

Neither Political Nor Technical: Hyman Minsky’s Failed Attempts to Propose Regulation of the Postwar Money Market

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INTRODUCTION

How do economists influence policy? Over the past decade and a half, this question has drawn sustained attention from sociologists. Their responses have garnered attention beyond the discipline and even beyond the academy, with Elizabeth Popp Berman’s *Thinking Like an Economist* (2022) the rare sociological monograph to be reviewed in the *New Yorker* (Kahloon 2022).

Sociological research on “the success and failure of particular economic interventions” (Hirschman and Berman 2014, 780) has tended to follow one of two approaches. The first, more traditional one is rooted in the sociology of politics (Hall 1989; Mudge 2018). It focuses on the emergence of new paradigms such as Keynesianism or monetarism in economics, and their adoption (or not) in politics. Such paradigms are widely understood to be political as opposed to technical. The second approach, rooted in the sociology of knowledge, focuses on policy devices and styles of economic reasoning such as standards for cost-benefit analysis or the collection of data on labor productivity (Berman 2022; Eyal and Buchholz 2010; Hirschman 2021). These devices and styles influence policy-making even though—or, particularly because—those who use them may not be aware of their political implications.

While these two approaches were initially intended to co-exist (Eyal and Levy 2013, 220), demarcating them from each other has proven difficult, and recent research has called for combining them (Chouhy 2021; Engelen, Mosciaro, and Kaika 2023; Mudge 2020). Attempts along these lines, however, have not yet achieved a mutually acceptable solution. This paper excavates an essential tension between the two approaches with which a synthesis needs to grapple. While sociologists of politics assume that political fields are separate from technical fields, even if they are linked, sociologists of knowledge hold that every econometric model, theoretical framework, legal provision, and regulatory form is a political-technical hybrid.

This paper takes the position that all interventions are political-technical hybrids, but that social actors may consider certain fields exclusively political or technical in nature, so that the success or failure of an intervention depends critically on the ability of social actors to frame interventions as either political or technical. To operationalize this insight, I draw on Thomas Gieryn's (1983) concept of boundary work. Economists' interventions in politics need "to achieve an *apparent* differentiation of goals, methods, capabilities and substantive expertise" (Gieryn 1983, 783, emphasis added) between what is considered political and what is considered technical.

The approach developed in this paper helps to explain a case that poses a challenge to extant approaches: the attempts by economist Hyman Minsky to influence politics. It is not clear which of the two extant approaches—rooted in political sociology or the sociology of knowledge—would apply to Minsky, as scholars debate whether the interventions he attempted to make were political or technical in character. Some see him as an "activist" (Mehrling 2023, 12) or "a crusader" (Kaufman 1992, viii) who sought to introduce a new political framework distinct from Keynesianism and monetarism (Block 2016; Konings and Adkins 2022). Others see him as a technician, if an extraordinarily gifted one (McCulley 2009; Schularick and Taylor 2012, 1058;

Yellen 2009). The strongest position in the latter camp actively pushes back against the former camps' attempts to read politics into Minsky's work (Goodhart 2012).

Scholars even disagree over whether Minsky had influence on politics or not. It has long been customary to claim that he had been “both out of synch and eerily prescient” (Brine and Poovey 2017, 358). As Mihm put it, “although the economic stagnation of the 1970s was a blow to mainstream neo-Keynesian economics, it did not send policymakers scurrying to Minsky” (Mihm 2009). Yet one of Minsky's most highly cited publications—and the one cited by Kindleberger when he brought Minsky to the attention of a broader audience (Kindleberger 1978, 227)—was a study written for and published by the Federal Reserve (Minsky 1972). Onur Özgöde (2022, 2055) has recently demonstrated that the Fed's top officials, when planning for the management of financial crises in the early 1970s, drew on a summary of Minsky's work.

Making use of Minsky's correspondence archived at Bard College, this paper seeks to resolve the tensions by inspecting Minsky's boundary work. Minsky's ideas were, like all ideas, both technical (in their emphasis on the money market and its impact on credit allocation and financial fragility) and political (aiming at a more just and robust economy). Minsky did not influence economic policy in the way he intended importantly because (i) when he spoke in a forum that understood itself as technical, he did not sufficiently hide the political aspects of his proposals, and (ii) in a forum that understood itself as political, he did not tie the technicalities of his proposals to a legible political program. As a result, the Fed did not collect comprehensive data on the money market nor did it regulate money-market innovation, instead creating ad hoc knowledge about and intervening to stabilize the money market in crises. Minsky's attempts to move Congress to regulate the money market failed, too. Without data from the Fed, Minsky's research program, initially part of the economics mainstream, became sidelined in the discipline

and gained less academic traction than it could have. All in all, Minsky's unsuccessful boundary work contributed to holding back knowledge about the money market, and helped to derail his efforts to arrest the trend toward an unjust and fragile financial system and economy.

THE SOCIOLOGY OF ECONOMISTS' POLITICAL ACTIONS

Of the two approaches that dominate sociological research on the impact of economic ideas on politics, the more traditional one is rooted in political sociology. Studying the impact of frameworks for economic policy-making, this literature in its strongest form writes the political-economic history of the past 100 years as the rise and fall of Keynesianism (Bernstein 2001; Hall 1989; Mudge 2018) and its replacement by neoliberal thought (Mirowski and Plehwe 2009; Oreskes and Conway 2023; Slobodian 2018). This line of research has made great progress in tracing the specific channels through which paradigms succeed and fail politically; Mudge (2018), for example, has shown how center-left parties since ca. 1980 no longer put up a principled fight against neoliberalism as they replaced their Keynesian economic advisors with proponents of a market-friendly third way.

More recently, an approach growing out of the sociology of knowledge has focused on the “network of material devices, accounting tools, institutional arrangements, and economic formulas” (Eyal and Buchholz 2010, 130) through which modern economic governance operates. In contrast to “overarching economic frameworks that have always been explicitly aligned with particular political stances,” these policy devices and styles of reasoning “claim political neutrality” (Berman 2022, 222). Yet they “contain values of [their] own” (Berman 2022, 4) that perform “subterranean work” (Thiemann 2022, 646). Studying economic policy since the 1960s, this approach highlights changes such as the spread of the Planning–Programming–Budgeting

System across executive agencies, which naturalized efficiency as the key criterion for evaluating policies while rendering other criteria such as justice and community engagement almost invisible (Berman 2022).

The scholars proposing the new approach conceived of it not as a replacement of but supplement to the traditional approach (Eyal and Buchholz 2010, 117; Eyal and Levy 2013, 220; Mudge 2018, 19, 222). Gil Eyal and Moran Levy suggested to “broaden[] the analytical lens,” using the construction “not only ... but also” three times in a row as they provided examples for how traditional research questions could be complemented by new ones (2013, 229).

Yet that coexistence has proven uneasy. For example, Elizabeth Popp Berman proposed that macroeconomic policy be studied using the traditional approach, and microeconomic policy, the new approach (2022, 19, 31). Recent research, however, has shown that microeconomic policies can become aligned with explicit political positions (Schiller 2019), that macroeconomic policy depends not only on the choice of a framework but also crucially on choices—often considered technical—of coefficients within that framework (Heimberger, Huber, and Kapeller 2020, 337), and that a prominent group of Democratic economists in the 1930s and 1940s insisted on rejecting the division between macro- and microeconomic policy, seeking to steer overall production and employment by intervening in specific industries (Sonti 2020).

These tensions have given rise to calls for synthesizing the two approaches (Chouhy 2021, 142; Engelen, Mosciaro, and Kaika 2023, 23; Mudge 2020, 361). “If we are to acquire a clear historical and comparative understanding of contemporary politics and expertise,” Mudge writes, keeping the two approaches side by side “cannot suffice” (2020, 362). Yet attempts at synthesis have so far fallen apart into their constituent parts when confronted with specific cases. A study of school evaluations in Chile found that, after an economics-inspired reform, political struggles

continue but only within “a more fundamental consensus” created by the imposition of an economic style (Chouhy 2021, 153). In contrast, a study in the Netherlands found that, after a similar reform, healthcare was “reconquered by [political actors on] the theoretical models developed by [...] economists” (Engelen, Mosciaro, and Kaika 2023, 4). These attempts thus do not so much resolve the tension between politics and knowledge as layer them.

I argue that, while both literatures appear to have moved closer together, their stances on the relationship between politics and knowledge remain, despite all qualifications, fundamentally different. When scholarship rooted in political sociology speaks of “politics and expertise [as] interdependent and mutually threatening,” the underlying conception is of two fields that “operate according to fundamentally different logics” (Mudge 2020, 357, 359). Even the most venturesome position—“there is no such thing as knowledge claims that do not *express* institutional situations, economic interests, and political alignments” (Mudge 2020, 376, emphasis added)—still retains the idea that the political is separable from the epistemic. Scholarship rooted in the sociology of knowledge, in contrast, holds that everything is “both technical and political” (Hirschman and Berman 2014, 798; see also Eyal and Levy 2013, 228). The underlying conception is of hybridity all the way down (Eyal and Buchholz 2010, 133).

To study the kind of cases for which neither approach on its own nor a layering suffices, this paper proposes the following synthesis: politics and expertise are hybrid all the way down but the specifics of hybrids are shaped by social actors’ perception of a division between politics and expertise. When sociologists of knowledge “completely reject[ed]” the image of economists’ policy interventions as “a daring plunge from one (tranquil, academic) world into another (agonistic, political)” (Eyal and Buchholz 2010, 132), they overlooked that these are among the terms in which many social actors conceive of the world. As recently as 1980, Langdon Winner

noted that, in public discourse, “there is no idea more provocative than the notion that technical things have political qualities” (1980, 121). While every policy intervention by economists *is* “value-laden” (Eyal and Buchholz 2010, 117), the economists and/or their audiences may not accept that premise.

