Accumulation and crisis, theory of see Crisis theory
Agent choice
gen. 27
consciousness of ignorance, 46, 47
macrotheory, relationship to, 39–49
path dependency, 26, 42–44, 161, 282, 312
residual hypothesis, 45
subjectivist and objectivist approaches to, 40–41
Aglietta, Michel, 279
Aglietta and Breton study, 279
AIG, 131, 136, 141
Am I a Liberal?, 310, 315
Amromin, G., 27
Amromin and Sharpe study, 27
Animal spirits, 50, 53, 54
Annuities, 123
Armey, Dick, 364
Arrighi, Giovanni, 279
Arrighi and Silver study, 279
Asian Development Bank, 392
Asymmetric information
gen. 14, 33, 253
New Keynesian theory, in, 175–189
passim
Athenaeum, 308
Austerity policies
gen. 1–3, 10, 263, 269, 274
European resistance to, 383
public employees as target, 377
South Korea, in see South Korean crisis
U.S. deficit crisis and see Deficit crisis
Bach, G.L., 330
Bank for International Settlements, 30, 138
Bank of America
gen. 119, 142, 163
compensation practices of, 153
Bank of England, 119, 133, 135, 142
Banking Review, 111
Banks
bonus-driven incentive system, use of see Bonus-driven incentive system
capital requirements see Capital requirements
deregulation of, 30–31
excessive leverage, 32
failures, number of, 113–114
hiring practices, 156
large banks, growth of, 113–116
Baran, Paul, 10, 204
Baran and Sweezy study, 10, 204, 236
Basle Committee, 121
Basle Rules, 132, 135
Bear Stearns
gen. 119, 120, 136
compensation practices of, 153
Beaver, W., 20
Bebchuk, Cohen and Spamann study, 153
Bebchuk, Lucian, 153
Becker, J., 146
Becker and Morgenson study, 146
Behaviorists, 14–15
Berle, Adolf, 206
Berle and Means study, 206
Bernstein, J., 262
Black, Fischer, 24
Blankfein, L., 139
Blinder, Allan, 59
Block, F., 63
Bloomberg, 124
Boeing, 372
Bolton, Anthony, 137
Bond market, 124, 284
Bonus-driven incentive system
gen. 2–3, 120, 131–132, 151–152
boom-bust cycles, role in, 160–162
cumulative total return analysis of bank stocks, 155
destructive competition, effect of, 164
effect of diminishing profits, 153
excess supply of rainmakers, effect of, 156, 165–168
Great Financial Crisis, role in, 151–152
growth in popularity of, 156–158
growth of bonuses as diminishing profits, 153–154
inability to restrain, 162–165
large investment banks specifically, in, 153–155
mutual fund investors, effect of, 163
oligopoly pricing power, effect of, 160, 162
primacy of bonuses, 153–155
rents, rainmaker premiums as, 156–158
short-term horizons of investors as factor, 164
Wall Street firms, 153–154

Booms and busts
passim, 140, 182–193, 396–403
conflict between capital and labor as leading to, 331
endogenous boom-bust cycles, 229–230
expansion, role of credit in, 94–96
inflation as factor, 187–188, 343–345, 352–353
Keynes-Minsky-Marx theory, in, 161–162
South Korean crisis and, 396–397, 400–405
speculative inflation during, 187–188
telecom bust, 297
Borenstein, E., 389
Borenstein and Lee study, 389
Bosworth, Barry, 208, 210
Bosworth and Collins study, 400
Bowles, Gordon and Weissskopf study, 260
Bowles, S., 259
Bowring, J., 251
Boyler, Robert, 279
Brazil, 301, 344
Brenner, Robert, 259, 277
Breton, Regis, 279
Bretton Woods system, 1, 62, 260, 272, 348
Britain’s Industrial Future, 320–322
Brittan, S., 389
Brown-Collier, E., 308
Buffett, Warren, 159
Bureau of Labor Statistics, 380, 398
Burger, Albert, 335
Bush, George H. W., 364, 368
Bush, George W., 364, 365, 366, 368–372
Business Week, 115, 209, 267, 293
Busts see Booms and busts
Camdessus, Michel, 407–408
Camerer, C., 14
Camerer and Lowenstein study, 14
Can Lloyd George Do It?, 325
Canada, 375–376
Capital, 73–99 passim
Capital asset pricing model
assumptions used to construct, 24–25
econometric testing of, 21–22
Keynes-Minsky versus, 24–29
“market portfolio,” 21
“no arbitrage” assumption, 23
unrealistic assumptions used to create, 17
Capital deepening, 221–225, 233, 235–238
Capital requirements
banks, for, 30–31, 121, 132, 134–143
collateralized debt obligations, for, 134
Value at Risk, 30–31, 121–122, 138–139
Capital widening, 221–223, 232, 235–236, 238
Carvalho, Fernando, 45, 48, 61
Case-Shiller index, 143
Center on Budget and Policy Priorities, 369, 379
Chandler, Alfred, 251, 273
Chang, H.-J., 389
Chang, Park and Yoo study, 391
Chicago Fed, 117
China, 262
Citigroup
generally, 117, 119, 135, 137, 140, 146
compensation practices of, 153
Claessens, S., 403
Clark, John Maurice, 250, 251, 252
Clarke, S., 236, 237

