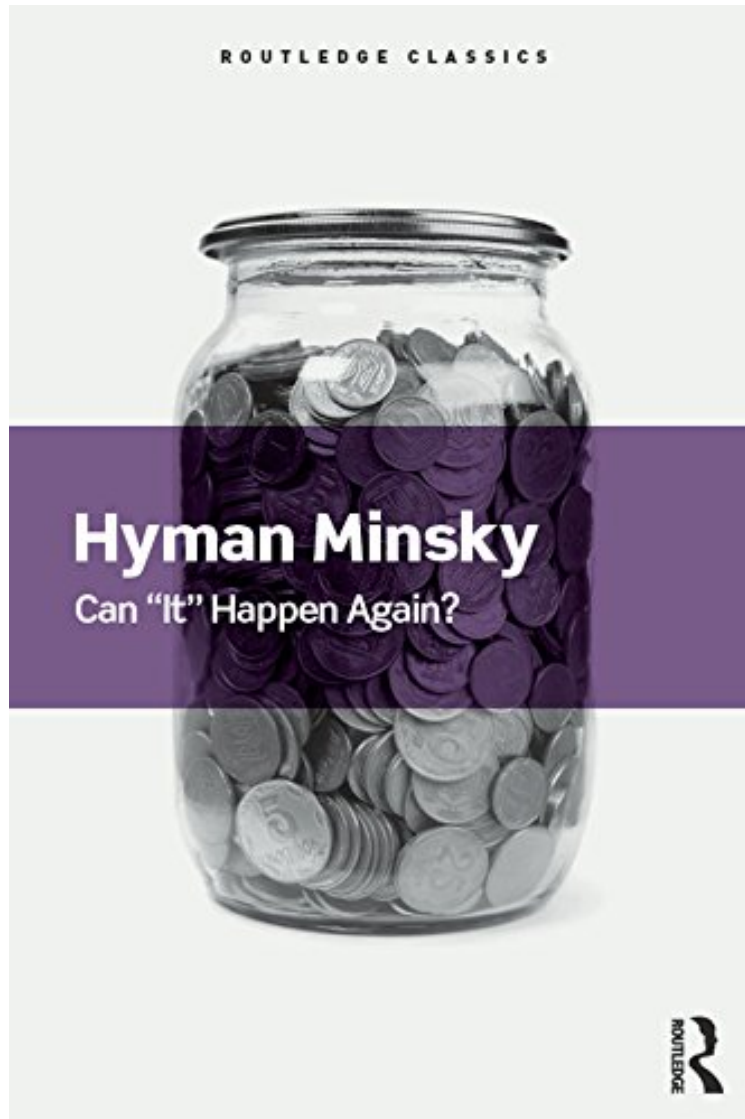


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Hyman Minsky

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Hyman Minsky : Can "It" Happen Again?: Essays on Instability and Finance (Routledge Classics)
before purchasing it in order to gauge whether or not it would be worth my time, and all praised Can "It" Happen Again?: Essays on Instability and Finance (Routledge Classics):

45 of 46 people found the following review helpful. Minsky's several essays on the FIH By James F. Mueller This great book is composed of thirteen essays restating and elaborating Minsky's great contribution to economics: the Financial Instability Hypothesis (FIH). The basic idea is that because the realized returns on any investment project are uncertain

(and not merely risky), the contractual debts firms and entrepreneurs incur in financing these investments are inherently unstable. The "subjective state of expectations" will give rise to three different methods of financing: hedge, speculative, and ponzi. Hedge financing occurs when there are considerable margins of safety between fixed payments and *expected* returns. Speculative financing is defined by a project which over the course of its operations will generate *expected* revenue that will be greater than fixed payments, even though in the short-term these payments will be larger than initial realized returns. This gives rise to refinancing, which occurs if both parties to the agreement (lender and borrower) agree on the expected rates of return. Ponzi financing is a very unstable state in which the *expected* realized returns are not even sufficient in paying either the interest or principal on loans. Now one moves from hedge to speculative and then to ponzi finance according to the general mood of the market. If the market is experiencing a "state of tranquility," then the typical margins of safety that characterize hedge finance will be displaced by speculative finance which is still considered safe according to entrepreneurial optimism. This is all subject to change, however. The performance of the market, interest rate changes, rapid changes in animal spirits, etc. etc. are all conditions which give rise to market instability. In so many words, this is basically Minsky's FIH. Minsky believed that this concept was a logical implication of Keynes' work, although he is careful to point out that the FIH stands on its own even if it is interpreted as being inconsistent with Keynes' message. Minsky is a pleasure to read and I recommend this book to anyone interested in "endogenous instability". Minsky believed that all market disruptions are *systemic* and not merely accidental. This sets his work apart from most professional economists.

