Great Economists - Irving fisher

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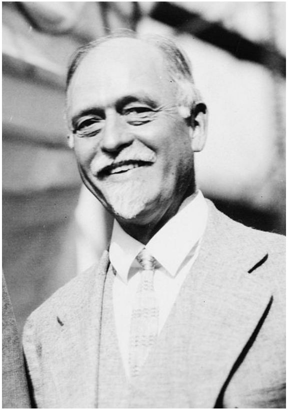
Overview

Biography

- from birth to Yale
- Early Career
- Great Depression
- Great Writer

Academic contribution

- Fisher equation
- debt deflation



Irving Fisher(1867-1947)

from birth to Yale

- Born in 1867 in Saugerties, New York
- graduated first in his class with a B.A degree in 1888
- His thesis, published by Yale in 1892 as Mathematical Investigations in the Theory of Value and Prices, was a rigorous development of the theory of general equilibrium.

Early Career

- Modified utility theory and indifferent curve to high-dimension mathematic.
- The theory of interest
- Monetary economics - $M \times V = P \times T$

Great Depression

- nine days before the crash, He famously predicted that stock prices had "reached what looks like a permanently high plateau."
- On Wednesday, October 23, he announced in a banker's meeting "security values in most instances were not inflated." For months after the Crash, he continued to assure investors that a recovery was just around the corner.
- Fisher was so discredited by his 1929 pronouncements and by the failure of a firm.

Great Writer

Among more than two dozen books, his most important, in addition to Purchasing Power, were Mathematical Investigations in the Theory of Value and Prices (1892), The Nature of Capital and Income (1906), The Making of Index Numbers (1922), The Theory of Interest (1930), and Booms and Depressions (1932).

Fisher Equation

r equals the real interest rate, i equals the nominal interest rate, and equals the inflation rate

$$i = r + \pi \text{ or } (i + i) = (i + r)(1 + \pi)$$

$$i = r + \pi^e$$

Debt Deflation

Fisher's theory begins with an over-extension of credit in the first place, leading to a build up of unsustainable debt in some markets.

The End