

The Lighthouse

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The *Flaws* of Supply and Demand

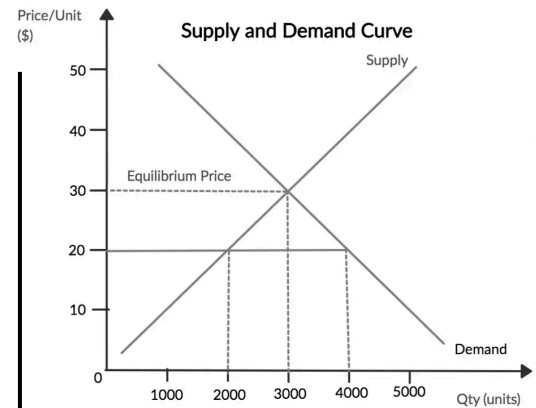
One of the most widely preached concepts in market economics is the so-called "Law" of Supply and Demand. The phrase is loaded with false meaning. Here, "demand" is nothing like the demands of striking workers demanding better working conditions. Instead, it actually just means how much people will **pay** for something.

Economics often misconstrues this to mean how much people are "willing to pay", as if this perfectly maps to people's wants and needs and finds the perfect prices to satisfy society's cravings. But as you can see just by looking at the Y axis on the graph, it's not graphing how much people *need* or *want* something - it's graphing the **price** that people pay. That means someone has to be both willing **and able** to pay that.

For someone without enough money to buy something at whatever price it settles on, it doesn't matter how much they want it or "demand" it - it doesn't even matter if they **need** it. If you can't pay for it, you can't buy it, even if you'll die without it - as is the case with food, water, and arguably housing and healthcare.

Supply and demand is not set to meet people's needs, and has no built-in mechanism to prevent starvation or homelessness - in fact it practically encourages it. If you don't have any money, this equation doesn't take your wants and needs into consideration at all. Which is a pretty big deal considering it's the framework by which our entire global society distributes resources.

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Supply+Demand

Along the Y axis, we set the price. Price it too low and you sell a lot, but make less profit per item. Price it too high and you'll lose customers. It's okay to lose some—you're making more per product and spending less on production. But lose too many and your overall profit drops. The "equilibrium price" is where the price naturally settles when maximizing profits.

The X axis is supply. Rare things cost more. Gold is so valuable *precisely* because of how little gold there is in the world. The more scarce a resource, the more people pay for it. So maximizing profits always incentivizes reducing the supply. This market rule essentially ensures supply will always be throttled and there will never be enough to go around.

This paradigm incentivizes producing the least, for the steepest price, no matter how many people are priced out.

The Gift Economy

The "gift economy" is a well-known alternative type of economy to the market economy where goods and services are circulated as gifts among everyone in the community.

This is typically associated with indigenous cultures and hunter-gatherer societies whose numbers were small, and relationships close. But discoveries made unearthing some of our most ancient human settlements have called this assumption into question.

Archeological sites like Poverty Point reveal places where thousands of people converged without any wealth accumulation, as evidenced by the widespread distribution of jewelry and other goods without finding any apparent secret stashes. A similar observation was made by Christopher Columbus himself, when he first arrived in the Americas. Having found an island where all of it's residents had gold earrings and necklaces, he assumed there must be huge

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Flaws of Supply and Demand (from cover)

In a world of equal wealth, this might not be such a problem. But this same equation by which everyone attempts to maximize profits and leverage their wealth to gain more wealth is the same system that perpetuates this inequality (see **Bulk Buy**, issue 1). So as wealth inequality increases by the year, the prices we set become increasingly targeted to an ultra-rich upper class while more of us regular folks find ourselves unable to afford even the basic necessities.

The rich get richer, and the poor get poorer. It's a tale as old as time. Unfortunately, too often the whole concept of poverty is cast aside as a "necessary evil" of a functioning modern society. The solution to the problem is relegated to governments and charities no matter how ineffective they prove to be, year after year. And the business world marches on without remorse.

