HYMAN P. MINSKY COLLECTION: FOLDER LIST
The Levy Economics Institute of Bard College
Bruce MacMillan, Project Archivist
March 2009

Pages Location/Contents

BOX 4: Hyman B. Minsky - Biographical


[Note by Bruce MacMillan 2.18.09: The only copy of this publication is in Box 35.]


[Note by Bruce MacMillan 11.5.08: The original letter is missing. There is one original reprint of this article with a sticky note attached “Permission from U-Penn, Sept. 11, 1997. Christine M. Fry”.]


Economica

The Economic Journal


Journal of Economic Literature


[Note by Bruce MacMillan 11.5.08: We have pages 42-56 of this chapter in the Minsky Collection.]


[Note by Bruce MacMillan 11.5.08: letter from J.C. Penney and Copy of original article by Prof. Minsky. Originals in Box 15 and Box 25.]


46


Letter. 1.5.2005. From: Korkut Erturk, Chair, Economics Dept., The Univ. of Utah, 1645 E. Campus Center Dr., Room 308, Salt Lake City, Ut. 84112. To: Dimitri B. Papadimitriou, Exec. Dir., The Jerome Levy Economics Institute.


Hyman P. Minsky, “Suggestions for a Cash Flow-Oriented Bank Examination”, pp. 150-184, *Proceedings of a Conference on Bank Structure and Competition. FRB of Chicago, May 1 and 2, 1975*. Chicago, Il: FRB of Chicago. [2 copies] [Note by Bruce MacMillan 11.6.08: one copy of this article has a sticky note attached “Copyright to Minsky. No need to cite FRB”. There is no cover letter with the copy of the article]
FOLDER: History of Blithewood. No author. (Undated, c. 2000)
See: [www.levy.org/blithewood.aspx]


FOLDER: References to Hyman P. Minsky in recent publications (2007-2008): 7 Folders:


[“…Hyman Minsky, an academic economist who died in relative obscurity in 1996 but is now the talk of Wall Street, had a colorful phrase to describe such people: "Ponzi borrowers," he called them, after the early 20th century pyramid-scheme perpetrator Charles Ponzi. Minsky argued that once banks got so sloppy that they handed out Ponzi loans, a financial crisis was inevitable…”]

[“…This is the line of argument associated with the late Hyman Minsky, who taught at Washington University, St. Louis. George Magnus of UBS distinguished himself by arguing early that the present crisis is a “Minsky moment”: “A collapse of debt structures and entities in the wake of asset price decay, the breakdown of ‘normal’ banking functions and the active intervention of central banks”. This follows an extraordinary dependence on credit growth in the recent cycle (see chart)…”]

[“…Twenty-five years ago, when most economists were extolling the virtues of financial deregulation and innovation, a maverick named Hyman P. Minsky maintained a more negative view of Wall Street; in fact, he noted that bankers, traders, and other financiers periodically played the role of arsonists, setting the entire economy ablaze. Wall Street encouraged businesses and individuals to take on too much risk, he believed, generating ruinous boom-and-bust cycles. The only way to break this pattern was for the government to step in and regulate the moneymen. Many of Minsky’s colleagues regarded his “financial-instability hypothesis,” which he first developed in the nineteen-sixties, as radical, if not crackpot. Today, with the subprime crisis seemingly on the verge of metamorphosing into a recession, references to it have become commonplace on financial Web sites and in the reports of Wall Street analysts. Minsky’s hypothesis is well worth revisiting. In trying to revive the economy, President G.W. Bush and the House have already agreed on the outlines of a “stimulus package,” but the first stage in curing any malady is making a correct diagnosis.
Minsky, who died in 1996, at the age of seventy-seven, earned a Ph.D. from Harvard and taught at Brown, Berkeley, and Washington University. He didn’t have anything against financial institutions—for many years, he served as a Director of the Mark Twain Bank, in St. Louis—but he knew more about how they worked than most deskbound economists. There are basically five stages in Minsky’s model of the credit cycle: displacement, boom, euphoria, profit taking, and panic. A displacement occurs when investors get excited about something—an invention, such
as the Internet, or a war, or an abrupt change of economic policy. The current cycle began in 2003, with the Fed chief Alan Greenspan’s decision to reduce short-term interest rates to one per cent, and an unexpected influx of foreign money, particularly Chinese money, into U.S. Treasury bonds. With the cost of borrowing—mortgage rates, in particular—at historic lows, a speculative real-estate boom quickly developed that was much bigger, in terms of over-all valuation, than the previous bubble in technology stocks.

