THE ECONOMICS OF DOING NOTHING: A STUDY OF DYNAMIC BENEFITS IN THE SCOPE OF RELATIVE COGNITIVE INERTIA

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ABSTRACT:

This module explores the impact of "doing nothing" within the field of economics, focusing on the overlooked concept of inertia in both microeconomic and macroeconomic contexts. By examining key concepts such as "trade freeze," "fiscal trends," "savings pond," and "stagnant spending," this paper provides a marginalized perspective on passive economic strategies in relation to conventional active approaches. This approach emphasizes cognitive inertia inverse to behavioral inertia. Utilizing secondary data, the analysis reveals the complexities and benefits associated with cognitive inertia, highlighting its potential advantages and the beneficiaries it affects. The study not only addresses the physical dynamics of the economy but also delves into the behavioral habits linked to inertia, offering insights into its role in contemporary unproductive economic practices.

Keywords: *cognitive inertia, savings pond, stagnant spending, fiscal trends, trade freeze, passive habits, subconscious factors, behavioural patterns, static friction.*

INTRODUCTION:

The art of doing nothing in the economic world paves the way for one of the most underestimated repercussion: inertia. According to the Oxford Dictionary, "inertia" is defined as **a lack of energy** (scientifically) **and as a lack of desire or ability to move or change** (psychologically). In economic terms, it can be seen as the monotonous movement of economic components or a vegetative state of fiscal elements. When associated with cognition, inertia can influence the commercial habits of passive consumerism. The regression and progression of passive habits towards commodities stimulate buying behaviors subconsciously. Subconscious factors in financial terms play a major role in recurring patterns of expenses, driven by cognitive functions. In Dr. Joseph Murphy's book, [1] ***The Power of Your Subconscious Mind*****,** he states that visualizing a conclusion—whether positive or negative—causes the subconscious to respond and fulfill that mental picture. This concept applies to consumption habits where rationality is not influenced by physical factors but rather by cognitive decision-making patterns. Inertia in consumption habits challenges the traditional assumption of a "fast-moving economy." The immobility of economic components is often perceived as "**stagnant**" or "**de-compounded**."

However, inertia has its own properties and, in addition to cognition, is a viable topic that should be examined within the context of behavioural economics. How is cognitive inertia different from behavioural inertia? Well cognitive inertia is a state of mind where thoughts of an individual remain immobile whilst behavioural inertia is an outcome of inactive thoughts, reflecting towards physical processes where the behavioural patterns remain stationary under condition.

This paper discusses inertia alongside economic entities and analyses its benefits, drawing on secondary data for precision and accuracy. The analysis is based on personal perception and is supported by factual arguments. By the end of this paper, readers may be able to shift their perspective toward cognitive inertia, which complements the current economic climate. Understanding and decoding cognitive inertia will help explain consumer consumption patterns and further contribute to the field of behavioral economics. The construction of this paper is

advised to be read with an open mind for better breakdown of cognitive inertia bias which will be uncovered in this paper.

***LITERATURE REVIEW*:**

[2] According to renowned Canadian psychologist Dr. Donald O. Hebb, in his work ***The Organization of Behaviour: A Neuropsychological Theory***, the construction of behavior simultaneously mirrors and influences cognitive structures. This provides profound evidence that behavior orchestrates cognitive characteristics. In the context of economics, this means that a consumer's behavior is a reflection of their cognitive processes. For example, consider the impact of trends in the routine world. If a fashion influencer frequently attends fashion events, shows, or promotional activities, their engagement with these trends tends to influence their purchasing decisions. Their behavior—such as choosing outfits based on current trends, magazine features, or the latest runway looks—reflects their cognitive focus on fashion trends and modifies their purchasing choices accordingly.

Their mental realm of fashion parallels their reality molding. Inclusive of inertia, the response of cognition in a human brain is quite challenging to the ordinary. Inertia is merely a de-compounded, static friction of intuition when it is tied with cognition. In the above example, if the influence stays constant without dynamics, it will further affect the adaptability of influencers pertaining to new trends/ shifts of that particular era.

