

Ciclos e crises económicas

Aula 13-14

Financiarização Minsky, Kalecki e
Piketty

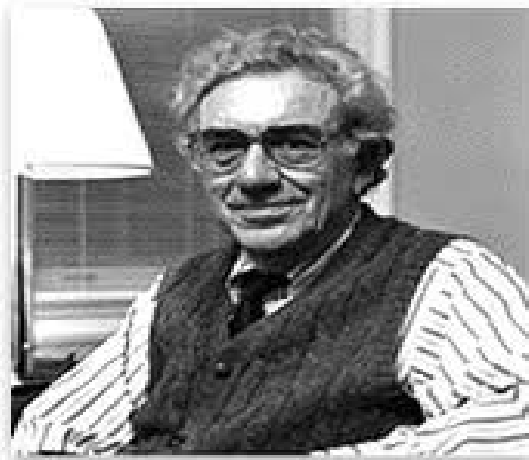
Resumo da aula

- Os temas desta aula:
 - A interpretação de Minsky sobre as crises económicas
 - Os casos Ponzi e Madoff e o caso Dona Branca
 - O exemplo do subprime e a crise de 2007
 - Os modelos de Kalecki e Piketty sobre desigualdade

Hyman Minsky (1919-1996)

- Aluno de Joseph Schumpeter e Wassily Leontief, depois de Alvin Hansen e Henry Simons
- Contributo para análise dos BC: não depende de choques exógenos, os movimentos especulativos são endógenos por via da acumulação de dívida e práticas especulativas

Minsky: financial instability hypothesis



Financial Instability Hypothesis, against Efficient Market Hypothesis

In the long term, increase in risk, excess of lending and debt, sales of stocks, spiral of panic and demand for cash, the Minsky moment (Ponzi economy)

Facts: 2003, decrease of interest rate and flux of foreign capital, real estate boom, securitization of mortgages leading to externalization of risk

Análise de Minsky

- Baseado nos capítulos 12 (incerteza) e 17 (mercado financeiro) da **Teoria Geral**, de Keynes
- Três tipos de mercados:
 - **Hedge finance**: fluxo futuro cobre juros e capital
 - **Speculative finance**: só cobre juros
 - **Ponzi finance**: acumula dívida

Minsky: the Ponzi scheme



Decline of banks in relation to “markets”; since no reserve required, lower spreads and higher leverage



Securitization of mortgage based products, globalization

Financing investment, the major source of instability (“stability is destabilizing”)

Minsky's policy suggestions

- Unlike Keynes, no reliance on Investment-led growth; welfare is inflationary (ΔAD without change in supply)
- Unlike Keynes, no “fine tuning”:
 - Direct public job creation;
 - Lower I, higher C
 - Recovery via Investment is inflationary and keeps Unemployment

New approach to taxation; no tax on corporations

Minsky on finance

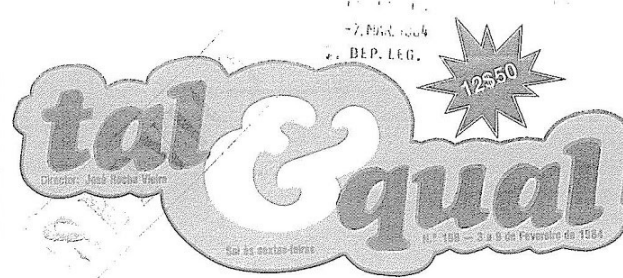
- The argument for small banks and high reserve ratio
- “Financial Markets”: lower capital requirements, larger leverage
- The problem of “endogenous money” according to Minsky: the Federal Reserve does not control M, Friedman was wrong

Dois exemplos de esquemas Ponzi

D. Branca, Portugal 1992

Madoff, EUA, 2008

Dona Branca (1902-1992)



O humor português já diz
que ela devia
substituir
o ministro
Ernâni Lopes

«Só quero ajudar os pobres»

Reportagem
e entrevista
exclusiva

• Páginas 6, 6 e 7



D.^a Branca
faz milagre
— paga juros
de 120%
ao ano

- D. Branca dos Santos é há 20 anos «banqueira» privada e recebe milhares de depósitos, incluindo de altas figuras da vida pública. Apoiada por uma vasta rede de angariadores, ela paga infalivelmente 10% de juros todos os meses

O mais avançado e versátil
micro-computador pessoal

TI 99/4A



é o mais fácil de utilizar.
E agora a preço Super Micro
na TRIUDUS a 25.000\$

- C. Com. Terminal
- C. Com. Alvalade

O Caso Maddof



Maior fraude financeira pessoal da história dos EUA

Preso em 2008 (“devia ter sido apanhado em 2003”)

Esquema Ponzi (50 vezes superior ao de Ponzi) com falsificação das contas de cada cliente e dos dados sobre rentabilidade de investimento

China: 2016-8

- Falência de Ezubao, maior empresa em crédito peer-to-peer: 900 mil utilizadores
- Perdeu 7,6 mil milhões de dólares
- (livros enterrados, 20 horas de escavação para os recuperar)
- Outro exemplo: Fevereiro de 2018, nacionalização da Angbang (tinha comprado parte do BCP em Portugal)

O subprime descrito por humoristas da BBC

<https://www.youtube.com/watch?v=H1LyFWw0jwk>



Desigualdade:

