

## Wicksellians, Misesians, and Minskyites

*It is perhaps well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.*

—attributed to Henry Ford

STUDENTS OF ECONOMIC HISTORY were surely pleased to hear the highlights of an interview with Nobel laureate Paul Samuelson in June 2009, shortly before his passing. Samuelson was arguably the most influential economist of the latter half of the twentieth century. He was one of the architects of mainstream research methods as the author of introductory textbooks for both undergraduates and graduates. When it comes to physics envy, he led the pack, insisting on a “scientific” approach. He relied almost exclusively on abstract theory and math, not on history, which he deliberately pushed aside.

Yet, when asked what he would say to someone beginning study in economics, he replied,

This is probably a change from what I would have said when I was younger: have a very healthy respect for the study of economic history, because that’s the raw material out of which any of your conjectures or testings will come. And I think the recent period has illustrated that.

He seemed to be subtly confessing the failings of mainstream theory. Critics point out that theory and history give two completely different pictures, and Samuelson's concession to those critics was encouraging.

For a taste of what he might have said when he was younger, we'll wind the clock back to 1989. In October of that year, he participated in a roundtable discussion on the macroeconomic consequences of financial crises. Hyman Minsky, known for a theory called the *financial instability hypothesis*, also joined the roundtable. . . .