This is how all of us, each in our personal attempt to gain access to wealth, collectively orchestrates a system which systematically increases wealth inequality and material deprivation. A system which caters increasingly to upper-class interests while we each find ourselves struggling to survive. Meanwhile, the diffusion of responsibility is so great that we can all feign innocence about what's causing it, even as we all perpetuate that very same dynamic we all claim to be the victims of.

Although some ultra-rich people do act as if this is precisely the situation they want, we can all agree that even they are a product of this system. We are all coerced by the **Will of \$kynet**(issue 3) to perpetuate the very inequality we are, all of us, trying to escape in our own attempt to make money. All of us become beholden to it because any attempt at escaping the feedback loops of profits and costs causes *homelessness*.

But **there are ways out**.

Ideally, what we create together, all of us writing and reading this newspaper, is a distribution network of resources that doesn't require money at all to participate. A sort of circulating stream of resources we can all add to, and take from, in such a way that the stream itself is cared for rather than focusing on taking care of ourselves. A type of resource distribution that reduces inequality rather than increasing it, and focuses on the health and well-being of all human-beings rather than desperately focusing on just our own survival.

So stay tuned! Our next issues will be exploring various alternative **distribution methods** that could help us do just that!

Dear Readers,

Comments, questions, suggestions?

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The Red Paperclip

"One Red Paperclip" is a book written about someone who, starting with just a red paperclip, then bartered for one item after another until he owned a house! And he did all this without ever adding anything to the trade other than the last thing he traded for.

It's like a grind culture success story, but with barter. Incidentally, this story also illustrates what's wrong with barter.

When discussing alternative economics, the first suggestion is always "barter". It's simple, straight-forward, and easy to understand. It feels like a return to simpler times. And it appears to sidestep the complications of money altogether.

But the real reason this is our first thought is because it's so darn similar to what we already know. It's still a direct exchange of value.

On it's surface, this story seems like a success. Someone who started with nothing worked his way up. It seems to be a tale of someone pulling themselves up by their bootstraps, or a tale of how the imperfect measure of the barter economy allows for more flexibility in our subjective value systems so that resources are more likely to circulate outwards to the have-nots. It gives people the warm, fuzzy feeling that this could be you. That if only you embraced the barter system you could finally come up big.

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Red Paperclip

(from cover)

But you've got to keep in mind the **negative space**. Wealth is relative. Not everyone can get rich. The very definition of "rich" demands that becoming poor is an option. What we have here is just another classic "American Dream" tale of someone striking gold so that we can all believe it can happen to us.

But far from the quaint imagery of a bazaar where people trade their goods, the setting of this story is still the hyper-capitalist world we live in today. And every step of the way where he managed to multiply his wealth by "trading up", there was someone who was convinced to "trade down". Barter is still a fundamentally unequal system of winners and losers at the end of the day. And like any heart-warming tale of the American Dream, it masks all the invisible privileges he started with that helped him drive and fly all over the country to make these trades.

Under this value system, wealth is still used as leverage to gain even more wealth. So we still have an incentive structure which doesn't incentivize the circulation of resources primarily, but instead incentivizes accumulation and taking advantage of each other. A world where the richer people, considering themselves more capable and more deserving, relentlessly pillage the poor and the mathematically challenged.

Just like the monetary economy, the barter economy operates on the same principles of maximizing self-interest and accumulating capital in an endless effort to secure safety and stability for your *personal future*. And by definition this removes your investment in the future of others.

In a barter economy, the rich still get richer and the poor get poorer simply because some people had more advantages to begin with.

Opensource Projects

This week's featured opensource project is **Audacity**. Almost everyone who's ever recorded or edited audio has used Audacity — the free, open-source audio editor that's become widely considered indispensable since 2000. No subscription, no "pro tier," no strings attached. Musicians, podcasters, journalists, and students alike have been using Audacity for professional quality editing for all manner of content. It's also a great example of when the gift economy managed to defend itself. In 2021, when the company tried to add collection of data, the community immediately split off, and forked the project on GitHub to keep it spyware-free, forcing the company to back down.