Yet it is no solution to assume, with political sociologists, the existence of separate worlds, each with its inner logic, because that approach lacks the flexibility to explain why social actors can, sometimes easily, recode frameworks or devices as technical or political. Philipp Heimberger and colleagues have demonstrated how easily, within a macro-economic policy framework, “seemingly technical assumptions become objects of political demand” (2020, 337; see also Thiemann 2022, 637).

To operationalize this approach, I draw on Gieryn’s (1983) concept of boundary work. While political sociologists treat the boundary between politics and expertise as an “*analytic* problem,” and sociologists of knowledge treat it as a “*pseudo*-problem,” the approach proposed in this paper studies it as a “*practical* problem” (Gieryn 1983, 781, second emphasis added). Economists and policymakers are engaged in a “continuing processes of boundary-work designed to achieve an *apparent* differentiation of goals, methods, capabilities and substantive expertise” (Gieryn 1983, 783, emphasis added).

This approach differs from the extant approaches along three main dimensions. First, it introduces the importance of “rhetorical style” (Gieryn 1983, 782) when social actors try to insert economic ideas into spaces that are considered technical or political. No economic-policy framework is purely political, nor is any policy device purely technical, and audiences may point out the incongruencies. The advocates of a framework or device may be aware of this hybrid character (Heimberger, Huber, and Kapeller 2020, 356) and decide to either embrace it in their

presentations to audiences, or to present it in exclusively political or technical terms. Recent sociological research on political communication has established the importance of fit between the framing of a message and the setting in which it is uttered (Lichterman 2020; Olick 2016; Polletta 2006, 141–65).

A statement considered to be political can be rejected as polluting from a space considered to be technical, and vice versa. This does not mean, for example, that participants in a space perceived to be technical have no political positions, only that they may hide them from audiences who would object. In a change to accounting rules analyzed by Karthik Ramanna, regulators hid that they were “taking sides in an ideological debate” by making statements that aimed to create a “public perception of regulatory neutrality” (2022, 91).

Conversely, a statement considered to be technical can be rejected from a space considered to be political as *merely* technical, drawing accusations of whataboutism, of distracting debate from the politically important issues. Seeking to intervene in the public debate about lab leaks, Ruthanne Huising and Susan Silbey (2021) anticipated this type of criticism by embedding their argument for the primacy of “banal—but essential—biosafety processes” in a discussion of the highly politicized debate about the labs in Wuhan.

Second, while extant literature (Eyal and Buchholz 2010, 120–21; Hirschman and Berman 2014, 800; Thiemann 2022, 635) explicitly or implicitly treats economic ideas impacting politics as boundary objects (Star and Griesemer 1989), my approach allows for what I call interior objects. A boundary object coordinates the actions of several participants so that they reinforce each other even if not all goals are shared by all actors (Star and Griesemer 1989). In this way, “interactions between the cutting edge of the academic discipline and the on-the-ground work done in bureaucratic agencies can result in the stabilization of a policy device” (Hirschman and Berman

2014, 800). But if an economic intervention passes into the policy space without the transfer being acknowledged because of fear of pollution, the idea will be an interior object in both politics and the academy, without the potential for the two interior objects to support each other.

Related to the concept of a boundary object is that of a network (Eyal and Buchholz 2010, 129). According to Daniel Hirschman and Elizabeth Popp Berman, “devices require the enrolment of many different actors [...] if they are to gain significance” (2014, 797). In this conception, becoming part of an economic–political network is like signing up to a gym: whether joining by one’s own volition or being pushed by others, one knows that one is a member. The new approach also allows for a different form of network: one that resembles a bot network, in which some computers are not aware of the goals for which they are being used.¹

Third, whether boundary work results in a boundary object or an interior object has consequences for research and policy. In the academy, while a boundary object helps to push forward a research agenda, an interior object does not necessarily do so. A repeated, almost universal, finding of the conventional literatures is that the success of an economic intervention benefits the economists behind it through the creation of data by the state that can be used to push an academic research agenda (Thiemann 2022, 647). Often, the government is the only actor that has the resources and legal authority for the “huge effort” (Eyal and Levy 2013, 238) of collecting certain kinds of economic data (Acosta and Pinzón-Fuchs 2019; Hirschman 2021, 745). If the economists pushing a related research agenda make that data “available and usable to the broader [academic] community,” they enable future research in that vein (Hirschman 2021, 745). Conversely, without such data, there is a risk that an academic research “program stall[s],” as

¹ This is a more extreme version of the phenomenon described by Bockman and Eyal: in a transnational network of economists during the Cold War, the forgetting of the East Europeans’ contributions was “a systematic feature of the way the actor-network was constructed” (2002, 316n2).

“making observations outside a knowledge infrastructure is difficult and dismissing those observations is more easily accomplished” (Hirschman 2021, 779, 775; see also Thiemann 2022, 636–37).

For regulators, an interior object can help with understanding and governing a market but only to an extent. The use of economic ideas in government “depends greatly on [...] the kinds of data available” (Reay 2012, 47). Without making the adoption of an idea known, a regulatory agency cannot justify expensive and intrusive data collection from companies, nor can it collaborate with academic economists. Without data, some governance moves may be possible while others are not.

In spaces that depend strongly on mobilization such as political parties and unions, the influence of an interior object will be even more attenuated. New economic ideas need to be tied to a constituency, as happened when the top 1% of the income distribution became a boundary object shared by Thomas Piketty and Occupy Wall Street (Hirschman 2021, 773–74). Compared to regulatory agencies, parties and social movements possess much less of an enduring structure that can engage in ongoing projects hidden from the public. They are thus more dependent on data that keeps economic ideas constantly in the foreground. The quarterly publication of GDP numbers, for example, reinforces the role of economic growth as a central category in public discourse. Without such “sustained attention rather than isolated observations” (Hirschman 2021, 777), an economic idea may quickly drop out of fields that understand themselves as political.

BACKGROUND: THE POSTWAR MONEY MARKET

((This section will be added in future versions of the paper. For the time being, I am taking advantage of the possibility to choose supplementary readings in this workshop, and refer the reader to the excerpt from Morgan Ricks' *The Money Problem* [2016, 2–12, 29–42].))

MINSKY'S RESEARCH BEFORE THE MID-1960s

Hyman Minsky's first two academic articles, published in 1957, sought to alert economists to the growth of the money market and argued that it impacted financial stability and economic growth. The first article, in the *Quarterly Journal of Economics*, noted that “in the recent past [...], at least two changes in the American money market have occurred: the development and growth of the federal funds market [and of the market for] sale and repurchase agreements [repos]” (1957a, 172, 176). Banks that replaced their central bank reserves with federal-funds transactions with other banks, and firms that replaced their deposits in banks with repos with brokerage houses, engaged in “pyramiding of liquid assets” (Minsky 1957a, 184) that made the financial system more fragile. “If [...] monetary policy is used to restrain inflation, [...] these compounded changes will result in an inherently unstable money market so that a slight reversal of prosperity can trigger a financial crisis” (Minsky 1957a, 184).

The second article, published in the *American Economic Review*, extended an accelerator-multiplier model, then the workhorse of Keynesian macroeconomics, by allowing for the development and growth of money markets. While earlier models had “paid little, if any, attention to the monetary prerequisites and effects of the assumed processes,” Minsky's model allowed “money-market conditions [...] to affect [...] investment” (Minsky 1957b, 859). To avoid “a rapid price inflation” or “a downturn of income,” Minsky concluded that it was not enough for the central

bank to set the interest rate but “to choose a monetary system,” i.e., to regulate the money market (Minsky 1957b, 882).

Between the two articles, Minsky used four elements. (i) He reported institutional details about the money markets of the mid-1950s, mainly drawn from fieldwork on Wall Street. He had been a fellow of the Joint Committee on Education of the American Securities Business (Minsky 1957a, 171n1), and financial firms such as the leading brokerage house for federal funds, Garvin, Bantel and Company, had opened their doors to him (Minsky 1957a, 173n3). (ii) To calculate the size of the money market, Minsky drew on statistics collected and published by the Federal Reserve. (iii) He calculated the outcomes of accelerator-multiplier models for various specifications and coefficients. (iv) He formulated implications for central bank policy.

Over the next decade, Minsky would continue research along these lines. He would conduct additional fieldwork, first by setting up a seminar with Bank of America executives while teaching at Berkeley, and later by becoming associated with Mark Twain Banks after taking up a professorship at Washington University in St. Louis (Papadimitriou and Wray 1998, 200). He would present more data on the size of money markets, mainly as published by the Federal Reserve. He would make his accelerator-multiplier models more complicated, developing a theory of finance-induced recessions. He would continue to formulate policy recommendations.

But Minsky’s scholarship was missing a fifth element, an ingredient that a serious macroeconomic research program in the 1950s and 1960s required: empirical testing of the model. Only in one paper (a study for the Commission on Money and Credit [CMC]) did he try to bring data and model together (Minsky 1964a). But these were only “some modest empirical investigations” (272), which could not serve “as formal tests of [...] the theory [...] presented here” (272).

The data collected by the Fed were simply too limited to allow for empirical testing of Minsky's theory (Minsky 1964a, 352–353, 359). Some of the categories that organized the data were so bad a fit for Minsky's concepts that he put their names in scare quotes (361). He often had to make “heroic assumptions” (364) or simply to “guess” (361). Given these data problems, Minsky would later call his CMC study “unsophisticated.”²

Minsky was constantly on the search for data, asking a Goldman Sachs banker after a meeting to provide him with market data and writing to financial journalists who had published unusual data if they might provide him with a time series going further back.³ The best data source, however, really the only viable one, would be the government *if it began to collect the kind of data that Minsky needed*. In contrast to Piketty, who would decades later make the 1% visible by drawing on data that tax authorities produced even though economists hardly used them (Hirschman 2021, 771), the data that Minsky needed did not exist anywhere inside the government. Minsky had to convince the Federal Reserve to collect such data from various money-market participants—principally from banks—before he could use them.

