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Reviving Say's law [1]

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In an old piece for the Freeman, Steve Horwitz writes about 'Say's Law' [3], named after the classical French economist Jean-Baptiste Say who coined it. Say's law is commonly ? and, says Steve, wrongly ? thought of as stating that 'supply creates its own demand'. That's a little nonsensical. In fact, what he said was that the source of demand is production: unless you have something to offer on a market, you aren't really 'demanding' anything else:

> Hutt states this as: ?All power to demand is derived from production and supply. . . . The process of supplying?i.e., the production and appropriate pricing of services or assets for replacement or growth?keeps the flow of demands flowing steadily or expanding.? Later, Hutt was to be somewhat more precise with his definition: ?the demand for any commodity is a function of the supply of noncompeting commodities.? The addition of the modifier noncompeting is important. If I sell my services as a computer technician, it is presumed that my resulting demands will be for goods and for services other than those of a computer technician (or something similar). The goods or services competing with those that I sell can always be obtained by applying my labor directly, so I am unlikely to demand them. The demand for my services as a computer technician is a result of the supplying activities of everyone but computer technicians.

Read the whole thing. [3]

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