The Money Illusion

Irving Fisher
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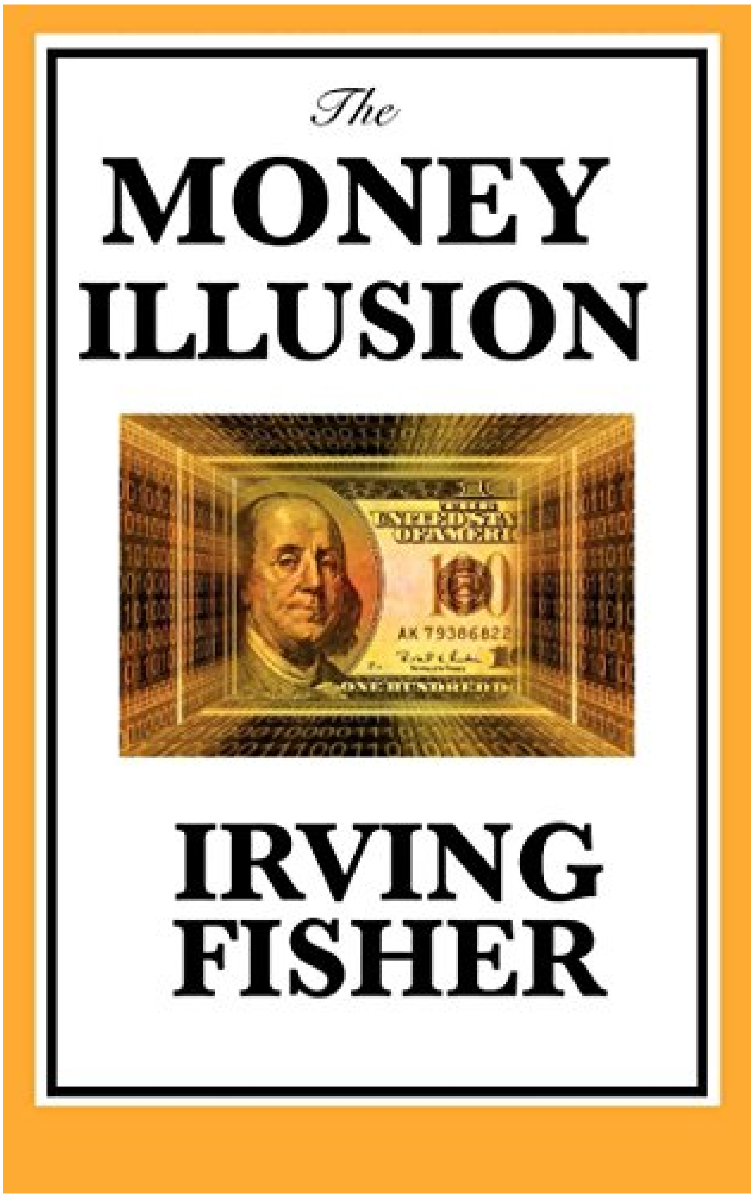

Irving Fisher : The Money Illusion before purchasing it in order to gage whether or not it would be worth my time, and all praised The Money Illusion:

28 of 29 people found the following review helpful. Science goeth before the fallBy Yaakov (James) MosherIf you want a succinct primer on money and inflation look no further. Irving Fisher (1867-1947) packs a load into 245 pages of "The Money Illusion." Especially helpful are the definitions of "absolute" and "relative" inflation. The two are usually found together, Fisher notes. This has lead to the dropping of the terms "absolute" and "relative" in latter-day

