## Author Index

<table>
<thead>
<tr>
<th>Name</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akerlof, George</td>
<td>122 n. 9, 138, 139 n. 7</td>
</tr>
<tr>
<td>Armim, Rudiger von</td>
<td>187, 193 n. 8, 203, 210</td>
</tr>
<tr>
<td>Atkinson, Anthony</td>
<td>164, 165 n. 12, 167</td>
</tr>
<tr>
<td>Bagehot, Walter</td>
<td>221</td>
</tr>
<tr>
<td>Baker, Dean</td>
<td>27, 42, 69, 135, 162, 163, 166 n. 16, 178, 210, 220, 222, 234 n. 8, 235, 253 n. 14, 260 n. 20, 271, 284, 298, 311, 312</td>
</tr>
<tr>
<td>Balachandran, Sudhakar</td>
<td>109</td>
</tr>
<tr>
<td>Baldwin, Richard</td>
<td>189</td>
</tr>
<tr>
<td>Bechuk, Lucian</td>
<td>107</td>
</tr>
<tr>
<td>Becker, Gary</td>
<td>138</td>
</tr>
<tr>
<td>Bentsen, Lloyd</td>
<td>248</td>
</tr>
<tr>
<td>Bernanke, Benjamin</td>
<td>3, 11, 69 n. 4, 71, 78, 203, 204, 205, 205 n. 18, 222, 223, 223 n. 4, 309</td>
</tr>
<tr>
<td>Berntsen, Jake</td>
<td>285</td>
</tr>
<tr>
<td>Bertrand, Marianne</td>
<td>112</td>
</tr>
<tr>
<td>Bhaduri, Amit</td>
<td>166 n. 14</td>
</tr>
<tr>
<td>Bibow, Jorg</td>
<td>203, 204 n. 17</td>
</tr>
<tr>
<td>Bivens, Josh</td>
<td>35 n. 5</td>
</tr>
<tr>
<td>Blanchard, Olivier</td>
<td>12</td>
</tr>
<tr>
<td>Blecker, Robert</td>
<td>26, 32, 33, 69 n. 4, 154, 166 n. 15, 188, 196 n. 13, 198, 198 n. 14, 201, 208, 212, 212 n. 21, 275, 315</td>
</tr>
<tr>
<td>Blinder, Alan</td>
<td>48, 48 n. 14, 223, 230</td>
</tr>
<tr>
<td>Bowles, Samuel</td>
<td>176</td>
</tr>
<tr>
<td>Bronfenbrenner, Martin</td>
<td>43, 177</td>
</tr>
<tr>
<td>Buffett, Warren</td>
<td>212</td>
</tr>
<tr>
<td>Bush, George W.</td>
<td>26, 27, 34, 39, 50, 198, 244, 256, 257, 259, 261, 262, 271, 283</td>
</tr>
<tr>
<td>Carroll, Christopher</td>
<td>145</td>
</tr>
<tr>
<td>Cassidy, John</td>
<td>62</td>
</tr>
<tr>
<td>Chirinko, Robert</td>
<td>246</td>
</tr>
<tr>
<td>Cline, Williamson</td>
<td>207</td>
</tr>
<tr>
<td>Clinton, Bill</td>
<td>27, 34, 39, 43, 48, 48 n. 14, 69, 71, 198, 244, 247, 248, 249, 249 n. 8, 249 n. 7, 250, 253, 253 n. 13, 255, 256, 257, 258, 259, 260, 261, 262, 271</td>
</tr>
<tr>
<td>Cochrane, John</td>
<td>139 n. 6</td>
</tr>
<tr>
<td>Cohen, Alma</td>
<td>107</td>
</tr>
<tr>
<td>Corrigan, Gerald</td>
<td>96</td>
</tr>
<tr>
<td>Cripps, Francis</td>
<td>187, 203</td>
</tr>
<tr>
<td>Crotty, James</td>
<td>15, 25, 31 n. 2, 61, 66, 105, 109, 116 n. 6, 117, 118, 119, 119 n. 8, 137, 165, 165 n. 11, 220, 232, 237, 308, 316</td>
</tr>
<tr>
<td>Cuomo, Andrew</td>
<td>107</td>
</tr>
<tr>
<td>Cynamon, Barry</td>
<td>6 n. 2, 9 n. 5, 25, 26, 28, 38, 39, 40, 41, 69, 72, 106 n. 3, 129, 133, 142, 161 n. 6, 170, 170 n. 22, 171, 172 n. 25, 173 n. 27, 174, 179 n. 31, 202, 210, 220, 222, 248, 254 n. 17, 286, 291 n. 5, 298, 311, 312</td>
</tr>
<tr>
<td>Davidson, Paul</td>
<td>15 n. 12, 148</td>
</tr>
<tr>
<td>Davis, Steven</td>
<td>159</td>
</tr>
<tr>
<td>Dooley, Michael</td>
<td>49 n. 15</td>
</tr>
<tr>
<td>Dornbusch, Rudiger</td>
<td>250 n. 10</td>
</tr>
<tr>
<td>Drake, Elizabeth</td>
<td>212</td>
</tr>
<tr>
<td>Duesenberry, James</td>
<td>134, 139 n. 6</td>
</tr>
<tr>
<td>Dynskii, Gary</td>
<td>227</td>
</tr>
<tr>
<td>Dynan, Karen</td>
<td>254 n. 17</td>
</tr>
<tr>
<td>Eatwell, John</td>
<td>194</td>
</tr>
<tr>
<td>Epstein, Gerald</td>
<td>27, 37 n. 7, 73 n. 6, 124, 175, 225 n. 6, 227, 231, 232 n. 7, 233, 276, 279, 306, 308, 309</td>
</tr>
<tr>
<td>Erceg, Christopher</td>
<td>199</td>
</tr>
<tr>
<td>Esquivel, Gerardo</td>
<td>212 n. 21</td>
</tr>
</tbody>
</table>
## Author Index

