that allows those opportunities to be realized more effectively. Not surprisingly, we've started at the digital infrastructure level—700 million people still with no access to infrastructure; 3.3 billion people with access to digital infrastructure, but not being able to use it effectively, either [because it is] too expensive, or they lack capabilities. So you've got to get that basic piece in place. But then also shedding light on how we see some of the major data issues not only on the privacy side, but ensuring that the data is available to multiple innovators in the market, rather than being monopolized by a small number of players. Through to capabilities—the roles of central banks at the national level, and how you link financial market development plans, as that digitalization disruption process really goes, with sustainable development plans.
Every country has a bunch of SDG investment plans that relate to their priorities, whether we're in Canada or New Zealand, or Zimbabwe or elsewhere. And then on a different floor in the building, in a different room, there's a different bunch of folks talking about FinTech, who know nothing about the SDGs, who know nothing about the key policy imperatives for a country and its citizens. So trying to connect the dots in order to create... you might call it a sort of sustainable digital finance ecosystem. Building the relationship between these two.

And then the third level is really at the international level of governance. There are many things that can happen at the national level. But there are some things that are profoundly important that are happening at the international level, and I would really just highlight one piece of the story. If we look at Microsoft's move in the finance area, Facebook's move in the Libra area, what Apple and Google and many other actors—not only in the US, but also in China and elsewhere—are conceiving of, we can see that we will have a new set of digital finance monsters in the world to come. This will be the new mega financial institutions, integrated into trading platforms such as Amazon, integrated into social media platforms such as Facebook, no longer a sort of a JP Morgan standalone financial model. And the question is, how can these monsters be governed most effectively? Now, obviously, particularly in the US, one thinks of Mark Zuckerberg talking about privacy and talking about politics and talking about elections. And that's clearly an important piece of the story, but it's just one.

We only need one major global digital currency intruding, in a sense, into many smaller developing countries for their monetary policies to become effective, their macroeconomic strategies to be hollowed out. But it's not simply lower transaction costs that these actors are going to be offering, if you like. They will become significant players in the way in which economies in which they are based begin to evolve. And so the question is, how does one really govern these institutions? Is it something only that central banks should be doing? Maybe one or two, like the Fed, or the European Central Bank or the Bank of England? Or is it something that has far wider policy implications and should involve actors from multiple countries that are likely to be more impacted. And so the third level of work has really been shining a light on some of these new international governance challenges [and] making specific recommendations as to how to move those forward.

I would just sort of conclude on that first round by saying: these UN Task Forces (or high level panels) are often extraordinary in the people they bring together, are erudite in their analysis and crystallizations of findings, and are insightful in some of the recommendations that they set out. And yet the danger, of course, is always that it remains on the page. And so the real question is, where does it all go, once one has put it all into something that looks cute on paper, but doesn't necessarily flow automatically into the real world? Now, this particular task force has sought, in parallel to that traditional way of reaching recommendations, to also kick off a number of Pathfinder Initiatives that are out there in the real world, are being championed by multiple actors (some in the public sphere, some in the private sphere), and don't deliver on the recommendations, but exemplify how ambitious initiatives can be progressed. And so I can come
back to individual Pathfinder Initiatives in discussion, but certainly, we've set next to our final report, I think, some extraordinary examples of how some of those recommendations can be put into practice on the ground.

Mike:
Wow, there's so much to get into. But that's, that's a really remarkable insights of summary. And so we're gonna get into that in just a second.

[Part 2: Interlude (13:48)]

Mike:
We have Simon Zadek here, talking again about the recently released report from the [United Nations] Secretary General's Office on Digital Financing. Simon, if we can, I'd love to be able to get into some of the details and get your thoughts on the implications. What strikes me right off the top is: which of the Sustainable Development Goals (SDGs) in particular, if you can, seems like they might benefit the most from digital financing and, and it has your thinking, and the thinking of the task force, changed over the course of the research?

Simon (14:35):
Thanks very much indeed. And pleased to be back for a second round. So yeah, there are 17 SDGs, just for those who haven't, kind of, read the book. You've got a bunch that are sort of about people, [and have] to do with equity and poverty and women's empowerment and so on. You've got a bunch that are about economy, the green transition and so on. You got a bunch that are to do with environment... life under the sea, climate change, nature, and so on. And then you've got a straggler, number 17, which is more: let's get together and do it collaboratively. So just for those who are not up on the topic.