Class conflict theory of macropolicy
- generally, 329, 352–353
- balance of payments as factor, 346–352
- concept of cycle, role of, 334–341
- cyclical behavior of factor shares, 335–341
- exclusive reliance on monetary and fiscal policy, end of, 351–352
- foreign exchange system, role of, 348–349
- full employment as goal, 332–333, 335–338, 342–343
- goals of state as factor, 329–334
- gold, role of, 348–349
- harmony-conflict dialectic, 330
- inflation, role of, 343–345, 352–353
- international and political affairs as factor, 346–352
- Keynesian position distinguished, 332
- labor problems, 338–340
- maximization of profits as primary goal, 330
- New Economic Policy, 347–352
- pluralism, 331
- political-social and economic factors distinguished, 342–343
- productivity, cyclical movements in, 338–340
- profits/wages ratio, 335–338
- racial income differentials, 341
- stable reserve army, 342–343
- technological forces, 338–339
- unemployment, 342–343, 353
- US dollar, role of, 348–349, 352
- wage and price controls, 340, 344–345, 351–353
- wage struggle, 343–345, 352–353
- wars and, 347–348, 353

Clinton, Bill, 364, 366, 368, 379
Clower, R., 42
Coddington, A., 39

Coerced investment
- generally, 266

Keynes-Minsky-Marx theory, in, 8
- nonfinancial corporations, neoliberal globalization’s effect on, 276–277, 289
- Coercive competition, 264–265, 275
- Cohen, Alma, 153
- Coherence, micro- and macro-foundations of, 39–40, 60–64
- Collateralized debt obligations, 33–34, 118–125, 132–137
- Collier, B., 308
- Collins, C., 400
- Commons, John R., 315

Competition
- generally see Competition in financial markets
- coercive competition, 264–265, 275
- cooperation, relation between competition and, 256
- corespective competition see Corespective competition
- dialectical process, as, 226
- fraternal and fratricidal modes of competition, 222–223, 227, 230, 233
- Keynes’ view
- anarchic competition, 316–320
- atomistic competition, rejection of, 316–320
- disequilibrium competitive processes, 310–312, 318
- regulated competition, 317
- perfect competition, Neoclassical model of, 249

Competition in financial markets
- generally, 109–112
- bidding clubs, 115
- bond market, 124
- brokerage services, profitability of, 114
- collusive behavior, 115–116
- consolidation in sector, 113–114
- corespective competition see Corespective competition
- derivatives, 117–126
- fee structures, 114–115
- financial deepening, 113
- Group of Ten survey, 114
hedge funds see Hedge funds
herd behavior, 124, 286, 312
high growth industry, financial firms as, 112–113
high returns, pressure to achieve, 123–124
higher risk leading to higher profits, 116–124
initial public offerings, 114–115, 120
institutional investor incentives as increasing risk taking, 122
large banks, growth of, 113–116
low interest rates due to Central Banks’ intervention, 116
mergers and acquisitions, 114–115, 120, 267
noninterest income, 117–122
OTC products, 124
paradox of high profit rates and intense competition, 109–112, 126
rate of expansion of financial firms, 112–113
Conditional macroeconomic coherence, 39–40, 60–64
expectation and confidence formation as contributing to 49–60, 49–60
institutional foundation of, 60–64
uncertainty and, 39–40, 49–64
Confidence expectation and confidence formation see Expectation and confidence formation
neoclassical agents and, 49–50
optimism distinguished, 46
risk distinguished, 46
variable, as, 27–29
Conflation, 8, 197–198, 201–203, 205–206, 210–212
Congressional Budget Office, 368, 369, 372, 375, 378
Contractual rigidity, 63
Core industries, 247–268, 275–276
Corespective competition generally, 250–259, 264–265, 267
financial markets, in, 115–116
investment theory, in reformulation of, 230, 232–233
natural oligopolies, in, 250–253, 255–256
nonfinancial corporations, among, 274–275, 280, 281
Corporate raiders, 284–285
Corporate tax rate, 372, 374
Countrywide, 140
Credit default swaps see Derivatives
Credit derivatives see Derivatives
Credit rating agencies, 132
Crisis theory generally, 7, 72–73, 100–102
abstract forms of crisis, 75, 77–90
barter, 78
capitalist crises, generally, 82–83, 90–91
circulation, generally, 73–76
contract-credit system, 91–92, 96–100
contract economy, 83–90
credit-accumulation nexus, 92
credit system, development of, 91–92
depth and duration of downturn, factors in, 100
disequilibrium aspects of simple commodity production, 80–81
expansion, role of credit in, 94–96
falling rate of profit and oversensitive contract credit system as trigger, 98–100, 101–102
fragility or over-sensitivity of system, 84–104 passim
“functions” of money, 77
gross rate of profit defined, 94
hoard, money as, 80, 85
interest rate as eroding net profit rate, 97
laws of motion of capitalism, 90–91
money as means of circulation, 78–83
money as means of payment, 83–90
money as measure of value, 81–82
net rate of profit defined, 94
non-capitalist commodity exchange, forms of, 78
potential crises in contract economy, 87–89
rate of profit as key variable, 92–93, 94–98
reproduction process of capitalism, 80, 81, 84, 91
simple commodity production and
Index

capitalist production, relation between, 74–90, 90–93

unity of circulation and production, 94–100

velocity of money, 80–81

Crony capitalism, 297, 395, 404

Crotty, James, 27, 130, 139, 145, 155, 162, 164, 185, 197, 246, 252, 259, 261, 264, 266, 275, 276

