

Inequality, the Financial Crisis and Stagnation: Competing Stories & Why They Matter

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Rajan (2010): *Fault Lines*

Kumhof & Ranciere (2010): “Inequality, leverage and
crises”

Eggertsson & Krugman (2012): “Debt, deleveraging,
and the liquidity trap”

Figure 1. The Eggertsson – Krugman deleveraging explanation of stagnation.

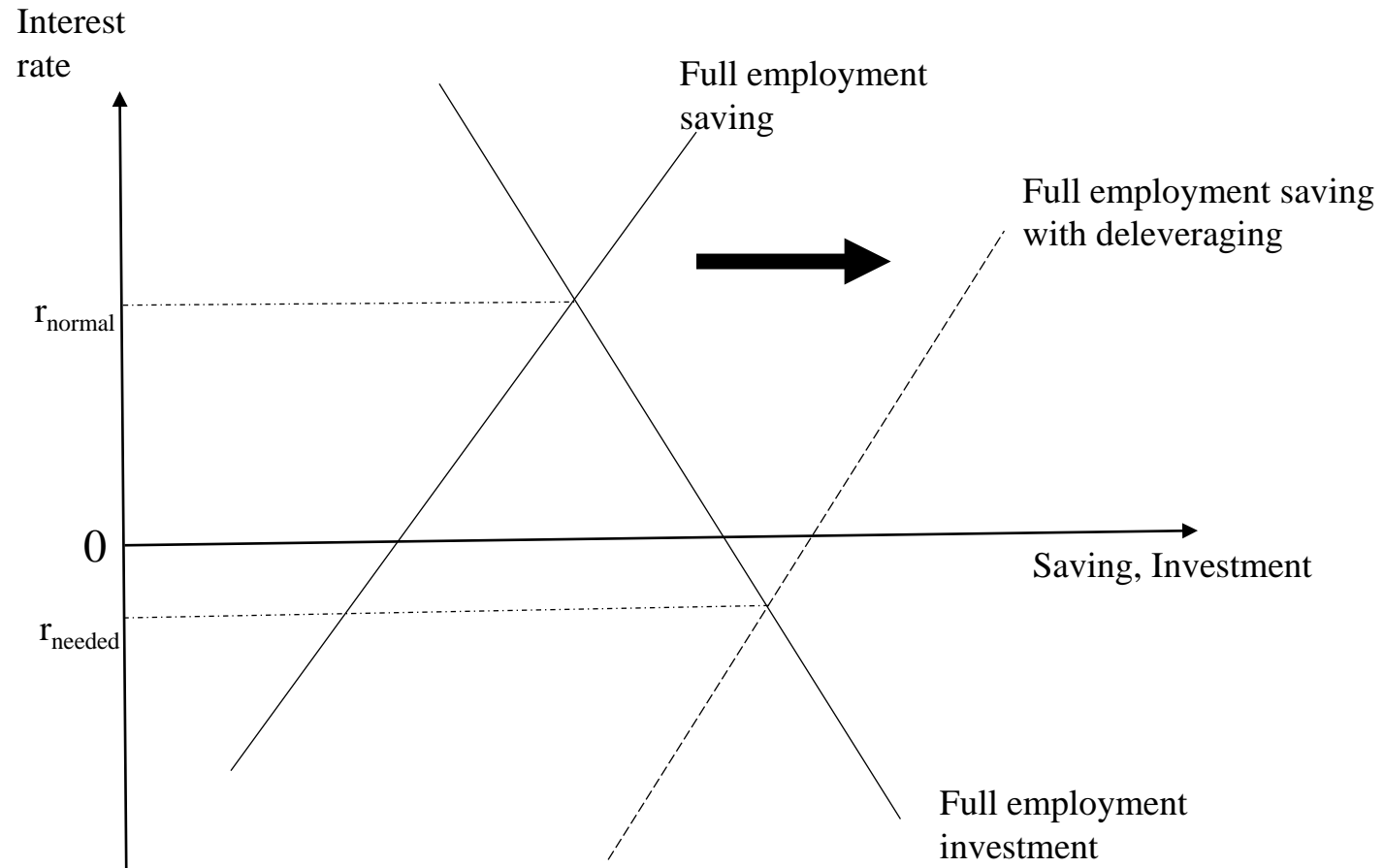


Table 1. Growth of US household and non-financial business debt (%).

