Value of Money

Consumers shortchanged in 2019

Businesses put their best faces before potential customers. Most successful businesses earmark part of their profits toward good-will sponsorships. Generous corporate citizens gain public admiration.

Good will doesn't guarantee more sales, although it may encourage buyer loyalty. The best incentives are the tax write-offs for charitable acts, but nonprofitable businesses get nothing since they have no gains to shield. Free-market capitalism rewards winners, not losers. Businesses cannot afford generosity when they're bleeding red ink.

In the common mode of free-market capitalism, corporations drive the engines of prosperity. There are winners & losers at each phase of the economic cycle. Neoliberal capitalism is a zero-sum game, and it functions like a pyramid scheme where top dwellers control most of the loot.

Does this sound the death knell for the rest of us? Not necessarily.

Technologic progress renders a trickledown effect that rewards even bottom feeders over the longrun.

The economy can be organized in five sectors: the industrial sector, the financial sector, the retail sector, the healthcare sector and auxiliary services such as spin doctors. Job growth in the 21st-century has come largely from the service sector, especially information technologies. During prosperity cycles, some sectors will be favored in turn over others. The same holds true for economic downturns where job losses will affect some sectors more than others.

Free markets abandon "sunset" industries in favor of innovative enterprises that produce stuff faster, cheaper and more efficiently. Society must deal with the casualties of technologic change. Forward-thinking governments enact programs to aid discarded workers who have lost jobs to technologic progress.

Hence, businesses and governments have different aims and goals. Businesses want to make profits. This aim is even more important for stock-market corporations whose shareholders demand greater &

greater returns.

Meanwhile, governments need to please their constituents. They encourage businesses to create more jobs so that citizens can feed their families and afford recreational amenities. Moreover, governments will fine industries that inflict ill-health or foul the common environment. Prosperity cannot be judged successful unless it delivers worthwhile jobs and healthy products. Lastly, governments must protect citizens from foreign predators and domestic upheavals.

To do this, governments collect taxes on personal income, real estate, retail purchases and user fees. Taxes vary from nation to nation. The average jurisdiction grabs about half of their citizens' gross incomes. Top-dwellers on the economic pyramid are believed to be vital to the economy, so they're allowed loopholes in the tax regimen. They pay less in proportion to their assets and earnings. Fair or unfair, free-market capitalism has proven better at generating prosperity than meddlesome governments.

Money is a convenient tool in place of straightforward barter. For instance, when making a deposit on a townhouse, it's bad form to dump a truckload of potatoes on the realtor's desk. Smartcards or bank drafts simplify big-ticket purchases. The lone drawback is that currencies are geared to lose value over time.

The money supply comes from Central Banks which print bills out of thin air. Governments vouch for their currency, but the marketplace gives money its ultimate value.

Central Banks lend nine dollars for every dollar they have on hand. Big commercial banks are the recipients of this largess. They in turn lend out nine times their stake to big corporations. With each step down to the real economy, money becomes further diluted, and the interest demanded by lenders increases.

Retailers, hair stylists, truck drivers and librarians borrow at the highest interest-rates, and they get money diluted to less than 1% of that vouched for by governments. It all depends where you reside on the economic food chain. Fair or not, citizens accept the rough justice of government largess which is aimed at the marketplace rather than individuals. Meanwhile, national debts have mushroomed to astronomical levels in the 21st-century.

Prices of goods & services follow the laws of supply and demand. Yet it's almost impossible to predict whether new products will find buyers. Blue chip businesses tend to be conservative marketers. They sell “improved” copies of products that have established track records with consumers. This is why brands have “face” value beyond the products they represent.

To create well-known brands, businesses must spend substantial funds to develop an attractive image. After which, they flood the media with the image until it becomes a familiar topic in the public domain. Through exposure and advertising, branded products acquire a favorable niche in the collective consciousness.

