The Two Deans Agree.

Growth must pay for itself, and be captured by a moat.

Growth outside the moat creates no value. Only growth inside the barriers to entry is worth anything.
— Bruce Greenwald

Growth is not free, and it has to be paid for with reinvestment.
— Aswath Damodaran

BRUCE GREENWALD

Columbia / Strategy

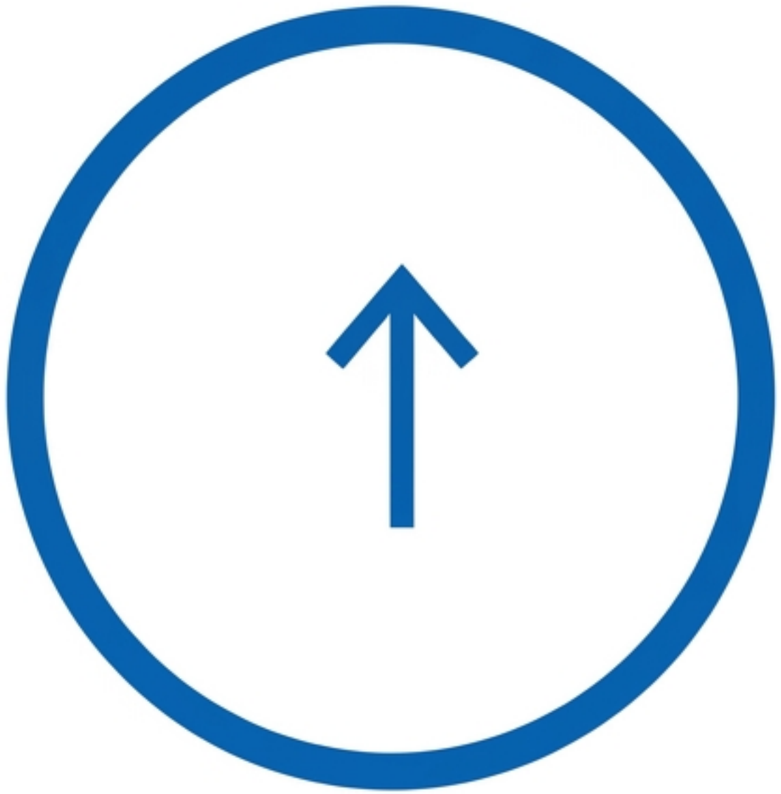
Begins with structure.
The Moat.
The Barrier.
The Competitive Position.

ASWATH DAMODARAN

NYU / Valuation

Begins with arithmetic.
The Cash Flow.
The Reinvestment.
The Discount Rate.

The Structural Answer



Inside the moat:
Growth compounds.
The barrier protects profitability.

Outside the moat:
Growth is a treadmill.
Competition follows growth
and crushes returns.

Growth is worth nothing unless it is protected.

The Numerical Answer

ROIC > Cost of Capital

To grow, a company must reinvest.

If the return on reinvested capital exceeds the cost of capital, growth adds value. If it does not, growth destroys it.

The arithmetic does not care about the story.

One Truth, Two Directions

The Moat is the reason the Return exceeds the Cost

Without a barrier, competition compresses the return until it equals the cost, and the value of growth falls to zero.

Damodaran measures the effect. Greenwald explains the cause.

STRUCTURE

Determines how long the advantage lasts.

(Duration)

+

ARITHMETIC

Determines how large the advantage is.

(Magnitude)

Together, they describe the whole of what growth is worth.

AI

The largest growth wager in history,
tested by the two deans.

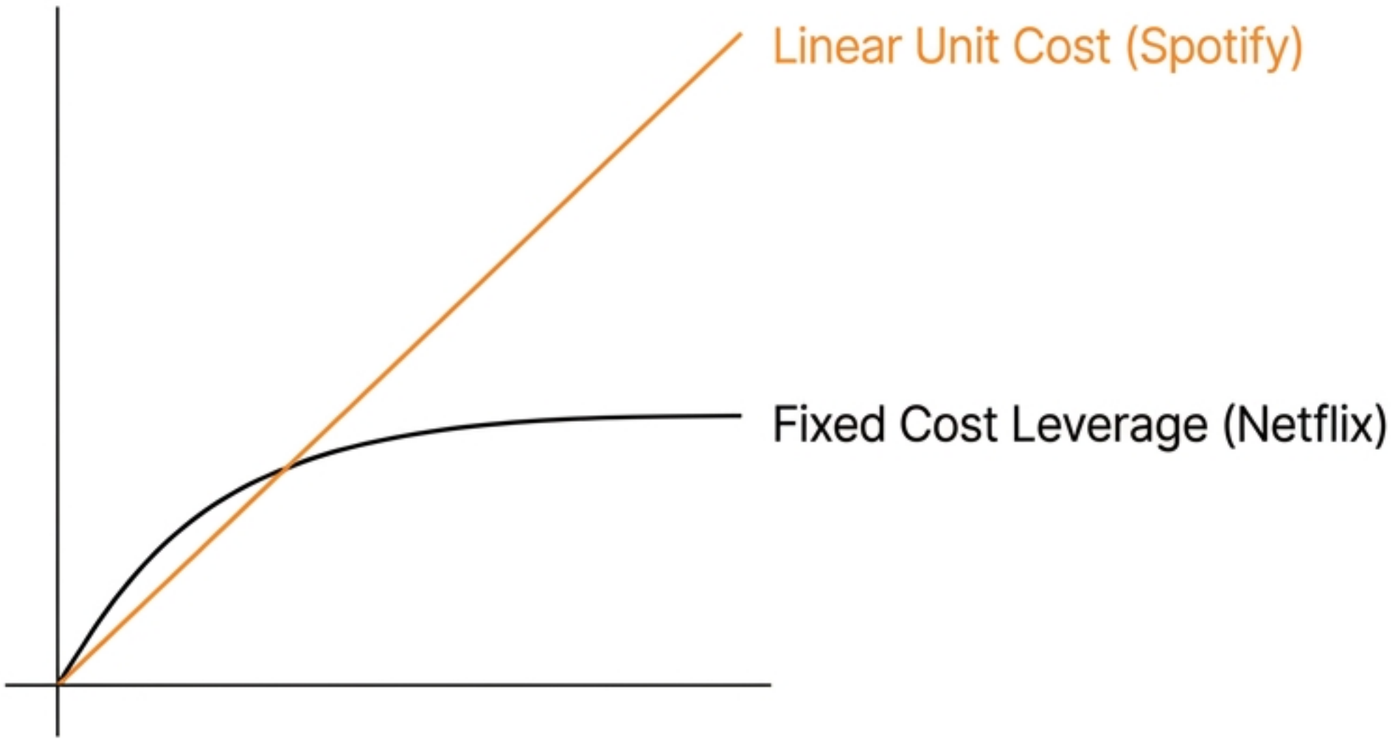
Filter 1: Is it protected?