So most obviously, we inclined to a view at the beginning, that innovations in the digitalization of finance would work best, where there were reverse flows of income associated with investments. So we looked at that second tier, sort of the industrial economic side or tolled roads, if you like, all of which lend themselves to digitalization. Think of Uber, think of Airbnb, think of all of the infrastructure/shared economy elements, where one is rentalizing assets. [Another] is making better use of assets—the shared economy side, where one is effectively creating financial feedback loops. If you think of M-kopa in Kenya, which uses M-pesa (the payment platform) in order to rent green energy systems to people who don't have credit ratings, because they're too poor or they've been out of the market for too long, or forever. But through digital rails, they can run a pay as you go approach to tapping green energy. And indeed, over time, rentalization can turn into ownership models. So all of that sort of circular movement of finance, it seemed to us would work best. Whereas our view, at least to begin with, were that the
equivalent in the social services space—education, health and so on—would be less usefully leveraged by digitalization of finance. Now, actually, as we progressed, it has become clearer that that is probably not true. We've seen many, many examples of FinTech being used to accelerate the availability of education and health services that, in reality, we would wish were not pay-on-use, but in truth, on the ground, often are. So the ability to build long-distance education models into rural areas that are short on education infrastructure, and even more so teachers. With a pay model built in, the ability to build fractional low cost health systems, for example, workers in factories, where you're combining money from the company, from workers, where you're accessing health infrastructure that is being underused (e.g. late at night)... all of these factors that enable you to combine multiple sources of money, fractional levels of money, that are aggregated and collected at relatively low cost. Actually, [it] turns out that some of these critical social systems can be extremely supported through FinTech as well.

And that brings one to the green stuff, and climate and biodiversity are probably the most obvious cases in point. And if you start at the top of the value chain, how can we have a trillion dollars worth of green bonds (which is more or less the issuance by the end of 2019/beginning of 2020) without adequate and cheap ways of assessing the use of proceeds? Which requires gobloads of digital data. Or, what does it mean to try and manage the interface between financial markets, economy, and complex aspects of biodiversity? Well, it turns out that 90-95% of all data around biodiversity comes from publicly available sources. [This is] unlike climate, which comes from private sources. So you've got these large volumes of big data coming off of scientific institutions, and you've got to figure how to take the noise out of that data, and make it relevant in financial decision making, whether it's through a risk lens, or whether it's through an impact lens. And of course, all of that is big data and AI.

And as you move across into the public financing side, one finds a similar set of factors. How do we reduce illicit financial flows? So that's supply of money or withdrawal of money from tax systems and economies, obviously across all of the SDGs. How do you ensure that there's effective tax collection? How do you ensure that money is used effectively out of the fiscal purse? [How do you ensure] greater accountability, greater transparency, across all of the SDGs, not just particular ones? So I think to your point, we started assuming that the sweet spot was going to be the economy, [but] we quite quickly began to realize that that was true if you were dealing with linear financing models, but the moment you move into more complex financing ecosystems with many different actors and sources of different types of capital, it becomes relevant in the social sphere. And even more so, it becomes relevant in the green part of the story.

Mike:
Wow. That's remarkable. No, that's fantastic. And thank you, Simon, for just touching on that. I think that's the subject of many explorations going forward. Reuben, I know—
Reuben
Yeah, actually. So all of this conversation, everything that was in there about how this digital financing can actually be used, brings me back to something that you mentioned in the first part. So you had briefly said, it’ll really only take one digital currency to penetrate much of the world in order to have these seismic effects on things like monetary policy and macro economics, especially in developing nations. So when you think about this one singular digital currency, what does it look like to you?

Simon (21:43):
So Reuben, you're going to hate the first part of my answer.

Reuben:
Perfect.

All:
[Laughter]

Simon:
Because either I said it wrong, or I meant it wrong, in the first round. What I meant was that large scale, cross border functioning digital currencies, could have huge impacts, and raise a number of governance issues. Now, let me come back to that in one second, because there are a couple of points I would like to make. And let me at least try, in a sort of reverse hack, to answer a point that I never really made or intended to make.

