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Unveiling the Triple Nexus: Marx, Keynes, and Minsky—The Enigma of Economic Crises

Isaiah Henry

Department of Economics, Portland State University, Portland, Oregon, USA
Email: isaiahhenry0@gmail.com

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Abstract

This paper reconceptualizes the foundational critiques of capitalism through the intersecting lenses of Karl Marx, John Maynard Keynes, and Hyman Minsky, offering a deeper analytical framework for understanding recurring systemic economic instability. Each theorist, in distinct yet complementary ways, exposes the inherent instability of capitalist economies, refuting the mainstream assumption of self-correcting markets and perfect equilibrium. Marx locates crisis in the systemic contradictions of accumulation and exploitation; Keynes challenges the orthodoxy of Say's Law by centering aggregate demand and psychological uncertainty; Minsky extends these critiques into the financial domain, theorizing crisis as the endogenous outcome of speculative excess and debt structures. By synthesizing their insights, this paper illuminates the internal dynamics that produce economic crisis, from the Great Depression, the 2008 financial collapse, to the COVID-19 recession. It calls for a renewed engagement with heterodox economics to more fully capture the cyclical, fragile, and crisis-prone character of the modern economy.

Keywords

Business Cycle, Capitalism, Equilibrium

1. Introduction

The global economy has entered a period of periodic crises—financial breakdowns, wage stagnation, sovereign debt instability, and climate-related disruptions. These realities fundamentally challenge orthodox economic theory. Far from being isolated incidents, these instabilities reflect deep-seated vulnerabilities that are inherent to capitalism itself. This study revisits the insights of Karl Marx, John Maynard Keynes, and Hyman Minsky—three economists who, from different perspectives and at various times, highlighted the fundamental mechanisms that render capitalist systems vulnerable to collapse. Rather than viewing markets as self-correcting or equilibrium-seeking processes, they demonstrated how crises arise from within: overaccumulation, demand deficits, financial fragility, and systemic inequity. Their cumulative frameworks invite us to reconsider not only economic policy but the basic structure of economic thought. What is required now is a new paradigm—one that prioritizes stability, equality, and democratic control in economic design. This study contends that connecting with heterodox traditions is critical for understanding and confronting the structural causes of instability. Only by reinventing how we learn, educate, and manage economic systems will we be able to establish a brighter future beyond crisis.

2. Classical School Thought and Marx

The field of economics has been shaped by many theories and ideas that have sought to explain the behavior of mankind under conditions of scarcity. In pursuit of this aim, the classical School rose to prominence, laying the foundation for much of modern economic thought. Emerging in the late 18th and early 19th centuries, the classical school sought to explain the fundamental workings of economic systems through a framework grounded in individual rationality, market efficiency, and minimal government intervention. A pivotal figure in this school of thought was Adam Smith, whose landmark work, An Inquiry into the Nature and Causes of the Wealth of Nations (1776), introduced the influential concept of the "Invisible Hand." The concept held that people, motivated by their self-interest, unintentionally contribute to the welfare of society by their participation in the market was proposed by Smith (Heilbroner, 1996). A single worker may only make a few pins daily while working alone, but a group of specialized workers, each executing a separate task, may generate thousands of pins. His image of the pin factory is an example of the productivity gains that can be achieved via the division of labor. According to Smith's argument, this division of labor was not coordinated by a central authority but rather arose spontaneously as everyone followed their interest. That is, their ability to perform a specific task with greater speed, skill, or lower cost relative to other tasks. As a result of this process, the market, under the direction of the "Invisible Hand," placed resources and labor in the most productive uses possible, therefore contributing to the advancement of common prosperity. Years later, Jean-Baptiste Say (a significant contributor to the classical school) became the originator of what subsequently became known as Say's Law, where he elaborated on the notion of self-regulating markets. The concept that "supply generates its demand" was introduced by Say, who asserted that to desire an item, one must first provide another. This idea stated that in a well-running economy, it would be logically inconceivable to have overproduction or a general surplus of products. Say (Heilbroner, 1996) argued that the income generated from production will invariably translate into equivalent demand. Laborers would receive wages, capitalists would generate profits, and landowners would accrue rents, all of which would eventually be employed to acquire goods and services (creating a mutually reinforcing system). This perspective posits that economic downturns are solely the consequence of transient dislocations that the market will ultimately rectify independently. Say's Law emerged as a fundamental element of classical economic thought, reinforcing the school's optimism in equilibrium and its skepticism towards the state's involvement in economic matters.