[3] In reference with Anna S. Mattila's work from Pennsylvania state university namely *The* ***Impact of Cognitive Inertia on Post consumption Evaluation Processes*** one can derive that inertia when is not intentional stays constant until a prompt is made against or forced upon to break that normal. That is when a consumer remains consistent with a particular purchase their cognitive inertia is left undisturbed unless an uncertainty bestowed upon. This is very similar to the law of inertia in the field of physics. Let us name it as the physics of economics. In Mattila's work she clearly probes the idea of post-purchase judgements among consumers with the help of applying social cognition literature in the field of service for research design. The benefits of applying such technique conceive solid outcome of consumer behaviour for economic phenomenon. The outcome of not shifting towards gradual trends indicates stagnant presence in the behaviour of consumers. Although one cannot conclude or intercede with the idea that only cognitive affects the choice of customers, it is safe to say that cognition and behaviour factors simultaneously alter each other in regards with any profound situation.

[4]A Canadian- American psychologist, Albert Bandura highlights the cyclic relationship between behavioural and cognitive inertia. In his work called ***Social Foundations of Thought and Action: A Social Cognitive Theory*** reciprocal of inertia modifies consumer behaviour. Let us revisit the past example of a fashion influencer. If that fashion influencer, adapt and engage in their external behaviour, their internal course of perception tends to revolve around rather magnetic towards fashion and components and vice versa. The internal adoption towards fashion of a person involuntarily affects the purchasing characteristics outwardly. Again this cycles back to create a new adoption as the characteristics gratifies the thought process which Albert Bandura addresses it as the **"*Reciprocal*".** Hence it is certain that one cannot act independently without each other as both have their equal role to satisfy the consumption patterns and the sum of their subconscious response.

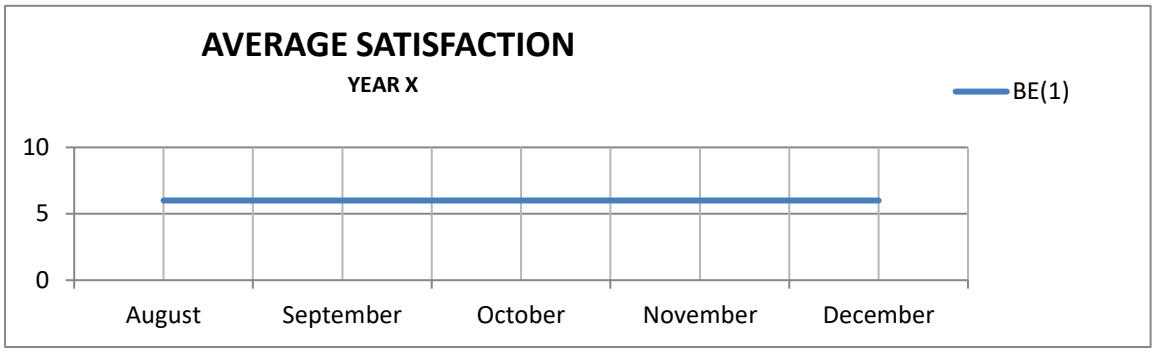
[5] Not only the reciprocal remains cyclic but it results in arithmetic patterns of action and counteraction between the psychological and physical realms. This happens over the course of branding connection between the brand and its potential customers. For reference, let us consider the work of Morisna, A. Rahman Lubis and Sulaiman called ***The Influence of Brand Experience on Brand Loyalty Mediated by Brand Trust and Satisfaction (Empirical Study on Brands of Body Shop in Banda Aceh, Indonesia)***. Here the idea of brand experience is emphasized with stimuli coherent with the branding components. Therefore branding in the cognition or the subconscious realm occurs only through the ***'experience'*** caused through its branding agents. Then brings our conclusion that the stagnation of such experience where the customer satisfaction stays consistent

with the brand experience (BE) then inertia (IN) stays proportionate to it. Let us look at the graph given below in reference to the pen kit example earlier.