Program: Audacity

License: GPL v2

Platforms: Windows, Mac, Linux

Website: audacityteam.org

What 'Indian Giver' Actually Meant — And Who the Real Takers Were

By the time European invaders reached the Americas, money had been displacing gift economies across Europe, the Middle East, and Asia for *thousands of years* — so gradually, and so thoroughly, that Europeans had largely forgotten such a system was even possible. The same assumptions persist even today in the way we assume that money is our only way out of poverty, and that barter is the only viable alternative to money.

The Europeans thought of everything in terms of "private property". The concept of ownership pervaded every aspect of society, with Europeans believing they could even own people and land. Then, as now, in a society built on inequality and the persistent threat of destitution, homelessness and starvation cast a spell of fear over all of European society. It was not uncommon for a European's entire life to be consumed by the accumulation of capital — not just for their own survival, but also for their children. No matter how rich they already were.

The Native Americans, on the other hand, had no such concept of "private property". Land, food, and tools were not possessions to be "owned", but resources to be shared. Gifts circulated through the community like blood through a body. Accumulation was not a virtue but a failure — a blockage. To hold onto more than you needed was considered a violent and antisocial act, breaking the bonds that held a community together. The gift *must move*.

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Gift Economy

(from cover)

stores of treasure hidden out of sight. Only after killing everyone trying to find it did he realize they really had just shared all the gold amongst themselves equally, somehow - something he could scarcely comprehend.

In a gift economy, instead of investing in property and assets, people invest in each other. They know that by keeping the people they depend on happy and healthy, they themselves will also be more secure because their community is more dependable. "You scratch my back, I'll scratch yours". Or to put it another way, if one person doesn't catch enough fish, you share your fish with them so that they'll do the same for you.

This mutual dependence is what connects a community, and gives everyone shared sense of purpose. This way everyone enjoys a secure and stable foundation and a sense of abundance and belonging that we can barely imagine.

Today, the gift economy is once again gaining ground in the modern world simply because it's so pragmatic and resilient. Science itself is a gift economy, as every researcher freely shares their findings publicly and welcomes review and criticism. Peer-review is fundamental to the scientific process *by definition*, so without the gift economy we wouldn't have science. Another shining example of the gift economy is Wikipedia. Only through the collective effort of thousands of volunteers does Wikipedia maintain the most honest and unbiased wellspring of information the world has ever known.

Finally, there's the whole opensource movement which has created an entire culture around making software freely available for all using opensource licenses that strictly prevent ownership of the source code.

Although these examples all revolve around information, rather than physical goods, even that divide has also been slowly breaking down. A growing Open Hardware movement is calling for more transparency around how products work, and the Right to Repair movement has made leaps and bounds by legislating the obligation for companies to release repair manuals and videos. There's even an opensource project called OpenCiv which created a whole series of opensource blueprints for all the tools and machines people would need to create civilization from scratch using common materials. And now 3D printer enthusiasts often share their designs free and opensource, even further blurring the lines between the gift economy of information and the gift economy of the physical world.

Who knows what unlimited abundance the future holds if we continue on this path!

Dear Readers, Comments, questions, or suggestions?
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What 'Indian Giver' Meant

(from B1)

It was this cultural difference, along with the language barrier, that gave rise to the same misunderstanding time and again. A Native American might gift a peace pipe to their new white neighbors to show willingness to weave together communities. The European, on the other hand, would see this gift as a permanent transfer of ownership, and place it on their mantle. When the Native American returned, they would be shocked that it was still there, and that it hadn't been passed on. So they would ask for it back. Not to keep, but to return to circulation.

And so over time the Europeans invented this racial slur which accused Native Americans of 'taking back gifts'. As if it were the Native Americans who were less giving. Yet, the Europeans were the ones who had broken the social contract — who had dammed up the circulation of the gift and created a blood clot. That this should solidify into an insult that persists for centuries before its origins were widely understood speaks to just how vast the distance between these two economic paradigms really is — a distance in understanding we are, in many ways, still crossing.

