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CREDIT AND FINANCE IN THE EMERGING GREAT EUROPE

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I began to think about what I would say at this meeting in mid October: The long lead time is not a sure sign of my dilligence, it is just that I was about to enter a busy period and it was necessary for me to get some thoughts in order. At that time I wrote "The most important economic development since 1946 is something that has not happoned: there has not been a long and serious depression. As I

wrote that I paused and asked myself whether, in the light of ongoing developments in the United States and Japan, this assertion true in mid October may be false by late November. I wondered if in six weeks the capitalist economies may well be in the early stages of a depression and the statesmen and economists may be looking at what to do to first contain the decline and then reverse it.

The period 1946-1990 is unique in the annals of modern Capitalism. If we take the history of the American Republic as our guide, these 45 years without a great depression are unprecedented. Prior to World War II serious depressions were regular occurrences: Hard times were taken for granted.

The underlying significant reason for the difference in the behavior of the capitalist world in the two epochs is that the capitalism of the post world war 2 epoch was different from the capitalism of the prior century and a half. The post world war 2 capitalism was a big government capitalism with central banks that were essentially unconstrained when it came to being lenders of last resort. The capitalism that broke down over 1929-1933 was a small government capitalism in which the central banks were in varying degrees constrained by rules derived from the gold standard.