DREXEL UNIVERSITY
Civil, Architectural, and Environmental Engineering
College of Engineering

Yehuda Kahane, PhD

Professor Emeritus, Tel Aviv University
Former head of the Institute for Business and The Environment

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LeBow Engineering Building – 31st and Market Sts

The New Economy and the Paradigm Shift

Any major technological wave is escorted by a new philosophy. Our economies are still governed by the philosophy of the industrial revolution guided by the objective of all players to **maximize their wealth**. This has led to a substantial, even amazing, economic growth during the last two centuries. Yet, this growth has introduced substantial new risks and threats (as well as opportunities), and especially societal and environmental risks. Mankind survival on Planet Earth is becoming the most pressing and urgent challenge of our time. In order to countermeasure these risks a major transformation, a paradigm shift, to a "new economy" is **urgently** required.

The new economy differs substantially from the traditional, industrial, economy by the underlying motivations as well as by its major characteristics. Just to name a few: new and unlimited production factors, nearly zero marginal cost of production, internet of things, digitized monetary system, the rising power of the connected and "global person", an evolving new democracy, completely different educational and employment systems, etc. The new economy aims towards "thriveability" – a term strongly related to environmental sustainability, but represents a broader, multi-dimensional, concept. Moreover, sustainability means "leave no footprint". In the new economy we must leave a positive ecological footprint (as long as it does not violate the second law of Thermodynamics). A completely new and uniform dashboard, representing a multi-objective function, is needed. It includes at least three additional dimensions, besides the Economic one: Society, Environment, and Citizens' Consciousness (in short: ESEC). The key to the required transformation is a replacement of the traditional metrics as well as the decision tools. The traditional metrics like GDP or accounting profit are biased and unfit, since they ignore other forms of capital like social capital, environmental & natural capital, intellectual capital, etc. In addition to the philosophical changes, there is a need for huge financial resources (e.g., the Stern Report had evaluated that in order to mitigate just the climate change effects we need to invest annually about 2% of global GDP). In this presentation we shall discuss how the world insurance industry can be used for that purpose, and at the same time help in mitigating another important aspect of the new economy: employment and retirement issues (which become extreme threat under the near zero interest economy).

Yehuda Kahane, PhD *is a Fellow of the World Academy of Arts and Science. He is the 2011 inductee of the highest international award in risk management and insurance and has been awarded for his life time achievements by the Israeli insurance industry. He is a Professor (Emeritus) of Recanati Business and the Porter School of Environmental Studies, and headed until recently the Institute for Business and the Environment at Tel-Aviv University. He was the founding dean of the first academic school of insurance in Israel. During almost 5 decades he taught in many universities including the Hebrew University of Jerusalem, the U, of Florida, U. of Toronto, The Wharton School of the U. of Pennsylvania, the U. of Texas (Austin) and others. All his degrees are from the Hebrew University of Jerusalem: BA (economics and statistics), MA (business), PhD (finance). He is life and general insurance actuary.*

Kahane is an active entrepreneur and investor in technological incubators and in technological companies, in a wide variety of areas. A co-founder and director of Ituran (Nasdaq ITRN), Pango Parking, Capital Point, and many other companies. He is the chairperson and co-founder of YK Center – a for benefit institute that prepares managers for the new economy. He is also active in creation of complementary currencies. He is a director in the Center for the Blind People - the umbrella association for the visually impaired in Israel. He often used his area of expertise - insurance – as a leverage to solve major challenges that affect huge populations – for example, to increase food production in Central and South American countries, or to find the enormous financial resources needed to combat the world climate change problems.