

## Economic Ideas for General Readers - Elastic Revenues

*by Anne Emerson*

We are now on page six of Economic Ideas for General Readers. There IS more to economics than Dynamic Equilibrium (fountain analogy). When my readers – if there are any – have learned about elastic revenues, we might get around to studying Supply and Demand! (Did some of you think you knew all there was to know about Supply and Demand already? Oops! Then there's no need to learn about Elastic Revenues. They are extremely boring. For the rest of you, please forgive my sarcasm. I thought I had outgrown it, but it sneaks in every now and then.)

Elastic revenues don't bounce around like slinkys or old-fashioned mattresses with everyday springs. Nor burn like marshmallows on sticks by the fire. Those happy memories are for we who remember simpler days. Or were they simpler? WE baby-boomers didn't figure out how to avoid war. We sang peace songs, but most of us didn't know what the adults were up to in their top-secret world. Perhaps they knew it was difficult to make peace not war. Maybe, you younger folks might wish to know something of what we have learned, from doing it wrong because we thought we knew better. Do you think the hippies and the hawks can get together and compare notes? What's that you say? Naaah! You might be correct - that track record has been disappointing so far.

But then, I'm not a hippy anymore, and I can't take nerdy stuff and secrets into the next world with me, so I'll share a few. I might even share a lot, but I need some effort in return. You see, many people are transactional, and Maslow thinks we humans can do better than that! (See Happiness page on this website.) I think we can too, but it doesn't work to act with grace and forbearance among people who think the way to get along is to take an eye for an eye and a tooth for a tooth.

The BEST of the upper echelons use power responsibly. Owners of New Money (like, say, technological starlets) may have a hard time understanding that. The best elites believe in something called "Justice"; lawyers and philosophers attempt to understand what Justice might be; and how best to administer it. Remember our fountain analogy? Laws, Justice, and Philosophy are OUTSIDE the system of pipes and water. We who might drink the water – or at least, paddle in it – can decide whether we want to help build and run the fountain, along with the engineers, architects and construction workers who put it all together; or whether we want to break it up and build another. We should probably talk to an urban planner before we change the town square, though.

And, urban planners shouldn't build fountains in cities in the Middle East where water is so valuable that a Bedouin will wince to see someone pour water over his or her head, wanting to cool down in the hot sun. If you pour water on your head from your only water bottle, because people don't carry much in the desert, what will you drink? Oil? (Ask a Middle East water expert. Or a Middle East Oil expert. The challenges of oil countries can help us appreciate discord between old and new.)

Oh yes, about elastic revenues. There's a technical formula and all sorts of math that real economists deal with, when it comes to elasticities of demand. But for general readers, it's really easy. If you work with a budget, you can see what I mean. When you reduce the price of your product, do you bring in more money (revenues) or less? If your price falls but you don't sell enough additional product to make up the lost revenue, then you will make cuts that affect the quality of your product. Or, input costs may increase, even as revenues (= income) fall. Often, your best option seems to be to buy a machine. But if that doesn't help enough, you are out the money AND now carrying a useless, or nearly useless, machine. Now, that wasn't too hard, was it? (And page six is full.)