Source: Financial Accounts of the United States, Federal Reserve, Fourth Quarter 2014.

	2008	2009	2010	2011	2012	2013	2014
Households	1.1	0.0	-1.1	-0.2	1.5	1.5	2.9
Business	5.8	-4.3	-0.9	3.0	4.8	5.1	5.9

Figure 2. US private sector saving as a share of GDP, 1947-2012.

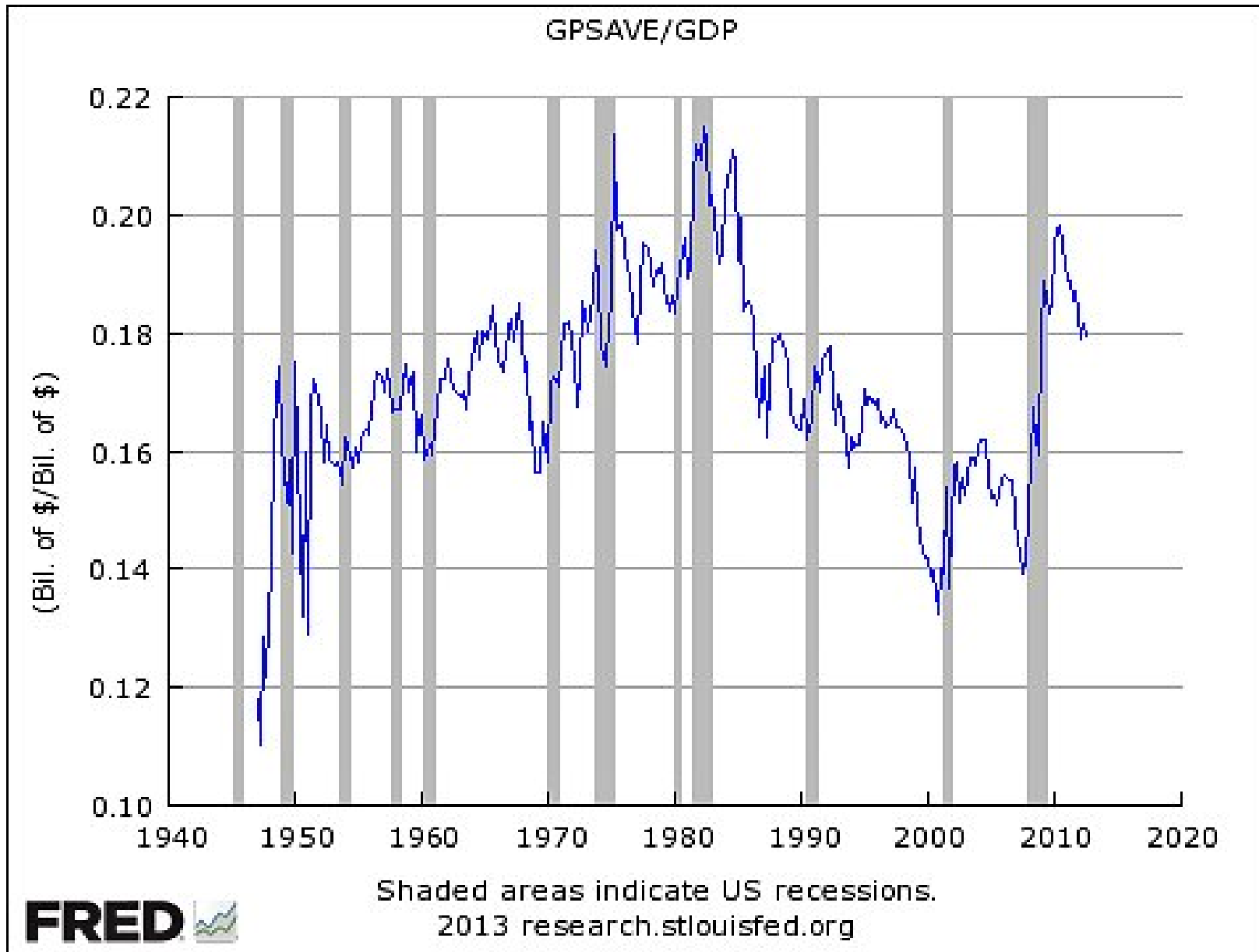
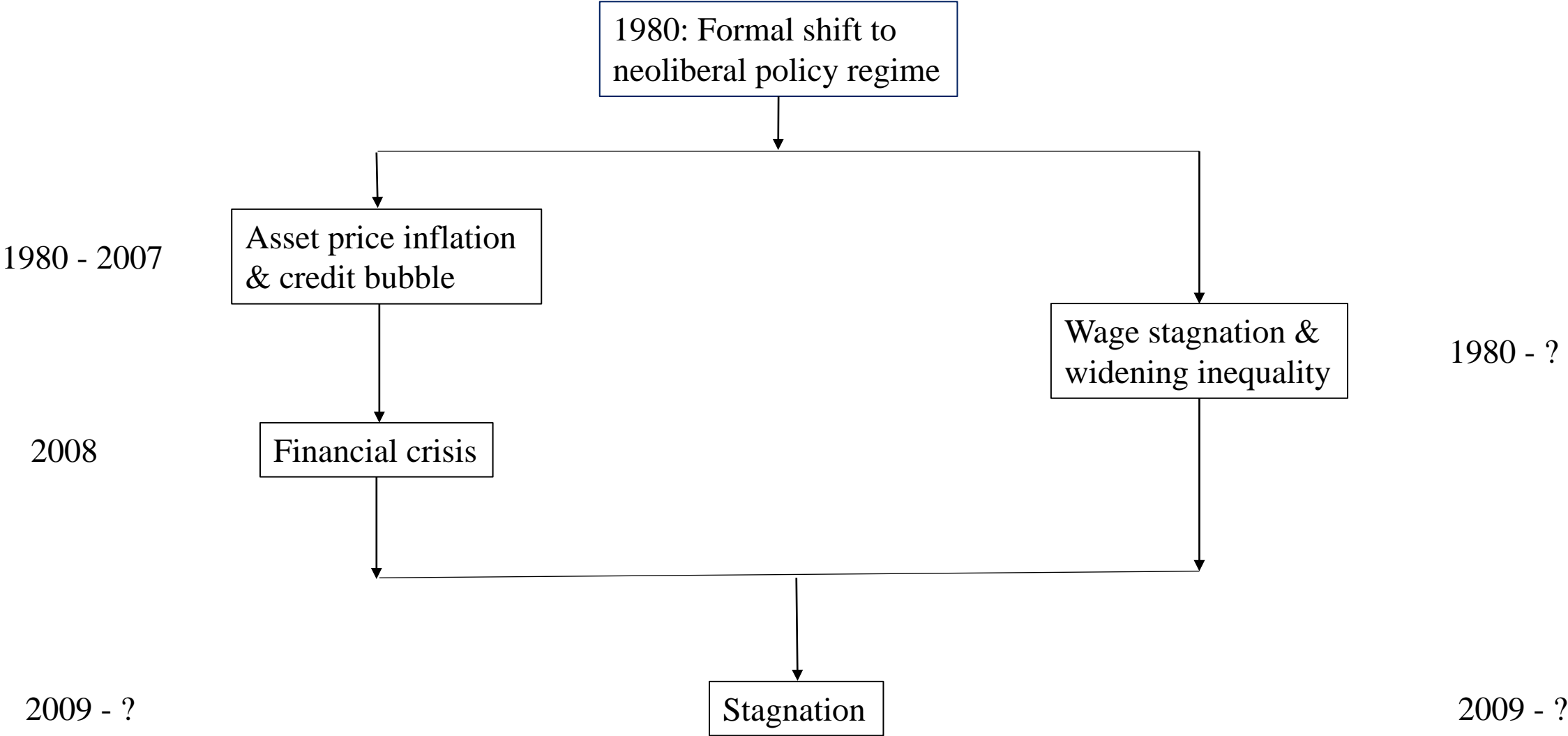


Figure 3. The evolution of the US economy in the neoliberal era, 1980 - 2015.