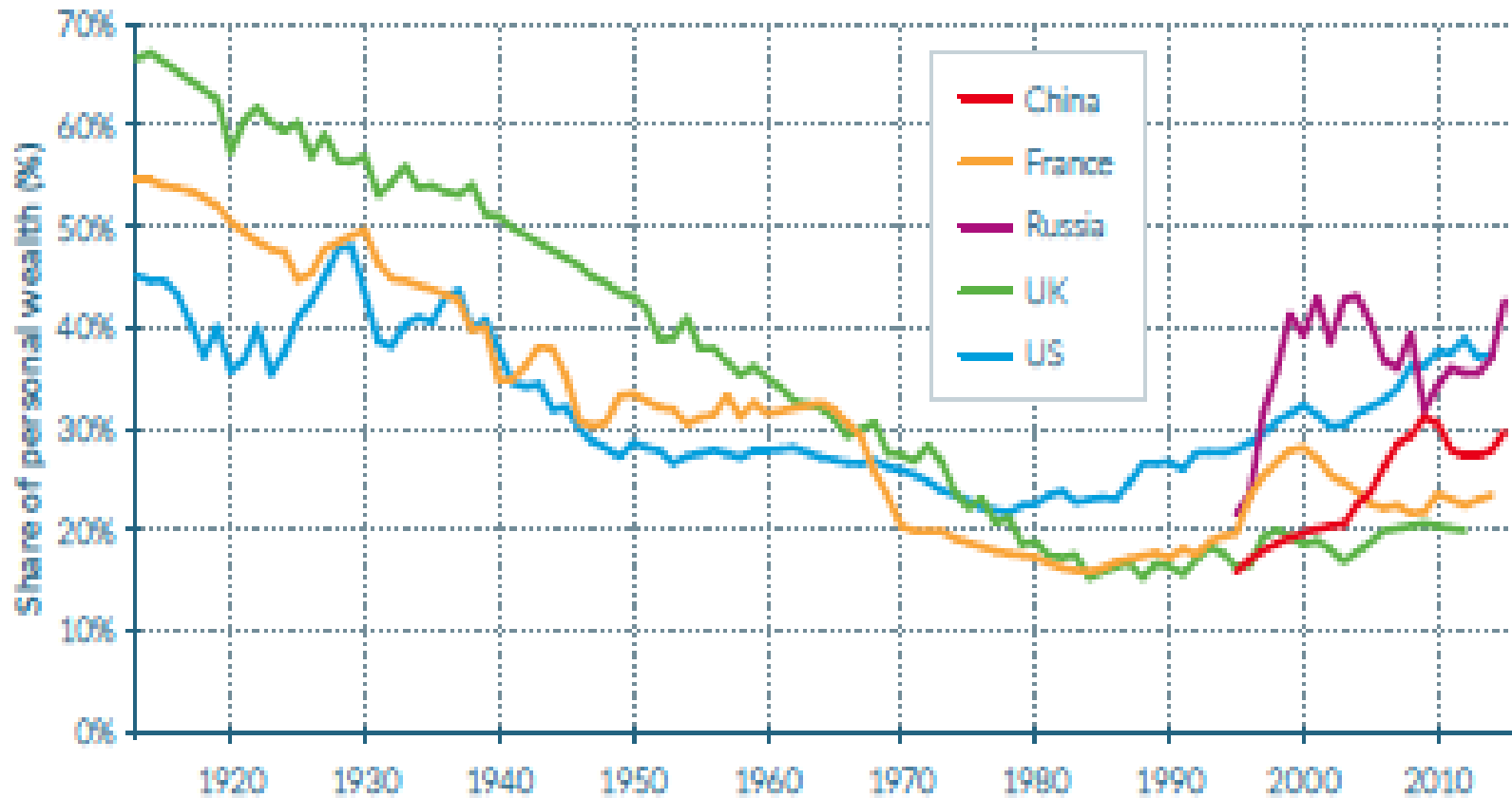
dados

e modelos de Kalecki e

Piketty

Figure E8

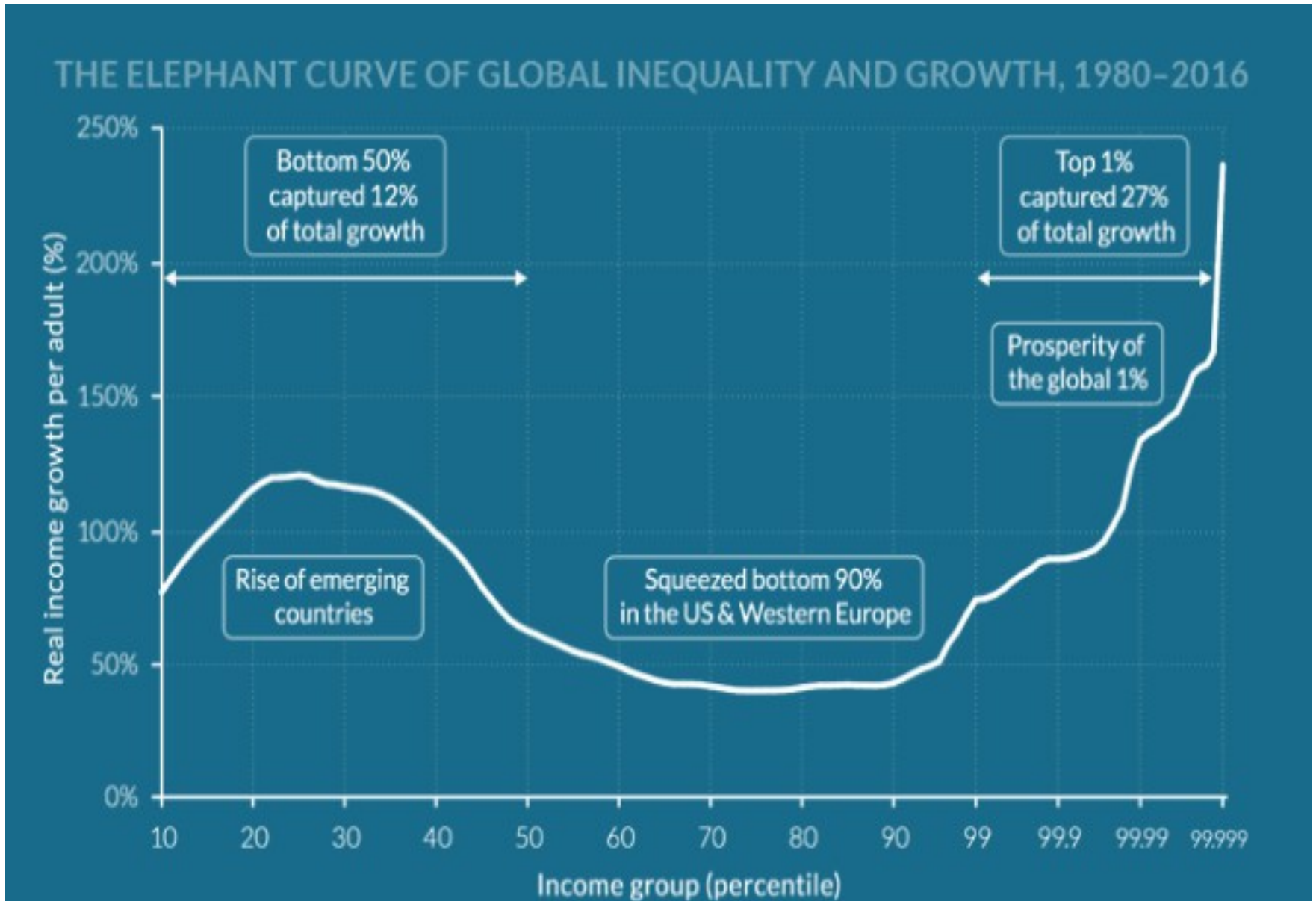
Top 1% wealth shares across the world, 1913-2015: the fall and rise of personal wealth inequality



Source: WID.world (2017). See wlr2018.wid.world for data series and notes.

In 2015, the Top 1% wealth share was 43% in Russia against 22% in 1995.

Interpretation of the elephant curve (Milasovic)



