Introduction

Minsky 's Financial Instability Hypothesis & the current crisis
- Discussions about its applicability, the effectiveness of Big Bank & Big Government,

According to Minsky,
- "institutions must be brought into the analysis at the beginning; useful theory is institution specific" (Papadimitriou and Wray (1997))
- "Endogenous interaction can lead to incoherence and the impact of institutions and interventions aim to contain these thrusts towards incoherence." (Delli Gatti, Gallegatti and Minsky, 1994, p3)
- Institutions 's key function : stabilizing the economy
Research objective

- Fundamental role of institutions, yet limited place in the literature
  - Mainly limited to Minsky's latest papers
  - Unachieved (?) and sometimes ambiguous
  - Still to be done: synthesis, extension & application to current debates

⇒ Objective = contributing to this theoretical project
⇒ Synthesis & interpretation of the literature
Contribution

- A synthesis addressing 3 Main limits of Minsky's institutional approach
  - Definition of institutions
  - Global vision of the institutional mechanisms & the FIH
  - Justification

Proposal

- Successively address these 3 limits through:
  - Detailed reading of Minsky's writing
  - Interpretation in the light of recent economic theory
1- Definition of institution forms

- Rooted in American Institutionalists & esp. Commons "unorganized customs" and "going concerns"
- Institutional forms

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<th>Commons</th>
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<th>Arestis, Nissanke &amp; Stein (2003)</th>
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2- Ways of intervention of institutions in the FIH

- 2 key mechanisms (Minsky and Ferry, 1992)
  - (i) "internal dynamics of capitalism" => spontaneous mechanisms
  - (ii) "interventions and regulatory systems" => intentional mechanisms
  => To be related with the 5 institutional forms

- Historical approach (Minsky and Whalen, 1996)
  - Stages of development of capitalism
  => Identify key mutations of financial systems

- Two inter-related ways of intervention which can lead to ineffective institutional framework
  - Weakened
  - Inadapted or vacant
  = institutional fragility
3 – Theoretical perspective

- Which justification in the light of recent approach of institutions?
  - Asymmetries of information (?)
  - Cognitive biases
  ⇒ Inherent to financial systems

- To be related to financial systems' developments (historical approach)
Concluding remarks

- Perspectives: a new perspective in the debate about international financial regulation
  
  "institutions and government interventions can play a positive role, in that, if well used, they contain the degenerative tendencies of capitalist economies" (Delli Gatti, Gallegatti and Minsky, 1994, p3).

- Need for a global regulation (addressing each institutional form) and including a historical perspective

- Institutions: not (only) managing market and individual imperfections

- Future research should focus on contribution of this analysis to the international financial governance debate