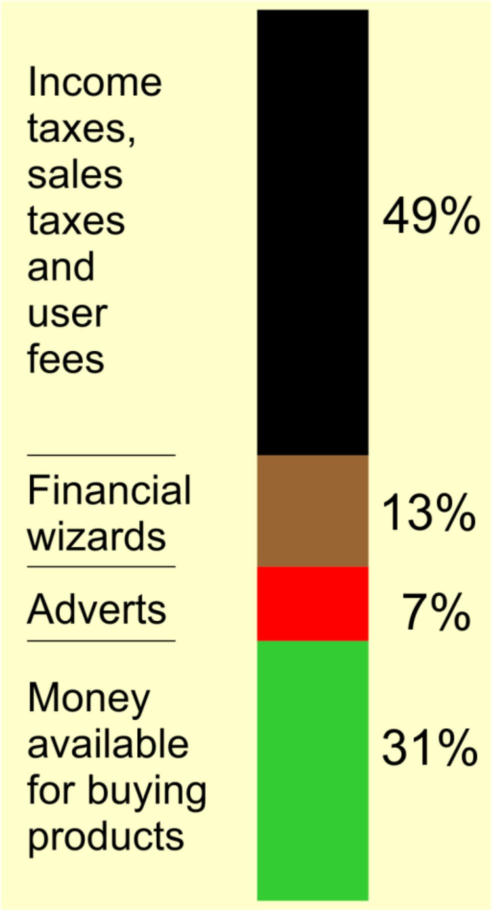
Promotional advertising adds to the cost of putting goods on retail shelves, and buyers end up paying the surcharge. Yet consumers seldom notice the higher costs, since competitor products are bloated as well. Shoppers must pay for adverts whether they annoy or entertain. Useful maintenance tips for products are often lost amid the flood of advert fanfare.

When businesses introduce new lines of goods, they need funds for development costs and manufacturing facilities before a single product is sold. Few corporations have enough cash on hand to pay for new product lines. They're forced to borrow from bankers or to issue bonds, either of which must be repaid with interest.

Consumers pay surcharges on retail products whose prices include development costs, acquisition costs, promotional costs and bonuses for upper management who are orchestrating this financial wizardry.

Nowadays we have a service-oriented economy where dozens of promoters and financial gurus create niches for new products. The greatest invention since the iron-rimmed wheel won't find buyers until enough promotional hoopla has been expended. When consumers purchase branded products, they're paying the chits of stock brokers, investment bankers, advert moguls, legal advisors and spin doctors, all of whose fees are added to retail prices. For some products the overhead can reach as high as 35%.

Suppose we take the gross earnings of median citizens. First of all, withholding taxes reduce the amount of available income. Then you subtract user fees for unemployment insurance, health care and pensions. Then subtract the surcharges for sales taxes, advert markups and bloated margins to pay back corporate debts. What's left is intrinsic worth. In other words, the bare costs in human effort and resources that deliver products to retail shelves. The actual percentages will vary from nation to nation. To be fair, you must weigh the tax burden against useful government services.



Modern economies aren't as efficient as they're touted to be. A simple barter system would be more efficient and cheaper for many folks. That's why frugal shoppers frequent garage sales and flea markets.

Major corporations do business around the globe. Investments create jobs, and those investments go to nations where the labor costs and taxes are lowest. If nations penalize multinationals, corporations will move their businesses to other jurisdictions. In short, governments have lost leverage with multinationals which gravitate to nations that offer the sweetest deals.

In the diagram below, you get a mere 31% in value for whatever you spend. “Neoliberal mercantilism” has taken 69% of your earnings. Have governments and other middlemen taken too large a cut?

Another problem is technological change. Governments are forever playing catchup since innovative businesses find new ways to avoid the current game rules. Regulators tend to enact solutions for yesterday's inequities. Their short-sighted programs undermine fair play and healthy workplaces.

It's not a matter of liberal or conservative, socialist or libertarian. Political fixes don't help because they seldom reach to the heart of the problem, which is systemic overhead.