So clearly, if you go back to H.G. Wells, the famous science fiction writer around the turn of some other millennium, wrote a book in 1904 (if I remember rightly) called [A] Modern Utopia. And in it, he has a chapter on currencies. And he talks about the need for currencies in a modern utopia, to reflect the underlying energy value of something that is being made, transported, consumed, and disposed of, although I don't think he really had circular economy quite in his mind at that stage. Now, today, if we made the same point, we've grown up a little bit, or learned a bit more, and we wouldn't just talk about energy, we will also talk about nutrition, for example. Or we might even consider both those factors. But think about system conditions such as resilience. And so we would begin at the limit—so within a utopian frame, so casting backwards rather than forwards, [we would] begin thinking, what does it mean to understand value in a different way? What does it mean to understand value in a different way? And how can we imbue the values that are reflected in the Sustainable Development Goals? Let's maybe start with the environmental ones, but not only the environmental ones, in the underlying value of currencies that are traded.
Now, if I was a neoclassical economist, I would respond to myself, “Simon, aren't you talking about externalities and shadow prices?” And I would go, “yeah, that's pretty much what I mean, it's just, I'm not keen on the discourse because there are downsides to it as well.” And so the question becomes whether digitalization helps one to begin to internalize externalities into the underlying value of a currency and the way in which it's traded between individuals, communities and nations.

And I think—now I'm answering it obviously at a very abstract, high level—I think the answer is yes. You know, come back to my point about biodiversity. Part of the problem with biodiversity is what on earth is one measuring? It's so complex, and so diverse. And yet big data and AI helps one begin to understand what all of that looks like, and begins to help us to understand how to model some of the complex interactions despite high levels of system uncertainty. And so when it comes to, you know, should this investor finance X, or finance Y, or finance Z, we begin to be able to mobilize forms of data and their interaction with each other. So the analytics don't just enable us to understand the risks of the investor, but the broader impact of the different decisions that the investor might make. Actually, that's exactly what H.G. Wells meant. It's just, he wasn't really thinking about it in this way—or, at least, who knows... maybe he was, but he didn't write about it in that way. So I think, digital aside, we need to create an economy that reflects our broader values and that means creating products, markets, and institutional arrangements that internalize these social and environmental issues into the pricing. And therefore the decisions that we make in markets, as well as the decisions we make in the public sphere and the allocation of public finance.

I think then the question that you're asking becomes reframed into, can digital currencies help do that? And the answer, sadly, like most interesting answers is: maybe, but look at the downside. Imagine Zimbabwe adopting the US dollar. What do we know about a country that does something like that? Well, we know that in theory, as long as you don't get shadow currencies and exchange rates, it dampens down inflation, and puts some control parameters into an economy that may be out of control. That's historically why dollarization often happens under emergency conditions. But what we also know is that it strips monetary policy out of a country, and begins to strip economic strategy out of a country. Think about the US itself, which has a singular currency, irrespective of the vibrancy of different parts of the US. It means those parts that are less productive, when the dollar is high because of what's going on in California, suffer from having a high dollar and find themselves being depressed economically, as a result of being part of a broader dollar region. And similarly, if you have a global digital currency—doesn't even have to be global, just cross border in many respects—if it has significant penetration into, shall we say, weaker countries, it begins to strip their ability to organize their own economic affairs, set their own terms of trade with external actors, and gradually you end up as the Detroit of the US. And so how do you govern that?

So then think about Libra. Or think about some other big FinTech operation and the Ant Group in China or others. At best, they are being regulated by central banks and financial
regulators. At best they are being regulated by competition authorities. But none of those regulators have any mandate for the broader sustainable development impact of those companies. So the Fed, and the ECB, the European Central Bank, thinking about whether to allow Libra to proceed, will be thinking about financial stability, they'll be thinking about money laundering, but they won't be thinking about whether you're about to dollarize part of Africa and hollow out their economic prospects. Well, they're going to be told by people who are advocating [Libra] that this reduces cross border transaction costs and so it'll make it cheaper to do remittances and [other transfers], all of which is true. But [these] are the micro level effects of these cross border platforms, not the macro or monetary level effects. So the positive side is, as you begin to unlock currencies from their traditional source of valuation, you can begin to experiment in tokenization, incorporation of environmental factors into valuation models, all sorts of really fun and funky things that push us towards that H.G. Wells' view of, really, what a modern utopia economy should be like, and what a modern utopia digital currency should be like. And then on the downside, this is an uncontrolled monoculture that can decimate other economies not even necessarily, because it chooses to, but simply because that's the way it functions.

Mike:
Yes. Yes.

