

# Concepts...

"Concepts" is published by Daedalus Oversight to raise as many questions as it answers. It is driven by the belief that the industry, its products and its services are ever evolving. The ideas reflect the challenges faced in the continuous journey of innovation and improvement.

## Predictions or Predilections?

"The Future ain't what it used to be" - Yogi Berra.

As much as it is impossible to predict the future, people, economists, politicians, business people and scientists are still tempted to believe they can. Arie de Gues in his book The Living Company explains why we have a tendency to imagine various futures and why it is useful, when used for the purpose of scenario planning. Rather than asking "What will happen next?" he suggests businesses will be better prepared if they ask "What will we do if that happens?"

Will you be prepared if the following events do happen? Remember, in much scenario planning, the worst cases are considered so the review is somewhat negative. Separately, this is not prediction. The events are likely but, ultimately, not certain. Many may not affect your business directly, but indirectly they can still have a big impact. If it is possible to show no impact, then that is valuable intelligence as well.

First the economy: US interest rates go up, the federal reserve struggles to unwind its "quantitative easing" and consumer inflation increases. Separately, Fannie & Freddie become irreparably insolvent to the point where the US electorate protest against any further bailouts. This unwinds the cushion propping up the housing market, the exposed banks and confidence in a consumer lead economy causing a large correction in the stock market as well as a large drop in economic activity. Certain large financial companies thought to be "too big to fail" collapse as they are now "too ugly to save". The only people or organizations that are stable are those with large cash reserves, stable incomes during the financial crisis or liquid assets that they haven't borrowed against. The downturn affects many industries including the car industry and, under pressure from the competitors, trade agreements with foreign governments and the electorate, the government is forced to allow GM to go into bankruptcy. China suffers a bursting of its own property and investment bubble and has to deal with civil unrest and use the full power of its reserves to prop up its economy. The Chinese economy, however, still has momentum from the rest of the world despite the downturn from its US exports. India suffers its own downturn but relies on its industry and there are reverse takeovers of US companies by outsourcing companies based in India. Commodity based economies and emerging markets suffer partially from a downturn but build more opportunities with each other. Rather than decoupling



*I see an exotic woman offering a service with a pre-paid business model seriously reducing your cash flow in the last vain attempts to salvage your commercially unviable business!*

from the US market there is an increase in coupling to other markets. Europe suffers sovereign defaults and is forced to collectively prop up struggling members such as Greece, Ireland or Portugal. However, this only helps to highlight the high debt to GDP levels in the larger members such as UK, France & Spain. This drives up European interest rates as well forcing fiscal austerity across the region.

The second area will be politics: Faced with, what could be a repeat of stagflation, there will be the temptation for governments to legislate protectionist measures coupled with price and wage controls. There are several elections which could swing to more fiscally conservative candidates, which will create an environment of less government sponsorship causing short term pain until the business environment reaches an unsubsidized bottom and starts growing again. The worst case scenario would be any country legislating for emergency centralized powers to cope with an unpopular or unpalatable decline. This will more than likely occur in already heavily centralized governments (China, Russia, Iran,

January, 2010

This document is presented for information purposes only and in no way should be construed as advice or legal opinion. The contents remain the sole property of Putney Bridge Enterprises. You may discuss these ideas with Daedalus Oversight by contacting the e-mail address listed below:

"Custardy" cartoons are reproduced here with the kind permission of Putney Bridge Enterprises

# Concepts...



---

*"Concepts" is published by Daedalus Oversight to raise as many questions as it answers. It is driven by the belief that the industry, its products and its services are ever evolving. The ideas reflect the challenges faced in the continuous journey of innovation and improvement.*

---

North African countries, Bolivia and Venezuela) and countries with weak economies or high debt levels (newer East European democracies, African nations, Argentina, Mexico). The US will be strained with the potential defaults from and bailing out of several larger states (California, New York, Arizona, Florida, Massachusetts). Globally, there will be a movement against fiat currencies and a return, by proxy, to a commodity based standard, if only in name. A global currency or currency basket lending facility would be logistically hard to implement quickly in the near future but there could be a lot of pressure to utilize currency baskets for reserve purposes and for pricing commodities away from solely the US dollar.

