Bard

Bard College
Bard Digital Commons

Hyman P. Minsky Archive

Levy Economics Institute of Bard College

5-30-1949

Handwritten Notes for Minsky's PhD Thesis titled Financing 1

Hyman P. Minsky Ph.D.

Follow this and additional works at: http://digitalcommons.bard.edu/hm_archive

Part of the Macroeconomics Commons

Recommended Citation

Minsky, Hyman P. Ph.D., "Handwritten Notes for Minsky's PhD Thesis titled Financing 1" (1949). *Hyman P. Minsky Archive*. 499.
http://digitalcommons.bard.edu/hm_archive/499

This Open Access is brought to you for free and open access by the Levy Economics Institute of Bard College at Bard Digital Commons. It has been accepted for inclusion in Hyman P. Minsky Archive by an authorized administrator of Bard Digital Commons. For more information, please contact digitalcommons@bard.edu.

Bard

This is too cryptic.

A step in investment ~~involves~~ is the exchange of 'money' for physical assets, capital goods. This step introduces the financing problem; and the evaluation ~~on two sides~~ by, the interested parties, of the 'balance sheet position' of the firm. The balance sheet is a summary statement of assets and liabilities of an investing unit. Each asset represents both an income stream, and a 'cash equivalent' at any date - present and future. Each assets income stream, cash equivalent involve both an _expected value_ and an probability - expectation - weight.

The liabilities involve ~~the~~ two equivalent characteristics; the cost of 'maintaining' a liability over any time period and a 'due date' - a date at which the liability has to be 'met' - canceled by cash.

There are two characteristics ~~attached to~~ of a firm that we measure a balance sheet; solvency and liquidity. By solvency we will mean that 'assets' are greater than liabilities excluding owners equity from the liabilities'. By liquidity we mean that ~~the sum of the~~ at any date the 'cash' position is greater than the 'cash due'.

A firms behavior will be controlled by these financial parameters as well as the 'production parameters' of the traditional pricing theory. The behavior of a firm is controlled by a relation between the existing balance sheet, the transformed balance sheet necessary to achieve ~~such~~ any 'position' and

the evaluation of the balance sheet by the 'decision maker'. Essentially investment decisions can be considered as the following pattern of changes in a balance sheet:

1) The acquisition of cash (financing ability) in exchange for a liability.

2) The exchange of the cash for an 'investment' good.

The business problem is then, given a certain expectation of yield from a concrete physical good, what liability would be accepted as the 'price' of that yield. In order to understand that we need a doctrine of the effect of different categories of liabilities upon the business enterprise; and what the consequences of liability acquisition can be; and what the firm is willing to accept.