The structural Keynesian account of inequality & stagnation

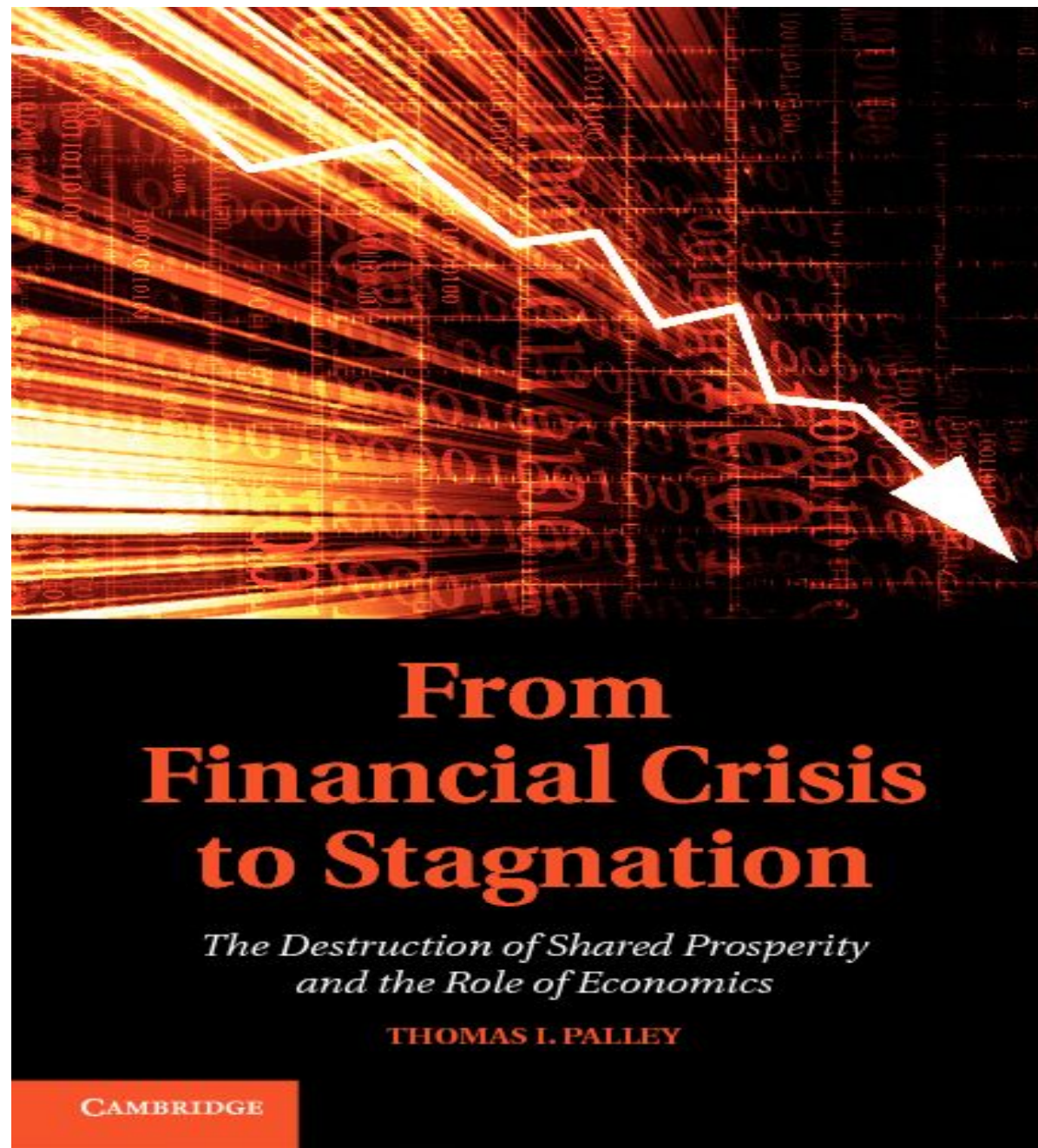


Figure 4. The 1945 – 75 virtuous circle Keynesian growth model.