RELATIVE CHANGES IN INCOME FROM 1980 TO 2016

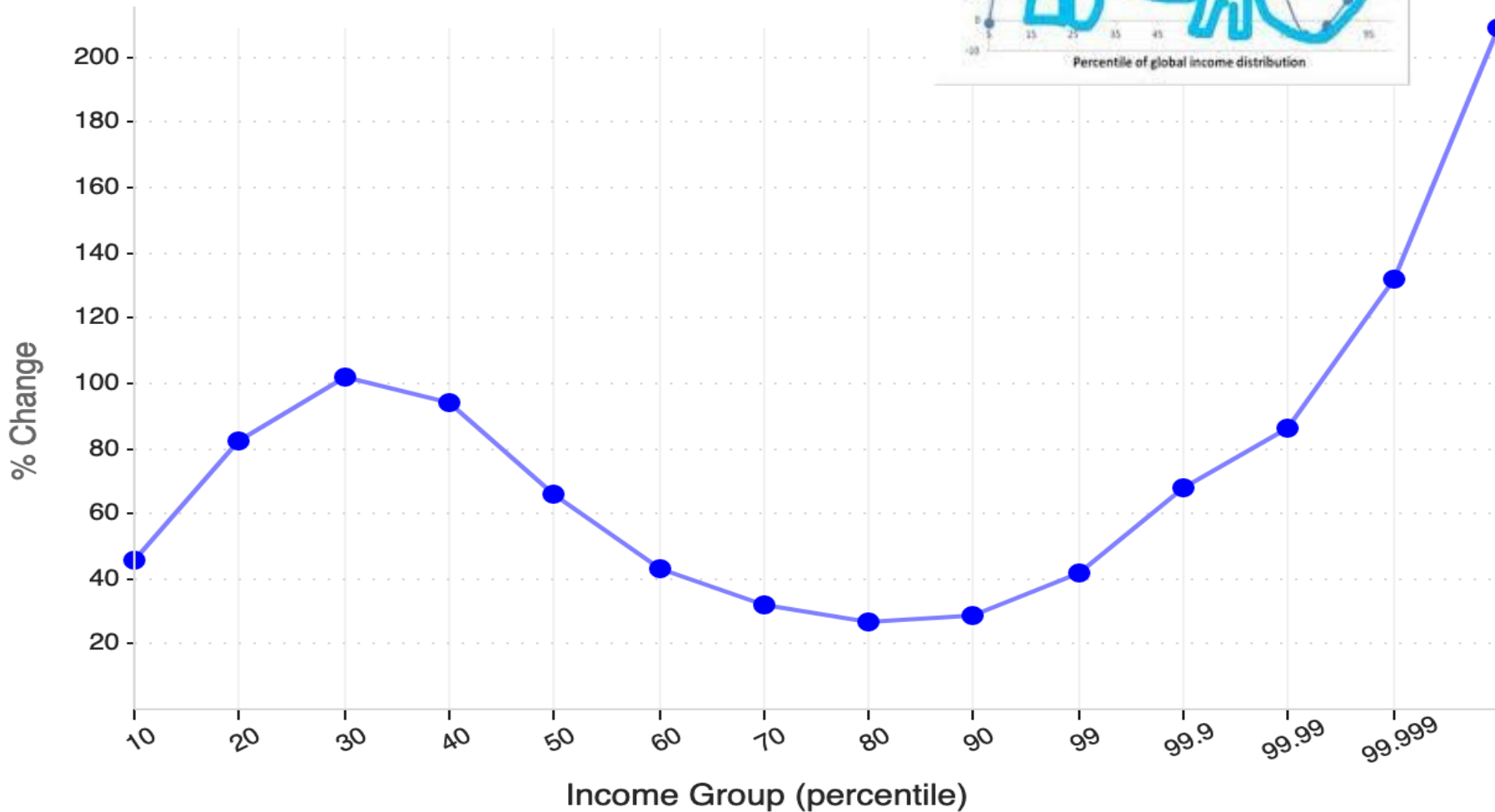
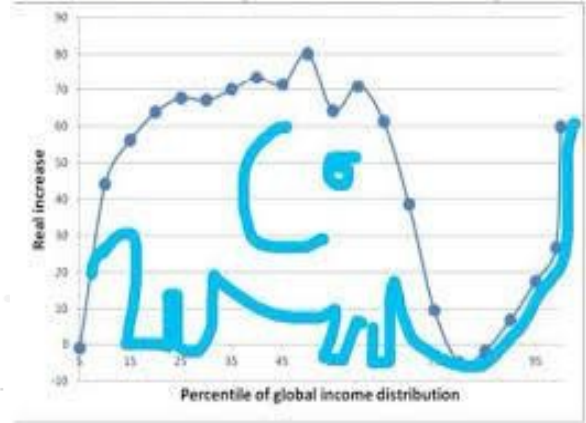


Figure 4. Change in real income between 1988 and 2008 at various percentiles of global income distribution (calculated in 2005 international dollars)



