

Re: OT: Economics and other non-Debian ramblings

Source: <http://linux.derkeiler.com/Mailing-Lists/Debian/2007-03/msg01289.html>

- *From:* Curt Howland <Howland@xxxxxxxx>
 - *Date:* Wed, 7 Mar 2007 09:28:20 -0500
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Joe <joe@xxxxxxxxxxxxxxxx> states:

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The free market does have an enormous disadvantage, which is that it is not self-sustaining. The great benefit of a free market in consumables is that it invokes one of the very few negative feedback systems in human psychology, the so-called 'law of supply and demand'. Negative feedback systems are easy to stabilise.

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But...that's not true.

Negative feed-back systems are the ones that are stable. A high-amplitude change is negatively fed back to the input, reducing the inputs and moderating the amplitude of the output.

Supply and demand is the relationship between how much of a product is available (supply) and how much people are willing to pay for it (demand). As something is used up, its price rises. We will never run out of petroleum, for instance, but there will be a time when its price is high enough that the alternatives will be economically efficient to use. Just like whale oil.

The demand for Faberge' Eggs is such that their price per unit is very high. That is because their supply is so limited. But by having the price rise so very much, demand is moderated.

A store has a sale on a product in order to move more of it. That is because demand increases as the price decreases for the same product. Otherwise, stores would not have sales.

The free-market is exceedingly stable. As the example of the Great Inflation of 1923 shows, it requires a government to destabilize an economy, because government is the only agent which can utilize force to make people do what is economically inefficient. For example, to

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accept fiat currency that that same government is printing more and more of.

Curt-

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September 11th, 2001

The proudest day for gun control and central planning advocates in American history

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