As a boom leads to euphoria, Minsky said, banks and other commercial lenders extend credit to ever more dubious borrowers, often creating new financial instruments to do the job. During the nineteen-eighties, junk bonds played that role. More recently, it was the securitization of mortgages, which enabled banks to provide home loans without worrying if they would ever be repaid. (Investors who bought the newfangled securities would be left to deal with any defaults.) Then, at the top of the market (in this case, mid-2006), some smart traders start to cash in their profits.

The onset of panic is usually heralded by a dramatic effect: in July, two Bear Stearns hedge funds that had invested heavily in mortgage securities collapsed. Six months and four interest-rate cuts later, Ben Bernanke and his colleagues at the Fed are struggling to contain the bust. Despite last week’s rebound, the outlook remains grim. According to Dean Baker, the co-director of the Center for Economic and Policy Research, average house prices are falling nationwide at an annual rate of more than ten per cent, something not seen since before the Second World War. This means that American households are getting poorer at a rate of more than two trillion dollars a year.

It’s hard to say exactly how falling house prices will affect the economy, but recent computer simulations carried out by Frederic Mishkin, a governor at the Fed, suggest that, for every dollar the typical American family’s housing wealth drops in a year, that family may cut its spending by up to seven cents. Nationwide, that adds up to roughly a hundred and fifty-five billion dollars, which is bigger than President G.W. Bush’s stimulus package. And it doesn’t take into account plunging stock prices, collapsing confidence, and the belated imposition of tighter lending practices - all of which will further restrict economic activity.

In an election year, politicians can’t be expected to acknowledge their powerlessness. Nonetheless, it was disheartening to see the Republicans exploiting the current crisis to try to make the President’s tax cuts permanent, and the Democrats attempting to pin the economic downturn on the White House. For once, Bush is not to blame. His tax cuts were irresponsible and callously regressive, but they didn’t play a significant role in the housing bubble.

If anybody is at fault it is Greenspan, who kept interest rates too low for too long and ignored warnings, some from his own colleagues, about what was happening in the mortgage market. But he wasn’t the only one. Between 2003 and 2007, most Americans didn’t want to hear about the downside of funds that invest in mortgage-backed securities, or of mortgages that allow lenders to make monthly payments so low that their loan balances sometimes increase. They were busy wondering how much their neighbors had made selling their apartment, scouting real-estate Web sites and going to open houses, and calling up Washington Mutual or Countrywide to see if they could get another home-equity loan. That’s the nature of speculative manias: eventually, they draw in almost all of us.

You might think that the best solution is to prevent manias from developing at all, but that requires vigilance. Since the nineteen-eighties, Congress and the Executive Branch have been conspiring to weaken federal supervision of Wall Street. Perhaps the most fateful step came when, during the Clinton Admin., Greenspan and Robert Rubin, then the Treasury Secretary, championed the abolition of the Glass-Steagall Act of 1933, which was meant to prevent a recurrence of the rampant speculation that preceded the Depression.

The greatest need is for intellectual reappraisal, and a good place to begin is with a statement from a paper co-authored by Minsky that “apt intervention and institutional structures are necessary for market economies to be successful.” Rather than waging old debates about tax cuts versus spending increases, policymakers ought to be discussing how to reform the financial system so that it serves the rest of the economy,
instead of feeding off it and destabilizing it. Among the problems at hand: how to restructure Wall Street remuneration packages that encourage excessive risk-taking; restrict irresponsible lending without shutting out creditworthy borrowers; help victims of predatory practices without bailing out irresponsible lenders; and hold ratings agencies accountable for their assessments. These are complex issues, with few easy solutions, but that’s what makes them interesting. As Minsky believed, “Economies evolve, and so, too, must economic policy...”]


[“...These linked dangers between external and internal imbalances, domestic debt accumulations and financial fragility, were foretold by a number of analysts. Foremost among them was Wynne Godley of Cambridge University in his prescient work for The Levy Economics Institute of Bard College, which has laid particular stress on the work of the late Hyman Minsky...”]


[“...Mr. Greenspan’s credentials and confidence reinforced his reputation - helping him to persuade Congress to repeal Depression-era laws that separated commercial and investment banking in order to reduce overall risk in the financial system...”, A29.]


[“...In his great 1930s novel (of men and sheep) Independent People, Halldor Laxness, Iceland’s Nobel prize-winning author, drew a vivid picture of what happened at the end of the First World War, when Iceland’s sheep-bubble boom (with its many subprime mortgages) turned to bust...”]