ABSOLUTE CHANGES IN INCOME FROM 1980 TO 2016

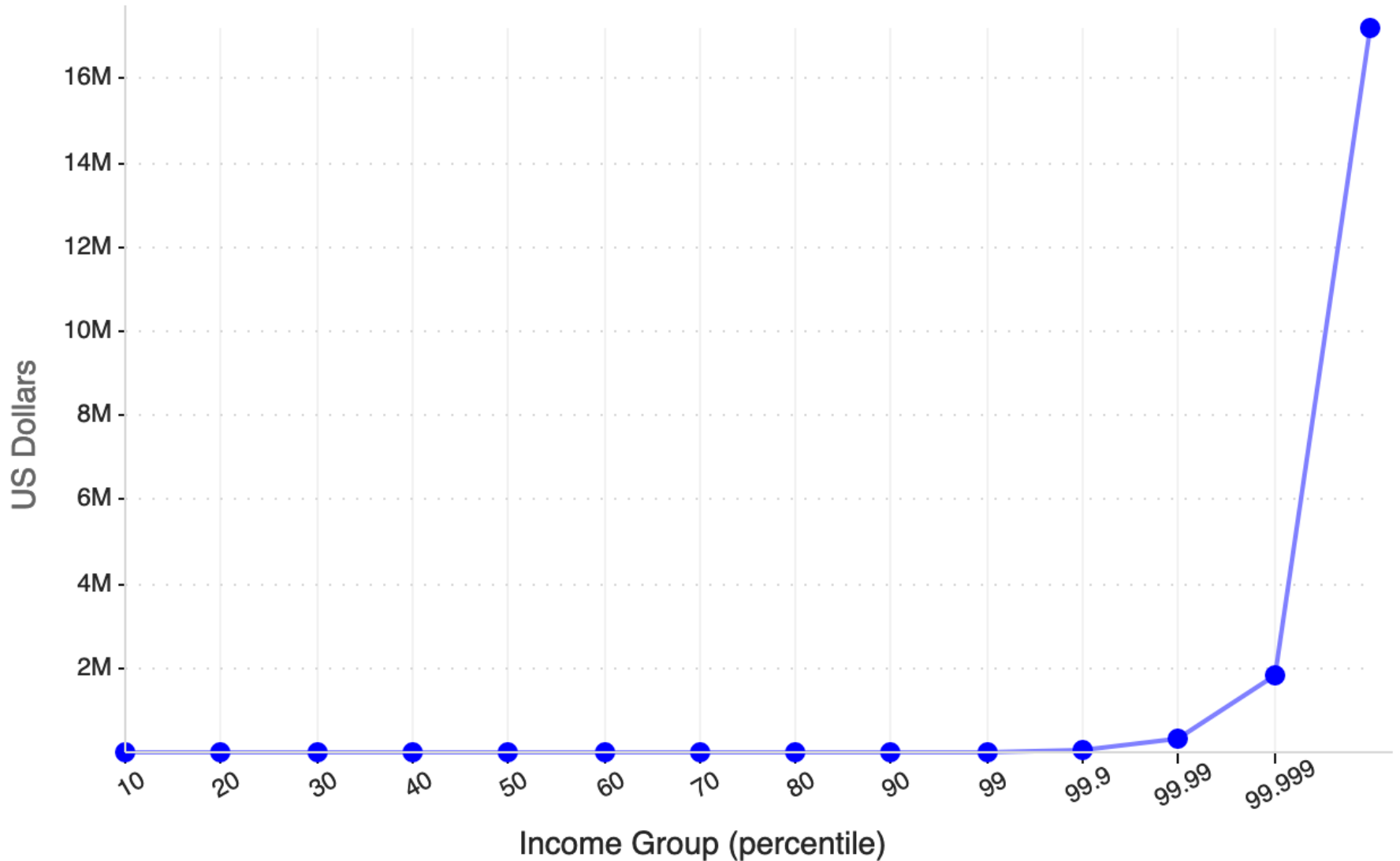
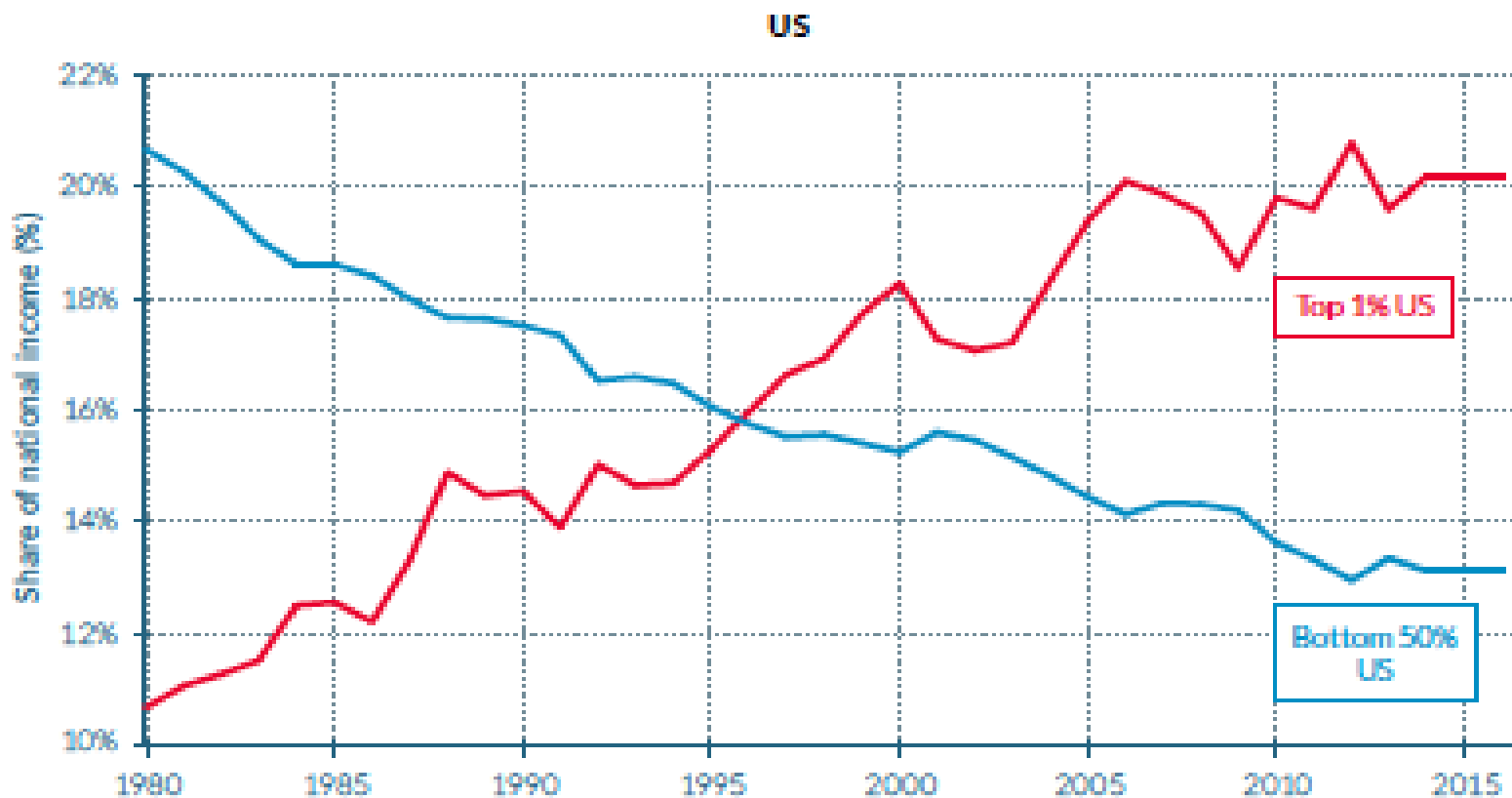


Figure E3

Top 1% vs. Bottom 50% national income shares in the US and Western Europe, 1980-2016:

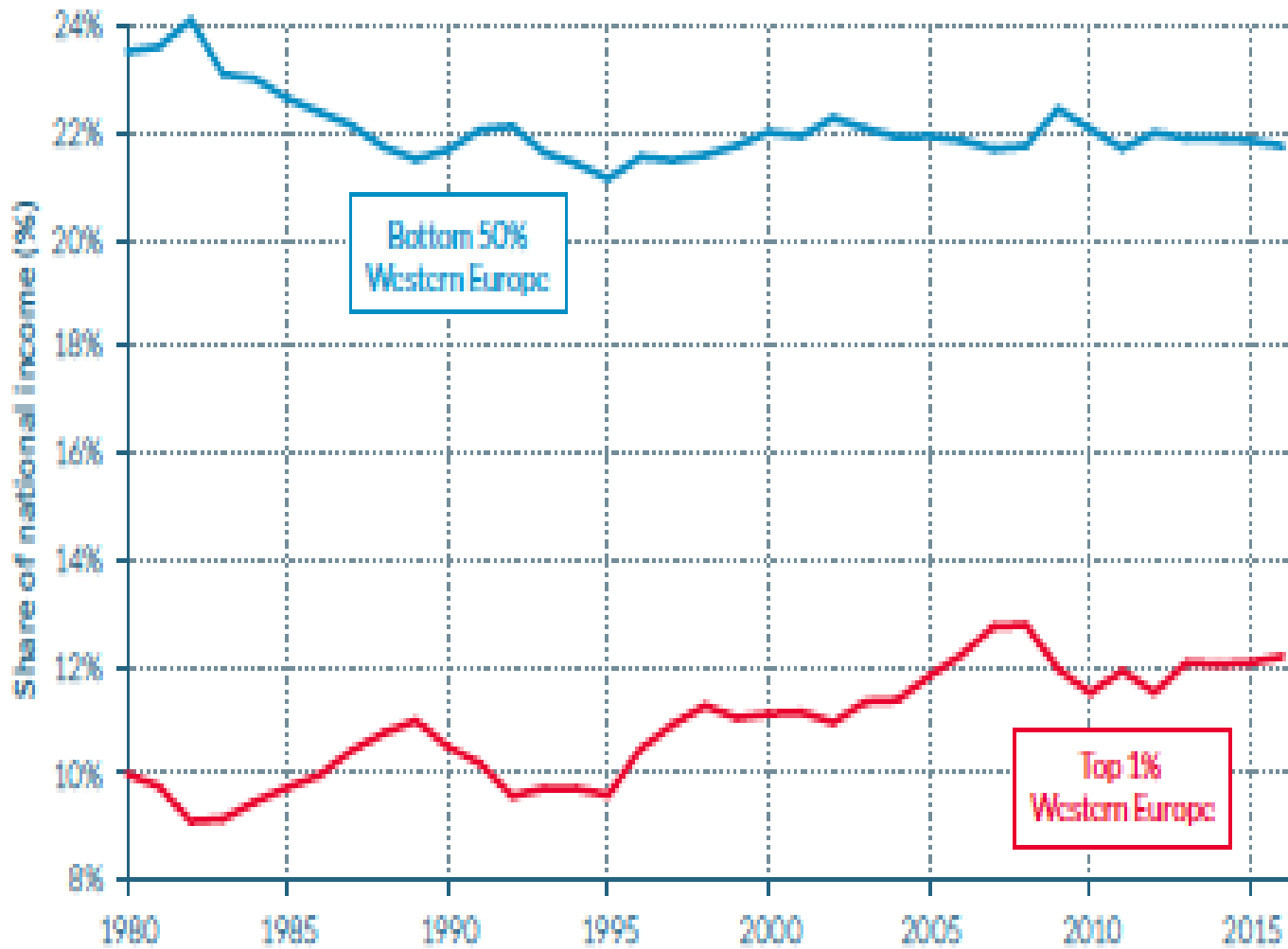
Diverging income inequality trajectories



Source: WID.world (2017). See [wii2018](#) and [wid.world](#) for data series and notes.

In 2016, 12% of national income was received by the top 1% in Western Europe, compared to 20% in the United States. In 1980, 10% of national income was received by the top 1% in Western Europe, compared to 11% in the United States.

