

of supply. What is crucial to the debate is we have to look at economic theory within its own historical context as Trevithick points out. Different macroeconomic theories have arisen due to the dissatisfaction with the dominant paradigm. Keynes General Theory has to be viewed in this context, there may be arguments that he has oversimplified the classical perspective however as it is pointed out by Blaug (1997) the classical texts are misleading because they do not clearly specify the dynamic equilibrating mechanism that is crucial to Say's equality that Kates has identified to be the 'correct' understanding of Say. Although, Say's Law permits partial over-production it is deemed to be miscalculation on behalf of producers rather than consumers, however this argument seems to be undermining the fundamental belief held by classical theory of the free market structure to function perfectly with no need of interference. However, Kates interpretation of the recent global financial crisis is interesting, he states that the initial problem was not downturn in demand but rather bad decision making. He gives the example of banks over lending to consumers who were clearly unable to pay back the loans hence the sub prime crash in America. Also the bounding of mortgages into financial derivatives both crashing as the value of property dived in the US. It is clear that we have to look at events with an open perspective.

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