tion and Mantoux’s review would be sufficient to make this book available to English readers. That would be useful.

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References


“There is a strict correlation between the presence of some kinds of turbulence in the economy and the rediscovery of Minsky’s contributions,” notes Piero Ferri at the outset of “Growth Cycles and the Financial Instability Hypothesis,” his contribution (chapter 11) to this volume of essays on aspects of Minsky’s work (206). This has been particularly so currently, since the sudden transition from “the Great Moderation” to the financial crisis epitomizes Minsky’s dictum that “stability breeds [financial] instability.”

Minsky was a leading member of the macro group headquartered at the Levy Economics Institute at Bard College in New York State. The editors, who are the president and a senior scholar, respectively, of the Levy Institute, have taken the opportunity to put together a collection of papers illustrating, and hoping to extend, various aspects of Minsky’s financial instability hypothesis (FIH). Most of the contributors are heterodox economists either closely connected to the Levy Institute or sharing its broad analysis, and most are from the United States or Italy, notably from the “Hyman Minsky” economics department at Bergamo. Only Martin Shubik (chapter 8) stands out as unattached.

In my view the most successful chapters are those that attack most closely to the exposition of Minsky’s own views on the FIH. Among these I would include Jan Kregel’s “What Would Minsky Have Thought of the Mortgage Crisis?” (chapter 2), whose judicious selection of quotations from Minsky reminds the reader just how sagacious Minsky was; Eric Nasica’s “Rational and Innovative Behaviors at the Core of Financial Crises: Banking in Minsky’s Theory” (chapter 5), which is a gem; and chapter 6 by Marshall Auerback, Paul McCulley, and Robert W. Parenteau, “What Would Minsky Do?”

Much of Minsky’s analysis of financial (in)stability is now accepted by the mainstream. Only a few real business cycle cranks still claim that the recent crisis was
brought on by some nonfinancial shock, such as President Obama's policies toward business or some (unexplained) collapse in productivity. Instead, it is now widely accepted that there has been a major cycle in risk aversion and leverage, and that, especially in the downturn, various kinds of financial friction can have major impacts on the real economy. So hordes of mainstream economists are rushing forward to try to incorporate such frictions into their standard DSGE models.

Naturally, several authors in this volume similarly try to embed Minsky's insights into a wider model of the economy, notably Ferri, whose chapter was mentioned above, and Tiziana Assenza, Domenico Delli Gatti, and Mauro Gallegati, in chapter 10, "Financial Instability and Agents' Heterogeneity: A Post Minskyan Research Agenda." These attempts, like many others in the more mainstream work on the financial accelerator hypothesis (e.g., Bernanke and Gertler), have rather varying degrees of success, largely because they attack the symptoms of financial friction, for example, the importance of collateral and the external finance premium, rather than building default into the center of their model.

As Shubik states in his paper on innovation and equilibrium (chapter 8), "Money, debt and the bankruptcy laws are the three critical items required to break out of the static equilibrium framework of general equilibrium and to provide the flexibility to accommodate innovation and evolutionary processes" (158). This, and Duncan K. Foley's paper, "Hyman Minsky and the Dilemmas of Contemporary Economic Methods" (chapter 9), are methodological. They raise the question of why Minsky did not set down his brilliant and insightful verbal analysis in more rigorous mathematical form, thereby making it easier for mainstream economists to ignore him until their noses were rubbed into the realities of the financial crisis. Foley's answer to this is that, since Minsky was critical of mainstream economics, any attempt to formalize his discursive verbal approach would have opened himself to detailed criticism; thus, "any particular operationalization would become a target of critical work searching out its weaknesses" (177). I think that that is tosh; Hy was no shrinking violet; he would have been happy to face down criticism. Again I would prefer to turn to Shubik. Minsky was trying to deal with disequilibria; Shubik remarks, "Although the observations on disequilibrium are attractive, they are not well defined. Currently they appear to defy adequate mathematization" (166). In short, it has just seemed too difficult to put Minsky's ideas into a satisfactory formal frame.

The final chapters of the book—"A Spatialized Approach to Asset Bubbles and Minsky Crises," by Gary A. Dymski (chapter 12); "The Psychology of Financial Markets: Keynes, Minsky, and Emotional Finance," by Sheila Dow (chapter 13); and "The Generalized 'Minsky Moment,'" by James K. Galbraith and Daniel Munevar Sastre (chapter 14)—seek to extend Minsky's analysis to new fields: contagion and cross-border crises (Dymski), behavioral finance (Dow), and international relations (Galbraith and Munevar). I quite liked the first, was rather bemused by the second, and found the third far-fetched (although original in concept).

The economic agenda of the Levy Institute goes well beyond the FIH that Minsky developed. While much of Minsky's analysis of the financial cycle is appreciated by mainstream economists, indeed by most economists, much of the rest of the Levy
full package is still regarded as way-out left-wing heterodox, including having "big" government acting as a universal employer of last resort (my heterodox friends get upset when I suggest that the army already does so for the fit and unemployed young), as controlling and directing private-sector investment, limiting entrepreneurial pay, and operating an income policy (see pp. 64–65 of chapter 3 by Éric Tymoigne, "Minsky and Economic Policy: 'Keynesianism' All Over Again"). It is perhaps a pity that the two chapters (the second being chapter 4, by Riccardo Bellofiore, Joseph Halevi, and Marco Passarelli, titled "Minsky in the 'New' Capitalism: The New Clothes of the Financial Instability Hypothesis") that move on from Minsky to the wider agenda of the heterodox wing come so early in the book. It could cause many readers to stop reading there and then, whereas they could with benefit have read some of the less extreme and more Minskyan later chapters.

Like any collection of essays, it is rather a curate's egg, very good in parts.

Finally, I wonder why it was agreed that the publisher should put his name to the book? The title should have been *The Levy Companion to Hyman Minsky*.

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Malcolm Rutherford is the leading historian of the original American institutionalism. This book is the definitive account of institutionalism in its interwar heyday. With extensive use of original archival collections involving many years of research, new light is shed on the detail and texture of the institutionalist movement.

It is well known that the term "institutional economics" emerged at the December 1918 meeting of the American Economic Association (Hamilton 1919). Rutherford argues that American institutionalism was a movement powered by a particular, empirically grounded view of science; by a desire to make economics more scientific in these terms; by criticism of the limited realism of neoclassical models, particularly regarding the assumptions of perfect information, unbounded rationality, and efficient markets; and by policies of economic intervention or "social control" to deal with the failures and inefficiencies of real-world markets. These concerns are neatly summarized by the four-word subtitle of the book.

Rutherford argues that although Thorstein Veblen, Wesley C. Mitchell, and John R. Commons played important roles, concentration on this trinity directs attention away from other important figures. Thus bending the stick, Rutherford has early chapters on Walton Hamilton and Morris A. Copeland, but none on any member of the trinity. Ideas and careers of all major figures are discussed in chapters on the important centers of institutionalism: the University of Chicago, Amherst College, the University of Wisconsin, Columbia University, and the National Bureau of Economic Research. Two