LOVE AND DEATH: THE WEALTH OF
IRVING FISHER

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ABSTRACT

This essay puts forward a new interpretation of Irving Fisher that integrates his scientific work with his moral crusades, and places both in the context of his times. The key to the new interpretation is Fisher's book on The Nature of Capital and Income (1906) where he lays out his vision of the economic process and presents his theory of income, neither one of which ever gained acceptance. The new interpretation challenges the standard view of Fisher's scientific work as an anticipation of the post war neoclassical synthesis.

The light of life only disappears, and its dreary sight then commences, when we have none for whom to live. Then the whole creation is a void. Really to live is to live with, and through others, more than in ourselves. To do so we must do so truly. "Love, and love only, is the loan for love"... 

In so far as to procure good for others, gives a real pleasure to the individual, he is released from that narrow and imperfect sphere of action, to which his mere personal interests would confine him, and the future goods which the sacrifice of present ease or enjoyment may produce, lose the greater part of their uncertainty and worthlessness. Though life may pass from him, he reclaims not that his toils, his cares, his privations, will be lost, if they serve as the means of enjoyment to some whom he may leave behind (Rae 1834, 121-122).

There is no question of Irving Fisher's greatness as an economist. Quite the contrary, the evidence of critical commentary indicates that debate persists only

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THE STANDARD VIEW: THE THEORY OF VALUATION AND PRICES

We now return to our previous discussion on the valuation of assets. In the context of the market economy, a price is an equilibrium point where the supply and demand for an asset are balanced. The price of an asset reflects the current value of its expected future cash flows, discounted at the risk-free rate.

In the context of financial economics, the price of an asset is determined by the interplay of supply and demand. The supply curve represents the willingness of sellers to offer an asset at various prices, while the demand curve reflects the willingness of buyers to purchase an asset at various prices. The market price is determined at the point where the supply and demand curves intersect.

The valuation of an asset can be performed using various methods, including the discounted cash flow (DCF) method, the capital asset pricing model (CAPM), and the dividend discount model (DDM). These methods are based on the principle that the value of an asset is the present value of its future cash flows.

The DCF method is widely used in corporate finance to estimate the value of a company or a project. It involves estimating the future cash flows of the asset and discounting them back to the present at an appropriate discount rate.

The CAPM is a model used to determine the expected return of an asset. It states that the expected return of an asset is equal to the risk-free rate plus a risk premium.

The DDM is a method used to value dividend-paying stocks. It assumes that the value of a stock is the present value of all future dividends.

These methods are used to determine the fair value of an asset and to make informed decisions regarding investment and financing. The valuation of assets is crucial in various fields, including finance, real estate, and corporate decision-making.

In conclusion, the valuation of assets is a critical aspect of financial economics. It involves understanding the interplay of supply and demand, discounting future cash flows, and using various models to determine the fair value of an asset. The accurate valuation of assets is essential for making informed decisions in the financial market.
A SHIFT OF FOCUS: CAPITAL, INCOME, AND TIME

The work is not as cut and dried as it might seem at first glance. It involves understanding the complex dynamics of capital, income, and time. The concept of 'time' as a dimension of economic growth is crucial. It is often overlooked, yet it plays a significant role in determining economic outcomes. The relationship between capital, income, and time is not always straightforward. It is influenced by various factors including technological advancements, societal norms, and economic policies. Understanding these relationships can provide valuable insights into future economic trends. Thus, a shift in focus towards these elements can lead to more informed decisions and strategies.
light, Fisher’s theory of interest can be understood not as a celebration of the optimality of market outcomes but rather as a framework for thinking about how to increase the flow of future services and hence current wealth. Here is Fisher in 1930: “From what has been said it is clear that, in order to estimate the possible variation in the rate of interest, we may, broadly speaking, take account of the following three groups of causes: (1) the thrift, foresight, self-control, and love of offspring which exist in the community; (2) the progress of inventions; (3) the changes in the purchasing power of money” (p. 515). This evidently parallels Rae, with the exception of the third point, but now we can understand something more about that point as well. If aggregate wealth is ever to serve as an operational welfare measure, it is important that the rod we use to measure wealth is itself stable in value. Quite apart from causing business fluctuation, monetary instability makes it hard for us to know whether a measured increase in wealth is actually an increase in aggregate welfare or only an increase in average prices.

This interpretation brings Fisher’s various moral crusades into line with his scientific work. The standard interpretation suggests that Fisher’s crusades were sparked by his tuberculosis, but a case can be made that it was not the tuberculosis but rather what Fisher was reading while he was recovering from the tuberculosis, namely Rae, that sparked the change. From this point of view, it appears that not just his monetary crusades but all of them stem from a scientific basis as Fisher understood it. Barber (1997) has pointed out that Fisher’s crusades were all about maximizing efficiency and eliminating waste, and this seems right so far as it goes, but it doesn’t go far enough. Every one of Fisher’s presumed “moral” crusades can be seen as the action of Rae’s “legislator” looking to increase the national stock.

Thus, to educate people about the “Rules for Healthful Living Based on Modern Science” (the subtitle of How to Live) – there were fifteen rules, ranging from fresh air and good food to regular bowel habits and cultivation of mental serenity – was not only or even mainly about making them better people. For someone who sees human beings as part of the stock of national wealth, as Fisher did, even a few years added to the effective working life of each person amounts to a tremendous increase of current national wealth. Similarly, Fisher’s raving about eugenics, the bit of Fisher guaranteed to make a modern audience most uncomfortable, begins to come into sharper focus. When Fisher insists that “this germ plasm, which we receive and transmit, really belongs, not to us, but to the race... [and] we are under the most solemn obligation to keep it up to the highest level within our power” (1915, 165), he is talking as an economist about the national stock of wealth as he
CONCLUSION

Laws and norms: The World of Conscience
REFERENCES

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