JOURNAL ARTICLE

Cognition, market sentiment and financial instability Get access >

Sheila C. Dow

Cambridge Journal of Economics, Volume 35, Issue 2, March 2011, Pages 233–249, https://doi.org/10.1093/cje/beq029

Published: 20 August 2010 Article history ▼

Abstract

The purpose of this paper is to explore the role for psychology within an open–system structural theory of financial instability, and to consider the implications for policy. While behavioural finance has drawn on ideas from psychology in order to explain evidence of behaviour that deviates from the rationality axioms, it is argued that the way in which psychology is framed by this approach is unduly limiting. Minsky's structural theory of financial instability, with its Keynesian (and ultimately Humean) roots, incorporates psychology into the theoretical foundations. In particular, cognition and sentiment are shown to be interconnected rather than separable. It is concluded that the policy implications for addressing the current crisis, while apparently similar between these different approaches, are in fact very different. The underlying theory involves different methodology, and indeed different framing, from behavioural finance. The way in which the crisis is understood is therefore important for policy.

© The Author 2010. Published by Oxford University Press on behalf of the Cambridge Political Economy Society. All rights reserved.

JEL: B40 - General, E44 - Financial Markets and the Macroeconomy, G01 -

Financial Crises

Issue Section: Articles

You do not currently have access to this article.

Sign in



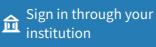
Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD



Register

Institutional access



Sign in through your institution

Sign in with a library card

Sign in with username/password

Recommend to your librarian

Institutional account management

Sign in as administrator

Purchase

Subscription prices and ordering for this journal

Purchasing options for books and journals across Oxford Academic

Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? Register

Cognition, market sentiment and financial instability - 24 Hours access

EUR €39.00 GBP £33.00 USD \$43.00

Rental



This article is also available for rental through DeepDyve.