money manager capitalism

March 22, 1990

STYLIZED LESSONS FROM THE EIGHTIES

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"....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 paricular 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 form which I draw my premises" but in truth in science ~~the~~ observations determine ~~the task of~~ what theory has to demonstrate. Given the logical criterion of acceptable premises: premises where logical criterion are rather than the mere claim that of [illegible] observed that are the conclusions that [illegible]

Simply I want to demonstrate that I will use stylized lessons for the eighties in a way that [illegible] for the [illegible] I intend to [illegible] proofs to [illegible] very [illegible] needed [illegible]

Lender of last resort

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 theorm.

Anti Laissez Faire theorm Apt policy is necesary forsuccess in stability termes. Question of what is apt and is apt invarient 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 inhereted policy regimme inept.

The most important fact about the era since world war II is that a big depression has not happoned. 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 reventues 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 competetiver equilibrium that is Pareto optimal has been demonstrated but the neoclassical set up does not lead to the demonstration of the uniqueness of the competetive equilibrium nor its stability.

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