Social Wealth Fund And An Avant-Garde Blockchain Accounting System

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The social wealth fund opens up important questions of common ownership and democratic control. It can also serve to start a conversation around the ways in which we value socially useful goods. The production of socially beneficial economic activity through the social wealth fund could, and should, not consider 'profits' as an economic metric. Instead, every time a socially beneficial task is completed, such as tasks implied in social care services, the provision of universal basic services, or production of additional housing, the social wealth fund accounting system could record the 'cost' of the task rather than the 'profit' made from delivering the service. Here are the reasons why this is a good idea.

Accounting in the market economy highlights the important metrics that underpin any economic theory such as debit, credit, cost and profit. The metrics that are highlighted and chosen are enough to make the difference between an economy that is more socially focused versus one that isn't. The social wealth fund, therefore, should be used to reform the economy starting with accounting.

To understand the role of accounting in the economy we need to see the economy as a three-tiered structure. Economic facts are at the base followed by accounting concepts on top of them and finally economic theory, of which the current form of capitalism is only an example. In this model, economic facts are facts in the first order while accounting concepts are facts in the second order and economic theory comes about from the analysis of both economic facts and accounting concepts. In other words, economic theory arises from accounting concepts, which rely on the recording of economic facts.
It means that any economic theory, capitalist or otherwise needs accounting concepts. And since blockchain technologies are avant-garde accounting ledgers of a distributed nature, they are ideally placed to actualise and realise experimental accounting concepts that would remodel capitalism. The blockchain is often defined as a decentralised digital distributed accounting ledger. So how does a ledger function for accounting? Accounting deals with economic facts and a ledger is a means to record these economic facts. As such it provides the needed consensus around the validity of these facts. What they also do is map economic and social relationships. Every record in a ledger is a social exchange of some form and a trace of social consensus around such an exchange. Consensus means that all the members of a particular community agree that the information contained in the ledger is true, that the economic facts are non-disputed.

The current model of capitalism is not efficient enough when it comes to technical productivity and knows nothing of social productivity. The social side of the life of citizens does not orientate products under the current model of capitalism. In fact, capitalism is indifferent to social utility; private industry cannot account for community life. An example of all this is the way that capitalism allows such things as the arms industry to flourish. In fact, there is a kind of aimlessness when it comes to the goals or utility of production: the only notion that guides it is profit and this has been enabled by an accounting system that does nothing but measure it.

[1]The history of the blockchain also belongs to a lineage that includes the SQL database, JSON files and other forms of digital storage not to mention the history of cryptography and peer to peer networking applications such as bit-torrent. However, this paper will focus on the blockchain as part of the history of the accounting ledger to which it clearly belongs. Simply put, accounting deals with economic facts and a ledger is a means to record these economic facts. Accordingly, the blockchain ledger also records economic facts.

The social wealth fund needs to improve on such a system by ensuring that all products and services are not aimless but are rather directed towards social ends. Since their goal is to achieve some social benefit there would be no need to account for profit since the overall aim would be to produce the most socially beneficial product or service at the least amount of cost. The reduction of cost is the ambition and this can be achieved most effectively with blockchain technologies.

Up until the invention of the blockchain, consensus was attained through the reputation of trusted third parties, banks, government or the church as in the case of the first incarnation of the ledger - a book that was protected by the church. More than this, the shape of the trusted third parties has changed in accordance with the power structures active at any particular time. In neoliberal market economic terms, a trusted organisation is one with a long enough history of economic gains that it is considered the least likely to exploit its relationships. In practice, this depends on what counts as exploitative action. That's why banks are deemed successful in the neoliberal economy despite them being prone to failure and exploitative behaviour. There is supposedly too much at stake in jeopardising their economic history for them to meddle in our personal accounts. Suffice to say that a trusted third party is one that is considered trustworthy by a certain system of power. A "good" economic history in that sense is a form of capital.

The blockchain replaces any trust-based system with one that relies on a trustless protocol invulnerable to reputation. Consensus now means that all the blockchain community agrees that the economic facts contained in the digitally distributed ledger are undisputed and true. Cash in the sense that it exists today, not representative of any gold reserves, is another example of a trustless exchange. Another important aspect of the blockchain is that it achieves this consensus through a community of anonymous agents. The anonymity here is important because without it consensus would go back to relying on personal history and identity.

Most blockchain communities based on smart contracts up until now have attempted to record the benefit, or we could say profit, of a particular task. Such benefit or profit is defined as the value of the task in the system. However, a socially beneficial blockchain community would not be concerned with recording value in this sense. Its only concern is to account for the costs.

The social wealth fund has the opportunity to improve on the current model of welfare capitalism, which is currently comprised of services developed and deployed by companies that ostensibly cater to the welfare of the population in order to maintain a certain political-economic order. The accounting system of welfare capitalism therefore looks distinctly similar to the accounting systems of these enterprises, i.e. they have the aim of recording profit, something that seems a little ridiculous for organisations that are usually deemed not for profit!

A decentralised, citizen-owned fund should benefit, and be accountable to, the citizens that own it. Therefore, using an avant-garde accounting system that simply measures the costs of socially useful goods can and should be made possible through a bespoke blockchain accounting system.

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