MINSKY'S ATTEMPTS TO INFLUENCE THE FED

Cooperation, 1965–1969

During the second half of the 1960s, Minsky invented a new policy device (Eyal and Buchholz 2010; Hirschman and Berman 2014) through which the Fed would be able to collect comprehensive data on the money market: the cash-flow oriented bank examination form. In a

² Minsky to Daniel H. Brill, Dec. 24, 1968, letter no. 228, Correspondence File, Hyman Minsky Papers, Levy Economics Institute, Bard College (henceforth, #228). (When multiple letters were stapled together by Minsky, they are catalogued under the same number.)

³ Minsky to Gary M. Wenglowksi, May 1, 1980, #2394; Minsky to Seymour Zucker, May 29, 1975, #1857.

practice unusual for an academic economist, he went so far as to design the forms that regulators might use to collect data from banks about their money-market activities (see fig. 1). Forms can have profound consequences for regulatory practice and the regulated markets, as Daniel Carpenter (2010, 157–160) has shown for the regulation of pharmaceuticals. Minsky made considerable progress toward having his forms adopted by the Fed.

VII. Position-Making

	Initial	Cash flows		Terminal	Cash flows		Terminal
	balance B_0	+	C -	balance B_1	+	P -	balance B_1
A. Treasury bills	—	—	X	—	X	X	—
New acquisitions	X	X	—	X	X	X	—
Position-making activity	X	X	X	X	—	—	X
B. Other Government securities (< 2 years)	—	—	X	—	X	X	—
New acquisitions	X	X	—	X	X	X	X
Shifts from > 2 years	X	X	—	X	X	X	X
Position-making activity	X	X	X	X	—	—	X
C. Federal funds	+—	—	—	0	X	X	—
Sales commitments ()	-X	X	—	X	X	X	X
Purchases commitments ()	X	—	X	X	X	X	X
Normal activity position	X	X	X	—	X	X	X
Position-making activity	X	X	X	X	—	—	X
D. Loans to Government bond dealers	—	—	X	—	X	X	—
Commitments ()	X	X	—	X	X	X	X
Managerial decision	X	X	—	X	X	X	X
Position-making activity	X	X	X	X	—	—	X
E. Correspondent balances ¹							
F. Eurodollars ²							
G. Negotiable wholesale CDs							
Normal placements	X	—	X	—	X	X	—
Position-making activity	X	X	X	X	—	X	X
H. Discounting	—	X	—	0	X	X	X
Position-making activity	X	X	X	X	—	X	—
I. Other position-making activities (details)							
	Σ	$\Sigma+C$	$\Sigma C-$	Σ	$\Sigma+P$	$\Sigma P-$	Σ

Fig. 1. One of the forms for a cash flow-oriented bank examination drawn up by Minsky for the Fed in 1967, as published in Minsky (1975c, 178). The footnotes indicate that more research needs to be conducted before these rows can be added to the form.

The second half of the 1960s was a period of soul-searching for the Fed. In 1955, Fed chairman William McChesney Martin had projected the image of a tough inflation-fighter, giving a famous speech that described the Federal Reserve as a “chaperone who has ordered the punch bowl removed just when the party was really warming up.”⁴ With inflation rising, critics claimed that the Fed was no longer doing its job as chaperone (Acosta and Cherrier 2021).

In mid-1965, the Fed set up a working group to study central-bank operations and how they might be improved. To work on more than 20 research projects for the study, the Fed retained academic economists, including Minsky. He wrote a paper called “Financial Instability Revisited: The Economics of Disaster” that was made available to the Fed in the late 1960s and to the public in 1972.

This meant that Minsky had an inside track when the first financial crisis since the Great Depression happened in 1966. Minsky had been talking since 1957 about crises being systematically produced by the growth of the money market and warning the Fed to take heed. Now he set to work, not only distributing his article on the 1966 crisis to several Fed officials but also getting the Fed to develop together with him a policy device that would provide the central bank with frequently collected data on transactions in the money market.

What made this particularly difficult (Hirschman 2021, 747) was that Minsky’s theory implied that the categories of such data collection would need to be updated continuously because money-market participants tended to innovate around rules. Minsky held that “the precise nature and the monetary significance of next year’s institutional changes cannot be known”⁵ and that hence “money broadly defined is an ever evolving concept” (Minsky 1974, 268). Already in his

⁴ William McChesney Martin, “Address before the New York Group of the Investment Bankers Association of America.” October 19, 1955, <https://fraser.stlouisfed.org/title/448/item/7800>, accessed on April 11, 2023.

⁵ Minsky to Wright Patman, Oct. 16, 1968, #222.

first article, he had written: “On a priori grounds neither the operators in the money market nor the central bank authorities know the limitations of new institutions and paper” (Minsky 1957a, 185). A useful policy device could hence not set and forget categories but needed to update its categories constantly.

In October 1966, Minsky wrote a memo on cash flow-based bank examination.⁶ It had a double use: help regulators manage the financial system and help Minsky develop his research. The data produced by the new policy device would be exactly what Minsky needed to conduct empirical tests of his theory.

Minsky and Fed officials cooperated smoothly as the Fed set up a working group on Bank Capital and Liquidity.⁷ Inviting Minsky to a meeting of the working group, Robert Holland, advisor to and later secretary of the Board of Governors, wrote: “Basically, the agenda is likely to be progress reports on work already done, including reactions to the feasibility of your analytical framework.”⁸ Minsky replied by return of mail: “I, of course, am anxious to receive some feedback on that which I left with you in the summer and in particular I am very interested in how your thinking has developed.”⁹ When the Fed offered to publish Minsky’s study “Financial Instability Revisited,” Minsky wrote to Holland: “I will try to make some of the points where one or two people have asked for clarification more precise. If within the [Federal Reserve] System there are any such comments on the paper I would be happy to receive them so I could take them into account in my modifications.”¹⁰

⁶ https://digitalcommons.bard.edu/cgi/viewcontent.cgi?article=1133&context=hm_archive, accessed on April 11, 2023.

⁷ Frederic Solomon to Meeting Attendees, Oct. 11, 1967, #45.

⁸ Robert C. Holland to Minsky, Sep. 27, 1967, #134.

⁹ Minsky to Robert C. Holland, Sep. 29, 1967, #133.

¹⁰ Minsky to Robert C. Holland, Sep. 20, 1968, #224.

Minsky developed a relationship with Bernard Shull, head of the Banking Markets Section in the Fed's Research Division. Shull had written to Minsky about the cash flow-based bank examination form: "What I have heard has been generally favorable, but with lots of questions on the detail."¹¹ Shull was evidently interested in resolving those questions, sending his work to Minsky and soliciting Minsky's thoughts.¹² A task force of Fed officials, which Minsky had proposed should be established, was speaking to bank officials "to study how banks analyze their liquidity positions."¹³

At the highest level of the Fed, Minsky received support from governor Sherman Maisel, who wrote in a letter to Minsky that he found his research "most interesting. I, too, feel that monetary theory has sadly neglected the implications of institutional differences."¹⁴ In another letter, he underlined that "cash flow data could be very useful for policymaking purposes, and would bear more closely on the problems of adjustment paths and potential instability than most other financial indicators."¹⁵ Maisel even gave a talk at Minsky's department, at Washington University in St. Louis.¹⁶

Break-Up, 1969

Yet, as Minsky would later write to a friend, "nothing came of this work."¹⁷ The Fed did not implement a cash flow-based bank examination procedure, so Minsky failed to gain access to the data that he would have needed to shore up his position in his academic discipline.

¹¹ Bernard Shull to Minsky, Sep. 27, 1967, #176.

¹² Bernard Shull to Minsky, Aug. 26, 1968, #460.

¹³ Frederic Solomon to Meeting Attendees, Oct. 11, 1967, #45.

¹⁴ Sherman Maisel to Minsky, Dec. 19, 1968, #810.

¹⁵ Sherman Maisel to Minsky, Jan. 22, 1971, #992.

¹⁶ Minsky to Sherman Maisel, Feb. 9, 1968, #648.

¹⁷ Minsky to Leonard Silk, Feb. 9, 1976, #1943.

The reason the Fed provided to Minsky—first indirectly (in speeches whose manuscripts came to Minsky’s attention)¹⁸ and later directly, in a letter from Maisel¹⁹—was that cash flow-based bank examination would be too difficult to operationalize. As Maisel put it:

the Board’s experience in developing the flow of funds accounts from a theoretical concept to an operational tool, and the tremendous investment it required before the accounts became usable, would make me quite cautious in encouraging funding for the project you suggest. [...] I’m sorry not to be able to offer you any encouragement at this time from these quarters.²⁰

Maisel sent this letter after Minsky had already “challenged” him on an earlier version of the argument, as he reported to a former student.²¹ If the Fed needed to free up research funding for his project, Minsky had already in 1969 pointed out a potential saving. The Fed Board was spending on collecting data and feeding it into a Keynesian model of the economy without important financial-sector elements such as a money market. Minsky knew that model well as a discussant on a paper presenting progress (or, in his eyes, lack thereof) on the effort. This, Minsky had written to Shull, was “a poor way to build a model designed to help the central bank in its policy-making role.” Minsky recommended as “more useful and valid [...] a model built upon liquidity and position-making as contained in my examination proposals.”²²

Another reason, used only within the Fed, was that Minsky was an outsider in the economics profession. “Many economists tend to snicker at Hy Minsky,” wrote Holland in a

¹⁸ Sherman Maisel, “Monetary Policy-Making in the Short Run.” A Paper Presented at a Conference on Economic Planning and Macroeconomic Policy, Tokyo, Japan, September 14–18, 1970, <https://fraser.stlouisfed.org/title/952/item/475502>, accessed on April 11, 2023; Sherman Maisel, “Monetary Policy: Uncertainty and Operations.” Remarks before the Metropolitan Economic Association, New York City, November 24, 1970, <https://fraser.stlouisfed.org/title/952/item/37038>, accessed on April 11, 2023; Minsky to James Burnham, Dec. 22, 1970, #940.

