

## Re: Refuting supply-side economics

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**From:** Some Guy ([bc76\\_at\\_midmaine.com](mailto:bc76_at_midmaine.com))

**Date:** 09/17/04

Date: 17 Sep 2004 12:01:24 -0700

William F Hummel <[wfhummel@comcast.net](mailto:wfhummel@comcast.net)> wrote in message  
news:<[aptlk0l2n750svcedtpeudruldkbku9v1@4ax.com](mailto:aptlk0l2n750svcedtpeudruldkbku9v1@4ax.com)>...

> On 17 Sep 2004 07:08:31 -0700, [bc76@midmaine.com](mailto:bc76@midmaine.com) (Some Guy) wrote:

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> >William F Hummel <[wfhummel@comcast.net](mailto:wfhummel@comcast.net)> wrote in message  
news:<[himjk0le4phhh1u86b8f899kedl7eucfvg@4ax.com](mailto:himjk0le4phhh1u86b8f899kedl7eucfvg@4ax.com)>...

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> >> On 15 Sep 2004 20:03:58 -0700, [bc76@midmaine.com](mailto:bc76@midmaine.com) (Some Guy) wrote:

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> >> >William F Hummel <[wfhummel@comcast.net](mailto:wfhummel@comcast.net)> wrote in message  
news:<[0bfffk09pp7cegf5s15s17b177jsl8g5hpu@4ax.com](mailto:0bfffk09pp7cegf5s15s17b177jsl8g5hpu@4ax.com)>...

>

> >> >> *Your model of inflation is far too simple. The relation between the  
> >> >> supply of goods and prices applies only to a true commodities in a  
> >> >> setting where there is plenty of competition and those in the business  
> >> >> know what prices the commodities have traded at. That doesn't apply  
> >> >> to almost everything we buy as consumers, whether goods or services.*

> >> >>

> >> >> *For example, if you visit a dentist and pay for a filling, the price  
> >> >> of fillings doesn't increase. None of the thousands of other dentists  
> >> >> in town is even aware that you had the service. If you buy a loaf of  
> >> >> bread at the grocery store, the price of bread doesn't change for the  
> >> >> same reason.*

> >> >>

> >> >> *There is definately a time delay there. I agree.*

> >>

> >> *What time delay? There is no automatic price increase in a gadget  
> >> because someone buys it. How much have computer prices increased  
> >> because of the millions that have been sold?*

> >

> > *Like you said, the seller has to collect data on their level of  
> > business for a time, decide that the high level of business is  
> > permanent and then raise their prices. That's the time delay.*

>

> *But that does not mean prices automatically rise after a time delay,  
> just because more people are buying.*

> >

> > *But one person's bread consumption isn't likely to be the \*deciding*

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- > >factor\* in whether a store decides it can raise bread prices, but it
- > >can be a \*contributing factor\*. If 100 people decide to buy new 1
- > >loaf of bread a day that they didn't buy before, then after a time
- > >delay, the owner(s) of store(s) they patronize might decide they can
- > >raise bread prices. While the individual bread consumption of each
- > >consumer did not have the power to raise bread prices, each
- > >individual's consumption contributed 1/100 to the increased demand
- > >that drove the price up.
- >
- > Your concept of what causes the general price level to rise looks at
- > only a part of the story. It assumes that the supply of a good does
- > not increase when there is an increase in demand for it. Usually when
- > a good sells well, that usually draws other entrepreneurs into the
- > field. The resulting increase in competition might actually reduce
- > the prices set for that good.
- > >
- > >As for computers, that's a special case of where deflation due to
- > >technological innovation outpaces inflation wrt other goods.
- > >Technological innovation is deflationary because technological
- > >innovation makes it possible to produce more with less resources.
- > >High demand drives technological innovation, though what innovations
- > >are actually realized, also depends on what is physically possible in
- > >the universe given the current state of scientific knowledge.
- > >
- > Computers may be a dramatic case of technological innovation, but
- > bread making also gains from new technology. The productivity of
- > bread makers has increased enormously over the years.

Yep.