Simon (30:10):
There's a company called SolarCoin that you may know. And, it offers a tokenization model that enables, at least in the prospectus, green energy to develop in poorer and more isolated communities with a tokenization model that incentivizes and creates liquidity and all sorts of other funky things that pushes forward the agenda. So what's happened there? It is a currency. But really, it's a new form of value. So when you push the boat out, what's interesting about digital currencies is their fungibility in terms of the way in which they can influence the construction and deployment of value. And now, obviously, when you add blockchain, then you have a whole lot of accountability mechanisms that you can add in as well, so there are all sorts of plug and play pieces that make it interesting to different actors. But to me, the really plus interesting side is that it is a way of shaping domains of value, that capture externalities that we wish to build into the way in which markets or public financing decisions are made. And the negative side of it, if you like, is, apart from its potential instability, if it's not part of a stablecoin infrastructure, or for other reasons, the negative value is that it can create a new sort of colonial monoculture that neutralizes the ability of communities and nations to develop their own approach to their own economies.

Mike:
Wow. Exactly.
Reuben:
It sounds like what you're describing is… I was thinking about this as very much in terms of a
digital currency and these digital currencies have affordances, and what are these affordances?
But it sounds like what you're really describing is much less focused on the currency aspect and
more focused on the value. And it sounds like you're describing almost an augmented value way
of thinking about this, which is sort of an analogue to this idea of augmented reality being
somewhere in between real reality and virtual reality, sort of this way to think about it as “value
plus.”

Mike:
Not insignificant on either side. Simon, let me let me turn back towards [something] which is
less on the theoretical [and] more on the implementation, if you will. You essentially sketched
out the concept of a social good, Big Data paradigm, and talked about biodiversity having this
wealth of public data, but really—carbon emissions in particular—a lot of that data is captured
behind paywalls, on corporate servers, and whatever else. [It’s] essentially private data. There is
undoubtedly a wealth of data. How do you look at that? I know that wasn't necessarily the charge
of the task force, but how do you look at this question? If Big Data is the arena that folks need to
play in, and we need to have access and be able to properly understand what big data might hold
to be able to achieve these things, how do you deal with this question of a lot of the data that
might be needed for some of these strategies [being] fundamentally, right now, private? And I
know that might go beyond the scope of this. But the implementation issue becomes a big
challenge.

Simon (34:00):
So, like, every good question, there are too many possible ways in. So let me perhaps, offer a
kind of sprinkling of answers. And then, Michael, you can choose to pick one and probe a little
bit further if it's of interest. So, if we have large amounts of publicly available data and generated
data on biodiversity, we have to get it into financial markets if we want private investors to take
biodiversity more effectively into account, whether it's from a risk lens, or an impact lens, or
some combination of the two. We actually have a collective action problem in many respects,
because it's not really in the interests of even larger investor-facing data providers like Refinitiv
or Bloomberg to pay the huge amounts of money that are required to clean that data and make it
available to investors. So we have a collective action, first mover disadvantage, classic game
theoretic problem. And so in that model, you're trying to figure out how to, if you like, build a
data architecture that bridges publicly-available data with commercial providers of
investor-facing data.

And there, we, for example, through a different initiative that I chair called Finance for
Biodiversity, we're exploring the use of an open-source data platform model, so kind of a
Linux-type approach, to flow large scales of publicly available data into a standardized taxonomy, and then building a series of quasi-commercialized off-takes to enable commercial providers of data to the investment community to buy what they need, rather than having to cope with the aggregate costs of taking noise out of the scientific data.

So that's one version, then you've got a second version of a problem, and a potential solution. So work that I've done with the Ant Group in China, before the task force was initiated, including helping them build something called Ant Forest. So I was working with Ant Financial Services, when I worked for UNEP, in the development of that app. And for those of your listeners who don't know what it is, it's an app that sits on Alipay (so the equivalent of PayPal mobile). And if you sign up to it as a user, it provides you with real-time data as to what your carbon use is, through building a set of algorithms, [and] leveraging your consumption or expenditure data. And it delivers you positive green energy points over a carbon baseline, which you can then trade and play all sorts of games with in your social networks in order to incentivize and build an online social identity. And then it also, once you've built an electronic tree on your app, it goes and plants a tree in Inner Mongolia and gives you a unique GPS set of coordinates to go and have a look at your tree if you want to make sure that it's having a good time. Now, when we launched this app—you know, it's sort of strategic philanthropy, right? It had no commercial model attached to it. We expected a million people to sign up. This was in the summer of 2016. By the time we got to the World Economic Forum in Davos, in January 2017, we had one of these high level fancy dinners to celebrate this work, we invited the president of Switzerland, and I was pleased to tell her in my opening remarks that, “in the last 24 hours, Madam President, more people have signed up to this app than the entire population of Switzerland.” And indeed, today, 500 million people have signed up to use this app. So the fastest growing app use in the history of apps with no commercial model attached to it at all, no financial incentives whatsoever. And this is, in the first instance exclusively in China... it's now being rolled out in the Philippines and elsewhere. So this is a behavioral model—the same sort of behavioral tricks as getting Trump elected.

