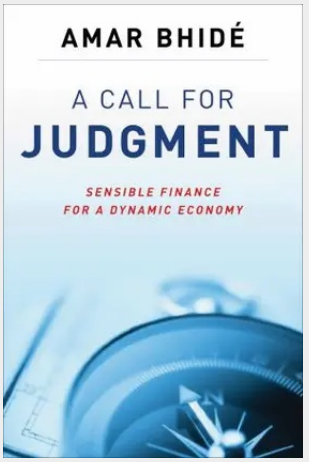
Bhidé

Call for Judgment

Sensible Finance for a Dynamic Economy



Our prosperity requires the enterprise of innumerable individuals and businesses who exercise their imagination and judgment-and bear responsibility for outcomes. And it is through dialogue and relationships that widespread enterprise is fostered, not merely prices in anonymous markets. Yet modern finance blatantly neglects these necessary elements for enterprise, and the dynamism of the real economy is stifled. For the last several decades finance has become increasingly centralized, distanced, and mechanistic. Instead of thousands of lending officers making judgments about borrowers who they know, credit decisions are the output of the models of a few Wall Street wizards and credit agencies whose mistakes have widespread, sometimes disastrous consequences. A Call for Judgment explains in a clear way how bad theories and mis-regulation have caused this dangerous divergence between the real economy and finance. Bhidé accessibly lays out how so-called advances in modern finance helped mass-produce toxic products, based on backward-looking, top-down models that have no place in today's dynamic and decentralized world. Thanks to excessively tight securities laws and loose banking laws, anonymous transactions have displaced relationship-based finance. Returning to relationships and case-by-case judgment requires at a minimum tough rules that limit banks-and all deposit taking institutions-to basic lending and nothing else. Financing the Venturesome Economy is essential reading for anyone interested bringing the economy back to a point at which decisions can be made that foster organic economic growth without the potentially disastrous risks currently accepted by modern finance.

Our prosperity requires the enterprise of innumerable individuals and businesses who exercise their imagination and judgment-and bear responsibility for outcomes. And widespread enterprise is fostered through dialogue and relationships, not merely prices in anonymous markets. Yet modern finance blatantly neglects these necessary elements for enterprise. In the last several decades finance has become increasingly centralized, distanced, and mechanistic. Instead of many lending officers making judgments about borrowers they know, credit decisions are the output of the models of a few Wall Street wizards and credit agencies. This robotic centralized finance stifles the dynamism of the real economy and leads to recurring collapses.A Call for Judgment clearly explains how bad theories and mis-regulation have caused a dangerous divergence between the real economy and finance. In simple language Bhide takes apart the so-called advances in modern finance, showing how backward-looking, top-down models were used to mass-produce toxic products. Thanks to excessively tight securities laws and loose banking laws, anonymous transactions have displaced relationship-based finance. And Bhide offers, tough simple rules for restoring relationships and case-by-case judgment: limit banks--and all deposit taking institutions--to basic lending and nothing else.A Call for Judgment is both a primer on the role of finance in a dynamic modern economy, and a cautionary tale about the pitfalls of banks functioning as highly centralized, mechanistic entities. It is essential reading for anyone interested in bringing the economy back to a point at which decisions can be made that foster organic economic growth without the potentially disastrous risks currently accepted by modern finance."

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