¹⁹ Sherman Maisel to Minsky, Jan. 22, 1971, #992.

²⁰ Sherman Maisel to Minsky, Jan. 22, 1971, #992.

²¹ Minsky to James Burnham, Dec. 22, 1970, #940.

²² Minsky to Bernard Shull, Jan. 16, 1969, #697.

memo.²³ But, while Minsky would become a “cult figure” (Streithorst 2009) in the 1980s and 1990s, throughout the 1960s he continued publishing in leading economics journals such the *American Economic Review* (1964b) and the *Journal of Finance* (1969). As late as 1967/68, his work was on the syllabus for the core graduate course in macroeconomics at MIT,²⁴ which was the quintessential mainstream department of the era (Weintraub 2014).²⁵

Minsky had pointed out to Fed officials that there existed other academic economists who were interested in the money market and financial instability. In 1967, Minsky sent to Holland a paper by Larry Ritter, professor of economics at the business school of New York University: “It seems as if Larry overlaps with what we have been thinking about. It may be desirable to draw him into any work that may be done on ‘liquidity.’”²⁶ Paul Nadler, a former student of Minsky’s and a professor at Rutgers University, had in Minsky’s judgment “become a rather expert commentator on the money market.”²⁷

To the extent that Minsky was an outsider at all in late 1960s economics, the Fed could have helped to change that. When, after the 2008 crisis, central bankers began to support research on macroprudential regulation, the original cast of academic economists whose work overlapped was no greater than Minsky and his potential 1960s allies (Thiemann 2022, 640). The economists working on macroprudential regulation in the late 2000s and early 2010s faced strong opposition from the mainstream of the discipline (Thiemann 2022, 643). But by providing data and resources,

²³ Robert Holland to Arthur Burns et al., May 21, 1970, Box B20, Arthur Burns Papers, Gerald Ford Presidential Library, Ann Arbor, MI.

²⁴ Evsey Domar and John Rees Harris, Syllabus for Theory of Income and Employment, <https://www.irwincollier.com/m-i-t-first-core-graduate-macroeconomics-syllabus-readings-exams-domar-and-harris-1967-68/>, accessed April 11, 2023 (Source: Duke University. David M. Rubenstein Rare Book and Manuscript Library. Economists’ Papers Archive. Evsey D. Domar Papers. Box 15, Folder “Macroeconomics. Old Reading Lists.”)

²⁵ Ben Bernanke, a graduate of the MIT economics program, cited Minsky—critically, but cited him—in the 1983 article on the Great Depression that would earn him the Nobel prize in 2022.

²⁶ Minsky to Robert Holland, Dec. 14, 1967, #23.

²⁷ Minsky to Frederick Heldring, April 7, 1971, #1121.

central banks helped them enlarge their standing in and shift the mainstream of academic economics (Thiemann 2022, 644).

From 1969 on, however, the Fed withheld from Minsky the resources that would have been necessary to defend or elevate his position in the academic discipline. Macroeconomics at the time was riven by a monetarist challenge to the Keynesian approach that had reigned since the 1940s. Minsky had criticized the monetarists from the beginning, including as one of the commenters on work by Milton Friedman and Anna Schwartz (Minsky 1963). To a financial commentator who turned toward monetarism, Minsky wrote: “I believe you have bought a bag of pretentious nonsense.”²⁸ About the monetarist president of the Federal Reserve Bank of St. Louis he wrote in a letter: “Darryl Francis and I do not see eye to eye. [...] The differences between yours truly and Francis are real and cannot be reconciled.”²⁹

While Minsky’s earliest publications presented themselves as extensions of Keynesianism, by the late 1960s he had come to distance himself from that paradigm. The “Kennedy–Johnson, Hicks–Hansen, or Samuelson–Heller–Okun” way of thinking about the economy, Minsky wrote in a letter, did “well enough in the 1950–1965 period” but did “poorly” thereafter because of “the changes that occurred in finance,” such as the growth of the money market.³⁰ Keynesianism was for Minsky increasingly “a poor guide to economic policy in this current era.”³¹

Beginning in the 1960s, the Board of Governors funded economists at MIT and the University of Pennsylvania to develop a Keynesian model of the U.S. economy, known as the Fed–MIT–Penn (FMP) model. The “maverick” Fed of St. Louis (Rancan 2019, 456n19) supported a rival effort that would back up the monetarist approach, which as recently as the early 1950s had

²⁸ Minsky to Harvey Segal, Oct. 31, 1968, #217.

²⁹ Minsky to Adam Aronson, April 20, 1971, #986.

³⁰ Minsky to Soma Golden, Feb. 3, 1976, #1920.

³¹ Minsky to Soma Golden, Feb. 3, 1976, #1920.

been considered “eccentric” by most economists (Tavlas 2023, 182). Thus “the monetarist versus Keynesian battle [...] fed into a model war which opposed the Board’s FMP and the Federal Bank of St. Louis’s Anderson–Jordan equation” (Backhouse and Cherrier 2019, 430n8).

Standing on the sidelines was Minsky. Without support from the Fed, he was forced to watch a fight for dominance between two positions that he both held in low esteem. It was not that the battle between Keynesianism and monetarism was decided by empirical tests alone, but approaches that could not provide empirical testing were not admitted to the battle in the first place (Backhouse and Cherrier 2019; Rancan 2019).

This only made more pressing the question why the Fed had cut Minsky loose. He had a third explanation—neither problems with operationalizing the policy device nor his position in economics. He felt that he had “laid an egg” at his most high-profile interaction with the Fed yet, in September 1969.³² In 1972, Minsky wrote in a letter: “I am not getting to Washington these days. I seem to have cooked my goose with *all* of the centers of power and influence.”³³

The fateful event had been a meeting of the Fed’s academic consultants. These were academic economists who got invited approximately every quarter to the Fed building in Washington, DC. The audience was high profile, consisting of the Fed Board and the top staffers. The agenda usually began with a briefing given by staffers to the academic economists, of the type that the staffers usually gave at meetings of the FOMC.

Minsky described the fateful event in three letters that resemble each other closely, which he sent in 1970, 1976, and 1981.³⁴ The account he gave in 1976 is as follows:

³² Minsky to Paul Volcker, Feb. 13, 1981, #2607.

³³ Minsky to Andrew F. Brimmer, Jan. 12, 1972, #1431, emphasis in the original.

³⁴ Minsky to James Burnham, Dec. 22, 1970, #940; Minsky to Leonard Silk, Feb. 9, 1976, #1943; Minsky to Paul Volcker, Feb. 13, 1981, #2607.

In 1969–70 I had a sabbatical. In August I took off for Cambridge, England. Lee Bach [economics professor at Stanford and convener of the Fed academic consultants] was so insistent on my appearing at the Board that they paid my way from England to the States. [...] The discussion following my presentation was quite lively—I recall [Wayne State University economist David] Fand saying my references were to Simons and Keynes but the message was that of Marx. (My reply to that was that they “are all honorable antecedents.”) That was the last contact I had with the Board.³⁵

Minsky’s failure had been not only that he identified himself, however indirectly, as a Marxist, but that he had spoken in such a way that an audience member saw it fit to ask that question. His talk was a mix of statements that were, by his audience, considered to be technical or political. The talk began in a most technical manner:

The susceptibility of the U.S. economy to a financial crisis due to internal conditions can be split into two parts: the susceptibility of the financial system to a financial disturbance and the impact upon the real economy (income, employment and prices) of such a disturbance if it occurs. A financial disturbance is viewed as a shock. What follows the shock depends upon the reaction of both “financial” and “real” portions of the economy. Inasmuch as the “real” reactions will feed back upon the financial system (real assets are simultaneously financial assets) and tend to either amplify or dampen the financial repercussions of the initial disturbance, the likelihood a full fledged crisis occurring with any set of financial relations cannot be divorced from the structure and behavior of real income.³⁶

Later in the talk, however, Minsky made statements that audiences at the time perceived as political, e.g., “Stable growth is an impossibility for the American economy,” and broached proposals considered topics of party politics such as “wage and price controls” or even “investment

³⁵ Minsky to Leonard Silk, Feb. 9, 1976, #1943.

³⁶ Hyman Minsky, Notes on the Susceptibility of the U. S. Economy to a Financial Crisis, September 17, 1969, https://digitalcommons.bard.edu/cgi/viewcontent.cgi?article=1060&context=hm_archive, accessed April 11, 2023, p. 1, paragraph numbers and paragraph break suppressed.

licensing.”³⁷ He touched a third rail of U.S. politics by proposing to abolish the standard 30-year, fixed-interest-rate mortgage, which would enrage the important homeowner constituency.³⁸

Even more jarring was that Minsky made statements understood by the audience to be politically divisive in a way that treated them as if they were technical decisions. He expressed his proposal to abolish the standard mortgage, for example, as follows: “The substitution of a variable interest rate mortgage for the present standard mortgage is a necessary step for the elimination of an institutional flaw” that made financial institutions fragile when interest rates went up.³⁹ The size of the government budget was understood by most audiences at the time as one of the most ideological decisions in U.S. politics; the first fight of the LBJ administration only a few years ago had been to keep the budget under 100 billion dollars, a number considered magic by Harry Byrd, the conservative Southern Democrat who chaired the Senate Finance Committee (Caro 2012, 423). Yet Minsky did not acknowledge this interpretation of the budget when he discussed its size only as a variable attenuating financial disruptions.⁴⁰

While the Fed was political, it publicly worked hard to dispel the notion that it engaged in anything else than neutral economic engineering.⁴¹ The economists who had influence at the time were those who shared this conceit. Friedman, for example, let it appear as if the overlap between his politics and his research was merely a “lucky consistency” (Cherrier 2011).