There are sensible alternatives. Stay tuned to this blog.

Money Stretches Further in 2071

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The previous blog has shown how earth-based financiers and promotors add to retail prices by 13% and 7% respectively.

Few corporations can wait to amass net profits for new ventures. Any delays would see competitors beating them to the marketplace. Investment bankers finance new ventures, and corporations must pay heady interest charges to build new plants and to expand product lines, so an extra 13% is dumped on consumers.

Likewise, adverts are endemic to free-market Capitalism. Retailers won't yield shelf space unless products have “brand” recognition. The 7% promotional costs are likewise dumped on consumers.

Free-market Capitalism is only 80% efficient from the word go.

Basic Functions:

The cooperative agenda awards market access before products are sold to the public.

SOAR co-ops fight for exclusive licenses in the prototype phase. They must earn the right to sell goods or services. Their prototypes compete to achieve best scores for an impartial referee, a computer model.

The **Framework** assesses new products for environmental and social benefits as well as value-to-cost and consumer needs. It collates data from many disciplines: societal health, ecology, organic chemistry, systems efficiency, economics and game theory. Despite its wide-ranging scope the Framework isn't an AI. It's more like a dumb accounting ledger. It weighs social-health needs against cost-benefits to choose the worthiest contender. The winning co-op earns a five-year charter to produce the good or service in question.

After five years the competing co-ops face off once again with updated versions of their prototypes to earn the next five-year charter.

There are four consequences with this approach:

First, SOAR consumers can be confident of buying the highest-performing and most durable products at the lowest reasonable prices. They needn't look elsewhere for better bargains since none will be found. Nor do vendors need to spend money on adverts. They can use the money saved to improve product documentation and to provide user-friendly helpdesks. Any problems users have with products will be held against the co-op when it competes for another five-year charter.

Second, co-ops keep their proprietary secrets only until they submit specs to the Framework, after which all proposals become public knowledge. Co-ops that win charters disclose step-by-step fabrication methods, including raw materials, outsourced components, processing temperatures, catalysts and human resources, anything that contributes to the final product. This saves competing co-ops from wasting funds on parallel research. It also puts business spies to pasture and relegates industrial espionage to an archaic curiosity.

Third, the Framework discourages half-baked products from being rushed to market. Inferior goods and services are seldom if ever sold. Marketable products tend to be backward & forward compatible since co-ops are always looking ahead to the next five-year competition. So consumers experience less needless disruption. Evolved products tend to retain the same user interfaces. Dials and command buttons look and act the same, even though the upgraded version works faster with more benefits.

Fourth, the Framework ensures community health in general and consumer health in particular. Industrial molecules are judged unsafe and potentially hazardous unless proven otherwise. Co-ops that introduce new molecules must buy insurance bonds to cover health issues during the product life and after disposal. The additional overhead hinders suspicious molecular additives, but it doesn't stop progress since insurance premiums spread extra costs around. The insurance pool accrues funds to clean up toxic waste sites and develop cures for the casualties of maladies.

The Framework has a mandate to guard public health while satisfying consumer demands.

Spin-offs

Free-market capitalism parlays a dog-eat-dog zero-sum game. Even those atop the food chain must scratch and bite to hold their perches. The competition grows ever more brutal near the bottom of the food chain. Social stresses have grown despite all the technological advances. Robots and 3-D printers have replaced too many human laborers. An elite minority of absentee landlords have usurped most of the freedoms and trump cards.

