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 Liabilities of a Firm

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 Liabilities of a Firm" (1949). *Hyman P. Minsky Archive*. 494.
http://digitalcommons.bard.edu/hm_archive/494

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

Liabilities of a firm may be divided into two categories: owners equity and debt. The debt can arise in two ways: one is due to the time gap between the purchase of a good to be processed and the payment for the good: an accounts payable; and the second is the purchase of a ~~fixed~~ capital good by means of 'borrowed funds'. The first will be of a shorter term than the second. Each liability will have two attributes: a due date and a 'cost' during the period which the liability is outstanding. The series of due dates for liabilities, with the 'quantity due' are major controlling factors on a firms behavior, for on a due date a firm either has to pay an equivalent amount of cash or be in a position to substitute one debt for another. Inability to discharge a liability by cash is illiquidity. A firm avoids being illiquid - that is taken as an axiom! The reasons will not be more than sketched here.

Therefore, aside from profit maximization, a firm must 'plan' to be able to pay a debt with cash on a specified date. Therefore as a limit to a firm behavior you have the need for periodic cash holdings.

In order to evaluate a balance sheet with regard to liquidity it is necessary to know the possible events between the present and the due

date of a 'debt' in order to know what contingencies the management must guard against. Cash enters a firm in two ways: 1) by the sale (or repayment) of an asset and 2) by the excess of selling price over money costs during an interval of time