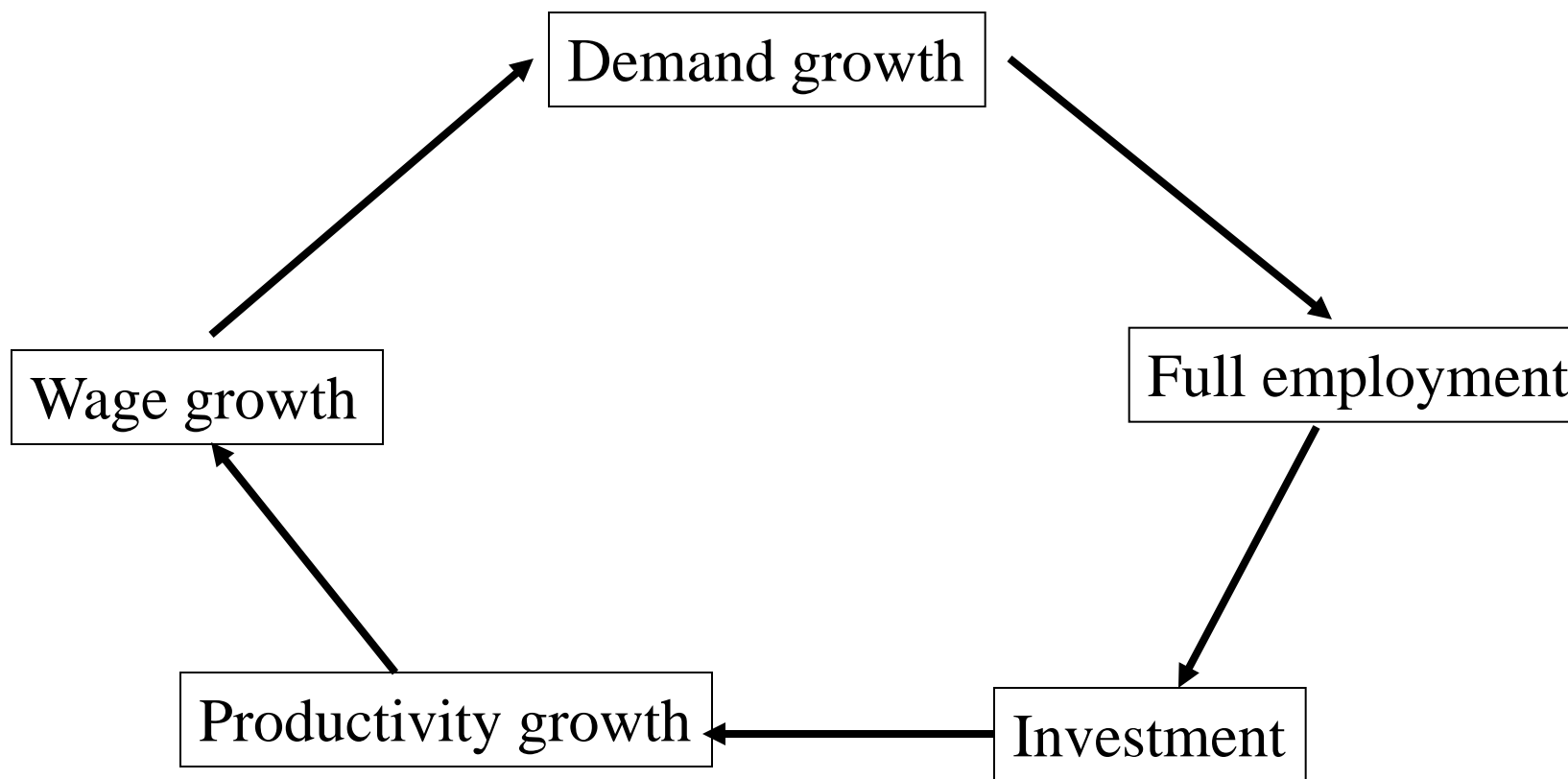


Figure 5. The neoliberal policy box.

