

## APPENDIX – FUNCTIONAL ECONOMICS©

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### 01. INTRODUCTION

There is no other item in life that affects so many millions of people, most people have no understanding, it is taught so poorly and made more complicated than it is. Everything anyone needs to know basic economics.

### 02. BASIC ECONOMIC CONCEPTS

Basic economics is actually very easy to understand. Just know:

- Someone must pay.
- The market will determine the right price.
- The government's attempt to change economics will always have bad results.
- There are only 2 economic systems, Capitalism and Socialism.
- High taxes hurt everyone, especially the poor.

### 03. DISCUSSION OF BASIC ECONOMIC CONCEPTS

- **Someone must pay.**  
Nothing is ever free. There is no such thing as a free lunch.
- **The market will determine the right price.**

Law of Supply and Demand. The most basic economic rule. There is a point, a price, where the supply of an item and the demand for the item will match. If there are less items and people want it, the price will increase.<sup>45</sup> If prices go up, less people will want it.<sup>46</sup> (Anyone ever accused of price-gouging is actually following this law, and politicians/news are just trying to play on emotions.)

Supply Side Economics. If you create the supply, and if people want it, like drugs, you have a business. If no one wants drugs, the drug business would die. There is no way to create demand and have supply follow. No one said we want an automobile when they did not exist. Someone invented the automobile, supply, and then people wanted it. Henry Ford found a way to make more cars for less cost, was able to sell for a lower price, sold more cars. Supply and Demand explain why a CEO and janitor have different income. It is not the disparity in pay that matters, it is that there are very few people with the skills to be a CEO (low supply, high demand), while there are many who can be a janitor (very high supply). Ronald Reagan ran on this platform in 1980, and it was denigrated by many, including his not yet selected vice president George Bush, who called it voodoo economics. What one does not understand they denigrate. Reagan was a great president, Bush was not.

Job Creation. The government does not create jobs and wealth. It is the little guy. You start a business that you think people want (supply). You pay employees, buy equipment and supplies, your business grows, you get richer, you hire more employees, etc. The employees have money, they buy things, they may even start their own business.

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<sup>45</sup> If 100 people want to buy shoes and only 20 shoes are available, the price of shoes will go up to the point where only 20 people will pay for them.

<sup>46</sup> If the price for a slice of pizza is increased from \$2 to \$5, less people will buy that slice.

- **The government's attempt to change economics will always have bad results.**

Government is the cause of all economic failures, period. The underlying cause of recession or depression is due to government interference in the economy, which prevented a natural adjustment, and made the bad effects worse.

Every time you hear about a government program, think about who is paying for it. Taxes are the government stealing from us, no matter what the purpose is. If you don't think so, did you ever volunteer to pay more? Inflation is a tax on our savings, and the deficit is a tax on our children.

Social programs, like rent control or minimum wage laws, are government attempting to change economics. If you don't think so, how come the cities with the most rent control have the most homeless and the most slums, or minimum wages laws the most poverty? How come these cities are not economic wonders? Do you know why people in Denmark ride bicycles instead of cars?<sup>47</sup>

Price Control is where the government sets the price, which prevents the business to adjust to the real world. If the business costs go up, price control prevents the business from increasing costs. Two examples are Rent Control (rent is a price) and Minimum Wage laws (wages are a price). Where there is Rent Control there are more homeless and more slums.<sup>48</sup> Where there is Minimum Wage laws, there is more unemployment.<sup>49</sup>

- **There are only 2 economic systems, Capitalism and Socialism.**

Capitalism. Free-market capitalism, is where everyone has the freedom to selfishly pursue and trade, to the benefit of both parties. I want shoes and have money, you want money and have shoes, we trade, we are both happy. Capitalism believes in equality of opportunity.

Socialism. In any form, communism or fascism (the Nazis were Fascists), is a political philosophy of the left, where the have-nots take from the haves. It is immoral, it is evil, because it is stealing. Stealing by overtaxing. So people rebel, and the government has to force compliance. Capitalism believes in equality of opportunity. Socialism disincentives people.

Social justice, income equality, income redistribution are all socialist ideas. Socialism has killed over 100 million people in the 20th century. No one is/was trying to get to Cuba, East Berlin, North Korea, Venezuela. Free market capitalism has reduced world poverty, improved the environment, and improved people's lives. A capitalist looks to winning, a socialist looks at winners.