The Industrial Revolution, which began in the late 18th century around 1760 and continued through the mid-19th century, triggered a profound transformation in the economic landscape. It fundamentally reshaped the conditions of human labor, production, and social organization. This period was marked by a shift from agrarian economies to industrial and manufacturing systems, commencing in the second part of the 18th century, leading to significant alterations in production techniques, labor dynamics, and economic frameworks (1996, 147). The expansion of industry and urban centers was followed by the extensive exploitation of laborers, particularly women and children, who endured prolonged hours, inadequate wages, and hazardous conditions. The Industrial Revolution and its subsequent exploitation were widespread globally. Although this led to an increase in productivity, consistent with Smith's expectations, it also ushered in a new and unparalleled era of human suffering. The concentration of wealth and power among industrial capitalists called into question the conventional assumption that free markets provide shared prosperity. This new world set the scene for one of the most prominent critics of the capitalist system, Karl Marx. In this environment, Marx presented a severe criticism of capitalism and, consequently, of the classical school. Marx (Heilbroner, 1996), influenced by the working conditions of the Industrial Revolution, contended that capitalism is intrinsically exploitative, resulting in class antagonisms and recurring crises. He saw the proletariat-the working class—as the genuine producers of economic value, yet they were systematically exploited by the capitalist class, which had the means of production and appropriated surplus value from labor.

A fundamental aspect of Marx's criticism is the Tendency of the Rate of Profit to Fall (TRPF), a theory that elucidates the cyclical dynamics and inherent constraints of capitalist accumulation. Marx (Kurz, 2016) contends that value originates from human labor, and that surplus value—the profit kept by capitalists after accounting for salaries and other expenses—fuels capitalist accumulation. In manufacturing, capitalists amalgamate stable capital (machines, equipment, raw materials) with variable capital (labor). Over time, the competitive impetus to enhance productivity compels capitalists to allocate greater resources to stable capital—automation and machinery—while investing comparatively less in variable capital. This increases the proportion of investment in machinery compared to labor, reducing labor's role in production, and with it, the main source of surplus value. According to Marx (Heilbroner, 1996), this process results in a sustained decrease in the profit rate. As profitability diminishes, capitalists react with several countermeasures: decreasing salaries, strengthening worker efforts, lengthening the workday, and venturing into new markets (Marx & Engles, 1894). Marx argues that these precautions can only temporarily avert disaster. Ultimately, the system arrives at a juncture where it can no longer maintain satisfactory profit margins, resulting in disruptions in production and exchange. According to Marx, these crises are not coincidental but rather structural consequences of the capitalist mode of production, stemming from its inherent contradictions, especially the conflict between the impetus for accumulation and the diminishing ability to extract surplus value. Marx's approach also attempts to explain how economic crises develop over time. His theory foreshadows later critiques of financialized capitalism (Minsky), in which profit increasingly comes from speculation rather than production.

A notable modern illustration of Marx's theory was seen in the global commodity collapse from 2013 to 2015, specifically within China's steel and iron ore sectors (The Economic Times, 2016). In the years preceding 2013, China swiftly expanded its industrial foundation, propelled by inexpensive labor, state-sponsored investment, and international demand. Significant overcapacity was established in industries such as steel, cement, and construction machinery. This growth, characteristic of what Marx would characterize as capital's impetus to acquire and reinvest surplus value, ultimately encountered its limitations. Global demand diminished, local infrastructure initiatives decelerated, and prices for commodities such as iron ore and coal significantly declined. By 2015, China was generating far more steel than it could financially sell, inundating global markets with surplus supplies. Manufacturing facilities were closed, tens of thousands of employees were terminated, and companies defaulted on their debts. This incident exemplifies overproduction concerning effective demand from a Marxian viewpoint. This example to Marx, is the systemic consequence of capitalism's inherent conflict between productive growth and the constrained buying power of laborers. Despite record production, profits plummeted—not due to inefficiency, but because global and local markets could no longer absorb goods at levels conducive to capital accumulation. The outcome was capital destruction—factories ceased operations, loans were defaulted, and labor was displaced—until profitability could be reinstated. The Marxian perspective emphasizes that this was not an arbitrary fluctuation or governmental misstep, but a foreseeable outcome of capitalism's internal tensions.