[Note by Bruce MacMillan 10.17.08: There are references in this article to the following financial/credit crises:
- the failure of the Ayr Bank, Scotland, UK (June 1772)
- U.S. (1792) under President Thomas Jefferson “our paper bubble has burst”,
- Britain (1793),
- Wall Street, New York, NY (Nov. 1837),
- the failure of the British discount house Overend Gurney (May 1866), ‘The greatest instrument of credit in the United Kingdom’,
- the failure of Jay Cooke & Co., New York, NY (Sept. 1873),
- Wall Street, New York, NY (Oct. 1907),
- the failure of the Bank of the United States (Dec. 1930),
- the bankruptcy filing of Lehman Brothers Inc., New York, NY (Sept. 15, 2008)]

There are references in this article to the following financial interventions by governments:
- U.S. President Franklin D. Roosevelt’s ‘Bank Holiday’ (March 1933)
- the nationalization of Japan’s Long-Term Credit Bank (Oct. 1998)]

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30 FOLDER: Biographical reference on Hyman P. Minsky:


2 FOLDER: *Outline* (unknown paper on Minsky's career). (Undated)


1 [Note by Bruce MacMillan 10.1.08: This document is referred to as an Enclosure in a letter dated 7.1.1986. From: Hyman P. Minsky, Prof. of Economics, Washington University. To: Senator Paul Simon, U.S. Senate, Washington, DC.]


[Note by Bruce MacMillan 12/12/07: This document appears to have been written by Minsky and/or a third party, for Philip Arestis, a Senior Scholar at the Levy Institute; The essay on Minsky’s career appears to have been written by a third party, not Minsky.]


FOLDER: Hyman P. Minsky (Distinguished Scholar, The Jerome Levy Economics Institute, Bard College). *Biographical Sketch*. (Undated, c. 1992). [1 copy has one page, 1 copy has two pages]


[Note By Bruce MacMillan 10.3.08: This FAX is very faded and needs to be copied onto acid free paper.]

[“HYMAN P. MINSKY:
Hyman P. Minsky, distinguished scholar in residence at the Jerome Levy Economics Institute of Bard College, is a nationally known educator, author and economist, who has focused his career on monetary and macroeconomic theory as well as on monetary and financial institutions. *Business Week* columnist Robert Kuttner has suggested that Dr. Minsky merits a Nobel Prize as one of the great institutionalists of the economics profession, a man “whose work begins with the complexity and turmoil of actual markets rather than with the presumed equilibrium of theoretical ones.” (*Business Week*, Nov. 12, 1990, p. 20)

The financial instability interpretation of John Maynard Keynes, whose ideas dominated economics during the second third of the 20th Century, is one of Dr. Minsky’s main contributions to the study of economics. The interpretation suggests that economic instability is the result of the internal processes of capitalism: that the profit-seeking activities of bankers and businessmen make financial instability and recurring business cycles inherent characteristics of capitalist economies.]
Dr. Minsky’s best-known works include John Maynard Keynes (Columbia University Press, 1975), and Can “It” Happen Again? : Essays On Instability And Finance. (Armonk, NY: M.E. Sharpe, Inc., 1982), referring he has said, to more than the Crash of 1929 and to more than the Great Depression; it refers to “a climax, a breakdown of the U.S. economic system” that occurred in early 1933. A third book, Stabilizing an Unstable Economy (Yale University Press, 1986) was favorably reviewed in Book Reviews by Wallace C. Peterson, University of Nebraska-Lincoln. He described it as “an important book”, adding: “It may turn out to be one of the most important books published during the 1980s.” The reviewer further noted: …This is not an easy book. But it is an extremely important book, bursting with realistic insights into the workings of our complex system of market capitalism. It is ‘high theory’ in the best sense of the term, yet thoroughly empirical in its observations. One can only hope that the profession and informed public figures give it the close attention that it deserves.”


[Note by Bruce MacMillan 10.17.08: In his note, Prof. Minsky listed the following two articles he wished to add to his curriculum vita:


FOLDER: Hyman P. Minsky: Federal Govt., and Other, Job Applications

[Note by Bruce MacMillan 10.2.08: This document appears to be an attachment to a larger U.S. Federal Govt. job application.]

[Note by Bruce MacMillan 10.2.08: This document may have been part of Prof. Minsky’s employment record at Washington Univ. and was maintained on file there.]


[“I have reviewed the personnel file of the above appointee with respect to conflicts of interest. This appointee has been designated as a special government employee. No presently existing conflict of interest is indicated by a comparison of the statement of the proposed duties with the appointee’s statement of other employment and financial interests….”]

1 Hyman P. Minsky. *Attachment: Employment and Financial Interests:*
Non-Federal Employment: University of California, Berkeley; Washington University, St. Louis
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March 2009


2 **U.S. Civil Service Commission. Statement of Employment and Financial Interests.** (Blank Form).


