【Book Review】

L. Randall Wray, *Why Minsky Matters: An Introduction to the Work of a Maverick Economist*

Princeton: Princeton University Press, 2016, x + 273 pp.

In the book under review, the author tries to explain, in a manner that is 'accessible to a wider audience,' why Hyman Minsky (1919–1996)'s contribution to economic theory, as well as economic policy, are very significant. The author was Minsky's student at Washington University in St. Louis; he also received his Ph. D. there. Further, he had the opportunity to work as one of Minsky's teaching assistants, and is one of the leading proponents of the so-called 'modern monetary theory' (MMT). I think that the author has succeeded admirably in explaining 'why Minsky matters' to the readers of his book.

As is well known, Minsky is an American monetary economist with a Post Keynesian orientation and famous as a proponent of the 'financial instability hypothesis' (FIH). According to this hypothesis, a capitalist economy dominated by the financial sector is inherently unstable; thus, the 'big bank' (central bank) and 'big government' must constantly endeavor to stabilize such an unstable economy by actively using relevant monetary and fiscal policies. As the author points out in this book, Minsky chose not to express his FIH mathematically despite having studied mathematics at the University of Chicago; this is because he did not consider it appropriate to reduce the hypothesis to simplistic mathematical formulae. However, it is worth noting that some economists have tried to present Minsky's FIH in a mathematical form; although their models are unable to capture completely Minsky's vision, such efforts are worth pursuing.

Why does Minsky matters? According to the author, the answer to this question is that unlike the theories of mainstream economics, Minsky's somewhat 'heretical' economic theory based on his FIH can provide an endogenous explanation for the occurrence of the global financial crisis (GFC); further, it can offer appropriate macroeconomic policy prescriptions to remedy the problems caused by inherent financial instability. According to the author, the mainstream (neoclassical) 'vision' is informed by Adam Smith's metaphor of 'invisible hand,' which is the stabilizing and equilibrating mechanism of the market economy. By way of contrast, the author presents Minsky's 'vision' as follows.

> The internal dynamics of our modern economy are not equilibrium-seeking. There is no invisible hand operating that way. Furthermore, if we ever did achieve the mainstream's beloved 'equilibrium,' those internal dynamics would push away—the

system is not stable. (15)

I agree with this author's characterization of Minsky's theory as an argument against the mainstream theory. The author also points out that some notable mainstream economists, such as Krugman, 'discovered' the importance of Minsky's theory after the 2007 GFC.

The author organizes this book around the following three main themes in Minsky's works. The first and most well-known of his themes is that of financial instability. The second lesser-known theme covers his early work on employment, inequality, and poverty; that is, in fact, related to his theme of financial instability. The last theme, which emerged after the mid-1980s, and led to the analysis of money manager capitalism is a type of Schumpeterian long run historical dynamic analysis of the capitalist economy (it is worth noting that Minsky studied under Schmpeter at Harvard University). The most striking fact about the first theme is that Minsky left the apparently contradictory phrase 'stability is destabilizing.' The author explains this enigmatic phrase by discussing Minsky's famous scheme capturing the endogenous changes in the forms of investment financing, given by: Hedge finance → Speculative finance → Hedge finance, and so on.

> Minsky's view can be captured in his memorable phrase: 'Stability is destabilizing.' What appears initially to be contradictory or perhaps ironic is actually tremendously insightful: to the degree that the economy achieves what looks to be robust and stable growth, this is setting up the conditions in which a crash becomes ever more likely. It is the stability that changes behaviors, policy making, and business opportunities so that the *instability* results.
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> (2–3, italics as in original)

It is interesting to note that the author points out a fact that is related to Minsky's second theme, that is, his argument that the war on poverty would fail unless it is supported by the job-creating activities of the government as the 'employer of the last resort.'

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