INNOVATION , SYNERGY, & THE ECONOMICS OF ABUNDANCE

EARLY DRAFT and RANDOM THOUGHTS by Robert Porter Lynch – 1999-2005

Sharing Expands Possibilities

For a moment, consider the interconnection between synergy and sharing. Synergy's goal is to attain the 1+1=3 proposition. Alliances are built on the fundamental premise that sharing of risks and resources will expand the possibilities and rewards available to all through co-creative sharing.

Sadly, in a world where certain resources may have been scarce, hording is a common practice, based on the belief that hording will control and preserve resources, thereby maximizing returns for the holder, but diminishing the returns for those excluded.

Exp*e*ndables versus Exp*a*ndables

Unfortunately, synergy has not manifested as often as is possible because business has not made the distinction between *exp**e**ndable* and *exp**a**ndable* resources.

- *Exp**e**ndable* resources disappear upon their sale or consumption (such as oil, food, minerals, etc). Their supply is limited; it is a precious resource. The more limited and prized, the higher the price. (Gold as an example) *Exp**e**ndable* resources are depleted and decrease upon usage

- *Exp**a**ndable* resources multiply the more they are used (such as creativity, cooperation, and teamwork). Exp**a**ndable resources regenerate and increase when used, thus creating their own abundance.

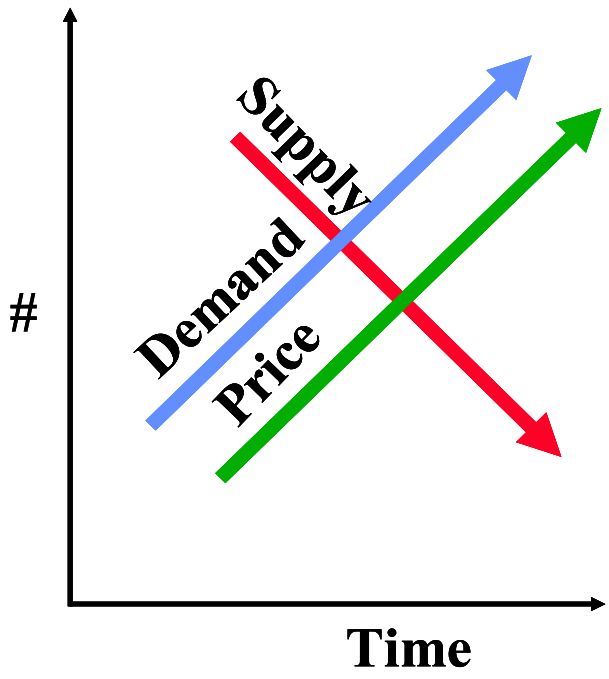
This distinction is vital because it helps explain why certain societies have been successful and others have failed, and what can be done to cure problems like poverty. Societies that maintain a healthy balance between Expendables and Expandables flourish, while those are blind to Expandables flounder.

For example, software is an exp**a**ndable resource. Using it daily does not diminish its size or impact. To the contrary, using software actually creates more value every time it is used -- therefore it expands. Software's value is multiplied when shared, transferred and transmitted. Software that is not used is useless or obsolete. Using this resource brings it to life. Capturing the learning and sharing the knowledge generated by software only makes it more valuable, reaching more people, and generating more future possibilities.

Unlike exp**e**ndables, which adhere to the universal price laws of supply and demand, exp**a**ndables are not limited by supply, and demand does not increase their price, but does increase their value. The following charts illustrate the price-demand-supply elasticity.