Crotty and Dymski study, 389

Crotty and Epstein study, 145

Crotty and Goldstein study, 228, 229, 277, 285

Crotty and Lee study, 389, 406

 Cuomo, Andrew, 153

Daimler-Chrysler, 267

Darwin, Charles, 310, 311–312

Das, S., 141

Das Kapital, 73–99 passim

Davidson, P., 42, 44, 45, 53, 61, 176

Deficit crisis

causes of, 357–365, 368–370, 376–377

congressional attack on New Deal, 378–379

debt ceiling crisis, 380–381

debt-to-GDP ratio, 358, 363, 368–371

economic and political background, 357–365

increased inequality, 365–367

media reporting on, 382

Obama acceptance of budget cuts, 379–380

overview, 357–359, 381–383

prospective deficits, causes of, 369–370

real family income, 366–367

recommended response to, 362–363, 370–374

right-wing economic policies as causing, 359–365

slower growth, 365–367

Social Security and health care as factors, 365–367, 374–376

state and local responses, 376–377

tax rates and revenue, 370–374

Degree of monopoly, 203

Delay, Tom, 364


Derivatives

generally, 32–34, 114, 131, 132–138, 140–143

high profits resulting from, 117–126

notional value of all contracts (2005), 112–113

proposed regulation of, 146

DeYoung, R., 117

DeYoung and Rice study, 117

Dhareshwar, A., 400

Di Napoli, T., 131

Dinallo, Eric, 136

Disequilibrium

competitive processes, 310–312, 318

simple commodity production, in, 80–81

unemployment as disequilibrium phenomenon, 180

Does Unemployment Need a Drastic Remedy?, 308

Donaldson, G., 59

Donaldson and Lorsch study, 59

Drexel, Burnham and Lambert, 284

Duhem, Pierre, 18

Duhem-Quine thesis, 18

Dumenil, Gerard, 277, 279

Dumenil and Levy study, 277, 279

Duncan, M., 264

Dymski, Gary, 389

East Asian growth model, 2, 259, 263, 273, 274, 301, 387, 388, 393–394, 397–398, 400

Economic dynamics, theory of, 5–6

Efficient market hypothesis

generally, 3, 13–16, 39–49

econometrics tests of, 20–21

liquidity as always available under, 133

relevant information set, 16

Eisenhower, Dwight, 346, 347, 349

Endogenous change, 4, 5, 50

Engels, Friedrich, 97

English economy in 1920s, Keynes’ view of see Industrial and macro policy in 1920s, Keynes’ view of