3. Part 2: The Keynesian Revolution

Born in 1883, John Maynard Keynes would become one of the most influential figures in modern economics, profoundly reshaping macroeconomic theory and public policy. Confronted by the economic devastation of the Great Depression, Keynes's work fundamentally challenged the prevailing assumptions of classical economics, which held that markets are inherently self-correcting and that full employment is the economy's natural resting point. Keynes's most influential work, *The General Theory of Employment, Interest, and Money* (1936), marked a paradigm shift in economic thought. In this work, he directly refuted two foundational postulates of classical theory: first, that wages equate to the marginal product of labor; and second, that the utility derived from wages matches the disutility of labor. These assumptions, he argued, were overly abstract and failed to reflect the lived realities of capitalist economies during downturns.

The first classical postulate asserts that the wage equals the marginal product of labor. In classical and neoclassical paradigms, this concept originates from the marginal productivity theory of distribution: in competitive environments, companies would employ workers until the cost of hiring a new person (the wage) matches the extra output produced by that worker (their marginal product). This assumption suggests that unemployment results from excessively high wages and thus permitting wages to decrease will lead to an inevitable increase in employment until full employment is achieved. Nonetheless, Keynes (1936: pp. 5-7) contests this mechanistic perspective by highlighting its dependence on idealized assumptions that seldom manifest. Initially, it assumes complete knowledge, adaptable wages, and seamless worker mobility. When wages are constrained by factors like long-term contracts, societal norms, minimum wage legislation, and trade unions. These institutions do not operate in the strictly market-clearing manner anticipated by classical theory. Keynes underscores the macroeconomic disjunction between marginal productivity and employment rates: even if a singular business aligns wages with productivity, the overall economy may still experience inadequate demand, resulting in layoffs irrespective of wage modifications. Keynes fundamentally refutes the idea that reduced wages would inevitably result in increased employment. Wage reductions diminish household income and hence aggregate demand, thus exacerbating recessions. This phenomenon is referred to as the paradox of thrift in labor markets: while it may be prudent for an individual business to reduce salaries to lower expenses, such a strategy can be detrimental when implemented uniformly, as it diminishes consumption and decreases overall profitability (perpetuating a negative feedback loop). The second postulate holds that the disutility of labor corresponds to the utility of wages, indicating that individuals opt to work just when the satisfaction derived from spending their earnings surpasses the discomfort or difficulty of laboring. This hypothesis suggests that unemployment is fundamentally a choice; individuals are not working because they favor leisure over the unavailability of jobs. This perspective conceptualizes labor markets based on individual preferences, consistent with the classical theory that labor supply and demand would equilibrate through pay adjustments. Keynes (1936: pp. 8-10) fundamentally challenges this rationale by introducing the notion of involuntary unemployment—a state in which workers are both willing and able to work at existing salaries yet are unable to get employment due to inadequate demand for products and services. He elucidates that companies determine employment choices not just on labor costs, but also on projections of future revenues. When firms anticipate diminished demand, they curtail output and employment, irrespective of wage reductions. Within this view, unemployment is not indicative of human decisions but rather a consequence of deficiencies in aggregate demand. This second critique targets the fundamental moral and behavioral assumptions of classical economics. Instead of perceiving unemployment as a lifestyle choice, Keynes saw it as a structural failure inherent in macroeconomic dynamics. This theoretical advancement established the foundation for Keynesian economics. If markets can stabilize at underemployment equilibria, government intervention becomes both acceptable and essential. According to Keynes, the government plays a stabilizing role by employing fiscal policy to adjust aggregate demand and elevate the economy from recession. While classical economists saw public expenditure as distortionary, Keynes considered it vital for economic recovery.

