

Comments and Discussions

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The paper tries to make sense out of why the effective demand determines the level of supply, contrary to the usual notion that the supply side determines the level of demand. The objective of the paper is, in other words, to give us a micro foundation for a principle of effective demand by Keynes.

We can acknowledge the paper succeeds in achieving the objective given above, because of the following two reasons. Firstly, by using an overlapping generations framework, the paper can relate the positive intercept of the consumption function to the “fixed” consumption of the old generation, which is the typical feature of the Keynesian consumption function. Second, the paper can obtain the same result as in the models assuming imperfect competition for firms, though it only assumes a perfect competition circumstance.

Thus, only supposing an orthodox and simple framework, the paper can obtain fruitful, meaningful results. The paper is, therefore, worthy of the publication.

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