Enron, 294–295

Epstein, G., 145
Ergodic stochastic economic models, 42–43, 175, 176–177
European Central Bank, 121
European Economic Community, 351
Evolution, theory of, 310, 311–312
Exogenous shocks, 5, 43, 57, 177, 178, 179
Expectation and confidence formation generally, 27, 49, 161, 180, 181–182, 198
conditional stability, contribution to, 49–60
conventional process of, 52–60
endogeneity of, 57, 182
historically contingent, as, 58–59
institutionally specific, as, 58
Keynes-Minsky theory, 27, 57, 161
social and interactive, as, 57–58
speculative excess as factor, 183–184
Fama, Eugene, 15–16, 20–21, 205
Fama and French study, 21
Fazzari, Steve, 43, 175–189
FDIC, 124
Federal Reserve, 298
Feldstein, Martin, 393
Felix, David, 279, 283
Ferguson, N., 142
Fidelity International, 137
Financial Services Authority, 138
Financial theories of instability generally, 196–197
irreversibility of investment, 207–208
Keynesian models of conflation, 198–201
marginal efficiency of capital, 198–201
Minsky’s theory of instability see Minsky, Hyman
Q theory, 201–202
semi-autonomy of owners and managers generally, 205–210
empirical evidence in support of, 210–212
Financial Times, 32, 114, 115, 118, 119, 121, 134, 135, 137, 138, 140, 142, 144, 162, 167, 267, 395
Financialization of nonfinancial firms, 2, 109, 297–300
Findley, M., 14, 22
Findley and Williams study, 14, 22
Fischer, Stanley, 387, 394, 407
Fisher, S., 210
Fisher and Merton study, 210
Fitch Ratings, 124, 136
Fitzgibbons, A., 53
Forbes Magazine, 287
Ford Motor Co., 247, 267
Foreign exchange system, 260, 348–349
Fortune Magazine, 135
Fragility crisis theory, fragility or over-sensitivity of system in, 84–104 passim
Minsky’s financial fragility thesis, 63, 143, 162, 182, 189, 219, 230
France, 349
French, K., 21
Friedman, Milton, 40
generally, 3, 5, 7, 311, 344
positivism of see Positivism
Froud, J., 115, 279, 294
Froud and Williams study, 115
Fukuyama, Francis, 14
Fuld, Richard, 159
Galbraith, John Kenneth, 258
Geithner, Timothy, 122, 126, 140, 143, 146, 147
General Electric, 247
General Motors, 267
German Central Bank, 141
Germany, 259, 260, 352
Gingrich, Newt, 364
Glass-Steagall Act, 111
Global Crossing, 295
Global financial crisis 2007 see Great Financial Crisis
Great Depression see Great Depression
Global neoliberalism generally see Neoliberal globalization
austerity policies see Austerity policies
nonfinancial corporations, effect on see Nonfinancial corporations, neoliberal globalization’s effect on paradox of neoliberalism see Paradox of neoliberalism
Glyn, Andrew, 277
Goldin, C., 156, 158, 165
Goldin and Katz study, 156, 158, 165
Goldman Sachs, 115, 120, 131, 136, 138, 146, 163
Goldstein, Jonathan, 228
Goodhart, Charles, 133–134, 142
Gordon, D., 260
Great Depression
generally, 3, 13, 244, 359
New Deal response to, 359–361
Great Financial Crisis
generally, 1–3, 34–35, 151
banks, role of, 30–32
bonuses, role of, 151–152, 168
debt, role of, 31–32
New Financial Architecture, role of
see New Financial Architecture
non-transparent securities, role of, 32–34
Great Recession see Great Financial Crisis
Greenspan, Alan, 141, 144, 288, 388, 393, 394
Greenspan Commission, 375
Hahm, J., 389
Hahm and Mishkin study, 389
Haldane, Andrew, 3, 136, 139
Hanks, George, 111
Harrison, B., 264
Harrod, Roy, 320
Health care costs, 374–376
Hedge funds, 114–115, 118–124, 123, 127, 130–146 passim
Henwood, 279
Herd behavior, 124, 286, 312
Hollister, Robinson, 341
Hollister and Palmer study, 341
Household debt, 31
Howell, D., 264
Howell, Duncan and Harrison study, 264
IBM, 247
India, 262
Industrial and macro policy in 1920s,
Keynes’ view of
generally, 307–308, 325
anarchic competition, 316–320
atomistic competition, rejection of,
316–320
bankruptcy and debt, 319–320
Board of National Investment, role of,
321–322
col, crisis in, 318
cooperative labor-management-state
decision-making, 323
corporatist, as, 308
cotton industry, 318–320
Council on Industry, 324–325
disequilibrium competitive processes,
310–312, 318
evolution and laissez-faire, 310–312
industrial policy, 322–325
initial statement and defense of
macro-policy position, 308–316
irreversibility of real capital
accumulation, 318–319
labor, control over, 317–318
microeconomic theory, 308, 310
Ministry of Industry, role of, 323–325
National Industrial Council, 324–325
nationalization, 315
public corporation, importance of,
313–316
public investment as cornerstone of
policy, 321–325
radical nature of, 325–326
reasons for high growth rate (1870–
1914), 307–308
regulated competition, 317
scientific method as applicable to
economics, 311
socialization of investment, 308,
320–322
three economic orders, 315–316
unemployment, remedy for, 308–310
Visionary essays, 308–316
Inequality of income and wealth
