



COST OF DOING NOTHING (CDN)

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Key words: Return on investment, business model, business growth

Abstract

A financial model based on the cost of doing nothing (CDN) is presented as an alternative to the existing business model based on return on investment (ROI). The CDN is designed to maintain an existing level of development while providing improvements, as opposed to the ROI providing developments through growth.

Introduction

Humans are communal and band together in groups of various and varying sizes. Indeed, the rapid evolutionary development largely arises from the development of groups as the cooperation promoted the development and communication of knowledge.

The groups are variously named families, tribes, clans, communities, societies, nations and such. For simplicity a single generic term is used here, that of society. A society represents a collection of disparate individuals that band together for mutual benefit. While a society can have a defined territory that is not an essential requirement.

The form of interaction between individuals within societies has varied enormously. That variation is still large but has narrowed considerably due to the developing prominence of particular beliefs. The belief currently in the ascendance is generally described as capitalism or free enterprise. While these technically differ they have the commonality that the measure of success is based on profit. Most societies now run on a variant of a business growth model.

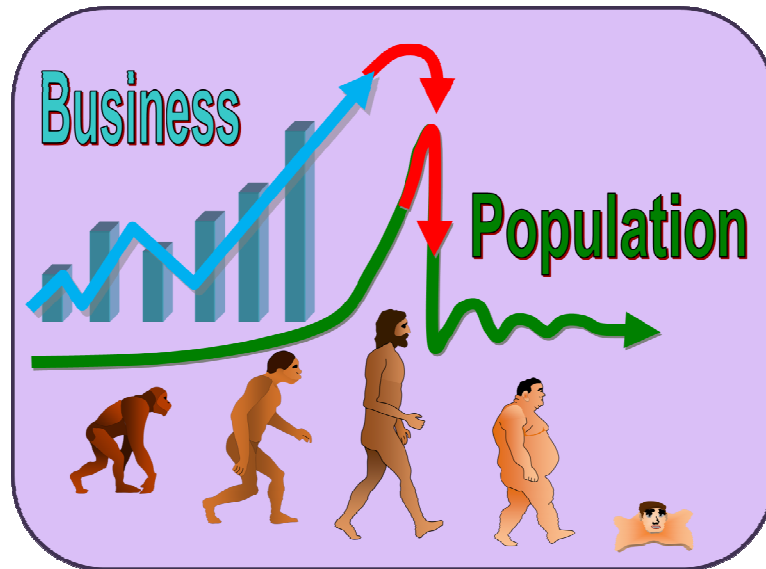
Business is intrinsic to the operations of a society as the barter of goods and services is the functional means by which cooperation is achieved within a large group. Regardless of the terms used there will always be business, even in a communist system. The differences relate to the model used for business.

With the current dominant business model the goal is profit. This is most readily identified for the capitalist system where the goal is to maximise profit from the available capital. As such everything is assigned a monetary value to identify means of increasing profit. Money then develops an intrinsic value whereby money can be made from money.

With this model the mantra is more. The object is to maximise profit, and the greater the capital the greater the opportunity for profit. With the current business model growth definitely is king, and the greater the growth the better.

Humans are organic beings currently at the top of the Animal Kingdom. While being on top humans are still bound by the same fundamental constraints as other organic beings. Indeed, humans are more susceptible to constraints on organic life than most biota due to the highly evolved state. Humans have very particular requirements to live, and the energetic requirements for survival are high.

The growth model used by business is central to the development of animal populations. Unless constrained numbers increase exponentially. Given demands on resources essential for life the numbers then inevitably exceed the carrying capacity at some time thereby producing a catastrophic decline. The question is when and not if. There is no reason why humans are not subject to this intrinsic constraint to organic life.



The goal of maximising growth undeniably promotes the demise of societies as historically there are many examples. The societies may be obliterated but, even where not, they never return to their former glory. The latter arises because of the damage done to the resources in achieving a high level of unsustainable development.

If humans were to display the intellect they assign themselves and look forward at the consequences of current actions then the model of unconstrained growth would be rapidly abandoned. This conclusion is by no means new. The issue is what to replace it with as nothing practical has been identified. Most examples identified still contain growth and so do not provide a solution. The issue is how to promote society without there being any growth.

Concept

The peacetime financial system is based on the return on investment (ROI). Nothing is done unless a profit can be foreseen and is likely to be achieved. The higher the profit the greater the appeal, provided it can be realised. Decisions are based on an assessment of the risk versus profit.