3 of 3 people found the following review helpful. Yes, "It" did... By Gregory Alan Wingo

This is less a book than a collection of Minsky's papers published over the years in various economic journals. Of course, this is a plus on two points 1) It is economics not philosophy and 2) It allows the reader to see the evolution of his thought from the the 60s to the early 80s. In Chapter Two Minsky provides the basic formula for the relationship of our advance economy: $\text{After Tax Profits} = \text{Investment} + \text{the Government Deficit} - \text{the Balance of Trade Deficit} + \text{Consumption Out of Profit Income} - \text{Saving Out of Wage Income}$

Reflection on this will allow the reader to better understand the complex relationships that govern the performance of the economy and the interconnection between Big Business, Big Government, executive pay, consumer behavior, and many other areas. He outlines three other types of economies where the following formulas hold sway:

- 1) Profits = Investment (Pre-Keynesian, small government)
- 2) After Tax Profits = Investment + Government Deficit (Huge Government with private investment)
- 3) After Tax Profits = Investment + the Government Deficit - the Balance of Trade Deficit

3a) Profits = Investment - the Balance of Trade Deficit

Utilizing formula 3a he predicts the Japanese economic malaise of the 90s in 1980. The other chapters in the book focus on unveiling the nature of true Keynesian economics untainted by the Neoclassical synthesis and, thereby, allowing the creation of policies to avoid another Great Depression. Unfortunately, no one was listening in the heydays of Reagan's supply-side reign of terror that has continued to lead us to the Great Recession. One hopes that policymakers with the Minsky Moment on their lips will also be taking the time to read his thoughts on the issues that are inherent in the capitalist system we are embedded in.

9 of 11 people found the following review helpful. 4.5 stars- Wall Street Speculators are the basic cause of inflation and deflation

By Michael Emmett Brady

Minsky demonstrates that the major determinant of inflation and deflation problems in capitalist economies is the private banking industry's funding of speculation on Wall Street, be it the balloon payment mortgage loans and margin account stock market credit arrangements of the 1920's or the subprime mortgages and derivatives of the 1980's-2000's. The primary goal of all Wall Street speculators is to generate profits without the physical production of goods and services. Minsky improves upon Adam Smith's 1776 analysis in *The Wealth of Nations* and J M Keynes's 1936 analysis in the *GT* by breaking the analysis of speculation up into three separate parts or stages. The last part-Ponzi finance-is the most dangerous because it means that the economy is definitely going to be subjected to a major economic downturn as firms enter bankruptcy in mass. The only criticism I have is that Minsky missed the chance to completely nail down his financial fragility hypothesis by making explicit reference to the detailed analysis of Adam Smith, Keynes and Mandelbrot.

In the winter of 1933, the American financial and economic system collapsed. Since then economists, policy makers and financial analysts throughout the world have been haunted by the question of whether "It" can happen again. In 2008 "It" very nearly happened again as banks and mortgage lenders in the USA and beyond collapsed. The disaster sent economists, bankers and policy makers back to the ideas of Hyman Minsky ndash; whose celebrated 'Financial Instability Hypothesis' is widely regarded as predicting the crash of 2008 ndash; and led Wall Street and beyond as to dub it as the 'Minsky Moment'. In this book Minsky presents some of his most important economic theories. He defines "It", determines whether or not "It" can happen again, and attempts to understand why, at the time of writing in the early 1980s, "It" had not happened again. He deals with microeconomic theory, the evolution of monetary institutions, and Federal Reserve policy. Minsky argues that any economic theory which separates what economists call the 'real' economy from the financial system is bound to fail. Whilst the processes that cause financial instability are an inescapable part of the capitalist economy, Minsky also argues that financial instability need not lead to a great depression. This Routledge Classics edition includes a new foreword by Jan Toporowski.

"It is time to revive an old issue: Just how inherently unstable are economies? But instead of getting much guidance these days from contemporary economists, we need to turn to some of the giants from the past. The work of Hyman Minsky...is especially on the mark." The New York Times "Today, his views are reverberating from New York to Hong Kong as economists and traders try to understand what's happening in the markets... Indeed, the Minsky moment has become a fashionable catch phrase on Wall Street." The Wall Street Journal "There are few better places to begin the serious study of financial questions than with Can "It" Happen Again? ndash; the work of the most insightful observer of finance in the economics profession today." Robert Pollin, Monthly "Minsky's essays are creative, sophisticated and wise. He has an important message for economists and a wider public." Journal of Economic Issues "The most significant economic event of the era since World War II is something that has not happened: there has not been a deep and long-lasting depression." From the Introduction. nbsp; nbsp; About the Author Hyman P. Minsky, Ph.D. was the first to explain how uncertainty, risk, and financial markets drive the economy. He was a distinguished scholar at The Levy Economics Institute of Bard college, and taught at Washington University for 25 years.