generally, 2, 5, 10, 257–259, 262,
301, 358–363, 365–366,
370–374, 382–383
South Korea, in, 391
Inflation
generally, 260–262, 343–350,
352–356, 361–362
booms, as factor in, 187–188,
343–345, 352–353
Informational efficiency see Efficient
market hypothesis
Inherently unstable financial markets, 3, 6
Instability
generally, 5–8, 34
inherently unstable financial markets, 3, 6
Minsky’s theory of see Minsky, Hyman
monocausal theories of, 197, 203
New Keynesian theory
investment instability, theory of, 175–189, 200–201
New Keynesian theory and, 175–180, 183, 186–187
uncertainty distinguished, 59
Institute for International Finance, 392
Institutionalization of decision-making, 62
Insurance companies, 123
International Monetary Fund
generally, 135, 145, 244, 263, 269, 272, 274, 284
South Korea, policy toward see South Korean crisis
Investment theory, reformulation of
generally, 219–220
“Accumulate, Accumulate”
generally, 219–220, 236
conditional, as, 220–224
investment in 1980s, analysis of, 237–238
simplistic, as, 226–227
anarchic regime, 230, 233–235, 236
approach to expectations, 228
bankruptcy, 228
capital deepening, 221–225, 233, 235–238
capital widening, 221–223, 232, 235–236, 238
competition as dialectical process, 226
corespective regime, 230, 232–233
enterprise decision making, theory of, 236
financial fragility theory, 230
financial markets, effect of theory of, 224–225
fraternal and fratricidal modes of competition, 222–223, 227, 230, 233
growth-safety tradeoff investment model, 228–230, 232
independent behavioral investment equation, 224–225
investment in 1980s, analysis of, 237–238
irreversibility of investment, 223, 228
realization problems, 220, 224
regime shifts, 233–237
strategy, role of, 230–235
unknowability, 228
Irrationality
generally, 14, 16, 27, 41, 54, 332
agent irrationality, 41
radical irrationality of Keynesian investor, 54
Irreversibility of investment
generally, 207–208, 248
investment theory, reformulation of, 223, 228
New Keynesian theory, 186
Post Keynesian theory, 186
Itoh, M., 236, 237
Japan, 259, 260, 263, 265, 344, 352, 353
Jensen, M.C., 206
Jensen and Meckling study, 206
Johnson, Lyndon, 346, 347
Johnson, Simon, 165
Johnson and Kwak study, 165
Journal of Economic Perspectives, 58
JPMorgan Chase, 117, 119, 137
Jung, Kim Dae, 406
Junk bonds, 124, 284
Justice Department, 115
Kalecki, Michal
generally, 4, 54, 203, 204, 342, 343
full employment and profits, view of, 332–334
Keynesianism and, 332–334
monopoly pricing theory, 333
The Political Aspects of Full Employment, 329
Kaplan, S., 165
Kaplan and Rauh study, 165
Katz, L., 156, 158, 165
Kennedy, John, 346, 347
Keynes, J.M.
generally, 4, 6, 13, 19–20, 27, 63, 116, 129, 299
corporatist, as see Industrial and macro
policy in 1920s, Keynes’ view of Keynes-Minsky-Marx theory see Keynes-Minsky-Marx theory
Keynes-Minsky-Marx theory see Keynes-Minsky-Marx theory
Keynesian theory see Keynesian theory
competition and cooperation, relation between, 256
crisis theory see Crisis theory
investment theory, reformulation of see Investment theory, reformulation of
monopoly defined, 256
Say’s Law, view of, 245–246
McCloskey, D., 178
MCI, 296
Means, Gardiner, 206
Meckling, W., 206
Medicaid, 357–360, 368, 370, 374, 376, 378, 380, 382
Medicare, 357–360, 368, 370, 374, 376, 378, 380, 382
Mergers and acquisitions, 114–115, 120, 267
Merrill Lynch, 131, 134–135
Merton, R., 210
Milken, Michael, 284
Minsky, Hyman
generally, 4, 7, 8, 13, 129, 341
financial instability, theory of, 54, 203–205, 219, 230
fragility theory see Fragility
market ebullience, 28–29
Marxian accumulation theory and, 219–228
Q theory, variant of, 205
Minton, B., 119
Minton, Stulz and Williamson study, 119
Michel, Bernstein and Schmitt study, 262
Michel, L., 262
Mishkin, F.S., 389
Moggridge, D., 320
Monetarism, 3
Money and forward contracts, 61
Monopoly, 236
Monopoly capitalism, theory of, 10, 236
Moody’s, 132
Morgan “Money Trust,” 109
Morgan Stanley, 115, 146, 159, 163
Morgenson, G., 146
Morin, Francois, 279
Morrison, A., 166
Morrison and Wilhelm study, 166
Mortgage-backed securities, 32–34, 118–119, 131, 132–135, 137
Muth, John, 41, 43
Nabisco, 284–285
Nadiri, M.I., 400
Nadiri and Son study, 400
NAFTA, 364
Natural oligopolies
generally, 9, 264, 266–267
corespective competition in, 250–253, 255–256
re-oligopolization, 266–268
Nehru, V., 400
Nehru and Dhareshwar study, 400
Neoclassicism
conflation of owners and managers, 205–206
general equilibrium models, 202, 245
investment theory, 201
micro theory, 247
New Keynesianism distinguished, 175–178, 181, 185, 189
perfect competition, model of, 249, 253
perfect distribution, assumption of, 247
theory of choice under uncertainty, 176
Neoliberal globalization
generally, 267–269
austerity policies see Austerity policies