Yet Minsky opposed these frontstage/backstage divisions. He criticized Friedman precisely for pretending that his expertise and politics were separate. In his review of work by Friedman and

³⁷ *ibid.*, p. 5.

³⁸ *ibid.* p. 7.

³⁹ *ibid.*

⁴⁰ *ibid.*, p. 6.

⁴¹ ((Add examples of Johnson and Martin, Nixon and Burns.))

Schwartz, Minsky had written: “Belief in a narrowly defined monetary explanation of business cycles is implicitly a matter of ideological importance” (Minsky 1963, 64).

After the Door Had Closed, 1969–1980

With the Fed rejecting his policy device in 1969, Minsky’s thinking about a cash flow-oriented bank examination shifted into a contemplative register. For a conference on modeling and simulation in Pittsburgh in 1974, he updated his proposal in light of recent money-market developments but added the caveat: “this paper [...], of necessity, is a road map rather than the actual journey” (Minsky 1974, 267).

In a somewhat farfetched attempt to get around the Fed, Minsky reached out to a partner at an accounting firm that is today part of KPMG. Minsky sent him a copy of his “Suggestions for a Cash Flow-Oriented Bank Examination” and wrote: “It is, I believe, clear that an ‘examination procedure’ and an audit can be considered as ‘siblings’ [...] Given that each bank is examined by firms such as yours is there any way in which you can be made to submit reports” that could be analogues to the cash flow-based bank examination that the Fed would not adapt?⁴² Nothing come of this, either.

If there was no way forward for data collection through a cash flow-oriented bank examination or audit, maybe Minsky could convinced the Fed to improve a data set that it already collected: the flow of funds. Minsky drew on it for his 1975 paper for the Senate Banking Committee. The flow-of-funds series was “the best currently available data base for estimating trends in the financial system” (Minsky 1974, 267). But the flow-of-funds data were very imperfect, as Minsky said at the conference in Pittsburgh: “These data as now constructed give us

⁴² Minsky to Donald Welsch, May 25, 1976, #2059.

only hints as to the cash flows set up by financial instruments—they do not give us the actual cash flows” (Minsky 1974, 267). Minsky expressed his hope that the flow of funds could “be modified” (Minsky 1974, 267). In 1972, he mailed to Fed staffer Stephen Taylor a mimeo of Alan Roe’s paper “In Defense of Flow of Funds and National Balance Sheet Accounting,” which would be published, under a slightly different title, in the *Economic Journal* in 1973.⁴³ When Minsky heard from Taylor that, instead of working on the flow-of-funds data, the Fed was thinking about collecting data on liquidity ratios, Minsky wrote to Holland:

Steve told me that the “Board” now looks at liquidity ratio in its analysis. However, liquidity ratios—without a theory which explains their relevance—will lead us nowhere. I suggested to Steve that the time has come for a major push by the Federal Reserve to transform the Flow of Funds data into a systematic analysis of the cash flow positions of various sectors.⁴⁴

But little happened. The flow-of-funds statistics remained a backwater inside the Fed, their quality poor. When, in the 1970s, Fed governors asked for flow-of-funds data, the staffers putting them together warned the Governors not to rely on them for policy decisions.⁴⁵

Having worked closely with the Fed only a few years ago, Minsky in the 1970s increasingly saw himself as a “Cassandra,” as a prophet ignored in his own country.⁴⁶ His 1969 talk to the Fed’s academic consultants was a touchstone to which he returned repeatedly. In 1970, he wrote to a former student: “I just reread my statement of September 1969 and found it quite interesting. I stand by what I said then.”⁴⁷ In 1976, he wrote to a financial observer: “I find it ego building to know that that which we now have might have been avoided or alleviated if my suggestions had been taken seriously in 1969.”⁴⁸

⁴³ Minsky to Stephen P. Taylor, May 16, 1972, #1321.

⁴⁴ Minsky to Robert Holland, Sep. 16, 1974, #1601.

⁴⁵ ((Add archival reference.))

⁴⁶ Minsky to Andrew F. Brimmer, Jan. 12, 1972, #1431.

⁴⁷ Minsky to James Burnham, Dec. 22, 1970, #940.

⁴⁸ Minsky to Leonard Silk, Feb. 9, 1976, #1943.

Minsky increasingly depicted the Fed not as a competent ally but as an incompetent opponent. Of that fateful meeting in 1969, he would write: “Of course the Board at that time ignored the warning as well as the suggestions for policy I put forth.”⁴⁹ It did not help that, when Minsky’s Washington University colleague Gerald Dunne, a law school professor, sent a paper by Minsky to Thomas Waage of the Federal Reserve Bank of New York, Waage replied (in a letter that Dunne would pass on to Minsky): “If [Minsky’s] weapons [...] are wielded against the monetarist doctrine, I’m confident the latter will survive [...] It seems to me, his reach exceeds his grasp.”⁵⁰

Minsky was not told—or did not hear when he was told—that other Fed officials, officials more influential than Waage, drew on his insights, in a partial but important way, as they handled financial crises. When, in 1970, the Fed set up a high-level Contingency Planning Group to prepare for future crises, Holland circulated a summary of Minsky’s “Financial Instability Revisited” paper to Fed chairman Burns and eight of the most senior Fed staffers (Özgöde 2022, 2055).⁵¹ In the money-market crisis of 1974, Fed staffers created data about the money market that resembled Minsky’s proposal (Fink 2023, 34). Holland actually hinted at this in a letter to Minsky in November 1974: “our staff people are now poring hard over the cash flow analysis approach to bank supervision that you were so instrumental in sketching for us back in 1967. [...] We have finally lived through an interval that has opened a lot of minds to the perspective that you and I were discussing in those past years. I hope you will wish us luck in that endeavor.”⁵²

⁴⁹ Minsky to James Burnham, Dec. 22, 1970, #940.

⁵⁰ Thomas O. Waage to Gerald T. Dunne, Dec. 26, 1973, #1556.

⁵¹ Robert Holland to Arthur Burns et al., May 21, 1970, Box B20, Arthur Burns Papers, Gerald Ford Presidential Library, Ann Arbor, MI

⁵² Robert Holland to Minsky, Nov. 13, 1974, #1726.

This ambivalent message—we use your insights, but we won’t bring you back on—was interpreted by Minsky to mean that his way of thinking was being ignored by the Fed. In a 1981 letter, he wondered how the Fed had managed to deal with recent crises—“such as in 1974/75 and the spring of 1980”—if, as he assumed, Keynesianism and monetarism were the only ways of thinking available to central bankers: “It is quite amazing that things have gone as well as they have given the irrelevancy of standard Keynesianism and monetarism to how our system really behaves; my only explanation is that good sense led practical men [i.e., the Board of Governors] to ignore their advisors when push came to shove.”⁵³ In the same letter in which he complained that “the Board at that time ignored” his advice, Minsky wrote that “the reactions by the Board during the squeeze with regard to [the money-market product] CD’s was consistent with my suggestions.”⁵⁴ While Minsky thought that the Fed engaged in praxis without theory, it was his own theory on which the Fed drew.

The Fed adopted Minsky’s approach in an asymmetrical way. Only in crises did it collect data on the money market; it did not continuously monitor it. The Fed stabilized the money market in crises; it did not regulate it in normal times. Ironically, Minsky had, during the crisis of 1974, considered the possibility of a partial appropriation of his approach. In September 1974, he wrote to Andrew Brimmer, who had just resigned from the Fed, where he had been, in Minsky’s opinion, “*the economist member*”⁵⁵ of the Board: “I believe the ideas implicit in the approach may be of some use even in the absence of data.”⁵⁶

Minsky’s relationship with the Fed reached an unusual coda shortly after Paul Volcker became chairman in 1979. Volcker became aware of a talk that Minsky gave in Italy:

⁵³ Minsky to Paul Volcker, Feb. 13, 1981, #2607.

⁵⁴ Minsky to James Burnham, Dec. 22, 1970, #940.

⁵⁵ Minsky to Andrew F. Brimmer, Jan. 12, 1972, #1431, emphasis in the original.

⁵⁶ Minsky to Robert Holland, Sep. 16, 1974, #1601.

I found your comments in your Milan talk acutely perceptive about the built-in instabilities and policy dilemmas posed by trends in the financial system. I have taken the liberty of distributing it a bit around here. You will understand when I say the practical policy proposals are less defined. Enlighten me further or maybe a talk some day!⁵⁷

Having come to consider the Fed an incompetent opponent and trying to relitigate his failed attempt to influence the Fed in the late 1960s, the professor, increasingly sidelined in his discipline, replied to the Fed chairman, whose every word dominated the headlines at the time, as follows:

Thus if we talk, and I hope we do, there is one item I would like to place on the agenda. This item is an exploration of how the Federal Reserve can support a program of research upon the economics of a financially unstable economy; this research to be carried on both in house at the Board and at Washington University. I offer my 1969 memorandum as well as some subsequent writings as the basis for a program of research.⁵⁸

This was an offer that Volcker could not not refuse.⁵⁹

MINSKY’S ATTEMPTS TO INFLUENCE THE PUBLIC

Minsky Fashions Himself a Public Intellectual

His effort to cooperate with the Fed having failed in 1969, Minsky turned to the public as a way to influence economic policy. His conviction that something had to be done about the money market, expressed already in his first article in 1957, was only deepened by the runs through the money market in 1970 and 1974. If the Fed stabilized the money market in a crisis but did not shape its development thereafter, he wrote in a paper for the Senate Banking Committee, the financial system and the U.S. economy would become increasingly unstable and inflation-prone, creating “a dismal cycle” (Minsky 1975a, 329).

