

# In-Class Activity: Trust Tax Walkthrough

Digital Finance, BSc Course

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Day 5B companion (Why DeFi Needs Blockchain) | 20 min | Pairs

**Scenario.** You own \$800K of ETH. You need **\$500K in cash within 4 hours** to close a business deal. You do not want to sell the ETH (tax consequences, conviction). Walk both options. The framework: every line is a **trust-tax** cost (verification or enforcement) that one architecture pays and the other does not.

**Your task.** Fill BOTH columns. Be specific about who verifies what at each step. Then answer the 3 reflection prompts below the table.

Field	Option A: TradFi (Bank Line of Credit)	Option B: DeFi (Aave on Ethereum)
Steps to open		
Time to first dollar		
Who verifies you		
Who verifies the collateral		
Setup fees + first-year cost		
Trust assumptions you must accept		
Failure mode if something breaks		

## Reflection prompts (2 min each).

(R1) Which row contributes the largest single trust-tax line on the TradFi side, and what specifically is the bank charging for?

(R2) Aave can move \$500K in roughly 13 minutes without your name, your tax ID, or a phone call. What blockchain-specific property makes that safe enough for the protocol to release funds?

(R3) Name one realistic event that breaks Option B but does NOT break Option A. (Hint: oracle, contract bug, gas spike, governance attack.)

*Background hooks from the lecture: Airbnb monetises a 17% trust tax for short-term housing; flash loans on Aave settle in 13 seconds because atomic execution makes the loan safe; Lehman 2008 shows what counterparty opacity costs when nobody trusts anyone. All three are the same Coase (1937) problem.*