

1 A NEW DEFLATION MODEL

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7 INTRODUCTION

8 Hierarchy is an important management concept. In this research article phenomenon of change
9 In hierarchy size has been linked with the change in the whole-sale price index and this
10 Link end up with a new deflation hypothesis. Section I of this article present assumptions
11 On which the deflation hypothesis is based, section II contain model.

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14 SECTION I(ASSUMPTIONS)

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16 1) Aggregate demand for industrial goods to remain constant.
17 2) Aggregate supply of industrial goods is the function of hierarchy size, ceteris paribus.
18 3) There is continuous positive change in hierarchy size (numbers of managerial and supervisory staff)
19 4) Reduction in wastage and in tear and wear of machines is solely the function of positive change in
20 hierarchy size.
21 5) Initially economy is in equilibrium state.
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24 SECTION II(MODEL)

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26 Starting with the equilibrium economic state. Aggregate demand and aggregate supply of industrial
27 Goods are equal. At this stage there is positive change in hierarchy size in the industrial sector
28 Is brought into. Due to positive change in the size of managerial and supervisory staff
29 .Degree of decentralisation increases as jobs are distributed amongst the increased
30 Number of managerial and supervisory personnels. Due to higher degree of decentralisation
31 And resulted attention wastage in the production processes and the tear and wear in
32 Machinery and equipments to that extent decreases. Decrease in the wastage and tear and wear
33 Of machinery and equipments result into increase in the aggregate physical industrial
34 Output produced. Aggregate demand for industrial goods on other hand remain constant (Assumption
35 No.1). Economy has surplus industrial goods as Aggregate supply does not matches with
36 The aggregate demand level (low). This difference in aggregate demand and supply distort the
37 Equilibrium situation and there is deflationary situation emerges as excess output and less
38 Demand decreases the prices reflected into downward trend in the movement of whole-sale price
39 Index. There is a continuity in the situation of excess output and low demand as
40 By virtue of assumptions no.(1),(2) and (3). This continuity over time is the familiar deflation
41 Situation.