Published during the severe economic stagnation of the Great Depression, Keynes's The General Theory of Employment, Interest, and Money (1936) was not just a critique of Say's Law but also a repudiation of its fundamental logic and philosophical foundations. Classical economics maintained that supply intrinsically generates its demand; that is, output immediately creates the revenue required to acquire all products produced, rendering broad gluts or prolonged recessions logically impossible. This conviction was based on the premise that markets, when allowed to function autonomously, would invariably equilibrate via adaptable prices and wages, guaranteeing full employment and efficient resource distribution. Keynes (1936: pp. 25-27) thoroughly refuted this premise. He contended that the decision to create is not influenced by historical output or the simple act of exchange, but rather by anticipations of future demand. Producers do not create things only because other commodities exist; they produce in expectation of effective demand, which refers to the genuine willingness and capacity of consumers to buy goods. When confidence diminishes, and businesses and consumers anticipate an economic downturn, they reduce expenditure, investment, and recruitment. This reduction occurs despite the underutilization of productive resources such as labor and capital. Consequently, demand diminishes not owing to a supply shortfall, but rather because of unmet expectations. This finding represents a significant shift from classical thought. Keynes demonstrated that aggregate demand is not a static or automatic function of supply, but rather a dynamic, unstable, and psychological construct influenced by subjective beliefs, dominant narratives, and social sentiment. During periods of pessimism, especially in recessions, people augment savings due to apprehension, while corporations postpone investment owing to uncertainty. This conduct, while individually logical, results in collective irrationality: a contradiction in which more saving results in less spending, decreased earnings, and a more profound recession—the paradox of thrift.

The rejection of Say's Law is a crucial intersection between Karl Marx and John Maynard Keynes, notwithstanding the significant disparities in their theoretical perspectives. Both philosophers questioned the classical presumption that capitalist economies are intrinsically stable or self-regulating. They contended that recurring crises are inherent characteristics of capitalism, stemming from the fundamental dynamics of production, consumption, and investment. Despite their divergent philosophical foundations—Marx's materialist theory of class and value vs Keynes's macroeconomic study of demand and uncertainty—both recognized profound inconsistencies that result in economic instability. According to Marx, the Business cycle exemplifies the intrinsic contradictions of the capitalist method of production. Based on his labor theory of value, Marx contended that the pursuit of profit compels capitalists to enhance surplus value by reducing wages and increasing productivity. As wages stagnate, workers—workers-the primary consumers—are unable to afford the increasing quantity of commodities being produced. This leads to overproduction and underconsumption, which Marx (Marx & Engles, 1894) recognizes as persistent characteristics of capitalism. When products can no longer be profitable, companies reduce output, terminate employees, and thus diminish demand further, exacerbating the recession. Within this context, the crisis is not just a fluctuation; it becomes a structural rupture, propelled by the contradiction between the incessant pursuit of capital accumulation and the constrained buying power of the proletariat(working-class). Keynes, although not a revolutionary, arrived at similar findings on the instability of capitalism; yet his analysis and recommendations varied considerably. According to Keynes (1936: pp. 28-30), the business cycle is generated by variations in aggregate demand, especially in the unstable elements of investment and consumption. During times of economic uncertainty, companies may reduce investment due to concerns that future returns may not warrant present spending. Likewise, customers may curtail expenditures, choosing to save instead of spending (particularly in times of prevailing pessimism). The decrease in effective demand results in diminished output and employment, triggering a negative economic spiral. These feelings may exacerbate both economic expansions and contractions, generating self-perpetuating cycles of activity that are detached from underlying indicators. In contrast to classical theories that perceive crises as external shocks, Keynes acknowledged that internal uncertainty and expectations are fundamental catalysts of instability. Despite their differing ideological convictions, Marx and Keynes agree that capitalism is not inherently predisposed to equilibrium. Marx saw capitalist crises as precursors to social revolution, but Keynes regarded them as technical and psychological issues that could be resolved within the current system. Nevertheless, both acknowledged that periodic crises were not random disturbances, but rather recurring results of structural conflicts within the capitalist system that need intentional intervention—be it revolutionary or reformist—to resolve.