Traditional Economics -- Economics of Limits and Expendables

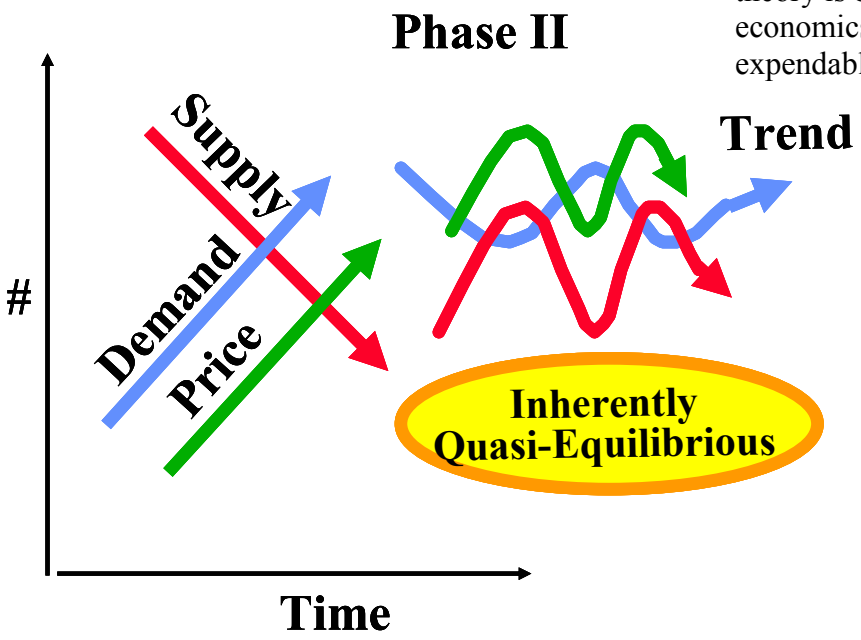
Phase I



Traditional Economics is based on the Economics of Limits (Expendables.) This usually occurs in a two-phase process.

Phase I: For Example: If you buy an ear of corn, and eat it, the total number of corn ears decreases by one, therefore lowering the supply of corn. If demand for corn increases, the supply will decrease (until someone plants more corn), and the price will increase (until more corn is planted).

Phase II: Eventually supply and demand and price work themselves into an inherently quasi-equilibrious state where the supply, demand, and price stay within a relatively predictable range (barring acts of God, such as drought, etc). Virtually all of our economic theory is based on this economics of scarcity and expendables.

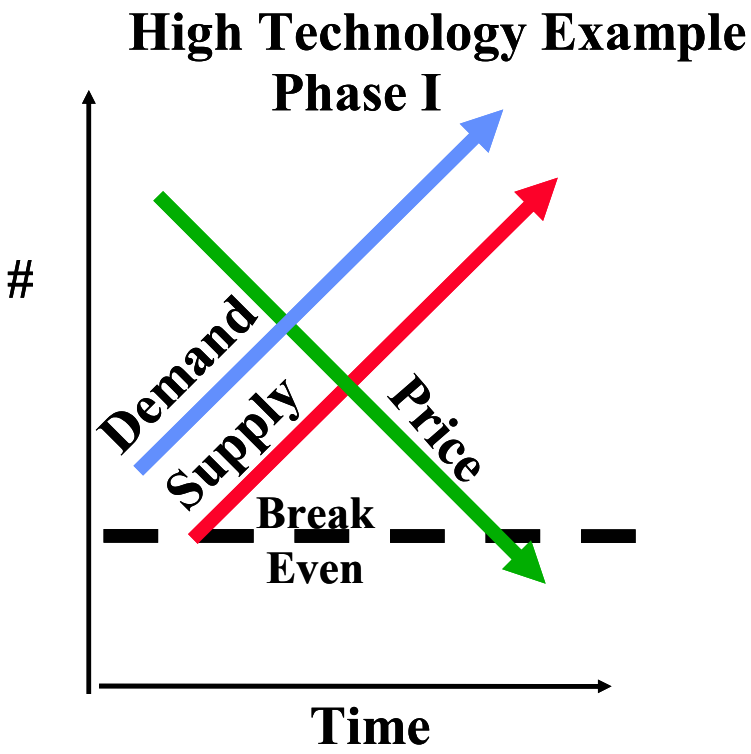


Economics of Abundance & Non-expendables

The Economics of Abundance works on the basis of a totally different economic set of principles that have been with us for years, and run in parallel with the economics of scarcity. (Both the system of Limits and the system of Abundance are true, but each has its applicability to totally different circumstances.)