So the dilemma is... this is manipulation for good. And do we find out acceptable? So exactly the same techniques can be used to get people to think wrong and act badly. And in this particular instance, it's manipulating 500 million people to do the right thing on carbon and when I talked to Jeff Skoll about a year and a half after it started and told him this story, he said, “My God, we've been trying to figure this stuff out on the West Coast for years. How to use online to get citizens to think systematically, over long periods of time, about their carbon footprint.” And he said, “actually, we have failed every time. And now I know why, which is, we only thought about social media platforms. We didn’t think about digital finance.” Just a different way of thinking about finance. This is not shaping finance, this is using finance as a channel to shape citizen behavior. So that would be my second example of something pretty funky.

Now, what those two examples show, and there are many others that one could turn to, is that the story about data, FinTech and the SDGs is really complicated. Does digitalization make
illicit financial flows of, some reckon, one to two trillion [dollars] a year—so, one to two trillion a year less of money available for development finance—does it make it harder to move that money out of sight? Or does it make it easier to move it out of sight? A little bit like my answer to Reuben about the digital currencies, the answer is: Yes, it could be one, it could be the other, or it is almost certainly both. In every case you look at, whether it's data, whether it's digital currencies, whichever one of these you look at, you conclude the same thing, which is: if you can effectively harness digitalization, you can bring finance closer to what people need and want. And if you allow it unfettered extension in the way in which the financial sector has grown globally since the mid-70s, it is likely to detach finance even further than it is today from what we as people and families really need.

Mike:
I think that's one thing we continue to explore at the Stanford CodeX—looking at these things, the question of, really, governance, and not just governance as monitoring, but governance and design. And making sure the governance reflects, obviously, the perspective of the innovator, but equally (if not more important) the interests of the public, broadly, and then specifically regulators. [Ideally] in a way that it can develop and evolve, so that we’re not running and chasing and trying to figure out what's in the algorithm and what's in the black box—which, at this point is already done, what it's going to do, and then some.

Reuben:
What you're doing really is bringing two sides of this way of thinking together. And I imagine there have been some challenges in trying to reconcile the SDGs and digital financing. And I don't want to—I hope I'm not getting this statement wrong as well, because this one was also a couple days ago—but you had kind of mentioned (sort of offhandedly) this idea that you’re dealing with people on different floors. And whether that's metaphorical, or whether they're actually completely geographically separated, there are a number of gaps there in the way that people think about this. There's potentially a space gap. There is certainly a gap in goals, thinking, backgrounds, vocabulary, skill sets. So what can both sides do better to operate more at the intersections as we look towards the future?

Simon (43:23):
So, I think it's a really good question. So firstly, you didn't hear that wrong at all. You heard that right. And I'm sure you heard the other bit right, too, as well, I just probably said it wrong. So firstly, the sustainable finance community writ large understands very little about digital financing. The world of digital financing understands very little about sustainability. And those two communities, whether it be in the market, in the public sector, in the regulatory and governance community, they need to come together. Now, that should come as no surprise to us,
not because of FinTech and the SDGs, but because the history of development is about connecting the dots, often, between communities of practice that don't really see the need to talk to each other, [and] have different languages when they seek to communicate, and, as a result, collectively and often unintentionally, create damage rather than good. So this is part of that journey. And it's only one part.

So that's the first thing. The second thing is... there is a need to start at the right place. If you start—and I need to use my words cautiously—if you start with “how does one provide financial services to the excluded,” you end up with one set of answers that are not wrong, but that are incomplete. On the other hand, if you start with, “what's gone wrong with finance,” you end up with a different set of answers, or an overlapping but extended set of answers, because you would end up talking about short-termism and market concentration, and all sorts of things that are simply not part of the discussion when you're thinking of financial inclusion. So at first, you go “digital is great!” You know, cheap services to the poor—great. But if you're looking at the way New York capital markets work, you're looking at nanosecond decisions being made principally by computerized funds that couldn't figure out the SDGs if you gave them a billion bucks.