4. Part 3: Hyman Minsky and Instability

Hyman P. Minsky's Financial Instability Hypothesis (FIH), most explicitly expressed in his 1992 working paper and his 1986 book Stabilizing an Unstable Economy, provides a significant and foresighted expansion of the heterodox tradition in economics. Minsky's theory fundamentally contests classical assumptions by positing that financial instability is not an exception, but an intrinsic, inherent characteristic of capitalism. Minsky (1992: pp. 1-2) contends that capitalist economies inherently progress through several finance regimes, shifting from stability to fragility throughout periods of economic boom and bust.

Minsky categorizes financing structures into three primary types: Hedge finance, Speculative finance, and Ponzi finance (Minsky, 1992: pp. 7-8). In a Hedging regime, companies depend on their existing cash flows to fulfill all contractual obligations—both principal and interest—rendering this the most stable and risk-averse configuration. As economic confidence rises during prolonged periods of growth, firms become increasingly optimistic about future profits and market conditions. This leads many to adopt speculative financing, where they can still cover interest payments from current income but lack sufficient revenue to repay the principal. Instead, they rely on rolling over their debt—borrowing anew or restructuring loans—in the expectation that favorable conditions will persist long enough to justify the risk. Faced with a precarious economic environment, Ponzi finance organizations are unable to fulfill either principal or interest obligations from their cash flows. This creates a situation where they depend instead on escalating asset values and sustained access to inexpensive borrowing. Ponzi schemes fundamentally rely on continuous financial growth and the assumption that there will always be buyers eager to acquire their assets at inflated prices. Minsky (1992: p. 9) states that, during times of prosperity, the financial system often transitions from Hedge to Ponzi as confidence increases and risk perception diminishes. What starts as a prudent investment in producing assets evolves into a speculative frenzy. Companies and investors start borrowing more, lenders become less strict about who they give loans to, and the prices of assets like stocks or real estate rise far beyond their actual economic value. This gradual yet systematic transition towards fragility sets the stage for what Minsky referred to as a "Minsky Moment"—a critical juncture when the realization dawns that loans are unrepayable, triggering a cascade of asset liquidations, plummeting prices, and a pervasive financial catastrophe.

One of Minsky's key considerations is the significance of expectations, earnings, and investing behavior in driving this cycle. In periods of economic expansion, anticipations of forthcoming profits become too optimistic, resulting in overinvestment and surplus capacity. During downturns, pessimism dominates, investments decline, and the financial system undergoes deleveraging. These processes exacerbate the business cycle, transforming a potential minor downturn into a significant catastrophe. The 2008 Global Financial Crisis is frequently referenced as a quintessential illustration of this process. The shift from cautious mortgage lending (hedge) to subprime, securitized loan instruments (Ponzi) exemplifies the systemic fragility that Minsky predicted decades ago. The catastrophe sprang not from an outside shock, but from an internal financial dynamic that had been subtly developing beneath the protracted growth at that time. A more contemporary example of Minsky's theory playing out is the recession caused by the COVID-19 pandemic. The pandemic, albeit an external health crisis, exposed the inherent fragility of the pre-pandemic financial structure by the magnitude and rapidity of the subsequent economic downturn. In early 2020, some corporations—particularly in industries such as aviation, hospitality, and retail—were functioning in a Ponzi-like manner, having participated in aggressive share buy-backs and leveraged borrowing during periods of inexpensive credit. When income sources suddenly halted owing to lockdowns, many organizations lacked the money to cover debts or fulfill payroll obligations, while possessing robust balance sheets on paper. A chain reaction ensued: equity markets plummeted, liquidity dried up, and global central banks were compelled to inject trillions of dollars in emergency assistance.

