

class must be countervailed by an equal deficiency in some other class'.⁷ It is important to note that although actual sales are equal to actual purchases ex-post partial gluts may cause an inequality in ex-ante trading plans which is different from actual ex-ante planned or actual trade; this simply means that what I personally think I would get for my product and thus create notional demand based on this assumption. Effective demand and notional demand are two separate assumptions and although by definition effective demand cannot be deficient notional demand can be unequal to effective demand. *'It is in this sense...that Say's theory of vent and coordination is also a theory of effective demand failure'*.⁸

Kates in an article for the Quadrant (2009) provides a detailed account of the Great depression during the 1920's, which continued well into the 1940's and how individual nations adopted different strategies to cope with the unprecedented hardship. He reports that countries such as England and Australia adopted a classical approach where production could not exceed demand, therefore treating the symptom of recession by attempting to raise demand through public spending as Keynes and his predecessors Malthus and Sismondi would propose were refused by these particular countries. Kates provides a quote from the British chancellor at the time Neville Chamberlain who states that, *'At any rate we are free from that fear which besets so many less fortunately placed, the fear that things are going to get worse. We owe our freedom from that fear largely to the fact that we have balanced our budget'*.⁹ In contrast the US were heavily influenced by Keynes and adopted his theory in the 'New Deal'. Kates comments that England and Australia were among the first countries that came out of the recession while the US had a prolonged and painful path out. He also provides data on the unemployment rate within these countries between 1929-1936 and it is consistent with his argument the US has by far the highest unemployment rate in 1938 although they all had similar rates in 1932. We could also include the recent financial crisis to crystallise the different strategies taken by the two dominant political parties in England. The previous prime minister Gordon Brown adopted a Keynesian approach while the dominant approach taken by the coalition is more classical; at this particular point in history we cannot make an inference as it is still too soon to analyse the effects. However, my personal thought would be more inclined towards a Keynesian approach, by cutting public spending and losing 500,000 public sector jobs plus the welfare cuts and other policy initiatives would inevitably mean lowering effective demand and this could reverberate across the whole economy, delaying our way out of recession.

Kates provides important criticisms of Keynes's work due to his misrepresentation of Say's Law, and thus classical theory. However Blaug (1997) provides important critique of Kates work. He points out that Kates *'would have us turn Keynes on its head to argue that what is wrong is not Say's Law in any of its versions but Keynes refutation of Say's Law and Keynes belief that an insufficiency of effective demand can ever be the cause of unemployment'*.¹⁰ Blaug continues and states that in the eagerness to rescue the classical economists from Keynes onslaught Kates totally forgets the historical context in which the classicists and Keynes were writing in. Blaug distinguishes between a Keynesian unemployment and Marxist unemployment. Although the symptoms of unemployment are the same the cure is different due to the differences in their nature. Therefore it follows that unemployment in developing countries of Africa and Asia must be cured by different methods to those developed to cure the unemployment rate in developed nations. According to Blaug, Kates seems to have fallen victim to the same tendency that argues if Ricardo and Mill were correct in the 19th century they will surely be right in the 20th century. *'I contend instead that the classical economists grasped the fact that they were confronted with Marxian, not Keynesian unemployment...but we in the western world are faced with Keynesian unemployment, which is indeed due to insufficient effective demand'*.¹¹

Conclusion: it is evident from the discussion that the classical theory is more complicated than what Keynes had represented in the General Theory. Nevertheless, Keynes overall analyses was revolutionary it shifted the debate centred on effective demand, rather than looking at structures

⁷ P O. Jonsson (1997:208)

⁸ Ibid (209)

⁹ S. Kates (2009: Number 3)

¹⁰ M. Blaug (1997: 234)

¹¹ Ibid (235)