⁵⁷ Paul Volcker to Minsky, Jan. 8, 1981, #2608.

⁵⁸ Minsky to Paul Volcker, Feb. 13, 1981, #2607.

⁵⁹ Paul Volcker to Minsky, March 24, 1981, #2608.

Minsky had sketched one possible reform in his first article: “After stabilization [in a crisis], if a money-market institution or usage is considered undesirable because it inevitably leads to instability, then it could be got rid of by legislative or administrative measure” (Minsky 1957a, 187). Since then, the crises that Minsky had predicted had come to pass, yet no reform had been achieved through administrative measure. In a 1977 letter to a financial commentator, Minsky wrote: “the Federal Reserve has been remiss in not following up each incident which required its intervention as a lender-of-last-resort with structural reforms and constraints. In particular I believe my interpretation of the implications of the way Franklin National was handled will prove valid.”⁶⁰ Minsky now sought legislative action. He wrote in a letter: “Congress [...] ought to take the initiative in looking for a new broad turn to economic policy.”⁶¹

If, with the Fed, Minsky had tried to insert a policy device into a technical realm, he now faced the challenge of convincing politicians of adopting a new paradigm. The “larger picture” of financial policy had not been changed by the money-market crises.⁶² Most proposals sought to redraw the jurisdictional boundaries between the Fed, OCC, and FDIC while leaving largely unchanged what the regulatory agencies would do. As Minsky wrote in a letter to a journalist: “The legislation that is making its way through the Congress is more concerned with the administrative organization [...] than with the content of bank examination. This is what is to be expected, for a change in the philosophy of bank examination would require a clearer understanding of the roots of financial instability than today’s accepted economic theory [...] permits.”⁶³

⁶⁰ Minsky to Leonard Silk, Feb. 4, 1977, #2075.

⁶¹ Minsky to Leonard Silk, Jun. 3, 1974, #1669.

⁶² Minsky to Leonard Silk, Feb. 9, 1976, #1943.

⁶³ Minsky to Leonard Silk, Feb. 9, 1976, #1943.

But how to insert his own economic theory into the legislative process? Minsky presented his approach in a letter to a journalist: “In order to get such a broader vision it is necessary to break through to the Congressional staffs. Which is where the sophisticated press fits in.”⁶⁴ Minsky felt that “first getting through to the sophisticated journalists who deal with economic issues,” as he wrote to another reporter, was “the only way” to make inroads on Capitol Hill.⁶⁵

This meant a huge change in the way Minsky sought take-up for his ideas outside the academy. “I do relatively little in the way of financial journalism,” Minsky wrote in April 1971, and that was true.⁶⁶ Yet only two months later, he sent his most recent papers to the NYT and asked that they publish excerpts.⁶⁷ The following year, Minsky pitched a spin-off from his book project to a NYT editor: “When this work of mine reaches fruition, I wonder if a piece for the Sunday Times Magazine might not be in order. How does one go about getting such a piece considered? Are they written on ‘order’ or are they ‘speculations’?”⁶⁸ For the remainder of the 1970s, Minsky would regularly send his newest academic papers to the NYT and meet, when in New York, with financial columnist Leonard Silk or have coffee at Neiman Marcus with economics reporter Soma Golden.⁶⁹ He was also in touch with Sanford Rose of *Fortune* and Seymour Zucker of *Business Week*, in addition to book author Martin Mayer.⁷⁰ By the end of the 1970s, Minsky was interacting with a who’s who of financial journalists of the era.

Minsky’s relationship to journalists, however, was ambivalent: on the one hand, he considered them the only channel to get his insights across, insights that he considered urgently

⁶⁴ Minsky to Leonard Silk, Feb. 9, 1976, #1943.

⁶⁵ Minsky to Soma Golden, Feb. 3, 1976, #1920.

⁶⁶ Minsky to Frederick Heldring, April 7, 1971, #1121.

⁶⁷ Minsky to Leonard Silk, June 28, 1971, #1129.

⁶⁸ Minsky to Leonard Silk, Feb. 29, 1972, #1268.

⁶⁹ Minsky to Leonard Silk, Jan. 4, 1973, #1541; Minsky to Leonard Silk, April 10, 1974, #1670; Leonard Silk to Minsky, Feb. 4, 1976, #1942; Minsky to Leonard Silk, Oct. 8, 1974, #1703; Minsky to Soma Golden, Feb. 3, 1976, #1920.

⁷⁰ Minsky to Sanford Rose, Dec. 17, 1975, #1913; Minsky to Seymour Zucker, March 21, 1978, #2252.

needed for policymaking. When Minsky published his first book, in 1975, he wrote to Silk: “As a professional I know that the major testing of the views in my book will come in the discipline. As a citizen I don’t want us to wait for the message which I think is relevant for our current situation to be filtered through the journal reviews which will appear in a year or so.”⁷¹ When Minsky had his article for the inaugural issue of the *Journal of Post-Keynesian Economics* ready, he wrote to an NYT editor that the text would be dated by the time the journal came out, and asked whether a version of it could be published on the NYT’s op-ed page earlier.⁷²

On the other hand, Minsky was afraid that journalists would misrepresent his thoughts. One of his first experiences had gone badly. A *Business Week* reporter had interviewed him for an article on economic policy during the transition from the Johnson to the Nixon administration. (Minsky had voted for Hubert Humphry.⁷³) All that *Business Week* printed of Minsky’s reply was one quote: “The public may be wiser than the politicians in wanting the dust to settle on some of these [civil rights] programs.”⁷⁴ Minsky wrote to a friend:

I spoke to a *Business Week* reporter for about half an hour. During that time I mentioned that there was much legislative progress during the Johnson Administration and perhaps what we really needed was to carry and fund these programs. I also said that executive administration and adequate funding might even make a Nixon Administration a period of progress. I suggested that the public may have been wise in backing off from new things until we discover the implication of what we already have on the books. I also suggested that we might not need new legislation in the Civil Rights field as much as the adequate enforcement of what is on the books.

Therefore I am not no nor have I ever been a reactionary. I don’t feel like making a fuss in writing a letter to *Business Week*. I just have to be a bit more wary when newsmen [sic] call.⁷⁵

⁷¹ Minsky to Leonard Silk, Feb. 9, 1976, #1943.

⁷² Minsky to Leonard Silk, April 21, 1978, #2257.

⁷³ Minsky to R.A. Gordon, Oct. 8, 1968, #241.

⁷⁴ Anon., “Consumer still votes for spending,” *Business Week*, November 23, 1968, pp. 32–34, at p. 33.

⁷⁵ Minsky to James Burt, Nov. 27, 1968, #552.

After the NYT published its first major article on Minsky, in 1971, he wrote in a letter: “I now more than ever appreciate the difficulties of public figures [...] in getting subtle ideas across to even sophisticated economic journalists.”⁷⁶ Years later, when Minsky had already gained considerable experience in interacting with journalists, that skepticism was still there, as when he reported in a letter about a newsroom visit: “Was at *Business Week* on Thursday [...] Surprised at a lack of knowledge.”⁷⁷

Attempts to Influence Financial Policy

Purely Technical Presentation

For non-economist Americans, the first opportunity to learn of Minsky’s thoughts on the money market came in an NYT article by Leonard Silk on April 7, 1971. It did a relatively good job of communicating Minsky’s ideas:

Hyman P. Minsky[’s] thesis is that the longest expansion in our history, stretching from early 1961 until the autumn of 1969, has fundamentally changed the structure of the financial system, decreasing its stability and dampenings its vibrancy. [...] Since the Crash, we have built a floor under monetary declines, not just by insuring bank deposits but also by a willingness on the part of the Federal Government to incur huge budget deficits [...] The euphoria of the boom, he says, raises the willingness of businessmen [sic] to invest and “emit liabilities” independently of the rate of growth of the money supply. Booming demand leads to tight money markets and escalating interest rates. Tight money finally breeds a liquidity crises.⁷⁸

⁷⁶ Minsky to Adam Aronson, April 20, 1971, #986.

⁷⁷ Minsky to William H. Janeway, Dec. 14, 1982, #2653.

⁷⁸ Leonard S. Silk, “The Sluggish 70’s?” *New York Times*, April 7, 1971, paragraph breaks suppressed.

But the article was framed more as an explanation than as a policy proposal, and written in the language of the business section. The two letters that Minsky received after the article was published came from bankers.⁷⁹

The problem of tying the money market to politics became even more visible when Minsky's ideas were picked up by Martin Mayer in his 1974 book *The Bankers*. It was a bestseller and pick of book-of-the-month clubs. Through Mayer, Kindleberger became aware of Minsky's research (Kindleberger 1978, xi), and Minsky thanked Mayer in a letter "for the kind things you say about me in your book."⁸⁰ But reviewers chided Mayer for ignoring what they thought were the politics of finance. A pair of reviews in the *New York Times* shows how both the right and the left avoided to engage with the money-market changes described by Mayer. Erich Heinemann, an analyst for Morgan Stanley, dismissed Mayer's diagnosis of "structural faults in the industry" by arguing that these changes had been made by rational actors and hence could not be bad.⁸¹ The anti-big-business journalist David Hapgood, author of the book *The Screwing of the Average Man*, criticized Mayer for overlooking what he saw as the main culprit: crony capitalism. "There is something drastically wrong with the focus of a 545-page book on *The Bankers* which does not include Nelson A. Rockefeller in its index."⁸²

These reactions show a category mistake: the things that Democrats and Republicans were fighting about, which brought bank lobbyists and consumer advocates out in numbers, amounted for Minsky, as he put it in a letter, to nothing more than "tinkering with the financial system."⁸³ Minsky's policy proposal—"a program to simplify permissible liability structures"—, in turn,

⁷⁹ Joseph S. Nye to Minsky, April 7, 1971, #1123; Frederick Heldring to Minsky, April 7, 1971, #1121.

