

Flaws In Demand

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In a recent post, I showed how all money doesn't function in the same way. There is natural money which is rooted in work. Then there is political money which is parasitic. Those who wish to reap where they don't sow lobby for the creation of political money. Political money is then used to take a portion of natural money from those who work without producing much of anything or nothing at all. Political money enables rent seeking. Rent in this sense is not the same as what an honest landlord receives on a home he owns. The term rentier means one who is positioned to extract income from society without working or making a contribution to society.

Demand is like the wind blowing into a sale. When the wind stops the boat stops. When demand stops, the economy stops. When wind speed increases the boat goes faster. When demand increases, the economy grows faster. The wind going into a sale cannot be increased. Can the level of demand be increased, independently of work and production? Belief that it can be is the conventional wisdom of modern economic thought. That is, if we don't count what is stolen as part of demand.

The following is a list of the five most important demand determinates found in economic text books. The presence of political money distorts each of these factors and causes imbalances to grow in the economy

- **Price** Yes, price determines how much in terms of goods and services consumers will buy. But, how are prices determined. Price is the rationing element in a free market. If laws are passed forcing consumers to pay for certain goods and services, goods and services are then rationed with political power. We are forced to pay for ethanol in our gasoline. Who remembers countless Americans, willing to pay, waving signs on the street insisting that gasoline contain ethanol be required in gasoline. I can't remember any. Can You. Demand for ethanol was created with political power. Wind up with two classes of demand. We have what consumers want to buy. We also have demand derived from political power. The two types of demand function completely differently. Still, economists insist that demand is demand. It has to me that way to build economic models. Seeing it that way guarantees the ineptness of these models in terms of utility.
- **Related goods**

- **Income** We have income based on work. Add political money to that and we have two classes of money. Stimulus adds income for the most wealth members of society. Money rooted in work is what ordinary people have. Economists treat all money as the same. But, then again, thinking is not allowed in economics.
- **Tastes and Preferences** Tastes and preferences are changed through advertising. We have to live with that. Censorship prevents consumers from leaning about products and services that compete with what is already offered and what all are forced to by by legislation. Huge corporations own the media and supports the interests of their owners.
- **Expectations** Expectations are controlled by the media and government.

These determinates are part of a larger number that is used to calculate aggregate demand. When an economic model is produced, generally basic demand determinates go into the catagories of government spending and consumer spending. No thought is given to where the numbers come from and why they are what they are. I look at models like I would look at a painting or a flower display. Those things can be mighty pretty.

Why do I pay no attention to economic models? They have no utility to society but serve only as political tools to be used to pass corrupt self serving laws for those with enough political power to lobby and get bills passed. Citizens never have approached government and asked that government manage their healthcare, life's decisions, clean energy, support for the stock market or anything else.

The logic of mainstream economics is that citizens actually do want these things because they have representation. Never mind the fact that, although citizens do elect representatives, they get outbid as soon as their candidates take office. If citizens actually had representation, how could the country get in to the sorry shape it is in today?

Can economists make decent meaningful forecasts? If you think they can, send me a list of the successful one. I can't think of any myself. It seems as if there was a good mainstream method of making economic forecasts, certainly someone would be bragging about it.