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*Hyman P. Minsky*

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**"Today, Mr. Minsky's view [of economics] is more relevant than ever." - *The New York Times***

"Indeed, the Minsky moment has become a fashionable catch phrase on Wall Street."-*The Wall Street Journal*

*John Maynard Keynes* offers a timely reconsideration of the work of the revered economics icon. Hyman Minsky argues that what most economists consider Keynesian economics is at odds with the major points of Keynes's *The General Theory of Employment, Interest, and Money*. Keynes and Minsky refuse to ignore pervasive uncertainty. Once uncertainty is given center stage, recurring episodes of financial system crises are all but inescapable. As Robert Barbera notes in a new preface, "Benign economic circumstances...invite increasingly aggressive financial market wagers. Innovation in finance is a signature development in a capitalist economy. Once leveraged wagers are in place, small disappointments can have exaggerated consequences." Thus for Minsky economic calm on Main Street engenders financial system fragility which, in turn, ensures a perpetuation of boom and bust cycles.

Minsky colleagues Dimitri B. Papadimitriou and L. Randall Wray write in a new introduction, "We offer this new edition, in the hope that it will contribute to the reformation of economic theory so that it can address the world in which we actually live-the world that was always the topic of Minsky's analysis."

## John Maynard Keynes Details

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## From Reader Review John Maynard Keynes for online ebook

**Tæmbu?u says**

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**Matthew says**

I probably didn't appreciate this book as much as I would have had I the technical competence to fully follow the economic theorising, but here are 3 things I did get out of this book:

- 1). Consumption is important. Even though Consumption is a derivative of employment, which is a derivative of Investment, and therefore it is Investment that Keynes believed is the driver of the economy, Consumption is still important. This is b/c Consumption is a major part of Aggregate Demand, and it is entrepreneur's and bankers' expectations of Aggregate Demand that determine the perceived Return on Investment and Cost of Capital, which is what drives Investment and Employment. (It is necessarily circular, but his point is that it begins with Consumption. I disagree with this in the sense that I think the origin of wealth creation in an economy is necessarily extrinsic -- i.e. ultimately all wealth originates from land/resources and all economic activity is a multiplier on that initial exogenous input -- but I agree in the sense that I think Consumption is the biggest contributor to and starting point of that economic multiplier.)
- 2). It is a great summary of what Minsky thinks is wrong with neoclassical economics. Again I don't pretend to completely follow, but I think these are the fundamental points: (i) the neoclassicists omit consideration of the actual level of employment from their models by exogenously assuming that labor will always be employed up to where wages = marginal productivity; (ii) that debt is a burden on society, and that b/c in a cyclical downturn, as the interest burden does not fall, firms have to take on more debt to refinance previous debt, thus a society's debt level can build up over the course of several cycles and lead to growing financial instability, and that this cyclical instability is an intrinsic characteristic of modern capitalistic markets and economic models should reflect this reality, instead of assuming that economies always tend toward stable equilibrium and that cycles are merely the result of external shocks and rebalancing.

I wish I had more time to jot down fuller notes, but unfortunately not for now. It really does bear closer rereading to appreciate though.

- 3). An unexpected last chapter that highlights Keynes' idealistic, socialist tendencies, and what he believed economies should tend toward, the 'euthanasia of the rentier'. Essentially, this is when an economy reaches maturity, consumers leave aside purely monetary pursuits and move on to non-economic pleasures, all material wants are satisfied and people seek to gratify non material wants, so capital (for production of material goods) is no longer scarce.

I find the last rather compelling, a vision of a Socratic society. Naturally it contradicts economist's assumption of infinite wants, but Keynes' point here is that people move up the hierarchy of needs to non-material, philosophic/spiritual/artistic pursuits. This, Minsky writes, reflects that "Keynes was a young man during the Edwardian enlightenment, an optimistic era when the intellectual constraints and social hypocrisies of the Victorian era were being cast off, and genuine progress toward an egalitarian and open society seemed assured".

Something to keep in mind when we apply Keynesian economic analysis to the millions/billions/gazillions of

present and future Asian conspicuous consumers.

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### **Kenny says**

I don't pretend to have enough of background in mathematics and economics to understand the detailed, technical parts of this book, but I the book is nevertheless very interesting.

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### **Sleeping with Ghosts says**

Excelente. Ideal para todo el que quiera saber más en profundidad sobre economía. Introducción a la Economía: Promoción con 8

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### **Nick Klagge says**

Despite the title, this book is fairly similar to Minsky's "Stabilizing an Unstable Economy." It examines Keynes's thought, as interpreted and expanded upon by Minsky. I was aware of this going in, so it's not a knock on the book. Here, Minsky is contesting the "consensus" interpretation of Keynes that became dominant in the mid-20th century. His argument is that the innovative elements of Keynes's thought are the ones that were ignored, while the things that attracted the label of "Keynesian" were not really new. The main ideas that were dropped were the focus on disequilibrium ("in the long run we're all dead") and on the significance of financing conditions. One interesting comment that Minsky makes offhandedly here is that, with the professionalization of academic economics in the 20th century, it became less and less common for writers on economics to have personal experience with industry or finance (as Keynes himself did). Although actually, the main exception I can think of to this in the late 20th century was Alan Greenspan, who spent years as a business economist--so it's not necessarily a good thing!