barriers to entry, 166–167, 251, 253, 255–256, 269
chronic excess capacity, 264–267
coerced investment, 266
coercive competition, 264–265, 275
core industries, 247–268
corespective competition see Corespective competition
debate over, generally, 244–246
deregulation see Deregulation
destructive competition, 247–251, 254–256, 264–267
fixed costs, 249–251
freedom of exit, 248–250, 255, 258
global aggregate demand growth, 261–263
long-term planning, 258–259, 273, 282–283
micro theory, 245–250
natural oligopolies see Natural oligopolies
nonfinancial corporations, effect on see
Nonfinancial corporations, neoliberal globalization’s effect on oil prices and, 260–261
perfect factor substitutability in production, 249–250
promises of, 244–246
slow growth resulting from, 261–266
South Korean crisis see South Korean crisis
structural contradictions of, 257–261
symbiotic relations between state and market, destruction of, 257–261
virtuous circle of prosperity, 246, 259–261, 275
New Deal, 358–381 passim
New Economic Policy, 347–352
New Financial Architecture
generally, 129–130, 143–147
capital requirements, 137–140
complex and opaque financial products, 132–134, 140–142
definition, 129–130
illiquid financial products, 132–134
incentives increasing risk, 130–132, 138–139
increased systemic risk, 140–142
key structural flaws
capital requirements, 137–140
complex and opaque financial products, 132–134, 140–142
illiquid financial products, 132–134
incentives increasing risk, 130–132, 138–139
increased systemic risk, 140–142
off-balance sheet assets, 137–140
risk assessment, flaws as to, 138–139
risk management, false claims as to, 134–137
Special Investment Vehicles, use of, 137
system-wide leverage, facilitation of, 142–143
Value at Risk, use of, 138–139
weak theoretical foundation, 130
New Keynesian theory
generally, 4, 8, 10, 189
agent expectations, assumptions about, 177–178
asymmetric information, assumption of, 175–189 passim
bankruptcy, 186–187
credit, sufficiency and insufficiency of, 183–184
credit rationing, 187–188
debt-equity ratios, 186
diversification, 185
ergodic, stochastic models, 175, 176–177
fundamental uncertainty, 175–189
government economic policy, view of, 188–189
insolvency, 186–187
instability
generally, 175–180, 183, 186–187
insurance, 185
investment theory, 175–189
irreversibility of investment, 186
key Keynesian theories as incompatible with, 179–184
Keynesian investment theory distinguished, 175–189
link between finance and investment, 185–186
Post Keynesian theory distinguished, 175–176, 179, 184–190
systemic risk, 185
wedge between finance and investment, 185–186
New York State Comptroller’s Office, 154
Nixon, Richard, 342, 343, 347, 351, 361
Nonergodic, stochastic processes, 185
Nonfinancial corporations, neoliberal globalization’s effect on generally, 272–274, 301
accounting fraud, 294–297
agency theory, development of, 285
buybacks, 291–292
cash flow taken by financial agents, 289–293
changes in corporations’ objectives and constraints, 274
changing financial markets, effect of, 279–293
chronic excess capacity, 275
coerced investment, 276–277, 289
coercive competition, 264–265, 275
core industries, 275–276
corespective competition, 274–275, 280, 281
debt, increase in, 278–279, 289–293
deregulation, 275
destructive competition, 274–279, 282, 289, 292–297
dividend payments as percent of cash flow, 291
executive compensation, 287–289
financial or portfolio conception of corporations, effect of, 284–285
financialization of nonfinancial corporations, 2, 109, 297–300
GDP growth rates, 273
gross portfolio income, growth of, 299–300
IMF and World Bank imposition of policies, 284
neoliberal paradox defined, 273–274
net real fixed investment, 277, 278, 289
organizational integration, 281–282
other miscellaneous financial assets, growth of, 298–300
profit rates, 277–278, 294–297
real interest rates, 280, 283
rentier capitalism, rise of, 279–280
rising public debt, 283–284
Schumpeter-Chandler managerial firms, 280–283
shareholder value movement, 286–289
shift to “impatient” financial markets, 273, 282, 293
slowdown in global aggregate demand, 273–279, 281, 283–284
stock options as pay component, 287–289
stockholders and stock prices, 286–289, 294–297
Norris, Floyd, 161
Obama, Barack, 144, 146, 365, 369, 372, 373, 382
Office of Financial Stability, 3
Okun, Arthur, 346
Oligopolies see Natural oligopolies
OPEC, 260
Optimal financial markets, theory of generally, 15–16
debt as not dangerous, 31–32
“event studies,” 22
leverage as not dangerous, 31–32
testing of, 22, 23
Optimal security pricing, 15–16
Orange County, 141
Originate-and-distribute model, 134–135, 142
Oster, S., 249, 251
O’Sullivan, Mary, 251, 281, 282
OTC products, 124
Owner-manager conflict generally, 196–197
