Working Paper 04

A Tale of Two Investors: Bifurcated Investment Strategies for a Post-Labor World

Executive Summary

This briefing document analyzes the emerging "ABCD architecture"—a synthesis of Artificial Intelligence, Biometric Identification, Central Bank Digital Currencies (CBDC), and integrated Digital Financial Systems. The core thesis posits that as this architecture matures alongside a potential "post-labor" economy (characterized by widespread automation and Universal Basic Income responses), the investable universe will undergo a fundamental bifurcation. Investors are expected to divide into two primary archetypes: Participants, who fund and engage with the new architecture, and Resistant investors, who screen out the system on ethical, practical, or sovereign grounds. This shift introduces significant tensions regarding fiduciary duty, necessitating a re-evaluation of Modern Portfolio Theory in the face of beneficiary values-constraints.

The ABCD Architecture: A Combined Systems Framework

The document identifies four technological pillars that are no longer independent trajectories but are becoming a single, mutually reinforcing architecture.

- **Component** — Description — Functional Role
- **Artificial Intelligence (A)** — Decision systems, predictive models, and agentic workflows. — Drives credit scoring, compliance, and asset management.
- **Biometric Identification (B)** — Face, fingerprint, and behavioral data anchored to settlement. — Serves as the primary authentication modality for payments.
- **Central Bank Digital Currency (C)** — Programmable, identity-linked, settlement-layer money. — Provides the foundational digital rails for state-backed value.
- **Digital Financial System (D)** — Integrated rails connecting AI, Biometrics, and CBDCs. — Enables tokenized assets, embedded finance, and real-time settlement.

The Macroeconomic Trigger

The bifurcation of the investment landscape is conditional on two joint macro conditions:

- ABCD Maturation: Evidence by 146 jurisdictions exploring CBDCs (representing 98% of global GDP) and the rapid embedding of biometrics in payments.
- Post-Labor Contingency: The plausible displacement of labor by AI and robotics, leading to a Universal Basic Income (UBI) or Universal Basic Dividend (UBD) policy response.

The Bifurcated Investor Typology

Grounding the analysis in Hirschman’s (1970) "Exit, Voice, and Loyalty" framework, the document categorizes investor responses to the ABCD architecture.

1. The Participant (Loyalty & Voice)

Participants allocate capital toward the build-out of the ABCD constellation, viewing it as the dominant infrastructure of the future.

- P-Loyalty (Loyalty): Passive allocation to the architecture with no direct engagement or design pressure.
- P-Voice (Voice): Active engagement and proxy pressure used to influence the design and implementation of the system.

2. The Resistant (Exit)

Resistant investors categorically exclude "ABCD-complicit" assets from their portfolios.

- R-A (Avoidance Only): Applies a negative screen but otherwise maintains a standard portfolio. This is expected to be the numerically larger sub-cohort.
- R-B (Avoidance + Carry-Forward): Actively constructs an "exit-vector" portfolio designed to preserve wealth across adverse transitions or mandatory system conversions.

The Investable Core and Screening Methodology

The build-out of the ABCD architecture rests on ten key technologies. The document provides a matrix of how different investor classes interact with these sectors.

The Top Ten Technologies

- Artificial Intelligence (ABCD Leg)
- Biometric Identification (ABCD Leg)
- Central Bank Digital Currency (ABCD Leg)
- Digital Financial System (ABCD Leg)
- DLT & Smart Contracts (Supporting)
- Real-World Asset (RWA) Tokenization (Supporting)
- Embedded Finance (Supporting)
- Cloud & Edge Computing (Supporting)
- Big Data / Predictive Modeling (Supporting)
- Privacy-Preserving Cryptography (Supporting)

The ABCD-Aversion Screen

For Resistant investors, the document proposes a four-part screening methodology analogous to "sin-stock" exclusions (e.g., tobacco, weapons):

- Architecture Complicity: Identifying direct involvement in building any ABCD leg.
- Materiality Threshold: Testing revenue share or the significance of a firm’s role in the architecture.
- Categorical Scope: Defining rules for handling sectors and large conglomerates.
- Stringency Setting: Ranging from "Weakest" to "Strongest" based on the investor's conviction.

Asset Continuity and Risk Scenarios

The transition to an integrated ABCD architecture poses varying levels of risk to legacy asset holdings.

The Asset-Continuity Spectrum

Investors must calibrate their strategies against five plausible end-states for legacy holdings:

- Full Continuity: No change to asset rights (Most favorable).
- Soft Conversion: Forced but fair migration to new digital settlement layers.
- Selective Haircut: Partial levy on assets (e.g., Cyprus 2013).

- Categorical Prohibition: Making certain legacy holdings illegal (e.g., 1933 US Gold Prohibition).
- Total Extinction: Full loss of legacy asset value (Least favorable).

Historical Precedents

The analysis identifies several partial analogues for adverse transitions:

- 1933 US Gold Prohibition (EO 6102): Private gold compelled into the Federal Reserve.
- 1948 Occupied-Germany Currency Reform: Massive destruction of Reichsmark-denominated assets.
- 2002 Argentine Corralito: Freezing of bank deposits and breaking of currency pegs.
- 2013 Cyprus Bank Haircuts: Levies on uninsured deposits to recapitalize the banking sector.

The Resistant-B Strategy: Exit Vectors

Investors in the R-B sub-cohort utilize five primary categories of "exit vectors" to preserve wealth outside the ABCD architecture:

- Hard Assets: Physical holdings such as gold, silver, farmland, and productive real estate.
- Non-Custodial Digital: Self-held digital assets where the holder retains private keys.
- Jurisdictional Diversification: Spreading holdings across multiple sovereign monetary jurisdictions.
- Parallel-Payment Networks: Utilizing alternative settlement rails outside the mainstream digital system.
- Foreign-Denominated Financial: Deposits and debt denominated in foreign currencies or issued by foreign sovereigns.

Strategic Implications and Fiduciary Tensions

The document highlights an emerging conflict between traditional legal standards and shifting beneficiary demands.

The Fiduciary-Duty Conflict

- Standard Fiduciary Rule: Mandates diversification across the full investable universe to maximize risk-adjusted returns (Modern Portfolio Theory).
- Beneficiary Values-Constraint: Growing demand from clients—particularly in faith-based or civil-liberties-focused institutions—to exclude ABCD-complicit assets regardless of diversification costs.

Recommendations to Constituencies

- Policymakers: Design choices (e.g., surveillance-moderating features) will materially impact the size of the Resistant cohort.
- Asset Managers: There is a significant commercial opportunity to supply screened funds and exit-vector custody solutions.
- Institutional Fiduciaries: Should engage with the tension between diversification mandates and beneficiary values now to prepare for future demands.
- Individual Investors: Must choose a coherent position within the framework and calibrate their portfolio to their specific "end-state" priors.