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### **Avi says**

Best explanation of The General Theory outside of the book itself.

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### **Fouad Jaber says**

A wonderful book to rethink what you know about keynesian economics. It's main points are as follows:

1. the neoclassical synthesis tho it made use if the general theory, it did so by selecting what suits advocating the modified yet constant classical school.
2. this selection is due to ignoring that keynes saw capitalism as inherently flawed, not just prone to cycles at times.
3. the basic reason why capitalism is flawed is that it's core rests on investment in an atmosphere of uncertainty. Which breeds an unstable volatile financial system condemned to periodic violent chocks.

4. keynes' solution is socialization of investment along with just income distribution and large government sector.
  5. finally, keynes strongly opposed communism, but he knew capitalism needed to be tamed if it is to survive. and although government intervention is now adopted, many of the central ideas of keynes remain stimed. Mostly those regarding investment and uncertainty. while his call for justice in income distribution seem to have been forgotten.
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## Kyle says

keynes, like adam smith, is another 'classic' economist who is very influential but is never actually read. minsky, writing in the 70s during (or slightly after, i cant remember) the first sustained post-war recession which threw 'keynesian' economics into turmoil, reveals that the real keynes would have anticipated the downturn and made policy recommendations that bore little resemblance to what his alleged disciples were making. minsky's keynes, which is assembled through a series of careful quotes from *The General Theory*, long graph-heavy explications of firm and household cost curves, and some important original corrections by minsky himself, emerges as a non-marxist critic of capitalism, and, like marx, another theorist who is unconcerned with capitalist equilibrium because he doesn't believe it can ever exist. keynes' disequilibrium, however, doesn't come out of exploitation necessarily but investment decisions which are affected by the psychology and the assessments of individuals and firms in the market. for keynes, these assessments, and the prices that result from them, are almost never correct. in boom times and in times of heavy debt-deflation, the prices that are supposedly rational and formed by orderly competition in the market are actually wildly, dangerously inaccurate, and lead to either further immiseration or further wild, dangerous speculation. the actions of a reasonable government are required to bring the markets into line. ultimately keynes, who self-described as a 'man of the left,' recommended the socialization of investment and the 'euthanasia of the rentier,' which he thought would be natural processes arising from capital goods becoming gradually less and less scarce. the last chapter of minsky's book focuses on the philosophical and political keynes and reveals his immense distance from nearly everyone who claims to be inspired by him. i'm still a marxist, but i appreciate keynes and minsky for their detailed explanation of how wrong and insane the price system is. i think the politics keynes pursued, that of gradual socialism with markets and basic respect for 'entrepreneurs,' is ultimately far more utopian than marxism-leninism. minsky attempts, in the last chapter, to rescue some of the utopian keynes by claiming that some of his predictions, like that government intervention in the economy would reduce conflict between nations, actually came true. of course he ignores the shift from european nations fighting one another for access to colonial markets to european nations banding together to attempt to dominate the rest of the planet for their common benefit. marxists are obviously much better on this sort of thing. but i enjoyed reading this and think that a lot of it, as far as it goes, is correct and pretty useful. it also has basically nothing to do with Keynesianism as Mankiw and DeLong interpret it.

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## Gregg Wingo says

In this text Minsky analyzes why the Neo-classical synthesis should be rejected and does not represent a outgrowth of Keynes' work in "The General Theory of Employment, Interest, and Money". Minsky also firmly plants Keynes and himself in the tradition of Marx and the socialist position of the inherent instability of the capitalist system. Like Keynes, Minsky came to see Smith's and Marx' analysis of the speculative (financial capital) nature of Capitalism as destabilizing to the overall system and making market equilibrium a momentary and transitory state of existence.

Central to Minsky's analysis is the false equalization by financial theory of risk to uncertainty in advance capitalist economies. This speculatively expansion and contraction by market participants leads to the cyclical and financial instability in the system unveiled by Keynes. In his conclusion from 1975 Minsky emphasizes that the use of a "trickle-downward" perspective in policy will result in a distortion of Keynesian tools for the socialization of investment risk over the social safety net by government, a prediction that the Great Recession, the Savings and Loan Crisis, and the Long-Term Capital Management Bailout have illustrated in the experimental economical laboratory we know as reality. Minsky concludes with the following statement:

"But if capitalism is to be controlled so that the basic triad of efficiency, justice, and liberty is achieved, then the design of the controls will have to be enlightened by an awareness of what was obvious to Keynes - that with regard to both the stability of employment and the distribution of income, capitalism is flawed."

A short and seminal read on the dynamics of financial markets and capital flows in our complex global economy.

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