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Handwritten Notes for Minsky's PhD Thesis titled The Lazy Entrepreneur

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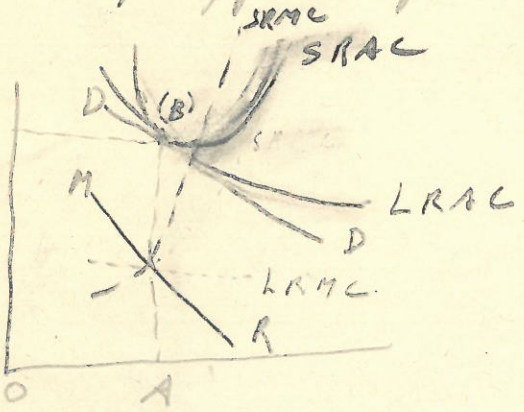
The Lazy Entrepreneur:

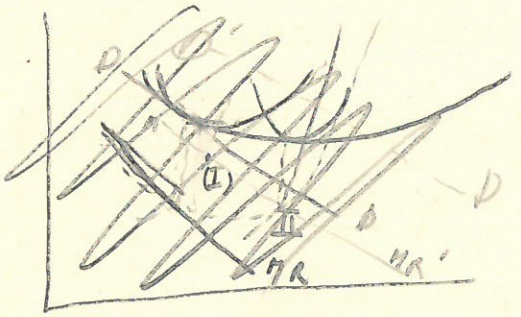
Assumes a profit-maximizing entrepreneur ~~in a situation~~ confronted with a ~~fixed~~, relatively sloped demand curve for his product. As a result the intersection of his Marginal Revenue Curve and this Marginal Cost curve (long run and short run both) will determine his plant, ~~size~~ and his output, price position. In the diagram



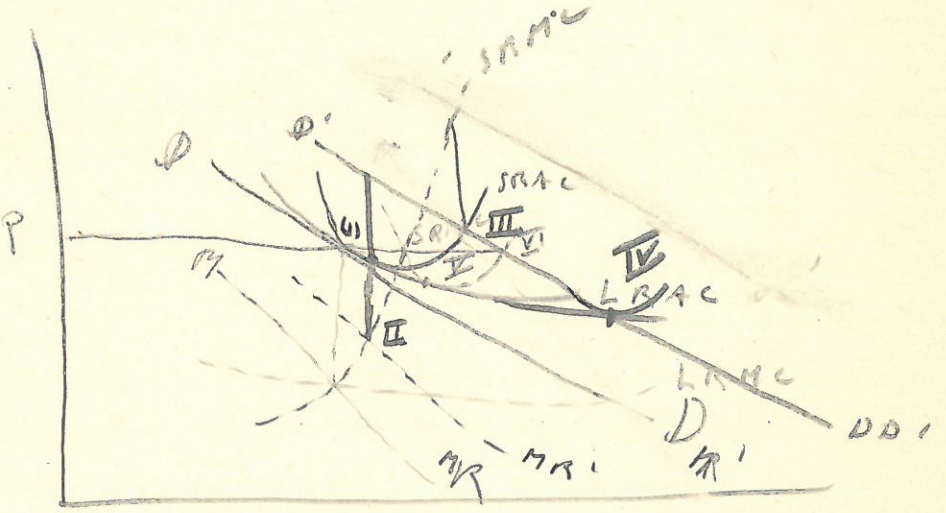
I, the output will be OA and the price AB. The short run, long run average cost curves in this ~~position~~ diagram are determined by the capitalization of whatever monopoly profits exist as the 'normal' return which the entrepreneur in this market situation expects. Therefore the various A.C. curves drawn in this

~~decisions~~ note will reflect the 'normal' return on investment given the monopoly position of the particular entrepreneur.

IV



II



A shift in the demand curve DD to the right DD' as illustrated in diagram II compels the entrepreneur with a necessity to change output. The move to position II will maximize profits with the indented plant, a move to position III will expand output to a larger extent, result in a lower price to the consumer than position II, and would

still provide the 'normal' rate of return upon investment. In each of positions II and III there is a larger plant which could produce the same output at a lower unit cost, given by the 'envelope' curve labeled LRAC. In addition there is a still larger plant given by IV, at which LRAC = DD' - so that the rate of return equals the 'normal' rate of return required by the entrepreneur, which of these