

Re: COST VERSUS VALUE and some other thoughts about the economic crisis.

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- *From:* zzbunker <[zzbunker@xxxxxxxxxxxxx](mailto:zzbunker@xxxxxxxxxxxxx)>
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On Feb 2, 6:23 pm, "Robert Morpheal, Morphealism, Bob Ezergailis" <[morph...@xxxxxxxxx](mailto:morph...@xxxxxxxxx)> wrote:

### PROFIT MARGIN COST ACCOUNTING IS WORLD S MOST EVIL DEVIL: THE OTHER SIDE OF REAL VALUE ECONOMICS

Sometimes what we take for granted, without question, as necessary and right, conceals one of the worst evils in the world. It is an evil taught in every capitalist business school. It is something that is valued more highly than most other functions in business today. It is routinely compensated more richly than most other functions. It has risen in status, particularly in recent years. Nevertheless, the accountant s main function, within American capitalism, is what we need to reconsider. How cost accounting is done is where we can find one of the world s worst evils. That evil becomes even more malignant in any economic downturn or recession, making its pressures and influences felt even more strongly than in good economic times. That is one of the most powerful forces forcing the world toward its total ruin.

Profit margin cost accounting, with its demands to forever cut costs and to increase margins, dictated to accountants by dividend hungry shareholders, cannot ever serve the best interest of humanity. This is because it does not consider real costs. It only considers paper values according to accepted formulas of calculation.

Well, there's still nothing the average person can do about it. Since the idiots in the NYSE and their idgot, Lawyers and Accountants still all work by buisness rules dictated by Standard Oil almost 150 years ago.

So, the people with science, engineering, and economic futures brains build GPS, Flex-Time, Digital-Terrain-Mapping, Pv Cells, Optical Computers, Parallel Processing, CD, DVD, HDTV, On-Line Banking, On-Line

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Publishing,  
Neo Solar Energy, Neo Wind Energy, Biodiesel, Holograms, Advanced  
Microprocessors,  
Fiber Optics, XML, USB, Broadband, Drones, and Autonomous Vehicles.

The real costs,

not the paper values, include costs to the environment and costs accrued to reduced quality of life that have no dollar values assigned in the equation. They also include waste, which is acceptable where the cost of reducing waste has a negative impact on margin, rather than cost recovery. Waste tends to be reduced only where and when it costs more to waste than it does to conserve or recover something from waste.

Air, water, and soil pollution, and also conservation, have no dollar values assigned to them in the typical cost accounting formulas. The long term health and quality of life impact of those factors never appears in the accounted cost of manufacture. The remedies for those problems and the cure for their effects, cannot appear in the cost and profit margin formulas because it increases the cost and erodes the margin. In many instances there would be no margin, and the goods would no longer be produced, being considered completely uncompetitive in the world marketplace. Clean air, water and soil are too expensive, and uncompetitive, when it comes to conventional cost accounting, and the unending fight for profit margins in a globalized competitive marketplace. Business schools do not teach real value accounting.

Factors affecting worker lives are largely, if not completely, ignored. The physical, mental, cultural, and social costs of overwork, work related stress, unbalanced lives, one dimensionality (as defined by Herbert Marcuse), all add up, but never appear in the costs tabulated by the cost accountants. Some of those factors could have dollar costs attached to them, but calculating those is extremely difficult. Instead we only see productivity demands, for less and less people working ever harder and faster, to make more and more product with fewer and fewer mistakes. This becomes the definition of quality, which is purely cost driven and thus profit margin driven. This is also greatly worsened in every downturn or recession. Not to mention that each recession has brought with it demands for more productivity that are then never reversed after the recession ends. Each recession acts like a cat of nine tails whip lashed across the backs of the workers, and often lower and mid management as well. Whatever is lost in a downturn or recession is never really regained. Each exacts its toll upon the workers. It is the workers who are always told that they are too expensive, and not productive enough.

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The share holders, owners, and senior executives have never yet been required, by the accountants, to shoulder the blame. Only the workers get the blame.

Similarly the environmentalists, and others concerned with those social, political and cultural values not directly and immediately accounted for into material and labor costs for manufacturing and sending product to market. Whatever little gains the environmentalists and others made, are also blamed for the downturn, and progress is usually halted or pushed back, with a tough, long, fight to regain any of the lost, ground. Even cultural activities tend to get blamed for economic downturns as if they somehow took the profits out of mass production manufacturing and the need for ever increasing sales volumes of ever more mass produced goods. There is an ever increasing sensitivity to these unaccounted for factors somehow haunting the accountant's tally of costs and profit margins, along with various attempts to exorcize these contrary spirits.

Passing mention to quality of life, and effects on well being, types of issues are usually limited to the calculation of overhead costs in manufacturing, which take into account the negative effects of absenteeism, illness and injury, resulting in pressures to reduce those related costs on the job. In some countries, and in some industries, those pressures are minimal or non-existent. Replacing a worker is considered the lowest cost remedy for any problems that might occur as to the failure to increase productivity. In bad economic times the pressures for greater productivity tend to increase. Cost cutting and productivity increases, become the emphasis. Quality of life tends to lose whatever ground it might previously have gained. People become more afraid of losing their jobs and what little they have from them, and at least some are willing to work even harder and faster to produce more for less cost, believing that that will result in having work. Not only that, but we already have companies where workers avoid using benefits and do not dare take a day off, afraid to be ill to the point that they are becoming ill due to that fact. We already have companies where taking holidays is frowned on, as something irresponsible and unnecessary negative impact on the accounting balance sheet. And to have a life outside of one's work is now often seen as the worst among the deadly sins.. These changes are not really evident from the balance sheet, but they are included in the final numbers.