And so, that's a different story. If you're asking what's wrong with finance, why is it dislocated from what it's meant to do... this is not just a sector. This is a part of our global economy that has a purpose. There is a health sector, but there's also a health system, and the health system is there to make people healthy, whereas the health sector is there to trade goods and services. And the financial sector is there to do that stuff—asset management and brokering and all the rest of it. But the financial system is there in order to serve the needs of people today and into the future. And it is absolutely failing in that task. And if you start there, then your solution set becomes far greater. And then to pick up on our conversation about H.G. Wells (which I didn’t ask, it was your fault!)

Mike:
[Laughter]

Simon:
—-if you start with [the idea that] the nature of value is misconstrued. So you're going to a next level up... a level that Michael, I suspect, slightly negatively called theoretical—

Mike:
[Laughter]
Simon:
— but what I would argue is theoretical in the most profoundly important way: the way in which we construct our understanding of value, and translate that into the way we do economy and relationships [which] is at the core of everything. And if we're not able to think and act with that meta frame in mind, it means we're always sort of poodling around in the corner. And so your point is absolutely right, Reuben, there's a disconnect. But the disconnect needs to be understood in layers in order to get one's head around, not how bright or smart one is that one can think of lots of concepts, but to figure out really where the smartest points of intervention are.

Reuben:
I think that’s a fantastic answer. What would you tell people who are wondering what those smartest points of intervention are?

Simon (47:17):
Muhammad Ali, who I cannot aspire to emulate, when asked what he thought about life, said, “read the book.” He had just published a book, right? And when asked, “well, tell us about what the book says,” he goes, “read the book.” I'm not saying in the way that—you have to imagine Muhammad Ali saying it in a much more flamboyant way. And so I would say, I think this taskforce report has a short half-life because it's a digital world; things change very quickly. But right now, it captures some of the dynamics that we've been talking about. And with struggle, it's tried to grapple with setting out an action agenda that doesn't get lost in the weeds, and doesn't fall foul of becoming too abstract. It's trying to sort of place itself somewhere in the middle. And to some folks, they've said, “what is it I’m meant to do on a Monday morning? This report doesn't tell me.” And other folks go, “it's much too tactical, and it's not really recasting the nature of global capitalism, which is what's needed.” And so we've tried to find a place in the middle, that hatches some of the systemic issues, but gives one some practical direction—all, of course, within the context of it sitting under the UN Secretary General, rather than some radical think tank on the West Coast of somewhere.

Mike:
Well said, Simon! So, I think that's a really great place for us to wrap this particular discussion. But what it's doing is teasing the next steps and the next set of discussions. And I know for us, this is one of those occasions—the publishing of this paper, but more importantly, the elevation of this discussion by the Secretary General's office—that we certainly hope will bring a lot more focus within, not just Silicon Valley, but all those folks, both public and policymakers, who are looking at the development of technologies. Not just digital finance, but most broadly how digital information technologies are evolving, because they're evolving so rapidly, we need these
broad conversations that go beyond academic panels and get right in the heart of decision making.

So this is a phenomenal report, as you know. We're super grateful for your time and also for the opportunity to be able to explore this in part. We would, and we'll put in the show notes where folks should go to get more information about the study, but also, there's a slew of different trails you can go down to explore more and understand more. We also would encourage, to the extent there are folks developing new applications, that there are policymakers, there are advocates out there listening, to really try to incorporate this into your thinking, Simon it's been just a pleasure. Thank you so much.

Simon:
Totally my pleasure. Reuben, Michael, thank you for inviting me to participate in this podcast. I can't say I look forward to listening to it. I'll leave that for others to judge—

Mike:
[Laughter]

Simon:
—but, I'm really pleased to have had the discussion and hope that your community will find the results stimulating.

Reuben:
Yeah, I think so. Everything that you’ve touched on really does hit right at the intersection of what our audience cares about, and is thinking about, and should be thinking about.

Mike:
That’s right.

Simon:
Thanks, guys, very much. You’re going to put this together now?

Mike:
Thank you, Simon.

Reuben:
Yep, we’ll go ahead and splice it together, and turn it into one amazing episode.
Mike:
Yeah, that was brilliant.

Simon:
Guys, thank you for your attention.

Reuben:
Thank you so much for your time.

Mike:
All right. Thank you. Yeah.

[Closing]

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