Supply and Demand in a non-POM economy

A POM economy runs on demand, dollar-backed demand. If people with money enter the market and buy, prices are driven up and that motivates sellers to produce more items for sale. When there is too little demand, prices fall and sellers, lacking motivation, provide fewer items for sale. But that means that if few people have money to spend there is little demand and therefore, little production takes place. In other words, even though there are lots of people who *want to work* and who are skilled at what they do and even though there are plenty of raw materials to work *with* and even though people really want the things they can produce, the supply of *money*, a *figment of the human imagination*, limits and reduces the amount of goods produced. I know it sounds insane but it's true.

Those people with POM to spend are usually also producers of goods and services. Their supply of money comes from other people spending. But the flow of money to the buyers of goods is not always steady and regular. There are all sorts of irregularities in the supply of money that is available for spending. For example, let's say that there is bad weather and the crops fail on a large part of the farms in a region. That reduces farm income. The farmers cannot repay their loans so some banks fail. The people who had money deposited in those banks lose their money. Thus we have a large number of people who spend less which results in lower prices for goods and less incentive to produce more goods. Therefore, the sellers of those goods lay off their employees who produce, distribute, and sell those goods. (This actually happened in the late 1920s and 1930s in the United States and was a major factor in producing the Great Depression.)

This is the way recessions and depressions are caused. In a POM economy there is a way to prevent the supply of money from being reduced with a resulting reduction in demand. That way is through the use of credit, loans and debt. The *borrowing* of money (artificially) increases the *supply* of money because with a loan both the borrower and the lender each own money that only the lender owned before the loan. Therefore, the central banks of industrialized nations make loans less expensive when people seem to be reluctant to buy due to recessions or depressions. They encourage an increase in the supply of money so that there will be more demand. (Of course if the only people who can get those loans already have plenty of money and don't increase their consumer spending, the increase in the money supply just results in inflation with no increase in jobs.)

How does a non-POM economy operate without debt? How can a non-physical object money prevent recessions and depressions without there being any debt?

The key is to remember that in a non-POM economy, the supply of money depends *only* upon the supply of goods and services designated as <u>luxuries</u>. If more luxuries are produced there is more money available to pay for net benefits. Therefore, from the point of view of the producer, an increase in production will almost always result in an increase in income. This is a relationship between producers of goods and the Payers who credit their accounts. Note that the customer's buying does not control the supply of money. The money that the customer spends ceases to exist and the supply of luxuries for sale is reduced by the same amount since the customer now owns that luxury. Thus there is always money available to buy the existing luxuries and always luxuries available to sell for the existing money. The supply of money and things that money can buy is always in perfect (for all practical purposes) balance. *Money does not exist independently of the supply of goods and services for sale with a non-POM.* Therefore, there is no need for credit or debt to help provide motivation for production. If you produce there will always be money for you to earn.