

Say's Law of Markets Dr. S. Ghosh

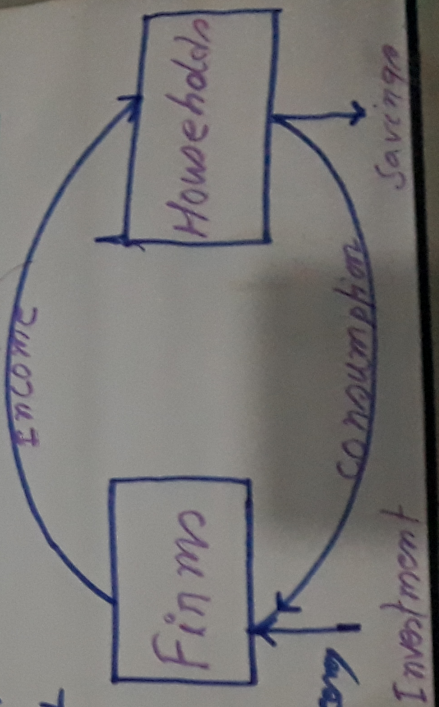
Key assumptions of Classical Economics

1. Say's Law.
 2. Flexible Price & Wage
 3. Saving-Investment Equality.
- French Economist 'Jean Baptiste Say' (1803)
- Supply creates its own demand.
- Supply of goods & services determine demand
 - Supply of goods generates sufficient Income
 - NO possibility of over production and unemployment.
 - unemployment short-run phenomenon
 - automatically adjustment in Long-run by mkt. forces.
 - Expenditure of one is income of others.

Assumptions.

- Free market Economy
- No Govt. intervention
- Economic System automatically adjustment
- Flexible wages, interest and prices
- Money is only a medium of exchange
- optimum allocation of resources
- Sufficient demand in the economy

Operation of Say's Law



Savings = Investment.

Large extent of market

Criticism

- Money
- Subsidize wage
- Govt. intervention is necessary