4 **FOLDER:** Letters (3). Date: 11.2.1961. From: Hyman P. Minsky, 141 E. 89 St., Apt. 7K, New York 28, NY. To: “Paddy”, Washington, DC (?). [Note by Bruce MacMillan 10.2.08: These letters were written by Prof. Minsky while he was on leave from his position at the Univ. of California, Berkeley, and was working as a Ford Faculty Fellow in Economics, in New York City, from 1961 to 1962. He is possibly making inquiries into a possible consulting position with the U.S. Office of Economic Opportunity, Wash, DC, or other agency. He discusses the circumstances surrounding his leaving his teaching position at Brown Univ. and accepting a position at Univ. of California, Berkeley in 1958. He explains his involvement with socialist movements while he was in high school in Chicago beginning in 1935. He discusses his opposition to the Communist movement at the Univ. of Chicago. “…During my last two years at Chicago, I was a specialist in opposing Communist takeovers of student groups…” He discusses his work as an Economist with the Manpower Division of Military Government in Berlin in 1946. “…My experience as an undergraduate in opposing the Communist maneuvers came in handy during this period, for the Manpower Division was thoroughly infiltrated…I think we blocked the Communists within the U.S. Military Government apparatus in 1946, and as you know I am proud of the small part I played in helping the Social Democrats of Berlin resist the ‘Socialist Unity’ effort of the Communists…”]

5 **FOLDER:** Hyman P. Minsky. *Biography.* (Undated, c. 1964).

“…The total abdication of responsibility, by an administration which has insisted on its prerogatives, cannot be overlooked. By noon, Thursday, pandemonium prevailed on the campus. An angry crowd jammed the plaza, filled the steps of Sproul Hall and was pressing toward the barricaded doors, and I’m certain that we were 30 seconds short of a riot. The sight of the armed cops was infuriating the students, many of whom were nearly hysterical. The tension was indescribable, and all that was needed was a single provocation…When a dozen highway patrolmen emerged from Sproul (Hall) - bent on moving the public address system forward to clear the top step - a roar of protest went up from the crowd. Instead of moving back, it surged forward, and only the supreme efforts of two Prof. s (Minsky of the Economics Dept. and Wildavsky of the Political Science Dept.), who struggled through the crowd and on their own managed to convince the officer in charge to pull his men back out of sight - because their appearance was inflaming the crowd - staved off an assault of the building (by the angry students). Not a single representative of the (University) administration was present to perform, much less assist, in this mediation.”

Inside Sproul Hall. By Joel L. Pimsleur

Sproul Plaza. From Wikipedia, the free encyclopedia


FOLDER: Robert Kuttner, “Economic Viewpoint: The Visible Hand Guiding The Nobel Prize in Economics - Despite its pretensions to recognizing only pure science, the prize is not entirely innocent of politics or ideology. Generally, it goes to those whose work is based on the assumption that markets are entirely self-regulating.”, Business Week, Nov. 12, 1990, p. 20.

“…The Nobel might give more recognition to the great institutionalists of the profession - Hyman P. Minsky, Charles P. Kindleberger…, and of course J.K. Galbraith - whose work begins with the complexity and turmoil of actual markets rather than with the presumed equilibrium of theoretical ones…”


[Note by Bruce MacMillan 10.2.08: The following is a rough translation of the text above using Babelfish (babelfish.yahoo.com) “Antonio Pollio Salimbeni, “The Interview: Occupation and markets, speak to the theorist about the instability of financial institutions. Minsky: European beloveds, the instability arrives from the lack of jobs.”]

ACCORDION FOLDER:


[*Conservation Note by Bruce MacMillan 1/3/08: Newspaper is deteriorating, and needs to be copied onto acid free paper.]
[*Conservation Note by Bruce MacMillan 1/3/08: Newspaper is deteriorating, and needs to be copied onto acid free paper.*]


**1940s/1950s Publications used by Prof. Minsky at Univ. of Chicago, Harvard Univ., Brown Univ.**


[Note by Bruce MacMillan 11.12.08: Marked on front cover “To Hyman Minsky with best wishes and many thanks for your assistance. Faithfully Paul H. Douglas and Grace Gunn.”]

[Note by Bruce MacMillan 11.12.08: Marked on front cover: “To Hy Minsky. P.S. C’est la guerre.”]


<table>
<thead>
<tr>
<th>Folder Number</th>
<th>Folder Details</th>
</tr>
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<tbody>
<tr>
<td>16</td>
<td>Jacob Viner (Prof. of Economics, Princeton Univ.). <em>A Modest Proposal For Some Stress on Scholarship in Graduate Training</em>. Address Before the Graduate Convocation, Brown University, June 3, 1950. Brown University Papers XXIV.</td>
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