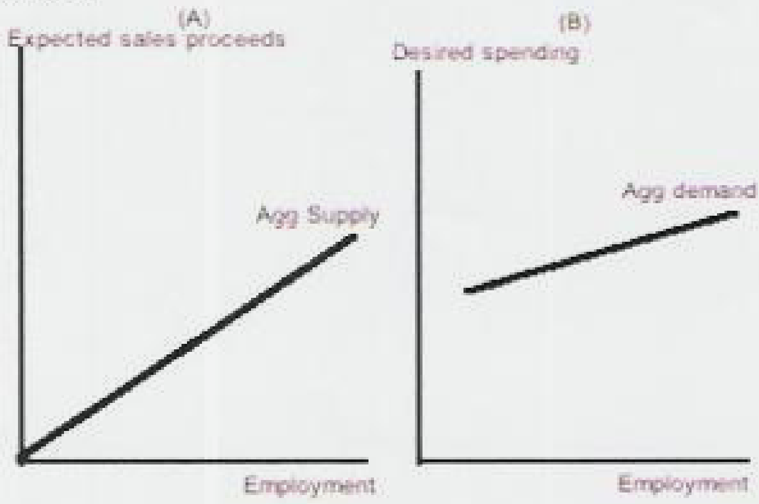
Say's Law and its various interpretations constitute the heart of this ongoing debate of whether over-production (gluts), which invariably presupposes demand deficiency, is the main cause of recession. The validity of say's Law runs to the very core of economic theory just about every mainstream economist before the publication of Keynes 'General Theory' (1936) denied demand failure was the reason for recession due to the overwhelming belief in the law of markets to achieve full employment. Keynes the 'master polemicist' ascribed by his critics irreversibly shifted the argument the other way rather it was precisely demand failure that constituted recession, caused by involuntary unemployment. Although he was following a tradition of marginal thought within the debate from Malthus, and Sismondi it was invariably Keynes that shattered the classical presupposition and classified it null and void. Nevertheless, it is important to step back and take a deeper insight into the argument. The question set forth is clearly formulated from a Keynesian perspective that has only adopted a partial and misrepresented formulation of the Say's Law that is 'Say's Identity' one of the three components identified by Becker and Baumol (1952). By adopting this line of argument according to Kates (1997,2009) Jonsson (1997) Keynes oversimplification has distorted the true meaning of Say's Law that was adopted by the classicists, which enabled him to delete law of market theory from mainstream economic theory. I shall spend the initial part of the paper answering the question from a Keynesian perspective and his understanding of why Say's Law implies that over production is impossible and the second part would be a critique of Keynes presentation and understanding of Say's work.

Keynes 'General Theory' (1936) concentrated on 'effective demand' and attempted to prove that demand deficiency is the primary contributor to involuntary unemployment and hence recession. With the aid of Davidson (1984) we can present the difference between Keynes and Say's work by looking at the Marshallian aggregate supply and aggregate demand function. The aggregate supply function relates to entrepreneurs expected sales proceeds with the level of employment. Hence entrepreneurs will hire for any volume of expected sales receipts. Note figure 1A is drawn as upward sloping, indicating that there is a positive relationship between expected sales and increasing employment. Also noting figure 1B the aggregate demand function is also upward sloping indicating that increasing employment also increases consumption.

Figure 1



Davidson combines the supply and demand functions to one quadrant to provide the equilibrium level of employment. In figure 2A the aggregate supply and demand functions represent the Say's model where the over simplistic dictum of 'supply created its own demand' is clearly highlighted. The functions are overlapping throughout the entire length. Note that at any time the employment level is N1, actual demand would be constrained at point G. If there were a combined effort by all firms to employ more to achieve greater output this will achieve a higher