Western Europe

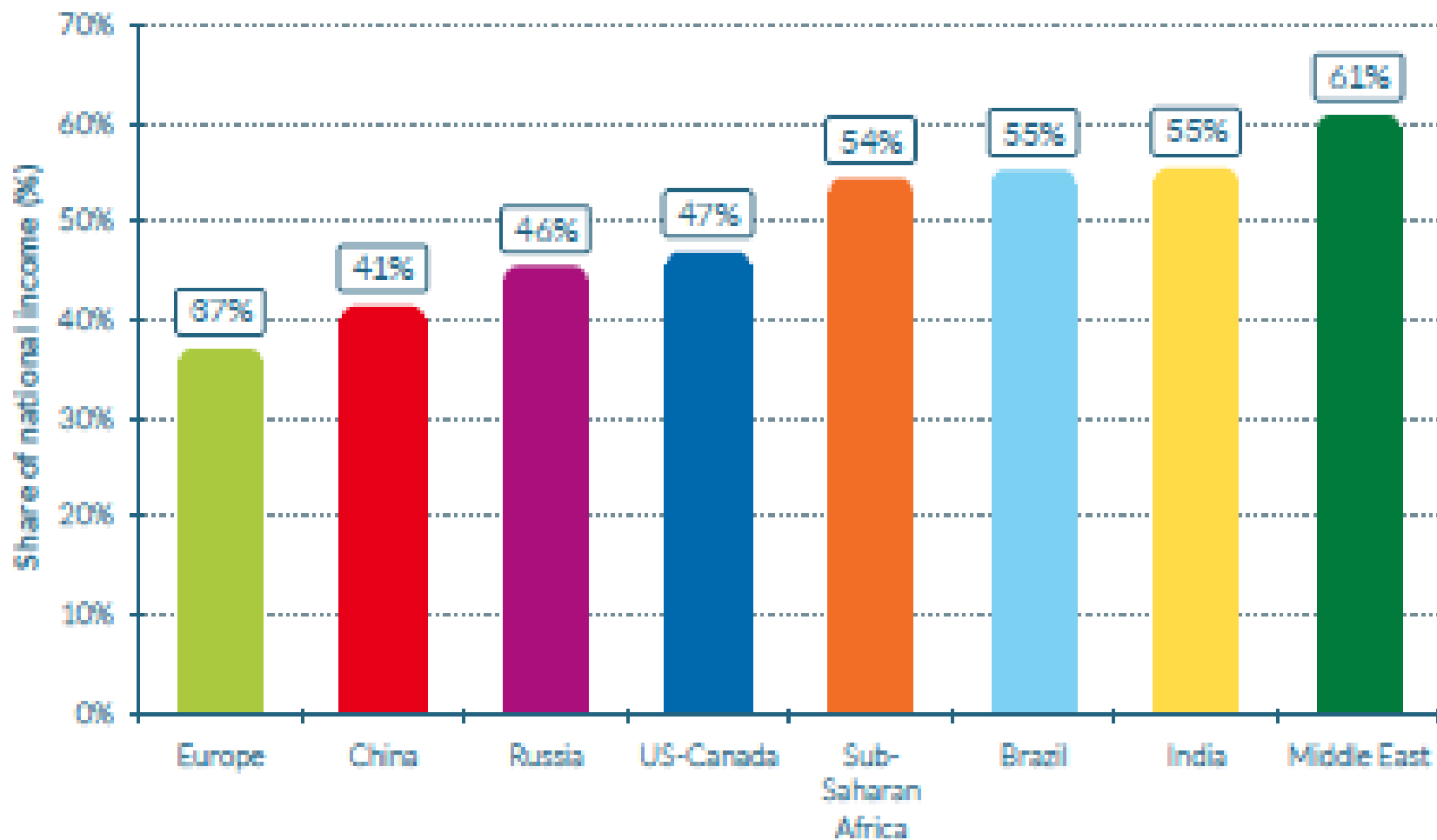


Source: WID.world (2017). See [wlr2018/wid.world](#) for data series and notes.

In 2016, 22% of national income was received by the Bottom 50% in Western Europe.

Figure E1