conflation of owners and managers, 197, 198–206
Keynesian models of conflation, 198–206
Minsky’s theory of instability, 54, 203–205
Q theory, 201–202
semi-autonomy of owners and managers generally, 205–210
ever evidence in support of, 210–212
Oyer, Paul, 156, 165
Palmer, John, 341
Paradox of neoliberalism generally, 272–301
neoliberal paradox defined, 273–274
political unpopularity of policies, 407–408
South Korean crisis, as reflected in, 407–408
Park, H.-J., 391
Partnoy, Frank, 139
Paulson, Henry, 136, 142
Pension funds, 123
Perelman, Michael, 251
“Perfect calm,” 30, 116, 124, 126
Perfect financial markets see Efficient market hypothesis
Phelps, Edmund, 341
Philippon, T., 156–158, 165
Philippon and Reshef study, 156–158, 165
Phillips curve study, 342, 343
Phillips-Fein, Kim, 360, 365
Pigou, Arthur C., 180
Piketty, Thomas, 288
Piketty and Saez study, 288
Piron, Robert, 58
Plender, John, 126
Political Economy Research Institute, 3
Pollard, Sidney, 313, 314
Pomerleano, Michael, 404
Porter, M., 251
Positivism
generally, 5, 7, 15–20, 34–35
capital asset pricing model vs.
Keynes-Minsky, 24–29
econometrics, use of, 18
empirical tests used to defend, 20–24
realism of assumptions as irrelevant in evaluating, 15–20, 34–35
unrealistic assumptions and Great Financial Crisis; illustrative examples, 30–34
Post Keynesian theory
credit rationing, 187–188
fundamental uncertainty in, 185
government economic policy, view of, 188–189
investment theory, 175–189
irreversibility of investment, 186
New Keynesianism distinguished, 175–176, 179, 184–190
nonergodic, stochastic processes in, 185
price rationing, 187–188
speculative inflation during booms, 187–188
Prince, Charles, 135, 164
Public employees as austerity target, 377
Q theory, 197, 199, 201–202, 205, 208–210
Quarterly Journal of Economics, 20, 44, 52
Quine, Willard, 18
Rabin, Matthew, 14
Rainmakers
apprenticeship process, 166–167
bonuses for see Bonus-driven incentive system
character traits of, 158–160
defined, 151
excess supply of, 156, 165–168
false value created by, 162
Rajan, Raghuram, 118, 122
Ramey, V., 247
Ramey and Shapiro study, 247
“Rational expectations”
generally, 3, 19, 27, 39–49, 161, 163
ergodic stochastic processes, 42–43
Rauh, J., 165
Re-oligopolization, 266–268
Rentier capitalism, 262, 279–280
Reshef, A., 156–158, 165
Rice, T., 117
Richardson, M., 135–136
Richardson and Roubini study, 135–136
Risk
degree of confidence distinguished, 46
higher risk leading to higher profits, 116–124
institutional investor incentives as increasing risk taking, 122
New Financial Architecture and see
New Financial Architecture
systemic risk, 138, 140, 179, 185
Value at Risk, 30–31, 121–122, 138–139
Robinson, Joan, 54, 59
Rodrik, Dani, 34–35, 389
Rogoff, Kenneth, 390
Romer, David, 178
Roosevelt, Franklin Delano, 358–360 passim
Rotheim, R., 50
Roubini, Nouriel, 133, 135–136
Rubin, Robert, 146, 393
Russia, 262
Ryan, Paul, 379
Saez, Emmanuel, 288
Salomon Brothers, 159, 165
Sarel, M., 400
Say’s Law, 6, 8, 63, 77, 79, 245–246
Schmitt, J, 262
Schumpeter, Joseph
generally, 4, 6, 273, 274
corespective competition see Corespective competition
creative destruction, 390
natural oligopolies, theory of, 9
neoliberal micro theory compared, 247, 250–255
SEC, 142, 295
Securities Industry and Financial Markets Association, 33, 132, 163
Serial acquirers, 294–295
Shackle, G.L.S., 40, 44, 45, 48, 49, 51, 53, 56, 176
Shapiro, M., 247
Shareholder domination, 8, 207
Shareholder-value movement, 2–3
Sharpe, S., 27
Sharpe, William, 17
Sherman, Howard, 333–334, 338
Shiller, Robert, 19, 59
Silver, Beverly, 279
Singh, A., 389
Skidelsky, Robert, 315, 320
Smith, Y., 30
Smith study, 30
Social Security, 62, 357–361, 368, 374–379, 382
Social structures of accumulation theory, 260
Solow, Robert, 19, 144–145
Son, W., 400
Sonnenfeld, Jeffrey, 295
Sorensen, Theodore, 346
Sorkin, Andrew Ross, 159
South Korea
generally, 265
crisis in see South Korean crisis
South Korean crisis
alleged collapse of economy, 387, 395–405
austerity policies, imposition of, 263, 389–395
capital accumulation rates, 398–399
capital productivity as factor, 397–400
causes of, 283, 388–391, 395, 404
chaebol, role of, 388, 391, 392, 396, 403, 406
crony capitalism as cause of, 404
cross-country profitability comparisons, 403–404
debt to foreign banks, increase in, 392
domestic profit time series, 401–403
economic conditions during mid-1990s, 387–388, 395–405
exports, increase in, 396–397
“extreme conditionality,” 387, 390, 392
GDP growth, 398
investment boom as irrational, 396–397
liberalization policies as cause of, 389, 392, 406
liquidity crisis, as, 387, 389, 390, 395
neoliberal paradox as reflected in, 407–408
output-to-capital ratio, analysis of, 397–398
overview of, 387–388, 406–408
political effect of, 406–408