There is the real possibility of instability in the Middle East with the subsequent impact to oil prices. There is always the possibility of terrorist attacks, particularly at land mark sites, bridges & tunnels. All these problems may be faced by governments and still there could be natural disasters. The greatest impact will be that of overdue globally-catastrophic volcanic eruptions in South America, Australia and the Asian/Pacific archipelagoes and islands.

With all these distractions, technology, art, science and the environment may become a lesser priority but it will be from these areas that the most positive, if potentially disruptive, innovations may occur. First, the reduced cost of entry for technologically based solutions in the services industries will create a plethora of new participants in those markets. With the downturn, their cost-effective alternatives will be welcomed. The energy markets will be turned upside down by the possibility of manageable, net-positive nuclear fusion capabilities. The subsidies for the so called "green" technologies will run dry and the focus will be on cost-effective, unsubsidized solutions. Anthropogenic Global Warming will be dismissed through lack of scientific backing and the focus will be turned to other real pollution controls. The specter of energy taxes and carbon credit trading will fade away. Major innovations will come from the nanotechnology realm for both super-property materials as well as miniaturized capabilities. More revolutionary opportunities will come from the developments in controlled organic based technology, where pseudo-living organic materials can be used for computing, monitoring and environment control. A "Pseudorgano-tech" market will be created. The mechanisms to deliver and present information

for entertainment and analysis, will start to geometrically increase. The price of storing data will collapse to virtually nothing. The value of information will be dominated by its substance, demand and revolutionary interfaces, not its creation or availability. The need to correctly price and transact information on the internet will drive the development of micro payments, which will then parlay to all commercial endeavors. The arts will have new platforms for their audiences. Just as a high definition TV replicates the view from a stadium seat, a 3D image on the top of a coffee table will generate new, almost-real outlets for sports, storytelling, concerts, opera, art galleries, the exploration of nature and business analysis, presentations and marketing.

Beyond viable nuclear fusion power, scientists are also close on many new discoveries, which will have a far reaching impact on humankind. The CERN particle accelerator may discover or disprove the existence of the Higgs Boson and clarify the origin of mass and allow progress to a unified theory of matter and the universe. Astronomers, have already discovered super Earth-like planets in other solar systems, five to ten times the size of Earth and some with water. It is only a matter of time before an Earth-sized planet is discovered with confirmed life (e.g. oxygen identified from the collected radioactive emissions). Not only will this be unsettling for humanity, by potentially threatening or increasing religious fanaticism, it will develop and sponsor a greater interest in the science of the cosmos and the challenges of long distance space flight.

None of these postulations may come true this year but any of them are possible in the not-so-distant years ahead. The decision is whether being ready for the consequences of the events that do come true is worth consideration regardless. An alternate perspective is to take an active vs passive role and try to influence events which are believed to have a positive impact. My aim is to raise awareness of the certainty of the uncertainty in the world and demonstrate the benefits that come from having that perspective. Georg Cantor, Kurt Godel and Stefan Boltzman proved to us in the latter 19th and early 20th century that Yogi's aphorism was true. We have the wonderful ability to imagine innumerable futures but we can't grasp the actual one until we experience it.

Paul F. Dowding

*Daedalus Oversight would be pleased to discuss the realization of these concepts with you further. We thank you for your consideration.*

January, 2010

---

*This document is presented for information purposes only and in no way should be construed as advice or legal opinion. The contents remain the sole property of Putney Bridge Enterprises. You may discuss these ideas with Daedalus Oversight by contacting the e-mail address listed below:*

*"Custardy" cartoons are reproduced here with the kind permission of Putney Bridge Enterprises*