Unfortunately, the Economics of Abundance is not well quantified, analyzed, studied, believed in, and therefore does not form the foundation of traditional economic thinking. What also sets the Economics of Abundance apart is that it is highly dependent upon the establishment of a Regenerative System to support it. Regenerative Systems are founded on Principles of Continual Transformation – Moore's Law in computer chips is a good example.

Let's look at an example of the economics of abundance in practice. Take Edison's invention of the phonograph as an early technical example. Once Edison created the technology, the production of a single record could be reproduced at an extremely low incremental cost of production, though selling for a premium. Unlike expendibles/consumables in the Economics of Limits, using a record did not "use it up." The more it was used, the more utility was derived. Telephones, Radios, Houses, Washing Machines, Cars, etc have long life spans, not being "used up" for a long number of years, although their incremental cost of production does not exhibit the same dramatic cost advantages of one of our latest technologies: Software.



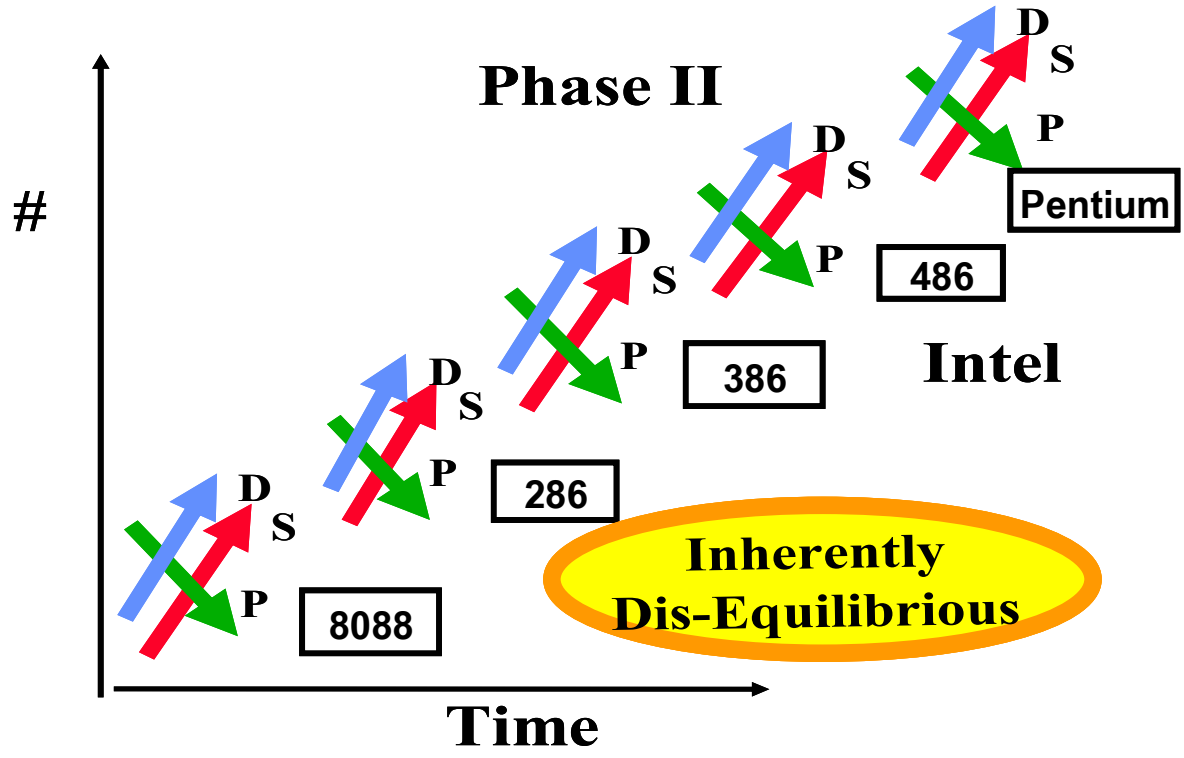
Software is a modern version of this phenomenon. Software is inherently invisible, being only a series of magnetic imprints. A disk or CD costs virtually nothing to produce (the Cd or Disk's value is less than $1), but the software may be valued at tens or hundreds of dollars, or more.