⁸⁰ Minsky to Martin Mayer, May 23, 1975, #1860.

⁸¹ Erich Heinemann, "A Flawed Analysis of Banking," *New York Times*, February 9, 1975.

⁸² David Hapgood, "The Bankers," *New York Times*, January 26, 1975.

⁸³ Minsky to Sanford Rose, Dec. 17, 1975, #1913.

appeared as technical and mere tinkering to most in the audience.⁸⁴ Minsky’s task was to convince people that there was something political at stake in overturning the “profound misconception” that stability is possible in “a financial system that allows complex liability structures to be used to acquire control over long-lived capital assets.”⁸⁵

Presentations Tying the Proposal to Political Positions

When Minsky tried to tie his proposals on the money market to proposals that others would perceive as political, the contents of his proposals made them illegible or indigestible to almost all audiences. His most ambitious effort in this direction was the concluding chapter, “Policy Implications of the Alternative Interpretation,” of this first book, which came out in 1975. The chapter was reprinted in *The Money Manager*, a trade magazine for money-market participants. Relative to his previous public visibility, Minsky wrote in a February 1976 letter, this was a “publicity break through[.]”⁸⁶ But if he wanted to influence Congress, receiving attention in a trade magazine was not enough: “I hope the *Money Manager* piece helps get the message of the book out of the financial press and into the public discussion. Perhaps it will even lead to reviews in the public press.”⁸⁷

In the chapter on policy implications, reprinted in *The Money Manager*, Minsky (1975b) tied his argument about the money market to a ringing critique of injustice:

No economy, controlled or uncontrolled, can long survive as a free society unless it is deemed equitable, unless it is seen to promote social justice. The promotion of social justice by economic means requires that the inequalities of income correspond to some consensus as to the differential worth of the contributions

⁸⁴ Minsky to Sanford Rose, Dec. 17, 1975, #1913.

⁸⁵ Minsky to Sanford Rose, Dec. 17, 1975, #1913.

⁸⁶ Minsky to Leonard Silk, Feb. 9, 1976, #1943.

⁸⁷ Minsky to Leonard Silk, Feb. 9, 1976, #1943.

made to the cooperative effort that produces income. In a highly interdependent urban economy, such a consensus cannot long be sustained unless inequality is constrained. (166)

But he added a dimension that anticipated Jimmy Carter's famously unsuccessful "malaise" speech. He tied his "analysis [of] the way in which money is created, investment is financed, and money wages are determined" (Minsky 1975b, 163) to a criticism of advertisement-induced consumption:

Instead of taking the path Keynes advocated of first satisfying the absolute needs of all by raising minimal consumption standards and then turning to the pursuit of the important noneconomic goals of life, the high-investment strategy has the economy on a treadmill of ever-higher discretionary consumption, without any apparent tendency toward satiation. The joylessness of American affluence may be due to the lack of a goal, the acceptance of a standard in which "more" is really not worth the effort. [...]

We are inevitably forced back to the normative question of for whom should the game be fixed and what kind of output should be produced. It is clear that if reasonably full employment is the dominant goal, then the scheme of perpetual waste and want has to date succeeded. The combination of investment that leads to no, or a minimal, net increment to useful capital, perennial war preparations, and consumption fads has succeeded in maintaining employment. (Minsky 1975b, 165–66)

In a review of the book for a cross-over magazine between academia and the public, Abba Lerner criticized Minsky for not engaging carefully with "the political difficulties of putting his policies into practice" (1976, 70). In unpublished notes on the book, Lerner specified his criticism by pointing to "the relevance or irrelevance of the 'joylessness' of American affluence."⁸⁸

Minsky's not tying his position on the money market to goals that were perceived as political and supported by relevant audiences became particularly visible in his failure to build an alliance with Wright Patman, the Democratic chairman of the House Banking Committee. In the

⁸⁸ Abba Lerner, List of Comments on Hyman Minsky's *John Maynard Keynes*, <https://www.irwincollier.com/cuny-queens-college-reviewing-minsky-on-keynesian-economics-abba-lerner-1977/>, accessed April 11, 2023 (Source: Library of Congress, Manuscript Division, Papers of Abba P. Lerner, Box 15, Folder 4.)

late 1960s, Patman conducted an inquiry into trusts. Casting himself as the defender of the small business owner in his home state of Texas, Patman had a go at the pools of wealth kept in New York. Minsky, in a letter to an economic analyst, agreed that trusts were a serious problem but noted that, in its choice of the main aspect to be investigated, “certainly the Patman committee picked out one of the least important areas.”⁸⁹

One promising way to team up with Patman would have involved sharing in his public criticism of the Federal Reserve as undemocratic. Patman liked to say that the carpet in his Committee room was red to hide the blood after his hearings of the Fed chairman. One specific feature of the Federal Reserve System that infuriated Patman was that the regional Fed banks were owned by the commercial banks in their district. A similar issue had been a successful political rallying cry in the early days of the republic (Mihm 2013). As part of his Fed reform proposals, Patman wanted to push commercial banks out as owners of the regional Fed banks. When Patman’s staff, in September 1968, asked Minsky for his thoughts on this proposal, he replied: “Not really important; a quibble.”⁹⁰

After Patman was replaced by Reuss, the left-activist part of the committee continued its trend from Populism to consumer advocacy. When, in Congressional testimony in 1975, Minsky said: “We need to reduce the weight of speculative finance in the economy,” he did not articulate how this could be reconciled with the demands of consumer activists; in the absence of such an explanation, his position had to appear as being in tension with a consumer interest that was increasingly defined as benefitting from the removal of interest rate ceilings and extension of credit availability (Minsky 1975a, 329; see also Krippner 2011, 74–85). It did not help matters that, in

⁸⁹ Minsky to Carter Golembe, Feb. 29, 1968, #670.

⁹⁰ Wright Patman to Minsky, Sep. 18, 1968, #220.

Senate testimony in 1975, Minsky repeated his call for getting rid of the standard mortgage, a third rail of U.S. politics (Minsky 1975a, 323).

Attempts to Influence the Politics of Inflation

There was a second topic to which Minsky could have tied his ideas about the money market as he tried to change the conversation in Congress. Beyond its importance for financial policy, Minsky held, the money market mattered for the entire macroeconomic situation; reforming it would help Congress come to grips with “[financial] instability *and the current inflation/depression dilemma*” (Minsky 1975a, 353, emphasis added). If Patman had trouble attracting public attention to financial reform, inflation was the number one topic of the 1970s (Eich and Tooze 2016). The trouble was that few thought that inflation was importantly “the result of fragile finance” (Minsky 1975a, 353).

The link between the money market and inflation was, to Minsky, powerful. Already in his first article he had noted that the issuance of new types of money market products went hand in hand with “new ways to finance business” (Minsky 1957a, 184). Financial firms that could refinance themselves on the money market could lend those funds out, and their decisions about what purpose to direct those funds toward profoundly shaped the economy. When Minsky published an article on “The Strategy of Economic Policy and Income Distribution” in the *Annals of the American Academy of Political and Social Science*, his author biography noted: “Although his primary interest is monetary policy and banking, he served as a Consultant to the Office of Economic Opportunity in its early days and to the President’s National Advisory Commission on Rural Poverty” (1973, 92). Indeed, Minsky had reviewed a major *Study of Employment, Growth and Price Levels* in 1961, and had been mentioned not only in publications of the Fed but also of

the Department of Labor.⁹¹ In a letter to the chair of the House Banking Committee, Minsky laid out how he perceived the connection between the financial and the real economy: “The goals of economic policy are economic variables: the monetary variables are not ends in themselves but they are instrumental variables. [...] The primary index of economic activity should be the level of employment.”⁹²

Minsky’s critique of the uses to which the American economy put the funds raised in the money market was fundamental. He took issue not only with specific projects into which funds were invested—with armaments companies specifically drawing his ire—but with the U.S. economy’s heavy reliance on investment for employment. In 1975, he wrote to one frequent correspondent: “I want to undo measures like the investment tax credit.”⁹³ In a letter to another, he expanded on his reasons:

My view is that everything that is done within our institutional framework to accelerate growth through inducing investment is perverse in regard to income distribution, tends to accelerate inflation, and promotes speculative finance which leads to financial fragility. A high consumption/low investment era is not only called for by the present fragile character of the financial system but also by our perverse income distribution and chronic inflation.⁹⁴

To generate employment without leaning on investment, Minsky wanted to “call for direct government employment.”⁹⁵ In Congressional testimony, he stated: “The basic weapon to sustain income and employment should be a reinstated and modernized WPA, CCC and NYA” (Minsky 1975a, 351). Such an “effective public employment program” would “generate[] income through work at wage rates that range from the minimum wage to roughly twice the minimum wage.”⁹⁶ It

⁹¹ ((Add references.))

⁹² Minsky to Wright Patman, Oct. 16, 1968, #222.

⁹³ Minsky to Leonard Silk, April 30, 1975, #1846.

⁹⁴ Minsky to Martin Mayer, May 27, 1975, #1856.

⁹⁵ Minsky to Leonard Silk, April 30, 1975, #1846.