In Stabilizing an Unstable Economy (1986), Hyman Minsky reconceptualizes the economic cycle as an intrinsic result of capitalism's financial dynamics, rather than an external disturbance to a balanced system, asserting that stability inherently fosters fragility. Financial systems progressively transition from conservative to risky frameworks, rendering economies more susceptible to cyclical expansions and subsequent contractions (Minsky, 1986: pp. 150-152). This cycle often progresses through four stages—expansion, peak, contraction, and trough—each characterized by variations in production, employment, investment, and consumer confidence, resulting in persistent downturns that are inherently structural rather than coincidental. Minsky's theory, however distinctive in its financial emphasis, is profoundly anchored in the philosophical legacies of Keynes and Marx. Like Keynes, Minsky refutes the classical notion of a self-regulating market and emphasizes the significance of uncertainty, expectations, and aggregate demand in influencing economic dynamics. Minsky amplifies Keynes's apprehension over demand-side instability by integrating it into a financial framework that progressively develops towards fragility. While Keynes emphasized the psychological foundations of investment, Minsky illustrates how institutional frameworks—banking systems, credit dynamics, and regulatory environments—entrench optimism during economic booms, rendering countries susceptible to sudden downturns. On the other hand, Minsky's approach aligns with Marx's critique of crisis being an inherent aspect of capitalism. Marx recognized the declining trend of the profit rate as an inherent characteristic of capitalist accumulation: an increasing organic composition of capital and wage repression result in diminishing profitability and subsequent crises. Minsky, in contrast, identifies the origin of crises inside the financial superstructure, specifically in the dynamics of debt, speculation, and credit cycles. Both views concur that the crisis is structural and inevitable, not a market failure, but an intrinsic characteristic of capitalism. In both models, profit-driven behavior within a competitive system results in more weak equilibria that ultimately succumb to collapse. Minsky connects Keynesian demand theory with Marxian criticism, establishing a holistic framework for comprehending economic instability during the era of financialization. He encapsulates not just the fluctuations of production and labor markets but also the progressively pivotal influence of financial innovation, deregulation, and speculation in shaping macroeconomic realities. His work preempts the emergence of shadow banking, structured finance, and other contemporary tools of instability far before they became prevalent in mainstream discussions.

5. Part 4: The Triple Nexus

This analytical framework is descriptive; nevertheless, Minsky, Marx, and Keynes offer more profound structural reasons for these fluctuations, together contesting the classical concept of a self-correcting economy. Where Smith, Say, and his intellectual descendants saw markets as tending toward equilibrium, these heterodox theorists emphasized systemic instability. For Marx, the business cycle is a manifestation of capitalism's core contradiction: the drive to maximize profit through productivity gains and wage suppression eventually erodes the very demand needed to realize those profits. As Marx (Heilbroner, 1996) explains, capitalists invest in productivity-enhancing technologies to lower costs, but in doing so, they reduce labor's share of income. Since workers form the bulk of consumers, this leads to overproduction relative to purchasing power—a crisis of realization. Overaccumulation ensues, inventories rise, and firms scale back production, initiating a crisis marked by layoffs, suppressed wages, and further demand contraction. This recursive loop exemplifies what Marx sees not as a flaw in capitalism, but a fatal feature. Keynes, years later, writing in the wake of the Great Depression, pivoted away from Marx's value theory but echoed the recognition of demand shortfalls. For Keynes (1936: pp. 27-28), the business cycle is driven primarily by fluctuations in aggregate demand, particularly investment. Investment, he argued, is governed not solely by rational forecasts but by uncertain expectations, swings in confidence, and collective moods. During downturns, pessimism leads to reductions in investment and consumption, further lowering output and employment. Unlike Marx, Keynes believed that these cycles could be mitigated through active fiscal and monetary policy, particularly public spending during recessions to stimulate demand and restore market confidence. Minsky subsequently expands on Keynes' discoveries by demonstrating that protracted periods of economic stability promote rising optimism, more risk-taking, and increasingly brittle financial structures—so, paradoxically, stability fosters instability. This expands on Keynes' understanding of uncertainty and changeable expectations, while also reflecting Marx's more general critique that capitalist institutions are fundamentally prone to catastrophe owing to internal contradictions such as overaccumulation and decreasing profit rates. All three theorists agree that economic crises are not aberrations or external shocks, but systemic results caused by the same factors that drive growth in capitalist economies. In prolonged expansions, investors and companies exhibit heightened optimism, accruing greater debt based on the presumption that favorable conditions will persist. This causes the system to transition from hedge finance (stable) to speculative finance and ultimately to Ponzi finance (fragile), as described by Minsky (1992: pp. 7-9). Financial fragility serves as the catalyst that converts a standard downturn into a systemic catastrophe, as seen time and time again throughout history. The integration of Marx, Keynes, and Minsky into a comprehensive theory provides a dynamic framework for analyzing business cycles: Marx highlights productive contradictions and class dynamics, Keynes prioritizes demand psychology and uncertainty, and Minsky elucidates how financial structure and leverage instigate crises internally. Marx, Keynes, and Minsky contest the popular notion that unregulated markets inevitably move toward stability or full employment, instead demonstrating how crises arise from internal dynamics of accumulation, demand volatility, and financial fragility.