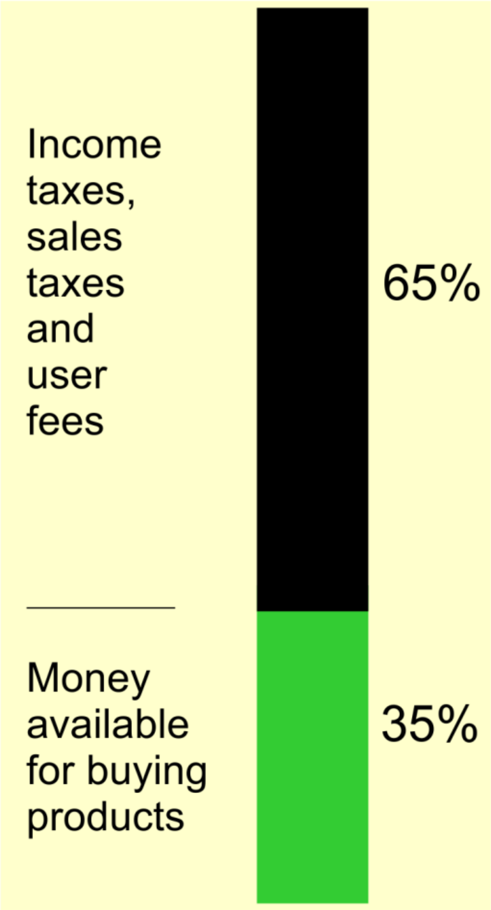
SOAR's cooperative milieu minimizes workplace stress for five reasons:

First, **metics** earn the same "spendable" wages which furnish modest but comfortable lifestyles. Spendable wages are but 20% of the total worker compensation. Withholding taxes can be as high as 40%, and metics receive another 40% that goes toward co-op shares. The co-op equity includes voting rights and medical insurance. Some co-ops furnish room & board as well. When metics reach "august age" co-op shares are converted into pension-style annuities.

Unlike free-market capitalism where employers require credentials or prior experience, metics choose which co-ops they join. Co-ops welcome new members without qualms, for their "keep" on product sales depends on their membership rolls. More members generate greater co-op gains. Likewise, members retain full control over their compensation. They take accumulated shares with them if & when they switch co-ops.

Second, co-ops are allowed to earn enough on sales to cover raw materials, production costs, member wages plus a "bonus" percentage which covers operational maintenance, replacement of maker tools and bonuses for overachieving metics. The bonus percentage depends on how capital intensive a co-op might be. For instance, a co-op of fiction authors needs some word-processing tools, but mostly it requires compensation for its members. An asteroid-prospecting co-op needs expensive spacecraft equipped with robotic miners and mineral processors. The cost of equipment will likely exceed member compensation by a wide margin. The Framework decides on a fair bonus percentage so that each co-op may reward its most valued members with bonus nonspendable **compo** that goes toward the purchase of **co-op shares**.

Third, the Framework sets the basic retail prices of goods and services. If demand overwhelms supply the Framework may add 25% to the basic price until supply catches up with demand. Likewise, if supply outstrips demand, Framework can discount the basic price by as much as 25%. If the lower price doesn't generate enough demand, Framework may ask the co-op to cut production and/or membership. If demand remains soft, the product can be removed entirely and declared unneeded for consumers.



Fourth, metics may cash in their equity holdings in one or more co-ops when they declare **august age**. The book value of co-op shares is identical for all co-ops in a similar community. It's easy for metics to shift their accrued equity from co-op to co-op. Some co-ops have more potential than others, so metics will be drawn to ones with better prospects. A high-flying co-op will attract new members until it acquires more members than the bare minimum to deliver its goods or services. Hence, successful co-ops seek to sponsor **child co-ops** which furnish outlets for extra members, especially those with innovative talents.

Fifth, co-op shares don't rise in value. When co-ops gain charters and/or members, the co-op issues more shares with the same book value as others in the local community. Metics who reach august age cash-in their co-op shares and enjoy the fruits of their labors. The cash-in value of shares often trades at a slight discount to book value. If the discount exceeds 10%, false-bookkeeping fines can be charged to co-op members who hold "bonus" shares because those members enjoy more say-so with co-op policies. Hence, members who reap the most bonuses bear the costs for co-op lapses.