The situation during war differs markedly. Monetary profit is of no consequence without survival thus survival becomes paramount. Profit becomes irrelevant. Decisions on developments are based on an assessment of the likely benefit for survival first, and for winning second.

Placing the wartime approach within a generic context the decision on whether to proceed with a development is based on an assessment of the cost of doing nothing (CDN). What would be lost, and hence be a cost, without some form of corrective / remedial / facilitative

action. In war this assessment may result in doing nothing, as arises with remaining neutral. However, where actively involved some action is usually necessary.

The CDN is a risk – benefit analysis, as with ROI. They are intrinsically similar as the potential benefits are balanced against the chances of success. However, with ROI the basic premise is that development is essential. Action must be taken to make a profit, and effort is continuously expended in seeking opportunities to make profit. The mantra is growth.

With CDN the existing state is taken as reference and is regarded as a sufficient goal. The initial question is whether action is needed to maintain the existing situation by preventing degradation. The secondary question is whether the existing situation can be more easily sustained. That equates with achieving the same with less, which contrasts with the fundamental business approach of growing by doing more of the same.

Business does focus on achieving the same with less but primarily in relation to efficiency, where increase in efficiency is used to increase growth.

To some the doing nothing may appear to represent stagnation, if not degradation. However, the experience is that wars stimulate developments. The peacetime situation is dominated by growth of what already exists. The development with war is in new capabilities and increasing existing effective developments. There is acceptance that new developments are highly desirable if not essential. Ineffective activities largely cease even where they had been profitable.

Wars are characterised by greater collaboration within a society to address the enemy without. Individuals are therefore subject to greater personal controls than during peace. The issue for society is the acceptable level of control. Most individuals accept a high level of control where necessary for survival but the acceptable level abates with abatement of the threat.

Business often presents the proposition there should be no controls. Business should be free to do as seen fit, where fitness relates to increasing profits. This is the view espoused by Hayek and promulgated as the current version of capitalism. However, for society the change is simply from control by government to control by business. The desire of business is to be unencumbered in its search for growth.

This representation of a separation between business and government is false as business uses government in its quest for growth. The issue for society is whether actions by government directly benefit individuals or are based on the premise that individuals benefit when business benefits. The latter assumption is currently applied in Australia.

With the approach of CDN the society and individuals can benefit without there being growth. However, with ROI growth is central when unconstrained growth eventually causes catastrophic decline.

The current tendency is for governments to be run as businesses. As with business, growth is their mantra. This occurs despite most problems now faced by societies deriving from overpopulation associated with unconstrained growth. The ROI model is grossly inappropriate for governments. The CDN approach is appropriate.

Opportunity Cost

With the ROI model the cost of doing nothing is represented as an opportunity cost. If we don't do that then we miss an opportunity to make so much. The cost is determined by the failure to realise estimated potential growth and not expenditures.

Terminology is always an issue, and the term CDN may be changed. However, that applies with existing terms such as opportunity cost as it does not represent a cost. It represents a failure to realise a predicted gain without there having been any expenditure. As there must be expenditure for there to be a cost the term is misleading.

The CDN represents the ongoing (recurring) costs associated with an issue. Whether to address an issue depends on the estimated cost of development versus the recurrent cost. As the existing development capacity is usually insufficient for the number of issues that could be addressed priority in selection would take account of development costs versus the expected savings.

Like natural selection the CDN is negatively directed in addressing things that are holding society back. As such it leaves other things alone hence other activities are not directly adversely affected. It provides benefit with low chance of detriment.

ROI equates with human selection in genetic 'development' whereby favorable attributes are selected for. With selection for attributes beneficial to society are inevitably lost. That is, the new development displaces existing activities that are beneficial but not as profitable as the new activity. Such losses always diminish society and can ultimately prove critical.

The effect of selection for is best evidenced in big business eliminating competition. The means used are diverse and include buying out and lobbying governments to implement legislation to suppress alternatives.

Application

The CDN concept was developed to address the selection of issues when funding public research. The objective there is benefit to society and not to make a profit or loss. As governments are meant to operate in the public interest the approach is applicable to government. The unresolved issue is whether the CDN can be applied to business.