Top 10% national income share across the world, 2016



Source: WID.world (2017). See [wlr2018](#) & [wideworld](#) for data series and notes.

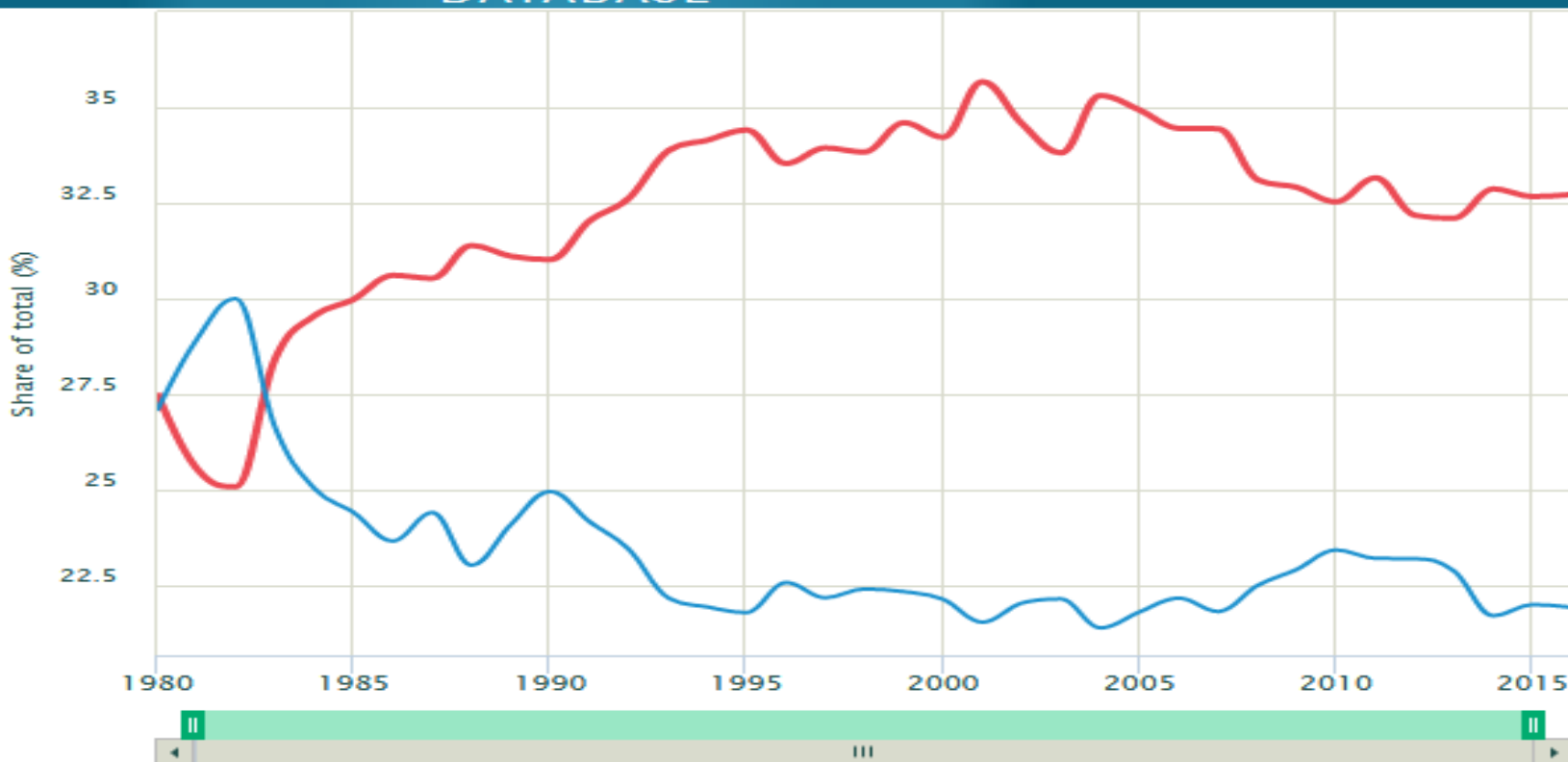
In 2016, 37% of national income was received by the Top 10% in Europe against 61% in the Middle-East.