⁹⁶ Minsky to Leonard Silk, April 30, 1975, #1846.

would generate less financial instability and create employment where it was needed, not where those who controlled credit provision for investment would create it: “Harlem is not Scarsdale” (Minsky 1965, 189).⁹⁷

The call to move the economy away from investment put Minsky at odds with almost everyone. Even an ally like Mayer wrote in a letter: “I don’t think I can agree with you on the consumption/investment ratios, however: in this society, I think, jobs require investment for their creation.”⁹⁸ In the political landscape of the time, it seemed non-sensical to write a sentence as Minsky did in a letter to Silk in April 1975, in which he chided the Ford administration and Congress for seeking economic recovery by way of “doles, contracts (especially military) and direct and indirect subsidies and stimulants to investment and construction.”⁹⁹ People who disliked welfare (disliked it so much that they spoke of “doles”) usually liked investment subsidies, and vice versa. People who opposed military spending did so mostly for moral, not economic reasons.

As an enemy of welfare, Minsky cut off the possibility of an alliance with welfare activists. In the 1970s, they were major successors of the Civil Rights movement (Stein 2019). Minsky disregarded their political arguments, instead opposing “transfer payments”—just as he opposed defense spending and investment subsidies—as having “an inflationary bias.”¹⁰⁰ This robbed him of an ally that could have been most effective politically; the movement around Coretta Scott King would prove crucial for the Humphrey–Hawkins Act in 1978.

⁹⁷ Similarly, Minsky held that: “If a major investment program is required by the energy problem, then the current needs of the economy imply that these investments should be directly financed by the government, rather than by the government inducing or subsidizing private investment” (Minsky 1975a, 351).

⁹⁸ Martin Mayer to Minsky, May 22, 1975, #1855.

⁹⁹ Minsky to Leonard Silk, April 30, 1975, #1846.

¹⁰⁰ Minsky to Basil J. Moore, Feb. 3, 1978, #2205.

Similarly fatal for alliance-building was that Minsky positioned himself as neither for nor against unions (with either position, he could have gained allies at the time) but doubted their relevance.¹⁰¹ “The big objection I have to the accusatory view of inflation—it is the trade unions that are responsible—is that the same process [would have] occurred without trade unions.”¹⁰² For Minsky, the unions of the 1970s were tied up with oligarchic firms:

As I see it in 1978 in the United States, we hardly have any trade unions. In the private economy trade unions exist only where there is a symbiotic relation between the unions and a cartel (UAW and G.M.), where the trade unions run political interference for management (housing, construction) or where labor solidarity in the form of violence is part of the life of the worker (the remnants of the U.M.W.). As a result, the power of trade unions to push up money wages in 1978 depends upon the way in which effective union power aids and abets the organization of the industry.¹⁰³

Yet the American economy, Minsky thought, continued to suffer from policies that the unions and their liberal allies had instituted when they had been more influential: “A major policy need is to remove the barriers to employment that have permeated our institutional arrangements.”¹⁰⁴ When Minsky received a rare letter from a member of the UAW research department, he replied:

Let’s face it: much of the sacred laundry list of liberals is basically anti-employment and in a deep sense contrary to the interests of the working people. We must face the fact that much of the real standard of living of the “median income population” depends upon the labor intensive service industries and near handicraft shops that are forced out of business by minimum wages, social security transfers, and welfare.¹⁰⁵

It was difficult to place politically someone who simultaneously called for lower inequality and higher competition among workers (the connecting tissue between these two demands being

¹⁰¹ Minsky to Basil J. Moore, Feb. 3, 1978, #2205.

¹⁰² Minsky to Basil J. Moore, Feb. 3, 1978, #2205.

¹⁰³ Minsky to Earl R. Rolph, Jan. 30, 1978, #2193, paragraph break suppressed.

¹⁰⁴ Minsky to Martin Mayer, May 27, 1975, #1856.

¹⁰⁵ Minsky to Leslie Nulty, April 7, 1975, #1835.

guaranteed public employment, a marginal position at the time). Minsky demanded “a substantial decrease in income inequality” (Minsky 1973, 92). At the same time, he supported a Congressional study into the job efficiency of public sector employment.¹⁰⁶ He also argued that, as the economy had become more volatile and the security of public-sector employment thus more desirable, “an across the board decrease in [public sector] wages is called for.”¹⁰⁷ As a board member of Mark Twain Banks in St. Louis, he wrote to a top manager: “As I read the announcement of promotions and staffing I wondered if Mark Twain was getting top heavy in its administration. [...] Banking is a small business that can be run as a very lean ship. I think the current structure is capable of running a substantially larger operation than we now have.”¹⁰⁸ Minsky gave the names of bank employees he considered promising and concluded: “Mark Twain should be prepared to lose others to make internal room for newcomers.”¹⁰⁹

Arguing for guaranteed jobs meant that Minsky spoke for a constituency that did not yet exist, while his criticism of welfare-rights organizations and unions meant that he gave up on potential support from two strong political organizations. As he widened his political focus from financial stability to inflation, he narrowed the circle of potential supporters.

All in all, Minsky did not succeed in tying his insights about the money market to proposals—around financial policy or inflation—that would have been seen as political. When he had started fashioning himself as a public intellectual, an NYT editor had recommended he write in a way that was “very readable, simple, and tied to broad interests.”¹¹⁰ While Minsky was preoccupied with the former two—“If only I had a gift of phrase to go along with what I feel is

¹⁰⁶ Minsky to Alice Rivlin, Sep. 4, 1975, #1881.

¹⁰⁷ Minsky to Martin Mayer, May 23, 1975, #1860.

¹⁰⁸ Minsky to Adam Armson, June 22, 1979, #2343.

¹⁰⁹ Minsky to Adam Armson, June 22, 1979, #2343.

¹¹⁰ Leonard S. Silk to Minsky, March 3, 1972, #1267.

substance”—it was the last that proved tricky.¹¹¹ Minsky repeatedly failed to tailor his message so as to make it possible to enroll politically powerful groups. When, in the late 1960s, the War on Poverty might have opened a window of opportunity for his job guarantee proposals, he resisted that association. He wrote that his proposal “has little to do with the war on poverty; it has mainly to do with our national conscience and affection for man” (Minsky 1965, 177). In 1975, he wrote in a paper for Congress: “these issues should be on the agenda for discussion as *we* grope with our current difficulties” (Minsky 1975a, 353, emphasis added). Minsky did not translate this “we” into a set of allies with the capacity for collective political action.

DISCUSSION

The conditions for the success and failure of economists’ boundary work, as they seek to intervene in policy, change with their audiences’ understandings of what fields are technical or political, and their audiences’ willingness to embrace (or not) the hybridity of interventions. For the three decades after Minsky’s failed attempt to insert a policy device into the Fed, an ever greater realm of economic policy came to be seen as technical, at least among the mainstream of the Democratic party and its economic advisors. By the 1990s, this realm included fiscal and trade policy. Economists like Larry Summers and the early Paul Krugman were “policing [...] the boundary” between politics and expertise (Tooze 2021). Today, their “generation’s assumptions” about the “proper balance between politics and technocratic judgment” appears as a political program in disguise, as a slight of hand (Tooze 2021). The later Krugman recently declared that “the technocratic dream—the idea of being a politically neutral analyst helping policymakers govern more effectively—is, for now at least, dead” in an age in which “everything is political”

¹¹¹ Minsky to Andrew Brimmer, July 28, 1976, #2002.

(Krugman 2020, 5, 1). A stark example of embracing the hybridity of politics and expertise is Modern Money Theory (Kelton 2020; Wray 1998). It is, not unlike Minsky’s political–technical hybrid, a “blending of state theories of money, radical Keynesianism of 1940s vintage and inside knowledge of the plumbing of the modern financial markets” (Tooze 2021), but is less easily rejected. Audiences have become more familiar with initiatives that are openly “semitechnical, semipolitical” such as Green Economics (Eyal and Levy 2013, 249) and scientists demonstrating against climate change (Capstick et al. 2022). Combinations of politics and expertise that were once seen as jarring are now gaining legitimacy, coming as they are in the footsteps of attempts to hide the political intent behind scientific research that denied climate change (Oreskes and Conway 2010).

((more TK in future versions of the paper))

CONCLUSION

This article contributes to a scholarly debate over the reasons for the failure of the Federal Reserve to prevent the financial crisis of 2008 (which, with modifications, also applies to the financial crises of 2019, 2020, and 2023) by providing additional historical evidence in favor of a revisionist view and sharpening it analytically. The traditional view holds that the Fed was ignorant (Fligstein, Stuart Brundage, and Schultz 2017; Hirschman and Berman 2014, 796). In an oft-cited quotation, Alan Greenspan stated after the 2008 crisis that he had found a flaw in his model (Hirschman and Berman 2014, 796). The revisionist view argues that the Fed was aware, but that it did not have the data to pinpoint the build-up of fragility and/or preferred to clean up after a crisis rather than try to prevent it and/or lacked the will to act (Golub, Kaya, and Reay 2015; Mallaby 2016; Thiemann 2022, 647–48). The evidence presented in this paper supports this view

by documenting a sustained engagement between the Federal Reserve and Minsky in the second half of the 1960s, which led the Fed to use insights from Minsky in the financial crisis of 1974. The analytical approach developed in this paper illuminates what was at stake in Greenspan's post-2008 statement, which was historically inaccurate (Mallaby 2016, 480, 554, 738n29). By speaking of a flaw in his model even if there had been no flaw, Greenspan accepted blame but defended the technicality of the Fed. Had Greenspan admitted that the flaw had not been in his model but in a politically motivated unwillingness to collect the data to make it operational, and to propose new regulation based on the findings, he would have directed attention to the political aspects of the Fed.

((more TK in future versions of the paper))

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