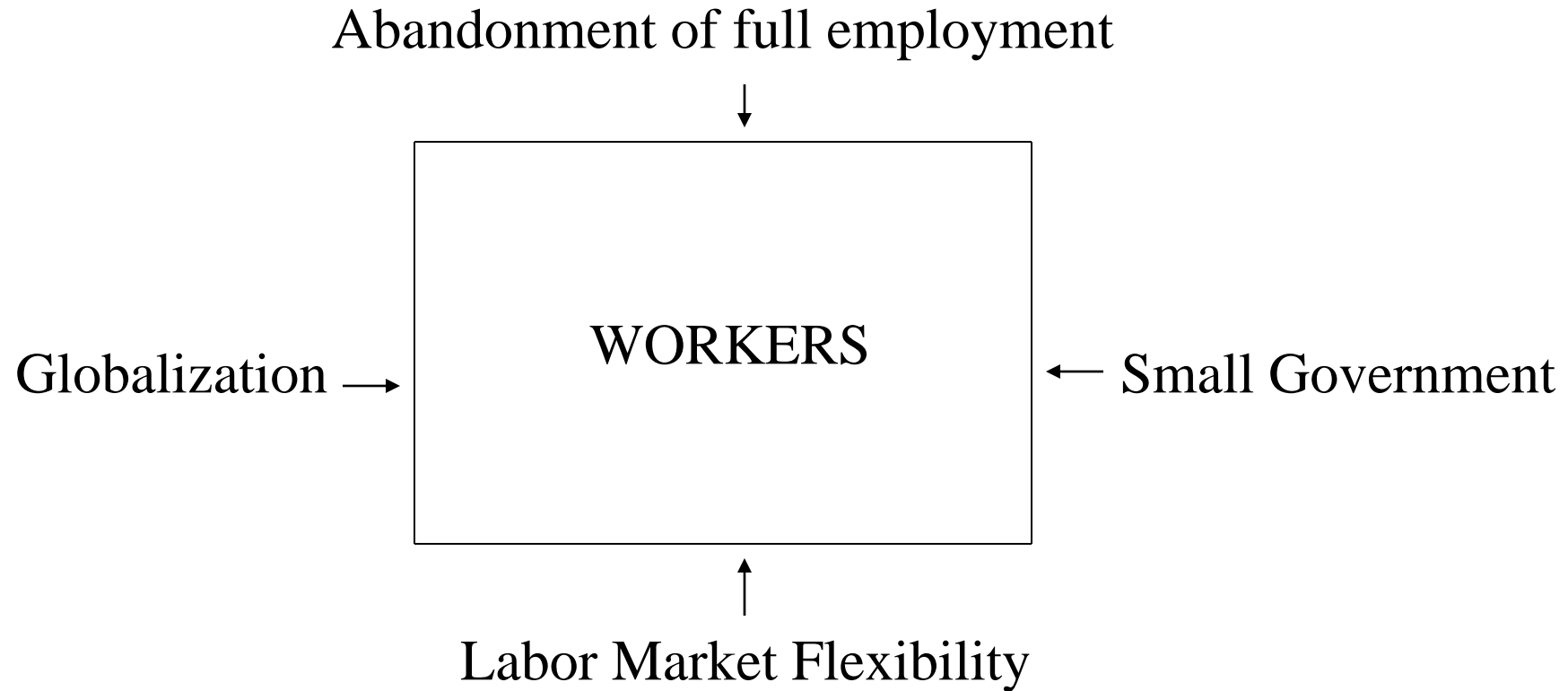
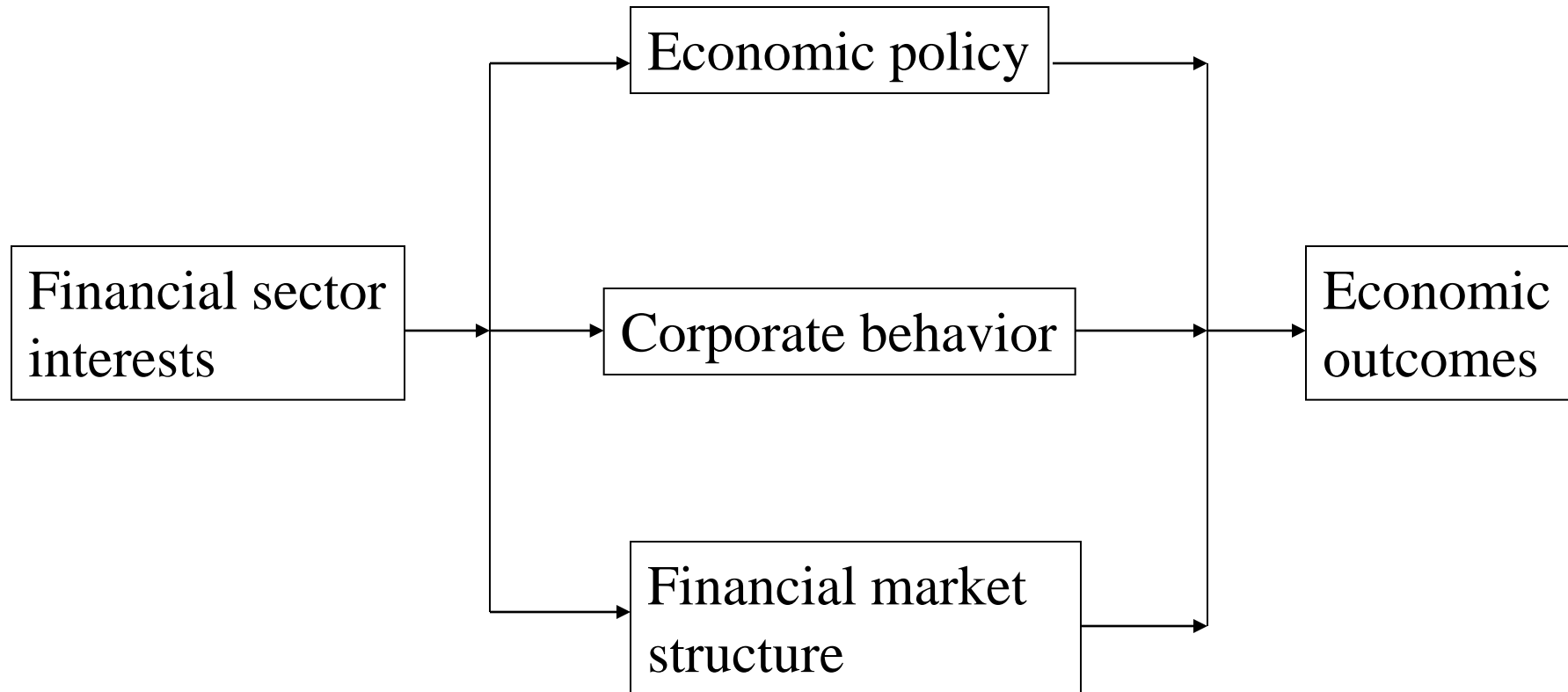


Figure 6. Main conduits of financialization.