To expand the analytical landscape, it is necessary to critically situate the Marx-Keynes-Minsky synthesis within the broader landscape of macroeconomic thought, particularly in contrast to mainstream models that continue to dominate policymaking and academic orthodoxy. The Monetarist school, spearheaded by Milton Friedman, holds that macroeconomic volatility stems from mismanagement of the money supply. According to this view, inflation and recession can be avoided by maintaining steady growth in money circulation. However, this doctrine's overemphasis on price stability and its neglect of structural imbalances have proven insufficient in recent crises. Consider Turkey's ongoing inflation crisis (2021-present): despite high inflation reaching over 85% in 2022, the Erdogan government, rejecting conventional monetarist prescriptions, pursued interest rate cuts to stimulate growth. The result was an implosion of monetary credibility and capital flight (Sakarya, Polat, & Ertuğrul, 2025). Yet even in contexts where central banks did follow monetarist logic, such as the Federal Reserve's quantitative easing after the 2008 Financial Crisis, stability remained elusive. Liquidity was restored, but debt levels surged, inequality widened, and productive investment lagged. These failures suggest that control over money supply is necessary, but not sufficient, particularly when instability is rooted in private debt, financial speculation, or suppressed wages. The New Classical school, particularly its rational expectations and real business cycle (RBC) variants, posits that economic fluctuations are efficient market responses to exogenous shocks, such as shifts in technology or consumer preferences. In this view, markets are always clear, and unemployment is often voluntary. Yet this model falters under the weight of recent evidence. The COVID-19 pandemic brought about a mass labor withdrawal across the Global North, not due to wage rigidity, but due to a deep reassessment of labor conditions, burnout, and stagnating real wages, leading to what was dubbed the "Great Resignation" (Amanor-Boadu, 2022). Simultaneously, the tech sector's mass layoffs in 2022–2023, after years of exuberant hiring, revealed the limits of rational expectations. Firms were not reacting to real shocks so much as recalibrating speculative misjudgments of future demand. These patterns—labor market scarring, hysteresis, and abrupt investor herding—cannot be explained by RBC theory. They reveal instead the emotional, social, and institutional fragilities emphasized by Marx, Keynes, and Minsky.

In contrast, Modern Monetary Theory (MMT) has emerged as a heterodox response to the limitations of both monetarism and new classical economics. MMT argues that monetarily sovereign states are not financially constrained in the same way households are, and that deficits should be judged by inflationary risk and resource constraints, not balance sheet aesthetics. The clearest real-world laboratory for MMT principles is Japan (Yoshino & Taghizadeh-Hesary, 2014), whose government has sustained high debt-to-GDP levels (over 260%) for decades without sparking runaway inflation or default. Japan's aggressive fiscal policy—particularly its Abenomics-era stimulus—demonstrates that public investment can be sustained indefinitely in low-inflation environments, offering support to both Minskyan demand stabilization and Keynesian employment goals. However, MMT does not directly address financial fragility or capitalist contradictions. It offers a toolkit, but not a diagnosis. While it rightly challenges "sound finance" dogma, it often underplays the role of private sector speculative behavior, corporate concentration, and global capital flows, all of which Minsky places at the center of his theory. Nor does MMT contend with the Marxian insight that expanding state expenditure can coexist with worsening class inequalities if the underlying ownership structures and capital flows are untouched. Thus, MMT is a useful instrument, but it needs to be embedded within a broader structural critique to realize its full potential.