TABLE 1 : Consumption Satisfaction of a customer with the pen kit ***(WITH INERTIA)***

Months(IN)	***COMFORT (10)***	***DESIGN (10)***	***FLOW (10)***	***AVERAGE(BE) (10)***
August	5	10	3	6
September	5	10	3	6
October	5	10	3	6
November	5	10	3	6
December	5	10	3	6

CHART -1



The above data represents the average satisfaction of a consumer of pen kit in during the months of August to December of year x

Consumption satisfaction= Brand experience: inertia

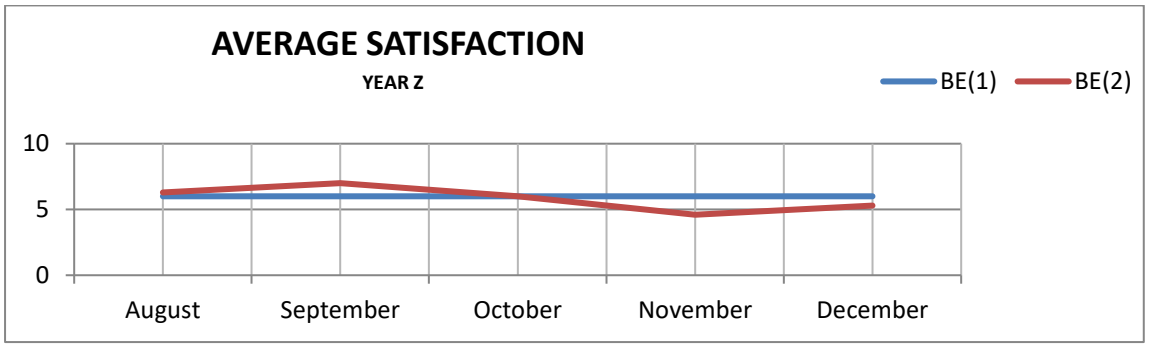
Here branding experience which is the average satisfaction is proportional to the inertia, i.e. the monthly purchase of the pen kit stays consistent without regression or progression on the satisfactory levels.. ***BE (1)*** represents the brand experience if the impact of branding stays steady throughout the months. The consistency is left undisturbed, when any external force does not cause changes within the internal belief and perspective of the consumer. Whether it depends on a macro change or micro change, deviations in consumption patterns affect the inertia causing perspective change in the consecutive purchasing patterns. Hence it necessary for brands to create consistent effort to maintain reputation without unnecessary deviation. In case of positive deviation, it must be maintained for a period of time without uncertain controversies amongst consumers. To stay consistent throughout the sales , a brand should have regular intervals of marketing, similar advertisement strategies and

indifferent loyalty building. One such brand suitable for the above description is coco cola. Despite its creative advertisements it had maintained a consistent product building familiarity of its taste, bottle and the classic red label.

TABLE 2 : Consumption Satisfaction of a customer with the pen kit ***(WITHOUT INERTIA)***

Months(IN)	***COMFORT (10)***	***DESIGN (10)***	***FLOW (10)***	***AVERAGE(BE) (10)***
August	5	10	4	6.3
September	5	10	6	7
October	5	10	3	6
November	5	7	2	4.6
December	7	6	3	5.3

CHART -2



Here the above chart includes two consumers of the following year with varying branding differences causing change in the brand experience and average satisfaction. ***BE (2)*** represents change in brand experience in the following year causing change in the average satisfaction.

Δ In Consumption satisfaction = Δ in brand experience: Δ in inertia

[6] ***Role of psychological factors in determining consumer experience by DR. Purnima Sharma further exemplifies the concept of branding in psychology.*** Followed by band experience, brand image such as visual aesthetics play a major role in the stimulation of cognitive inertia. One such example is the pen kit. The trending of pen kit occurred due to the prompt of changing the refill into different designs which is visually pleasing for the stationary procurers. Also the belief of being in the trend and their participation on the marketing community is a great factor in provision of cognitive inertia. Dr. Sharma in her work stresses the imperative components of branding called ***"perspective"***

and ***"belief"*** which tames the psychological perception of brand towards consumption. If such perception flows consistently the cognition leans towards inertia for a particular period of time.

FORMULA DERIVATION:

One of the strategies to understand consumption behaviours in the light of subconscious factors is the cog-consumption formula which can be analysed for easier breakdown in my observation. For example pick a product such as a pen. There are different criteria that a pen has to pass until the unique selling point (USP). USP determines a feature or ability of a product that is distinct from other pens. Once the pen holds such USP it becomes a trend that attracts a mass of customers who procures such stationary and transition as a "trend". The recurring purchase of customers and reviews affects the behaviour towards that pen, both divisive (negative remarks) and in-divisive (positive remarks). Hence we can frame this result as the following equation.

