



Journal of Post Keynesian Economics >

Volume 9, 1986 - [Issue 1](#)

48	81	6
Views	CrossRef citations to date	Altmetric

Original Articles

# Finance, Funding, Saving, and Investment

Paul Davidson

Pages 101-110 | Published online: 04 Nov 2015

🗨 Cite this article <https://doi.org/10.1080/01603477.1986.11489603>

Sample our  
Politics & International  
Relations Journals



>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

References

🗨 Citations

Metrics

Reprints & Permissions

Read this article

Share

## Finance, funding, saving, and investment

One of the most difficult aspects of monetary theory is to distinguish between the necessary (short-term) financing of an investment project while it is being constructed and the (long-term) funding of an investment project after it is completed. In a monetary economy, real investments flows are not usually undertaken until short-term bank financing arrangements have been made. Once undertaken, the real savings comes into existence *pari passu* with the real investment flow. Once built, the investment goods exist whether the long-term funding process is successful or not.

Since a clear distinction is rarely made between the short-term bank financing and the long-term security market funding concepts, confusion regarding the roles of saving, investment, and the banking system in a monetary production economy is rife in the literature.

In an earlier book (Davidson, 1982), I attempted, apparently unsuccessfully, to draw the distinction between short-term construction fund finance and long-term investment fund finance. I am grateful that Professor Asimakopulos's latest analytical interchange with Professor Kregel in this issue of *JPKE* gives me the opportunity to clarify my view of the role of the banking system whose function it is to create additional short-term finance whenever entrepreneurs wish to increase the flow of real investment. This bank-created (non-resource using) finance must be distinguished from the role of long-term financial markets which require the public to give up an amount of liquidity equal to real savings (i.e., unexercised income claims on resources) in the process of funding the investment.

The author is Professor of Economics at Rutgers University.

➤ Access through your institution

## Log in to Taylor & Francis Online

➤ Log in

## Restore content access

➤ Restore content access for purchases made as guest

### Purchase options \*

Save for later

#### PDF download + Online access

- 48 hours access to article PDF & online version
- Article PDF can be downloaded
- Article PDF can be printed

EUR 48.00

🛒 Add to  
cart

#### Issue Purchase

- 30 days online access to complete issue
- Article PDFs can be downloaded
- Article PDFs can be printed

EUR 259.00

🛒 Add to  
cart

\* Local tax will be added as applicable

### Related Research

People also read

Recommended articles

Cited by  
81

## Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

## Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

## Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

## Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

## Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2025 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)

 Taylor and Francis Group

Registered in England & Wales No. 01072954  
5 Howick Place | London | SW1P 1WG