STYLIZED LESSONS FROM THE EIGHTIES

Hyman P. Minsky
Economics Department,
Washington University,
St. Louis Mo.

"...SHADY LADIES FROM THE EIGHTIES WHO ARE INDISCRETE", lyrics of 42'nd street

The late Lord Kaldor always referred to Stylized Facts: aspects of the economy that abstract from the muddy details and which are the big things that economic theory either has to take as a premise or demonstrate. Not everyone would agree upon the significant stylized facts and the way they were stated: this ambiguity pleased Nicky, he could adjust the substance of the stylized facts to advance whatever particular horse he was riding at any time. Nevertheless we know that theory is constructed by asking "What premises do I need in order to derive a specified conclusion?" I believe Adlai Stevenson quipped that "These are the conclusions from which I draw my premises" but in truth in science the observations determine the task of theory.
The eighties are but a part of the post world war II experience. Two theorems can sum up the post war period:

One I call

the Anti Laissez Faire theorem

the

other is

the transitory nature of success theorem.

Anti Laissez Faire theorem Apt policy is necessary for success in stability terms. Question of what is apt and is apt invariant through time Minsky Central Banking and Money Market Changes. apt changes.

Policy regimes. Aptness of a policy regime if system behavior conforms to some pre determined standard. The aptness of a policy regime is attenuated as units learn the cost of the policy regime to them and act to minimize these costs. The adjustment of agents behavior that results makes the inherited policy regime inept.

The most important fact about the era since world war II is that a big depression has not happened. The 1980’s characterized by contained crises and rolling adjustments.

When push came to shove in the S&L crisis the treasury picking up the losses rather than the federal reserve refinancing became the resolving technic. It is important to keep the debt of the government "valuable" which means
that the tax revenues would allow for the debt to be reduced when the economy is functioning normally.

The validity of the endogenous instability view: the interpretation of the present status of economic theory as accepting that the existence of a competitive equilibrium that is Pareto optimal has been demonstrated but the neoclassical set up does not lead to the demonstration of the uniqueness of the competitive equilibrium nor its stability.

The perennial question of economics is whether m-c or c-m-c leads to a more productive use of the propensity to theorize.