Portugal: income inequality (top 10% and bottom 50%)

Income inequality Portugal 1980-2014

WORLD INEQUALITY DATABASE

DATA [METHODODOLOGY](#) [ABOUT U](#)



- Pre-tax national income | Top 10% | share | ADULTS | EQUAL SPLIT
- Pre-tax national income | Bottom 50% | share | ADULTS | EQUAL SPLIT

Michal Kalecki (1899-1970)



Ciclos político-económicos:

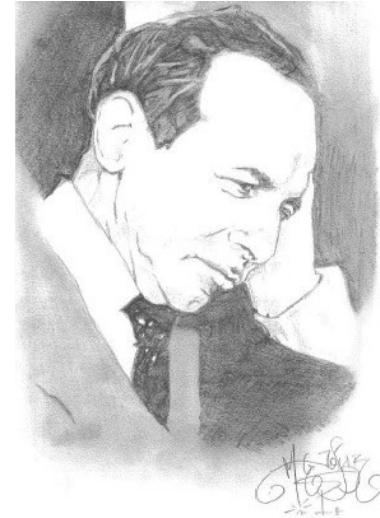
Os interesses de classe e a determinação da política económica (emprego/salário)

A afirmação de interesses específicos e a teoria da “porta giratória”

The Kalecki model

Elements of a simplified version of the model:

-
- 1) $C_p = \beta + q P$, C_p , consumption of bourgeoisie,
- β autonomous consumption, part of profit P that is consumed (and the workers consume all their wages)
- 2) $P = C_p + I$, profits are either consumed or
- invested, and $S = I$; **Consumption** = $W + C_p$
- 3) therefore, $P = (\beta + I) / (1 - q)$
- 4) also $P = k (W + M)$, where k is the markup in prices, W the total wages and M other spending in inputs



The Kalecki model (2)

5) as $P+W = Y = k(W+M) + W$, we have:

6) the wage share $\alpha = W/Y = 1/((k+1)+(kM/W))$, or the wage share decreases with the markup (if there is no change in M and W)

7) also as $W = \alpha Y$, then $Y(1-\alpha)=P$
or $Y=(I+\beta)/((1-q)(1-\alpha))$

8) assuming β to be constant, then

$$\Delta Y = \Delta I / (1-q)(1-\alpha)$$

or, in a simplified version, **growth increases** with investment and the part of profits used as consumption by the capitalists and **decreases** with the profit's share of output

Is there a mark up? yes, it expresses market power of the 10% top firms



Thomas Piketty (Paris School of economics)



The Piketty model (1/2)

- The case of inequality: the notion of a “human capital” convergence is an illusion, there is a divergence
- Explanation for the divergence:

$$r > g$$

or the **profitability of capital** (profits, dividends, rents, interest etc) **is larger than the rate of growth**



The Piketty model (2/2)

- **Consequences:**

1. The **entrepreneur** is replaced by the **rentier**

2. Cumulated wealth and inheritance establishes the continuity of inequality

- **Solutions:**

- Taxing the fortunes (wealth)?

Resumo

- **O que tem de saber:**

- As principais ideias de Minsky
- A noção de crise Ponzi e de momento Minsky
- A relação entre a expansão das dívidas públicas e a alteração nos mercados financeiros

- **O que deve ler:**

- Capítulo 3-5-6 de *Sombras*
- Texto de Minsky (secções opcionais no Aquila)
- Sobre Minsky: <http://www.levyinstitute.org/>