

CURRENT SCHOLARSHIP

Promises All the Way Down: A Primer on the Money View

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It has long been tempting for economists to imagine “the economy” as a giant machine for producing and distributing “value.” Finance, on this view, is just the part of the device that takes the output that is not consumed by end-users (the “savings”) and redirects it back to the productive parts of the machine (as “investment”). Our financial system is an ornate series of mechanisms to collect the value we’ve saved up and invest it into producing yet more value. Financial products of all sorts—including money itself—are just the form that value takes when it is in the transition from savings to investment. What matters is the “real” economy—where the money is the veil, and the things of value are produced and distributed.

What if this were exactly backwards? What if money and finance were understood not as the residuum of past economic activity—as a thing among other things—but rather as the way humans manage ongoing relationships between each other in a world of fundamental uncertainty? These are the sorts of questions asked by the economist Perry Mehrling (and Hyman Minsky before him). These inquiries provided a framework that has allowed him to answer many of the issues that mystify neoclassical economics.

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