Filter 2:
Does it clear its cost?

The Structural Flaw: The Absent Moat

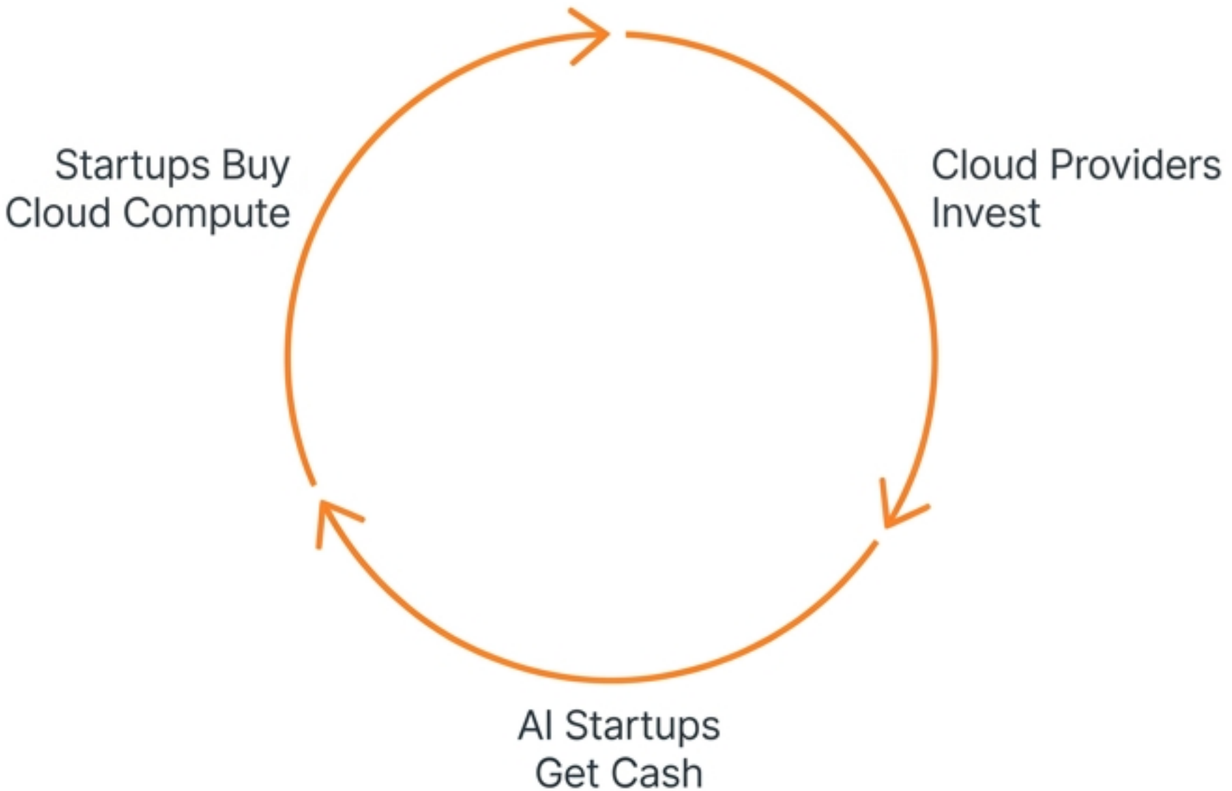
Dozens of well-funded labs are training comparable models. Any enterprise can access them. When growth happens outside a durable moat, competition will drive the return toward the cost of capital.

The Numerical Flaw: Linear Scaling Costs



Every new unit of AI usage carries heavy, physical costs (power, data, compute).
The ceiling: If AI costs $600k to replace a consultant, it only replaces consultants paid over $600k.
If costs scale linearly, margins never widen.

The Appearance of Demand



Capital flowing in a circle is not the same as value being created.
It is the appearance of growth, without proof that growth clears its cost.

The Freesurfer

The one business architecture where both deans fall silent.
Both conditions are met effortlessly.

1. INSIDE THE MOAT

The barrier captures the wave.

The digitalization of payments flows through Visa's network, not around it.

Passive flows run through the index, not past it.

2. NEAR-ZERO MARGINAL COST

The return clears the cost.

The network is built.
The wave arrives from outside at almost zero cost.

The return does not fall with scale; it rises.

Everything else is a story waiting to meet its number.

- [ ] **Is the growth protected by a barrier competition cannot cross?**
- [ ] **Does the return clear its cost, and widen as it scales?**

Yes to both = A multiplier of value.
No to either = A destroyer of value.

This content is educational and does not constitute investment advice.