

It is not ~~scoundrels~~ alone  
that ~~smoke~~ are responsible  
for the flaws of capitalism:  
instability

First question by banker <sup>in</sup> business  
negotiation is how are you going  
to repay me + pay the agreed upon  
interest:

Business men shows a proforma  
Banker: "I've never seen a proforma &  
that showed a business to perform"  
Banker the sceptic; business men the  
optimist.

# Asymmetric Information

Bankers + Business ~~makers~~  
negotiate deals in a world  
they do not fully understand

in fact

if more ~~was~~:

world of uncertainty

Go ahead: I will fund  
the funds

Tilly Classical  
Savings flows to

Investment  $\approx$   $\left\{ \begin{array}{l} \text{Financed} \end{array} \right.$

Investment  $\rightarrow$  Income + prices  
 $\rightarrow$  Savings

Schumpeter, Keynes view.

In the assisted  
cash flows determined in the  
"Kelechi" manner:

$$\underline{\underline{II}} = \underline{\underline{I}} + \underline{\underline{for Def + Bal Or Surplus}} \\ - \underline{\underline{Wiper + cur. II}}.$$

Secondary time now  
not exactly

Investments in  
Capital Assets  
Financial Instruments | both (1)

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money today for money

tomorrow deals: The money  
of capital assets is the  
of Keynes: the cash flows



Efficient Com. Systems →

own control → owner/manager

available → either massive power is  
individual

w/ size limitations or

Capex

Paradox

Finance forces investment  
quantity + direction

Jensen's First Law:

Entrepreneurs Lie.

Minsky's Corollary:

Bankers also lie.

Financial Development has not ended  
Shift from private portfolios

to monetary portfolios:

monetary portfolios will  
begin to focus ~~on~~ liabilities  
that are protected against  
quality deterioration by  
increasing foreigning but not by

## Legal Issues

A

difficulty of writing  
contracts that protect  
prior bond holders against  
deterioration of quality as the  
junk bonds → the writing  
of conditions puts into contract  
has to be difficult if not impossible

Emergence of p-v

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differential between AAT with  
put p-tection + without such  
protection necessary before  
put p-tection becomes  
common