In the last 100 years most items got cheaper. Two exceptions are medical expenses and education, both of which are government items. The government cannot run anything efficiently. Think about motor vehicles licensing and the post office.

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<sup>47</sup> Because pre-2016 the tax was 180% (a \$30,000 car would cost \$84,000 after tax), and post 2016 the tax was *lowered* to 100%.

<sup>48</sup> It may sound noble, the desire to provide more housing for the poor, but by not allowing the free market to determine the proper rent, new housing will not be built, landlords will not improve or maintain their properties or may abandon their property, tenants will not move to smaller units when their needs change, so there is less housing for the poor. Neighborhoods deteriorate. The outcome is the exact opposite of intent.

<sup>49</sup> It sounds great, but by forcing businesses to pay more for labor, the businesses will adjust by reducing employees, automating, or going out of business. The minimum wage increases unemployment and removes goods from the economy (less supply, higher price). Employers must pay enough to hold workers or attract them from someone else. The person who loses a job because the minimum wage is higher than the job is worth would have gotten a better paying job if he could have.

- **High taxes hurt everyone.**

Laffer Curve. Named after Arthur Laffer, economist, there is a point where increasing tax rates will reduce tax collections.<sup>50</sup> Conservatives, like Warren Harding/Calvin Coolidge, John Kennedy, Ronald Reagan, and Donald Trump, reduced taxes with the result of a better economy, ie, lower unemployment and higher tax revenue. Their tax policies were designed to get the government out of the way of the little guy and let him succeed, or fail, on his own merits. Less taxes meant the risk-taker was more incentivized to start a business, hire people, pay taxes on the profit. It is the risk-taking businessman, not the government, who creates jobs. It is Congressional spending that causes the deficit, not insufficient tax collections. It is the rich who pay taxes, not the poor. The top 1% in this country pay 90% of the taxes.

Taxing the rich. What happens when the rich are taxed into being poor? They leave. They invest their money elsewhere. The country gets poorer. No new wealth is created. The poor are poorer, because there are no rich to tax anymore. Need more proof that socialism fails? Look at Cuba, the former East Germany, Russia, South America. Socialism works until you run out of people. People vote 2 ways, with their money and with their feet. That is why 165+ million people want to come, not leave, the United States.

A quote from Margaret Thatcher in November 1990:

*"What the honorable member is saying is that he would rather that the poor were poorer, provided that the rich were less rich . . . So long as the gap is smaller, they would rather have the poor poorer. You do not create wealth and opportunity that way. You do not create a property-owning democracy that way."*

#### 04. **TERMINOLOGY DESIGNED TO CONFUSE**

Just what it says, designed. Put an adjective with the noun to confuse. Crony-Capitalism is not Capitalism; only Free-Market Capitalism is Capitalism. Democratic-Socialism or Social-Democrats are not Democrats, they are Socialists. The Nazis were National Socialists. In WW2, Germany (Nazi), Italy (Fascist), and the Soviet Union (Communist) were economies of the Left.

#### 05. **SOUNDBITES AND STUPID**

There is no education, the media doesn't know shit, they live on sound bites, so all that people know are sound bites. Ask anyone to explain the socialist bullshit sound bite, and they cannot. They will get frustrated, call you names, and walk away. Outshouting someone does not prove right, it only proves they can yell louder.

Socialists believe the government is omnipotent and all knowing, and they pander to the poor's desire to punish the rich, which they all want to be, of course. They seek equality by bringing everyone down to the lowest level. To paraphrase Margaret Thatcher, let's make everyone equal by making everyone poorer. If economic education was better, no one would ever be a socialist.

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<sup>50</sup> As an aside, if one studies history by observing taxing policies, bad taxes killed the Egyptian, Roman, Aztec, Spanish empires. Superior Athens lost the Peloponnesian Wars to Sparta because of taxes. Moslem tax policy was the greatest proselytizing tool the religious world has even known, and Islam spread quickly in the 7<sup>th</sup> century until converts were no longer offered a tax break (between god and taxes, taxes win). The American Revolution started as a tax revolt. Ditto the French and British Revolutions. Taxes were how the Israelites were enslaved in Egypt. Hanukah is a tax revolt. Between liberty and taxes, taxes win.