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

Hyman P. Minsky Ph.D.

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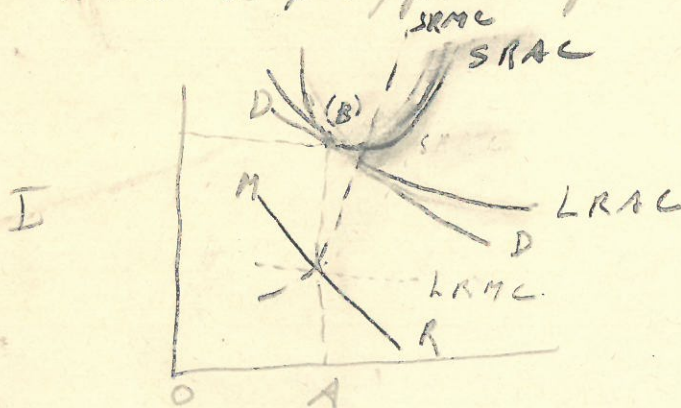
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The Lazy Entrepreneur:

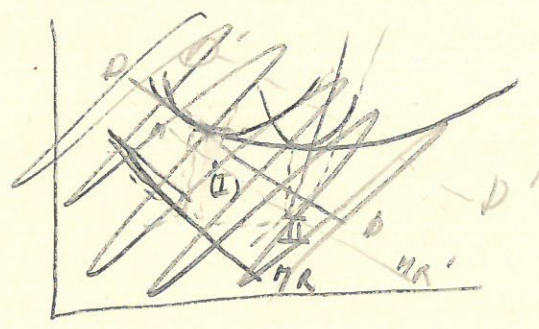
Assumes a profit-maximizing entrepreneur in a situation confronted with a downward sloping demand curve for his product. As a result the intersection of his Marginal Revenue Curve and this Marginal Cost curve (long run and short run both) will determine his plant, ~~size~~ and his output, price position.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



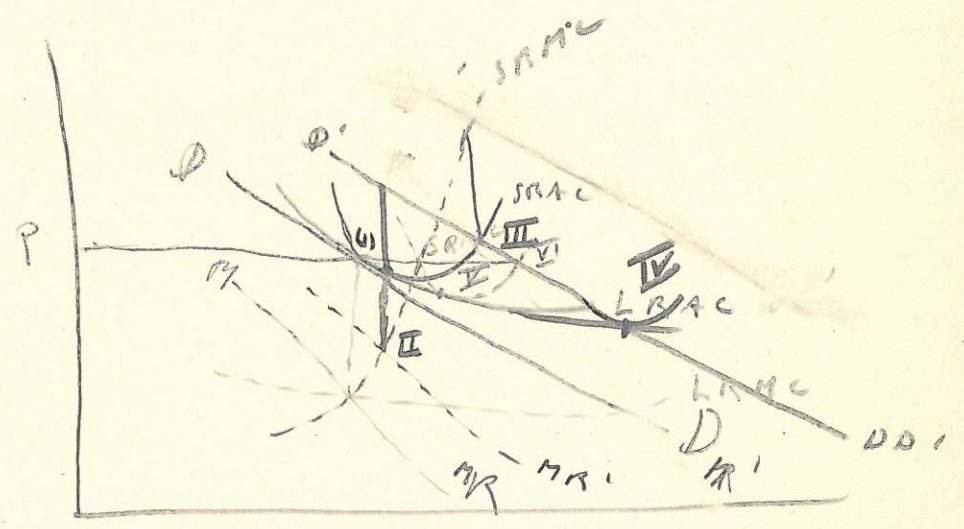
I, the output will be OA and the price AB . The short run, long run average cost curves in this ^{diagram} position are determined by the capitalization of whatever monopoly profits exist as the 'normal' return which the entrepreneur in this market situation expects. Therefore the various A -cost curves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

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

I



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 point II will maximize profits with the indented plant, a move to point III will expand output to a larger extent, result in a lower price to the consumer than point II, and would

(3)

still provide the 'normal' rate of return upon investment. ^{with} Increase of position 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 II, at which $LRAC = DD'$ - so that the rate of return equals the 'normal' rate of return ^{required} expected by the entrepreneur, which of these