discussions of inflation, resulting in much confusion.Fisher is among the fathers of Monetarism and Neoclassical economics. We may add Supply-Side to the Yale University professor's progeny thanks to his vision of money as an inherently international issue. Fisher's articulation of a world economy lead by a Federal Reserve managing credit and inflation/deflation through the study of price indexes and directing nations adhering to a gold exchange standard sounds a good bit like the Supply-Side idea of using commodity indexes including gold as the major gauge of inflation.If there are weaknesses in Fisher's teachings they might be classified under "Fed Worship" and "Scientism." The Federal Reserve creates an inflationary bias in the world's monetary system, Fisher rightly says. Consider this (p. 133): "This power (managing credit), rightly used, makes the Federal Reserve System the greatest public service institution in the world." Now consider the reverse of that. Fisher was forced to do so by the Great Depression that began the year after "The Money Illusion" was published. The Jan. 19, 1928 statement by Treasury Secretary Andrew Mellon, which Fisher includes in an appendix of quotations, should be pondered, especially by current-day folk tempted to view the Fed as a fountain of miracles.Fisher's life and work are examples of how one era's progressives become the conservatives of later ones. The professor's emphasis on dollar stability and his finding that unbalanced government budgets are the leading cause of inflation would get him a chair at any of today's Republican friendly think tanks including the Hoover Institution (named after Fisher's interventionist friend Herbert Hoover). Yet we should remember Fisher was also a prophet of the new world order. During his times the U.S. was taking over world financial leadership from Great Britain. America's Industrial Revolution, began around the time of Fisher's birth, came into full bloom in the Roaring 20s with the start of mass production of automobiles, airplanes, and many other things we take for granted today. Fisher provided a great service by delving the implications of these developments. If I were to assign Fisher's contributions a place in the history of economic thought I would put them high up in the category of "anticipatory conservatism" along side those of his friend Joseph Schumpeter.Yet "The Money Illusion" left me wondering if Fisher didn't fall into the trap well-encapsulated by F.A. Hayek's phrase "the misuse of knowledge." After all, what are prices? Can they be grouped into indexes that are then used to manage credit and make the monetary unit a deferred standard of payments? What is money? What is economics?Suppose the naturalists like Hayek's teacher and colleague Ludwig von Mises are right. Does not building a mountain of "scientific" economics, undertaken sagely by Fisher and others with the best of intentions, set us up to fall further and harder than we otherwise would? Fisher's own life and experience with the Great Depression indicate that this may well be the case yet he admirably kept probing and finding new insights including a debt-deflation analysis very relevant to the Great Recession going on as I write this review."The Money Illusion" was written before Fisher's "fall," making it interesting on many levels. It is also a very approachable book, written in a worldly, tough-minded style. The title is provocative as are the book's contents. All this reminds us that in word and through deed, Irving Fisher was, above all, a great teacher.0 of 0 people found the following review helpful. I like to read articles and book that are related to ...By AlmirFirst of all, this book is a short history lesson. Basically, everything in this book itrsquo;s involved around World War I and time before the war, and short period after the war. Only thing, in my opinion, that could be applied for todayrsquo;s time, is that people still donrsquo;t understand the thing that Irving had written in his book, and that is Inflation and Deflation of the money.I like to read articles and book that are related to History of economics, because therersquo;s a lot that can be learned from past, that can be used in present time and future. Because, many things are happening over and over again, and we if educate our self enough about the past, we can avoid to be one of those who repeat the history.You can read full review of this book on my Blog: imeducatingmyself.com/the-money-illusion-by-irving-fisher-book-review/1 of 1 people found the following review helpful. I just started but it is very interesting. We ...By Kerry LeeI just started but it is very interesting. We take it for granted that inflation eats up the value of a dollar, but less than a hundred years ago, the concept was so clear.

In economics, money illusion refers to the tendency of people to think of currency in nominal, rather than real, terms. In other words, the numerical/face value (nominal value) of money is mistaken for its purchasing power (real value). This is false, as modern fiat currencies have no inherent value and their real value is derived from their ability to be exchanged for goods and used for payment of taxes. The term was coined by John Maynard Keynes in the early twentieth century. Almost every one is subject to the "Money Illusion" in respect to his own country's currency. This seems to him to be stationary while the money of other countries seems to change. It may seem strange but it is true that we see the rise or fall of foreign money better than we see that of our own.-IRVING FISHER