In conclusion the Framework eliminates insurance pools and investment bankers which divert liquid funds to hoarders of capital. The Framework fosters a more efficient socioeconomic system. Some will say the Framework discourages incentives for innovation, but this argument isn't based on facts. SOAR has introduced more industrial innovations than any earth-based jurisdiction. It's an acclaimed leader in robotic applications.

SOAR has enjoyed huge profits from its beamersats which have generated funds to create TCP from scratch. Even so, metics pay more taxes the most earthsiders. The lofty taxes reflect lower-than-normal user fees for recreational pursuits. The high taxes also reflect the expansion that SOAR is undergoing: new soupcans, new colonies on Mars, frisbee capacity upgrades, new beamersats, new asteroid mineral production and aggressive marketing of spacer durables on earth. The **paws** who tweak the Framework expect taxes will be reduced, once SOAR gets past its adolescent phase of nonstop expansion.

SOAR economics will be discussed further in the next report. Stay tuned to this blog.

Honest Economics: 2nd-take, 2071

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real money is money in circulation that pays the rent, buys groceries or restaurant tabs. Economists call "real money" M1 to distinguish it from M2 or M3 or M4 which are like Wall Street poker chips. They are worthless IOUs that are only recognized by borrowers, lenders, investment bankers and stock brokers.

For instance, go to a commodities' market and buy the delivery of 1,000 pork bellies at such & such time. Let's suppose you hold the contract until the closing date. Will you receive 1,000 pork bellies? Not a chance. The betting game is over, and all you get are house chips which can only go toward the next game.

When the word "money" is used in this essay, it always refers to real money. The other kinds of money are make-believe monopoly money that serve the ultrarich at the expense of everyone else. A fair market does NOT need monopoly money to function efficiently. In fact monopoly money encourages middle men who seldom contribute to products that are bought and sold in the "real" economy. Hence, the hidden costs of advertisers and lenders act as drags on the economy which in turn raises the retail prices of goods and services. Back.

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SOAR (acronym) Solar Omnifarious and Aspiring Republic. Spacer colonists belong to this economic confederation of member co-ops. Back.

Framework is a computer program that evaluates products for usefulness, resources consumed, assembly methods and the cost of recycling or disposal. Evaluation parameters are tweaked to accommodate the latest and most accurate scientific evidence. Back.

metic signifies a person who has SOAR citizenship. Metics are entitled to a vote on social policy as soon as they've joined a co-op. Inmates of debtors' college may express their opinions but their votes have no effect. August-age metics who have retired outside SOAR communities are likewise ineligible to vote. Back.

compo (short-form slang) compensation. **Back**.

co-op share represents the cost-of-living expenses for two days. Cost-of-living covers all amenities necessary for a metic's wellbeing. The amenities include air, water, foodstuffs, shelter, info access and typical recreational pursuits. Cost-of-living is prorated according to normal expenses incurred vis-à-vis one's residential location.

When living in the equatorial spaceports, metics' shares worth 1.5 Solar$ (1,350 crows). When living in TCP, metics' shares are worth one-Solar$ (900 crows). When living in the soupcans or on lunar surface, metics' shares are worth five Solar$ (4,500 crows). When living in the Martian outposts, metics' shares are worth seven Solar$ (6,300 crows).

Co-op shares are nonspendable until metics declare august age and transfer shares into spendable funds. However, metics may borrow against their equity store insofar as their co-ops allow it. Back.

august age marks the changeover from a full-time service to semiretirement. Metics may declare themselves ‘august aged’ anywhere between the ages of 55 and 75. When the august interlude is declared, a metic’s co-op shares become nonvoting, the equivalent of solar bonds. A portion of the retirement stash must be converted to spendable cash in annual installments. Back.

child co-ops are sponsored by parent co-ops. The parent contributes startup funds and shares some of the proceeds if the child co-op wins a product charter. In effect, the parent becomes a nonvoting share holder. Back.

paw (SOAR acronym) Person Acknowledged Widely. Paws signify metics who have made unique contributions benefitting many co-ops. The status of paw is awarded for achievements in fields of science, technology, education or social services. Back.