post-crisis evaluation report, 390–391
profitability data during boom, 400–405
response to, 387–395
“structural reforms,” 390, 392, 393–394, 407–408
total factor productivity, measurement of, 398–400
Spamann, Holger, 153
Special Investment Vehicles, 130, 137
Static models, 5, 24, 178–180, 182–183
Steindl, J., 204, 216, 333
Steinherr, A., 121
Stiglitz, Joseph, 14, 159, 374, 389
Stiroh, Kevin, 117
“Structural reforms”
generally, 1, 3
South Korean crisis, in, 392–393
<table>
<thead>
<tr>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stulz, R., 119</td>
</tr>
<tr>
<td>Subprime mortgages, 118–119, 129, 135, 137, 141</td>
</tr>
<tr>
<td>Summers, Lawrence, 21, 146, 393, 395, 407</td>
</tr>
<tr>
<td>Sweezy, Paul, 10, 204</td>
</tr>
<tr>
<td>Sylos-Labini, P., 251</td>
</tr>
<tr>
<td>Taiwan, 265</td>
</tr>
<tr>
<td>Tax cuts, 3, 10, 277, 347, 351, 357–359, 362–365, 368–382</td>
</tr>
<tr>
<td>Telecom bust, 297</td>
</tr>
<tr>
<td>Tett, Gillian, 134, 135, 137, 139, 140</td>
</tr>
<tr>
<td>The Economic Consequences of the Peace, 307</td>
</tr>
<tr>
<td>The Economist, 120, 123, 145, 155, 288, 296</td>
</tr>
<tr>
<td>The End of Laissez-Faire, 310</td>
</tr>
<tr>
<td>The Financial Times, 126, 296</td>
</tr>
<tr>
<td>The General Theory, 20, 50, 54, 57–58, 59, 180–181, 184, 197, 198, 325, 332</td>
</tr>
<tr>
<td>The Means to Prosperity, 325</td>
</tr>
<tr>
<td>The Nation, 308</td>
</tr>
<tr>
<td>The Political Aspects of Full Employment, 329</td>
</tr>
<tr>
<td>The Treatise on Money, 187</td>
</tr>
<tr>
<td>Theories of Surplus Value, 77, 82</td>
</tr>
<tr>
<td>Timmer, M., 398</td>
</tr>
<tr>
<td>Timmer and van Ark study, 398</td>
</tr>
<tr>
<td>Tobin, James</td>
</tr>
<tr>
<td>generally, 8</td>
</tr>
<tr>
<td>Q theory, 197, 199, 201–202, 205, 208–210</td>
</tr>
<tr>
<td>Tract on Monetary Reform, 319</td>
</tr>
<tr>
<td>Tranquility, periods of, 54–55</td>
</tr>
<tr>
<td>Treasury Department, 284, 370</td>
</tr>
<tr>
<td>Trichet, Jean-Claude, 121</td>
</tr>
<tr>
<td>Troubled Asset Relief Program, 144, 146</td>
</tr>
<tr>
<td>Tyco, 295</td>
</tr>
<tr>
<td>Uncertainty</td>
</tr>
<tr>
<td>generally, 5, 27, 30, 44–45, 248</td>
</tr>
<tr>
<td>conditional stability and, 39–40, 49–64</td>
</tr>
<tr>
<td>credit rationing, as explanation for, 187–188</td>
</tr>
<tr>
<td>fundamental uncertainty in New Keynesian theory, 175–189, 248</td>
</tr>
<tr>
<td>instability distinguished, 59</td>
</tr>
<tr>
<td>psychological effects, 50–52, 181</td>
</tr>
<tr>
<td>Unemployment</td>
</tr>
<tr>
<td>class conflict theory of macropolicy, in, 342–343, 353</td>
</tr>
<tr>
<td>disequilibrium phenomenon, as, 180</td>
</tr>
<tr>
<td>Does Unemployment Need a Drastic Remedy?, 308</td>
</tr>
<tr>
<td>rate of, 260, 309, 326, 361, 362, 363, 380</td>
</tr>
<tr>
<td>remedy according to Keynes, 308–310</td>
</tr>
<tr>
<td>Union Bank of Switzerland, 135</td>
</tr>
<tr>
<td>Unions</td>
</tr>
<tr>
<td>generally, 262, 358–364 passim, 362, 377, 381</td>
</tr>
<tr>
<td>attempts to control, 352–353</td>
</tr>
<tr>
<td>strikes, 339–340</td>
</tr>
<tr>
<td>wage struggle, 343–345</td>
</tr>
<tr>
<td>Unknowability of future, 5, 7, 16, 20, 26–27, 44, 61, 198, 199, 228, 248</td>
</tr>
<tr>
<td>Useem, Peter, 279, 286</td>
</tr>
<tr>
<td>Value at Risk, 30–31, 121–122, 138–139</td>
</tr>
<tr>
<td>van Ark, B., 398</td>
</tr>
<tr>
<td>Variato, Anna Marie, 175–189</td>
</tr>
<tr>
<td>Veneroso, F., 389</td>
</tr>
<tr>
<td>Versailles Treaty, 307</td>
</tr>
<tr>
<td>Vickers, D., 44, 45, 176</td>
</tr>
<tr>
<td>Vinia, David, 138</td>
</tr>
<tr>
<td>Volcker, Paul, 1, 111, 115, 126, 130</td>
</tr>
<tr>
<td>Wade, R., 389</td>
</tr>
<tr>
<td>Wade and Veneroso study, 389</td>
</tr>
<tr>
<td>Wage and price controls, 340, 344–345, 351–353</td>
</tr>
<tr>
<td>Wages, Price and Profit, 345</td>
</tr>
<tr>
<td>Wall Street Journal, 123, 131, 140, 154, 159, 164, 165, 250, 276, 339, 388, 393, 408</td>
</tr>
<tr>
<td>Wall Street Watch, 142, 145</td>
</tr>
<tr>
<td>Walrasian theory, 42–43, 50, 51, 81, 189, 190, 244</td>
</tr>
<tr>
<td>Weber, A., 141</td>
</tr>
<tr>
<td>Weiss, L., 391</td>
</tr>
<tr>
<td>Weissskopf, F., 260</td>
</tr>
<tr>
<td>Wells, H.G., 320</td>
</tr>
<tr>
<td>Wessel, David, 297</td>
</tr>
<tr>
<td>Wilhelm, W., 166</td>
</tr>
<tr>
<td>Williams, E., 14, 22</td>
</tr>
<tr>
<td>Williams, K., 115</td>
</tr>
<tr>
<td>Reference</td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>Williamson, R., 119</td>
</tr>
<tr>
<td>Wolf, Martin, 140, 144</td>
</tr>
<tr>
<td>World Bank, 244, 263, 269, 272, 274, 284</td>
</tr>
<tr>
<td>World War I, 307</td>
</tr>
<tr>
<td>WorldCom, 294–295, 296</td>
</tr>
<tr>
<td>WTO, 263, 269</td>
</tr>
<tr>
<td>Xerox, 296</td>
</tr>
<tr>
<td>Yoo, C.G., 391</td>
</tr>
<tr>
<td>Yoo, J.H., 389, 403</td>
</tr>
</tbody>
</table>