These competing paradigms make clear that economic theory must not only predict outcomes—it must explain mechanisms, power relations, and institutional pathologies. While mainstream economics has struggled to account for financial crises, labor market detachment, and speculative volatility, the integrated framework of Marx, Keynes, and Minsky offers a robust alternative. Their unified ideas illustrate that crises arise not from arbitrary shocks but from the intrinsic logic of capitalism: overaccumulation, repressed wages, leveraged finance, and demand deficiencies. These contradictions manifest on a global scale. An example of this was the 2014 OPEC oil price crash. This incident was initiated by a surplus from U.S. shale production and OPEC's unwillingness to reduce output. These actions resulted in a significant decline in global oil prices, releasing shockwaves through the global economy (Behar & Ritz, 2016: pp. 5-6). This event supports Marx's concept of overaccumulation, wherein the incessant pursuit of profit and growth results in a surplus of goods that cannot be sold at their worth, causing crises not due to shortage, but rather from excess. This also illustrates Keynes's apprehension over demand shortfall, as declining oil prices eroded government income and consumer confidence in oil-reliant countries, resulting in less investment, increased unemployment, and budgetary pressure. The crisis ultimately revealed Minskyan financial fragility, as oil-producing countries and energy companies that had incurred substantial debt during prosperous periods abruptly encountered diminishing revenues and asset depreciation, necessitating debt restructurings and urgent asset liquidations. The 2014 oil crisis emphasizes that economic instability is not only episodic or externally induced; rather, it is systemic, embedded in the cyclical and financial dynamics of capitalist economies, as argued by these philosophers from various yet complementary viewpoints. The Marx–Keynes–Minsky synthesis does not merely point to policy fixes; it forces a reconsideration of the architecture of modern capitalism. From capital-labor relations to investment behavior and financial innovation, the crises we face are interlocking and self-reinforcing. These thinkers reveal that unregulated markets do not equilibrate—they spiral. Without structural reform, speculative discipline, and redistribution, each recovery merely lays the groundwork for the next collapse.

Economic policy must do far more than simply "tweak" markets like mis-calibrated equipment; it must also rebuild capitalism's institutional basis. Countercyclical fiscal policy, strong financial regulation, persistent public investment, wage growth, and job guarantees are more than just technical instruments; they are deeply political processes that apportion risk and reward, decide who absorbs shocks, and govern the movement of capital. This necessitates a transition in policy from reactive crisis management to proactive economic design, with a focus on resilience, equity, and human well-being rather than limited price stability and GDP growth aims. This necessary shift entails viewing public deficits as strategic investments rather than existential dangers, reestablishing democratic control of finance, and recovering fiscal sovereignty, particularly for Global South countries opposing externally imposed austerity measures. Finally, this heterodox synthesis uses Marx, Keynes, and Minsky to push society not only to better handle crises but also to prevent them by constructing economies that prioritize people over profit, stability over speculation, and equity over development. To do this, we must also change the way we study and engage with economics, emphasizing historical context and real-world complexity over abstract equilibrium models. Only by making our economic science flexible, empirically based, and democratically accountable will we be able to reengineer institutions and ensure a more equitable and stable future.

6. Conclusion

In the face of repeating crises, rising inequality, and environmental pressure, it is time to reconsider the foundations of our economic systems—not as static machines, but as living institutions affected by human decisions. This study has tracked Marx, Keynes, and Minsky's significant discoveries, which demonstrated in different ways that instability is not a flaw in capitalism, but rather a characteristic woven into its logic. Their cumulative work provides not just a criticism of the present, but also a platform for envisioning a better future—one in which economic stability is a right rather than a luxury. Embracing this vision means rejecting the fatalism of market inevitability and reclaiming the economy as a democratic place. It is to create institutions that do not just absorb shocks, but also avoid them, by prioritizing collaboration and resilience over profit and competitiveness. It entails cultivating an economics that is historically grounded, pluralistic, and attentive to people's and communities' lived experiences. In doing so, we go beyond crisis management and toward fundamental transformation—an economy that is not just efficient but also humane. This isn't only doable; it's vital and long overdue.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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