Paper value based cost accounting can never really tell us what the real cost of any thing really is. Least of all the long term cost of making it, in the manner that it is being made. That is, it fails to calculate in the long term impact on humanity and environment, on well being, and on future quality of life. It fails to factor in the costs of remediation of the wrong doings that led to damage to the air, water and soil, as part of the cost reduction based accounting system. Someone has to pay for it all, at some point, but the cost accountant will have closed that factory, and scrapped its machines and

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facilities, long before any tally of actual costs would ever be presented for inclusion in its accounts. After all, it would be unprofitable, having no profit margin remaining, due to the increased costs accrued to its activities.

Ultimately the devil of cost accounting tends to foster the belief that if there is no profit in it, within the rules of the cost accounting calculation, it cannot be done. Not only cannot, but must not be done. There is the business accounting belief that progress only comes from increased profits, and never otherwise, in any way. There has to be some profit in it to enable the doing of it. That belief is being promoted as the most fundamental principle governing the basic functioning of society and its economic activity which is the core of its existence. We need only assess how much is not being done, and how much is immensely delayed, that we know is of value or necessary. The cost being calculated as being greater than the benefit to be gained, there is less and less chance of there being any interest in getting it done. So we witness the steady and alarming deterioration of much of the world's condition, and see conditions in many places reaching a critical level, both in terms of human quality of life, well being, conservation of Nature, and the degradation of the environment.

The question we must then ask, is how do we get done, what needs to be done, that is not being done, overcoming the cost accounting barriers that stand as a fundamental obstacle. We must remember too that taxing the system, to gain revenue for funding such programs as are outside of the cost accountant's ability to justify in terms of cost and profit margins, is restricted by the fact that those taxes are also a cost, and as soon as they are increased, they have the same impact as any other increase in cost, impacting on margins, and cumulative margins based on sales volume, which is the other portion of the existing formula that controls justifications. Taxation no longer provides a viable economic answer to the problem. Every increase in taxes tends to cause a reduction in economic viability, as an increase in costs, or a decrease in sales volume, negatively affecting margins, and resulting in negative economic pressures.

Of course we can always treat the planet as lacking the funds for renovation and repairs, and simply let it deteriorate, due to lack of fiscal means for any maintenance or improvement in its currently deteriorated condition. As goes the recessionary neighborhood, so goes the whole planet. Perhaps the cost accountants will soon tally up the costs of those repairs and order the planet Earth demolished, as too costly a project to contemplate, necessitating its being shut down like an old, run down, manufacturing plant, deemed too costly to maintain and repair. There might be a market, somewhere in the universe for recycled waste carbon. Humans are in fact 18% carbon. That's quite a tonnage of carbon, considering population growth.

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After all, the obviously rapidly deteriorating values of this planet's real estate, in the universal market, would lead to the decision that the costs of all the materials and human labor, necessary to remediate the planet, are far too high a cost to ever allow for any real profit margin. The investment in this planet could never be recovered and it now seems that no serious minded accountant would ever stand for that ! Think too of the rising taxes that it would inflict upon the inhabitants ! Particularly the wealthiest inhabitants. The bill for repairs to planet Earth is quickly exceeding their ability to pay. At least in a paper value economy that becomes the truth. In a real value economy, the accountant can never stop real progress and the repairs can still get done !

CHILDREN SUFFER RISING PRICE OF SOCIAL MEMBERSHIP:

Children and parents share the difficulty of the rising price of social membership. Marketing of clothing, toys, fast foods, and electronics, to a child market has added to increased competition among children, increased rivalry, a drastic rise in peer and social status pressures, and to jealousies among children. Children are, by nature, poorly equipped by experience and learning, to deal with those challenges. Doing without, and not being able to boast about, leads to not being included, and not being valued by others. This is something a typical child does not really understand. Parents have difficulty explaining it, when it happens. Often they cannot. A child's social membership has risen in price to where many parents cannot afford it and schools are partly to blame, promoting various forms of buying in. The new values are taught by various marketing programs, promoting child participation in buying things, in support of school programs. More and more children have to supply various things, at family expense, in order to participate in school programs.

Deferred gratification rather than impulse, learning real discipline, and the acquiring of lasting values are gradually perishing away, and in their place schools are tending to support consumerism, as the social key that opens social group membership. Outside of school the situation is much worse.

OBAMA AND ABORTION:

I firmly believe abortion should never be used as birth control. Whereas funding Planned Parenthood is something that needs to be done, funding abortion as a means of birth control is definitely wrong. Human life itself is devalued if begin to treat a human life as something that can be disposed off due to a change of mind. Sex on impulse and abortions brought about by fear and evasion of the responsibilities that go with bringing a child into the world and caring for that child, would seem to send the wrong message.

The only justifications for abortions are when a mother's survival is in serious jeopardy or where quality of life, of an abnormal fetus,

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would be very low due to abnormality. Having sexual intercourse is a decision that must become universally understood as carrying with it significant responsibility. To have sex is to risk conceiving a child and that child must then be born into the world, to be cared for or put up for adoption.

Robert Morpheal