Cog-consumption% = USP * mass of procurement/ ± behavioural influence*100

The above formula is a simple structure to know the cognitive consumption and its influence on consumers.

TABLE 3 : The following table assists the derivation of this formula.

FACTORS	*DESCRIPTION*
Cog-consumption percentage.	***Determines the viability of product to the nearest 100th***
USP	***Unique selling point of a product that are distinct from other such products***
Mass of procurement	***The total purchases of a product or number of units sold(for a certain period of time)***
± Behavioural influence	***Determines the influence of a product through social proof. The ± states that the influence can be positive or negative. The maximum of the two will be considered in to be applied in the formula***

RULES:

1. ***For the USP determinant, it is necessary to adopt a column in the prospective survey about the viability of the USP in yes or no format.(use the maximum vote in place of the usp)***
2. ***As for the mass of procurement, it involves participants of both the survey and social proof.***
3. ***To determine the behavioural influence. It can be done in both ± operation in which the maximum number rests upon. The number can be of any social proofing such as likes, reviews (±), feedbacks etc.***

Let us quantify the above formula clear for grasping of the concept. Bubble cha, a Korean bubble tea company prepared their annual statement for the year 2023. They wanted to calculate the cog-consumption percentage to analyse their annual social relations improvement. Their USP called the

ginger bubble tea held a 70% yes in their survey and their total number of sales in their USP stands at 50,000 sales. They have around 40,000 reviews in which 80% of it was positive. Find the cog-consumption percentage.

Solution:

- ***USP (Unique Selling Point): 70% (from survey)***
- ***Mass of Procurement (Sales): 50,000 sales***
- ***Behavioral Influence:***
  - ***Total Reviews: 40,000***
  - ***Positive Reviews: 80% of 40,000 = 32,000***
  - ***Negative Reviews: 20% of 40,000 = 8,000***
  - ***Net Behavioral Influence (±): 32,000 (positive) - 8,000 (negative) = 24,000***

Formula:

Cog-consumption = USP/100 * mass of procurement/+or- behavioural influence

Cog-consumption%= 70/100*50000/24000
= 145.83%

PURPOSE:

Though complex to derive this formula can be sustained in different sectors to manifest the social proofing desired by the company. Some ***"objectives"*** to be extracted from this formula are:

- ***To find the viability of usp among consumers to maintain the brand image and loyalty.***
- ***To compare and contrast different annual behavioural changes of the consumers towards the brand.***
- ***To find if the if the behavioural and cognitive statements and fluctuations in inertia.***

INERTIA IN ECONOMY:

It is important to analyse the consumer behaviour to understand the spending habits of their income be it passive or active. As discussed earlier we will focus on several factors that are resultants of cognitive inertia in the economic climate. These psychological factors such as behaviour, perception, perspective, beliefs, branding stays in the state of inertia, it refracts amongst divergent societal dynamics and reflects on the ***"economy".*** As we are familiar with the relation between behaviour and economics, this cognitive inertia is quite proportional to economy as it determines the habitual spending, saving, trade, and stock/share movements of economy.

Here this module accommodates the reflections of cognitive inertia of consumption in the field of literal economics:

- ***Trade freeze***
- ***Stagnant spending***
- ***Savings pond***
- ***Fiscal trend***

TRADE FREEZE:

On the en route to the recovery of post covid spectrum, trade freeze was one such symptom that was needed to be resolved. This trade freeze is the most relevant example or the physical response of the

psychological state of cognitive inertia. ***[7] The global economic impacts of the COVID-19 pandemic,*** a brilliant work by ***Warwick McKibbin, Roshen Fernando*** highlights the imbalance in the general equilibrium in the period of covid pandemic. This imbalance is caused as the opposite result of cognitive inertia. Hence trade freeze can be defined as the stationary state of trade and its components due to cognitive inertia. Trade freeze affects microeconomics to macroeconomics depending upon the scale of inertia influenced amongst the consumers. For example: due to the mental retention to change, many trades were shut down without causing the inertia to be active. This led to a trade freeze amongst many businesses because the adaptability of customers to new horizons of change were challenged because of their static vision towards difference.