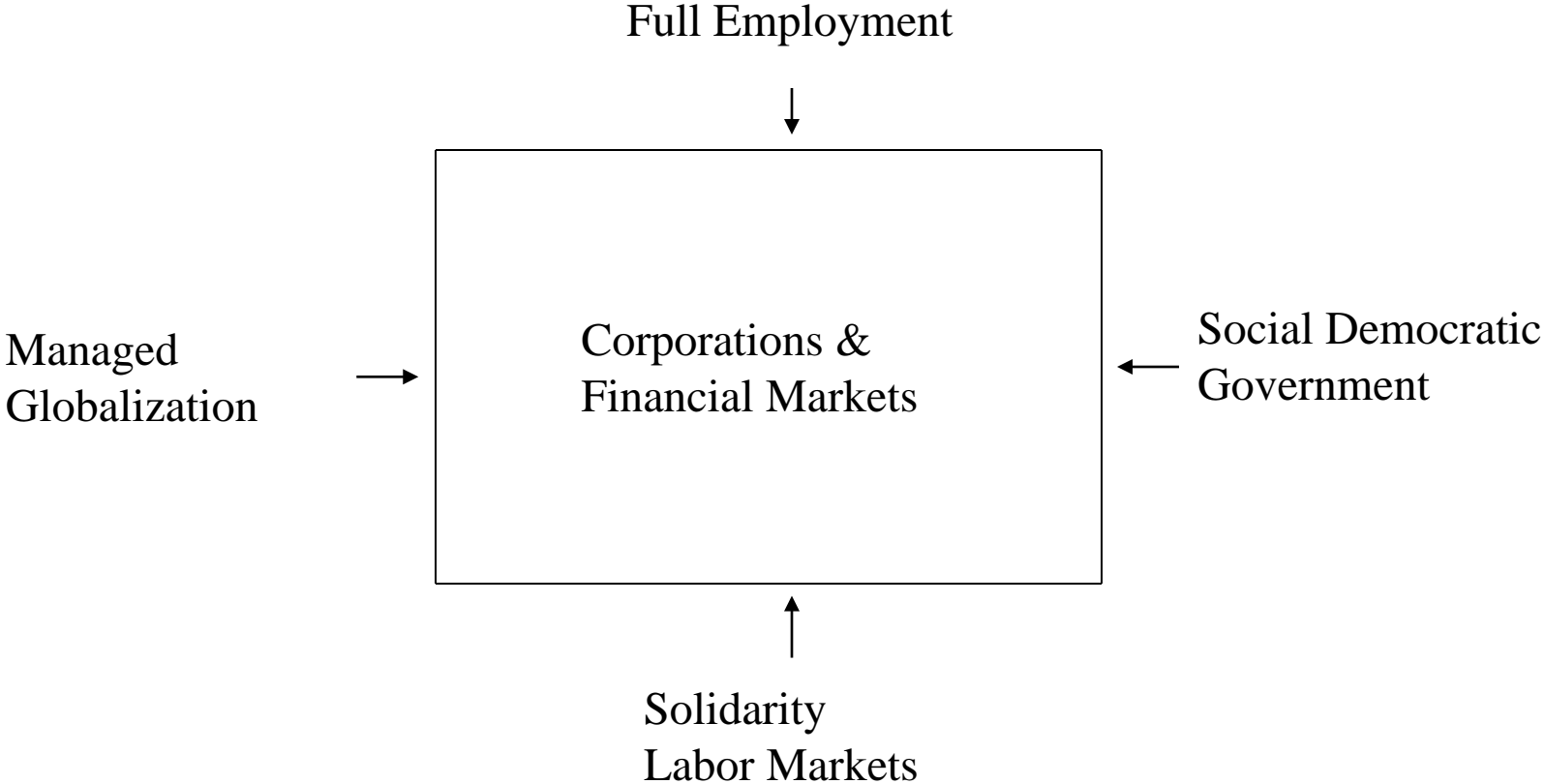


From Financial Crisis to Stagnation

The role of inequality in the crisis & stagnation

The story we accept matters

Figure 7. Repack the box.



Conclusion