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Miscellany

# Echoes of Veblen's *theory of business enterprise* in the later development of macroeconomics: Fisher's debt-deflation theory of great depressions and the financial instability theories of minsky and tobin

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## Abstract

Irving Fisher's debt-deflation theory of great depressions, first published in 1932 and 1933, was invoked by Hyman Minsky and James Tobin as a crucial precursor of their theories of macroeconomic financial instability. This paper argues that Wesley Mitchell was right to perceive a close intellectual affinity between Fisher's debt-deflation theory and Thorstein Veblen's Theory of Business Enterprise (1904), and that this affinity also exists between Veblen (1904) and the analyses of Minsky and Tobin.

# Notes

The elaborate mathematical formulae in the footnotes of *The Theory of Business Enterprise* (Veblen [1904](#)pp. 95–96n, 110n, 150n, 153n, 160n, 169–70n, 203–204n, 223n, 230n, 233n, 244n) appear to me to be a straight-faced parody of mathematical economists such as Fisher, comparable to Alan Sokal's *Social Text* parody of the postmodernist side of the science wars.

Raines and Leathers ([2000](#), p. 59) report that in 1923 Veblen suggested that, the Federal Reserve system, working in conjunction with the large financial institutions, would be able to prevent the financial crises of the past'. Veblen died in 1929, before the stock market crash. See Fisher ([1997](#), Vol. 10, pp. 3–26) for Fisher's October 23, 1929, address to the District of Columbia Bankers Association.

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