STAGNANT SPENDING:

Due to cognitive inertia, it affects the consumer's income distribution on various economic factors as well. The word "stagnant" spending can be understood as the diffraction of flow, whilst "spending" literally means the transfer of money in exchange for services and goods. So stagnant spending simply means the immobility of money to its respective expenditure or potential outlay in respect to expected expenses. One of Thaler's investigations in ***[8]"Toward a Positive Theory of Consumer Choice,"*** Journal of Economic Behavior & Organization by Thaler R.H discusses the impact of consumer choice. There is an inverse reaction between spending on choice and spending involuntarily due to the known experience of the subconscious. If the inertia of a consumer or the static experience of a consumer is not disturbed or decompounded, then the spending habits remain stagnant within the boundaries set by the consumer without further exploring new products. Compounding happens when cognition is open to a variety of opportunities, expanding toward the macroeconomic level as well. For instance, if a customer frequents purchases only on the products of the same brands throughout the year, it will eventually stay stagnant without funding the others.

SAVINGS POND:

A metamorphic term used for accumulating stationary monetary in the long run without any monetary movements such a flow of income, investments, employability of money etc. is called savings pond**.** ***[9] Benartzi, S., & Thaler, R. H. (2007). "Heuristics and Biases in Retirement Savings Behavior." Journal of Economic Perspectives*** represents the biases influencing the saving patterns of a personnel with recurring habits of savings without active investments. To take as an example, imagine a retired individual with his yearly savings in the bank with a bottom level interest rate. His initial amount have been upgraded multiple folds however the individual chose to depend on savings without deploying the money through various investments. Now this is a proportional action of cognitive inertia where the personnel's habitual patterns are sequenced with the same over the recurring period of times due to various factors influenced by external encounters like market crash, recession or fear. So savings pond is one criteria of how cognitive inertia can impact one's savings habit.

FISCAL TRENDS:

Resistance to change mentally despite financial setbacks by both uncertainties and insinuating events is called fiscal trends in cognitive inertia. This can include components like tax, investments, government fund policies, economic reforms, subsidies, recession etc. The 2008 market crash, a thriller for many financial institutions is quite relevant to the above term. Whilst many financial institutions failed to adapt with the aftermath of the crash, many investors also failed to build their portfolios towards the new economy but were rather sticking with the old ways.

This is because their cognition is wired to work with the same way of decoding inertia which makes their responses stagnant instead of molding to new economic reforms. A remarkable work by ***[10]*** **Camerer, C., Loewenstein, G., & Prelec, D. (2005)** *on* ***"Neuroeconomics: How Neuroscience Can Inform Economics." Journal of Economic Literature*** provides a perspective of responses from neuroscience and economics with an interdisciplinary approach. Here the brain reacts and transmits

the information. The experiential implications from the crash have affected many but still many individuals refused to implement new ways to build their portfolios and have stuck with their old ways of fiscal trends.

CONCLUSION:

The above paper is a testament of how cognitive inertia flows through the channels of economics. This paper defined the benefits of cognitive inertia and relative behavioural inertia framing an interdisciplinary approach of psychology with economics. The study of inertia in economics and it dynamic outcomes will help the user to understand and decode the possibilities of economics within the scope of economic inertia. This theoretical approach will not only enhance the relationship with consumption factors and behaviour but also help with logical understanding of social proof . this study can be applied in different fields for accumulating data related to branding as well.

Additionally the formulas and its insights will contribute to help analyse the relationship between potential consumers and the business owners with various concentrations such as brand image, social proofing, consumption satisfaction, etc. this also sheds light on the impact of financial outcomes with the accommodation of inertia in the cognition. Overall this paper concludes with a strong statement that internal patterns affect the external realm hence it is important to guide both the realms with certainty.

Ethical Approval: This research does not involve human or animal subjects, and ethical approval was not required.

Data Availability Statement: The data used in this study was obtained from publicly available secondary sources. Further details can be provided upon request.

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