

167 Views | 200 CrossRef citations to date | 17 Altmetric

Original Articles

# Finance and Economic Breakdown: Modeling Minsky's "Financial Instability Hypothesis"

Steve Keen

Pages 607-635 | Published online: 04 Nov 2015

Cite this article <https://doi.org/10.1080/01603477.1995.11490053>

Sample our Politics & International Relations Journals >> Sign in here to start your access to the latest two volumes for 14 days

References Citations Metrics Reprints & Permissions

Read this article Share

We Care About Your Privacy

We and our 880 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Show Purposes link on the bottom of the webpage .Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device

I Accept Reject All Show Purpose



STEVE KEEN

## Finance and economic breakdown: modeling Minsky's "financial instability hypothesis"

From as long ago as 1957, Minsky has argued that an advanced capitalist economy with developed financial institutions is fundamentally unstable, and liable to fall into a depression in the aftermath of a period of debt-financed "euphoria." His strictures were comfortably neglected during the long boom of the 1960s, and even during the oil and Third World debt shocks of the 1970s. However, this hypothesis cannot be ignored after the long period of economic instability ushered in by the crash of 1987. The late 1980s were manifestly a period of euphoria, financial innovation supported the boom, and the desire of both corporations and banks to recover from excessive debt is, to lay observers at least, a major factor in the "jobless recovery" of the early 1990s. Clearly, current economic circumstances warrant a more considered evaluation of Minsky's theories.

This paper models four basic insights of the "financial instability hypothesis" on the foundation of Goodwin's limit cycle model: the tendency of capitalists to incur debt on the basis of euphoric expectations; the importance of long-term debt; the destabilizing impact of



> Access through your institution

## Log in to Taylor & Francis Online

> Log in

## Restore content access

> Restore content access for purchases made as guest


### Purchase options \*

Save for later

#### PDF download + Online access

- 48 hours access to article PDF & online version
- Article PDF can be downloaded
- Article PDF can be printed


EUR 48.00

 Add to  
cart

#### Issue Purchase

- 30 days online access to complete issue
- Article PDFs can be downloaded
- Article PDFs can be printed

EUR 2

 Add to  
cart

\* Local tax

Rel



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Copyright

Accessib

Registered  
5 Howick Pl

or & Francis Group  
orma business

