



Jean Baptiste Say

(* 1767 Lyons – 1832 Paris)

200 years after Say's "Traité d'économie politique" of 1803, and in times of difficult adjustment to rapid global and techno-logical change, it is a good time to recall what the important but often neglected subject of Say's work really was and still is. To sum it up roughly, like a famous subtitle of his teacher Adam Smith: An Inquiry into the Causes and Cures of Unemployment. By analyzing the adjustment problems after the Napoleonic Wars - with high unemployment, high taxes, protection and state intervention in private property - Say also developed the foundations of a constitution of liberty: the legal and institutional framework of the market economy.

But the never ending story of disputes on content and validity of his famous "law of markets" ("Say's Law") - from Sismondi and Malthus to Keynes and Schumpeter e.g. - may even puzzle trained economists, let alone intelligent laymen. Say's Law was restated in the

most popular version by James Mill: "supply creates its own demand". It was this formulation which provoked all those who argued that a lack of demand is the cause of sluggish growth, depression or unemployment, and that government policy of more "effective demand" by higher wages or easy money e.g. is the best cure for growth and employment: "demand side policies" of Keynes and Keynesians, still welcome to labour unions and socialists. Say's work stands for "supply side economics": More investment of capital creates more production and well-paid jobs. But in biblical simplicity you better can recognize Say by his fruits, "supply side policies": Supply creates its own demand only if preconditions are fulfilled. As one could formulate it today, Say asks for a constitution and policy for stable money to prevent distortions of the mechanism of relative prices. He asks for security of private property, free prices, and competition on open markets as sustainable incentives for entrepreneurs to discover better solutions of new and old problems, to signal entrepreneurs correctly what people demand: what to produce, how, where and when. And Say asks for low taxes and balanced budgets to finance the necessary legal and institutional framework of the market economy, always leaving citizens and their children enough of the fruits of their industry. Today we would add: to live a life in freedom and self-responsibility.

Literature:

- Jean Baptiste Say, *A Treatise on Political Economy* (1803), translated from the 4th ed. (1821), new American ed., Philadelphia 1855; reprint 2001 (In Book I, Chapter XV on "Say's Law" of the 2nd and 3rd French edition, there still is Say's forgotten advice that you find the causes and cures of

obstructions in markets and production all over his work.).

- Jean Baptiste Say, *Letters to Thomas Robert Malthus on Political Economy and Stagnation of Commerce* (1820), translated London 1821, also in:
<http://www.socsci.mcmaster.ca/~econ/ugcm/3ll3/say/letter.html>
- Robert Roswell Palmer (Ed.), *An Economist in Troubled Times* (Political Essays e. a.), Princeton University Press 1997.
- Jean Baptiste Say, *Cours complet d'économie politique pratique*, Paris 1828/1829, new ed. 1997 (with the important 26 chapters On the Influence of Institutions on the Economy of Societies in his 2nd Volume, 4th Part).

Websites:

- www.mises.org
- www.econlib.org
- www.friesian.com/sayslaw.htm

Horst Werner