Therefore, a unique dynamic occurs: In the First Phase of Evolution, as demand for software increases, the supply of software can increase along with demand while price drops dramatically (because the incremental

costs of production are virtually nothing compared to the sales price) As the First Phase of Evolution progresses, other competitors enter the market, further depressing price and driving profits below break even.

At this point, two options exist: one option calls for creating a monopoly, similarly to what Microsoft has done, driving competitors out of the market, thus creating an artificial price level substantially above the breakeven point. The other option calls for a regeneration, by which a new and better version of the software is used to obsolete the earlier version, thus creating the Second Phase of the Evolution.

Chip manufacturers, (using as a base the mineral silicon, which is one of the most abundant minerals on the face of the earth) following Moore's law, track along this Second Evolutionary Phase, which is inherently dis-equilibrious because the more demand, the more supply, the lower the price. For Intel, this Price/Demand/Supply relationship will burn itself out every 18 months, unless Intel creates a totally new level of chips. The 8088 chip had to be supplanted by the 286, then the 386, then the 486, then the Pentium I, II, III, etc. While Microsoft has employed a mixed monopoly-regenerative strategy, Intel has chosen a solely regenerative strategy.



The Internet is another example: The more demand for the internet, the more supply, and the low the price.

Now, for the leap: What other phenomenon demonstrate virtually unlimited supply, while its frequent use does not "use it up." How about creativity, or trust, or teamwork, or communication? Creating demand for cooperation, and developing skills in cooperation does not "use it up;" but instead, the more it is used, the more utility it generates – thus becoming a "regenerative system."

What we must do is know when the System of Economic Scarcity is in play, and when we are engaged in the System of Economic Regenerativity. In the long run, an investment in a regenerative system pays much better dividends that in a scarcity system (although scarcity systems can create short term aberrations in which money can be made or lost).

We must be able to distinguish between expendables and expandables when negotiating any strategic or synergistic relationship. To treat each with the same principles limits possibilities of expanding the realm of the partnership. This type of thinking is often reflected in contracts for intellectual property, where negotiators tussle for months and even years over ownership rights. Their hording mentality blocks them from realizing that, if sharing of intellectual property rights occurred, both sides would create more new ideas and command a better mutual competitive advantage.

Things that are Expendable: (they get used up or disappear, and are either inherently useless or have significantly diminished utility once it is gone):	**Things that are Expandable: (and don't get used up the more you use them):**
» **Hardware and Equipment** » **Time** » **Commodities, Fuel, Electricity, etc.** » **Materials for Production** » **Money**	➢ **Software** ➢ **Technology** ➢ **Networks & Information** ➢ **Innovation and Breakthroughs** ➢ **Teamwork & Cooperation** ➢ **Communications** ➢ **Caring, Happiness, Compassion**

The economic Laws of Expendables run counter to the Laws of Expandables, but both are true and both mutually exist in our world. The problem is that miserly minds can't acknowledge the latter. The Economics of Limits-Expendables exist side-by-side with the Economics of Abundance-Expandables. Integration & Synergy require the measuring of effective use of resources in both economic models simultaneously. Tremendous value creation occurs when both economic models are working in harmony with each other; when the Economics of Limits does not exclude/preclude the Economics of Abundance.

Accessing the expansive possibility of sharing begins with the mutual belief that "the more you give, the more you're going to get." When both partners hold this belief, it manifests. The general rule for the Law of Expandables is

Sharing Expands, Hording Contracts

Roy Rogers, commenting on his long marriage to Dale Evans, remarked that a great marriage is not a 50-50 arrangement. Both partners have to give at least 100%. Rogers

said both Dale and he were always willing to go beyond: giving 120%. The Law of Expandables creates its own "regenerative energy," this is what we call "synergy."

Ask yourself the question: "What kind of relationship will emerge if sharing is not a fundamental value?" If the answer is filled with fear, distrust, or uncommitted action, the relationship will bear shrunken and shriveled fruit.

(Unfinished Draft)