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Essential

Hyman P. Minsky Ph.D.

A. Characterization of Capitalism

This has taken on increased importance with the dissolution of the Stalinist model of socialism.

B. Varieties of Capitalism

2. Capitalist economy -> capital assets, bonds, firms as well as current output have prices: -> two sets of prices.

A. P(K) = K(q,c,l)

1. money enters pricing of assets through l and c

2. financial institutions integral to determining P(K)

B. P(O) = C(W, r, Mkt Pw)

1. W as a cost and P as a way of recapturing costs and a carrier of profits. Treating P. as a way of recovering costs and a carrier of profits immediately focuses on business and banker decisions as being vital. Whereas households may be viewed as being solely concerned with the future flow of consumption, business and bankers in particular are concerned with the future flows of money.

2. Wage setting institutions as anchoring P(O) and the link between aggregate demand and price level changes is

conditional upon the institutional structure. Weak or strong trade unions: Do the firms sell commodities or products?

3. M -> K -> M', K => Pi (profits). Pi validates the contracts that exchange M for M'. This cash flow perspective is an adaptation of points made by Marx.

4. Investment is the result of decisions made by business men that are financed. The standard Minsky diagram as taken up above.

5. The structure of payment commitments (liabilities), Hedge Speculative and Ponzi Finance as determining the vulnerability of the system to financial shocks.

6. Special Minsky Hypothesis w/r/t/ the structure of liabilities through time

A. Hedge => Speculative => Ponzi.

1. Profits equation for banks
2. The evolution of banking
3. Bankers as merchants of debt.

C. Making position by selling out position -> P_K collapses

1. Central Bank Prevents P_K from collapsing

B. Profit seeking financial institutions as merchants of debt.

2.Gov. Def. Sustains Profits -> P_K is sustained

7. Profits (Pi). Determination and prior commitment of through the liability structure. The complete Kalecki structure. (taken up above)

8. Yesterday, today, and tomorrow, Tomorrow introduces a subjective element in decision making Tomorrow can exist today only in the minds of decision makers. How are the relevant ideas about tomorrow formed today. The agents in the model have a model of the model. The two model hypothesis of Ben Friedman.

9. Hysteresis, chaos, deep structures; natural outgrowth of complex non linear dynamics.

A. Built in Stabilizers, Floors and ceilings.

B. Discretionary stabilizers

C. Thwarting incoherence

10. Intervention: the floors and ceilings arguments

A. Intervention can do nothing but mischief

B. intervention can be constructive

B. Profit seeking financial institutions as merchants of debt.

11. Requirements for a serious depression

12. Post war stabilization policy.