The ROI model is fundamentally based on greed and has an evolutionary basis in individuals attempting to maximise their use and control of resources. That benefits the individuals exercising control but where everyone adopts the same strategy the society rapidly becomes unstable and ultimately disintegrates. The instability arises because those who do better than those without thereby producing large social disparities. The majority become subservient to a few when all expect to do well.

The two attributes of the ROI model that appear most detrimental are growing by doing more of the same and the use of position to suppress others where both are used solely to promote growth of those exercising control. Theoretically CDN eliminates doing more of the same as new initiatives have to replace existing activities. This also goes a long way to eliminating the undesirable aspects of suppression.

Business can benefit through application of the CDN by implementing developments that provide savings. However, that already exists with the ROI model as reducing costs is a prime means of increasing profits. Differences can exist but the basics are the same. The differences relate to business usually achieving savings by cutting when with the CDN model the savings are achieved through new developments. Business also employs new developments but these are limited by the uncertain risk. The mentality employed is that it is far safer to stick with what you know.

There appears to be no absolute difference between the ROI and CDN models as achieving a profit is essential for survival as well as growth. The basic considerations of balancing costs

and returns apply equally. However, there are differences in objectives and hence in the basis for decisions. The ROI model seeks to maximise profit when with CDN the profit should be sufficient for survival. In applying the ROI model business primarily develops by doing more of the same when with the ROI model the only options for expansion relate to developing new capabilities.

It is theoretically possible to apply the CDN model to business but more consideration is needed. It likely needs to be combined with social considerations such as zero or negative population growth where negative is currently essential. Theoretical consideration is necessary because testing would effectively be impossible. Big business depends on application of the ROI model and they are not about to relinquish any control.

Consequences of Not Changing Business Models

The ancient Egyptian and Maya societies illustrate the consequences of an unconstrained growth model. Many other such failures have occurred throughout history but these examples have been selected because of the significance of the failure of their agriculture. The societies developed through their agriculture but that development was unsustainable.

Historically the agricultural failure has been regional in deriving from the change in climate produced by clearing the land and having much of it bare. However, in North Africa and the Middle East the collective agricultural activities have greatly extended the degradation. Desertification is now widespread.

With mechanisation and population growth the extent of agricultural lands is now the greatest ever. Rather than being regionally constrained the changes in climate are global. For agricultural production these changes have been masked by technological developments but these developments expedite the change in climate. With continuation of the current approach to population and business growth climate change has won.

Conclusions

The current business model is based on growth with the goal being to maximise the return on investment (ROI). This growth is unconstrained where unconstrained growth within finite constraints results in catastrophic decline. While developments have continuously raised the limits for humans the constraints are ultimately finite. As growth is exponential the final stage in the progression to catastrophe is very rapid with the dampening by development making little difference to the timing of the catastrophic collapse. One hundred years is short in relation to the period of development of humans.

Avoidance of catastrophic decline depends on abandoning the growth model. There is no other solution other than to invade other worlds when that is currently not an option and is not likely to become one. Catastrophic decline through unconstrained growth will occur well before migration to another planet can be considered a realisable possibility. We have yet to find one to migrate too let alone develop the capability for mass migration through space.

The Cost of Doing Nothing (CDN) business model addresses survival rather than growth. While it can accommodate growth it is designed to maintain and develop viable societies even when the numbers are in decline. It has been successfully applied during wars and can therefore be applied generally given the will to do so.

The lack of will to implement the CDN model relates to the appeal of the ROI to humans. Each attempts to do well where for those at the top do well at the expense of those below. They then seek to build their empire, which means having more below. This iniquitous

situation has been maintained by those above promising benefits to those below if they continue to provide support.

Current political events demonstrate the instability of this situation. The instability arises because of the general constraint identified above, that of unconstrained growth within a limited resource. The promised benefits cannot be delivered. There are usually immediate short term benefits but they cannot be maintained.

Democracy does not arise from any egalitarian principles but from the instability inherent in a few attempting to control a large mass. It is exacerbated by the greed of those at the top expecting the masses to work for them while receiving little benefit. A democracy moderates the greed of those that expect to control others.

The CDN will be an anathema to existing big business where greed prevails under the umbrella of unconstrained growth. The only concern is realising a high return on investment wherein governments are manipulated to help achieve that objective.

I expect that the current economic model will prevail for the immediate future. There will be no change until after the damage is done which accords with the business model where benefits derive from competition. Societies will have to suffer considerably more damage before remedial actions are deemed to be acceptable to those exercising control.