Fazzari, Steven, 6 n. 2, 9 n. 5, 13, 17 n. 13, 25, 26, 28, 38, 39, 40, 41, 69, 72, 106 n. 3, 129, 133, 142, 163 n. 6, 170, 170 n. 22, 171, 172 n. 25, 173 n. 27, 174, 179 n. 31, 202, 210, 220, 222, 248, 254 n. 17, 270, 286, 291 n. 5, 298, 311, 312

Feldstein, Martin, 9 n. 6, 159 n. 3, 196 n. 13

Fichtenbaum, Rudy, 176 n. 28

Fisher, Irving, 77

Fisher, Keith, 95

Fitzgerald, Terry, 283

Fleck, Susan, 163, 164 n. 10

Folkerts-Landau, David, 49 n. 15

Folkes, Valerie, 138 n. 4

Frieden, Jeffrey, 196 n. 13

Friedman, Milton, 38, 77, 179, 286

Galbraith, James, 38, 62, 63, 64, 178, 271 n. 5, 275, 311

Galli, Luca, 159

Glyn, Andrew, 160, 165 n. 12, 167, 176, 181

Godechot, Olivier, 122 n. 9

Godley, Wynne, 6 n. 2, 159, 200

Gorton, Gary, 93 n. 5

Greenberg, Edward, 13, 17 n. 13

Greene, Clinton, 147

Greenspan, Alan, 78, 305 n. 1

Greider, William, 49, 235

Hahn, Frank, 284

Harnal, Hitesh, 110

Heintz, James, 260

Hillerding, Rudolf, 62

Hobsbawm, Eric, 179

Hodgman, Donald, 227, 228, 229

Hodgson, Geoffrey, 137

Hogg, Michael, 137

Holtz-Eakin, Douglas, 260

Izurieta, Alex, 6 n. 2, 159

Jayadev, Arjun, 225 n. 6

Johnson, Simon, 121, 237

Jorgenson, Dale, 164 n. 10

Kahn, James, 159

Kaldor, Nicholas, 164 n. 10

Kalecki, Michal, 82, 291 n. 3

Katz, Lawrence, 111, 112, 121

Keating, Charles, 68

Kennickell, Arthur, 136


Kiesler, Tina, 138 n. 4

Kindleberger, Charles, 27, 220, 220 n. 3, 221, 223, 225, 233, 234, 239

Kohli, Vineet, 210

Kotz, David, 150 n. 13

Kranton, Rachel, 138

Kregel, Jan, 24, 25, 31 n. 2, 63 n. 2, 65, 73, 77 n. 8, 105, 106 n. 3, 131, 147, 151, 190 n. 5, 194, 209, 222, 279, 284, 287, 307, 308

Krooss, Herman, 94, 94 n. 6

Krugman, Paul, 177 n. 30, 195 n. 12, 225, 225 n. 6, 272 n. 7

Kuttner, Robert, 233

Kwak, James, 121, 237

Lewis, Michael, 114, 121

Lindbeck, Assar, 122 n. 9

Loretan, Mico, 194 n. 10, 195 n. 12

Luc, Stephanie, 43

Maisel, Sherman, 227

Malmendier, Ulrike, 144

Marglin, Stephen, 166 n. 14

Marx, Karl, 116, 116 n. 6

McCain, John, 68

McCulley, Paul, 62

Minsky, Hyman, 11, 18, 24, 25, 62, 64, 70, 70 n. 5, 72, 73 n. 7, 74, 75, 77, 78, 79, 80, 81, 82, 86, 89, 90, 91, 92 n. 4, 93 n. 5, 100, 102, 116, 116 n. 6, 117, 131, 136, 146 n. 11, 148, 150, 150 n. 15, 151, 152, 153, 172, 219, 239, 279, 290, 292 n. 6, 304, 305

Mishel, Lawrence, 188 n. 2, 249 n. 9

Mohn, Simon, 164, 165 n. 11, 175

Morley, James, 139 n. 6

Mulligan, Casey, 10 n. 8

Nersisyan, Yeva, 62, 65, 67, 72, 81, 82

Obama, Barack, 8, 11, 22, 55, 62, 71, 72, 177 n. 30, 210, 211, 234, 283, 284

Ohanian, Lee, 10

Omarova, Saule, 94

Osterman, Paul, 176

Oyer, Paul, 110, 111, 121

Palacios-Vera, Alfonso, 13

Palley, Thomas, 5 n. 2, 17 n. 13, 23, 33, 33 n. 3,
Author Index

37 n. 6, 37 n. 7, 39, 44, 50 n. 16, 106 n. 3, 129, 133, 146, 151, 159 n. 2, 164, 176, 178, 187, 189, 202, 203, 210, 309, 314, 315
Palumbo, Michael, 254 n. 17
Papadimitriou, Dimitri, 70 n. 5, 81, 173 n. 27, 212
Parker, Jonathon, 134, 135
Pettis, Michael, 209
PHelps, Edmund, 10, 286
Phillippon, Thomas, 111, 112, 120
Phillips, Ronnie, 77, 81
Piketty, Thomas, 167 n. 17
Pivetti, Massimo, 133, 169, 172 n. 26
Pollin, Robert, 229, 230, 234 n. 8, 260 n. 20, 304
Potts, Jason, 137
Reagan, Ronald, 8, 11, 18, 33, 34, 39, 198, 244, 250, 310
Reshef, Ariell, 111, 112, 120
Romer, Christina, 11
Rowthorn, Robert, 178
Rubin, Jeff, 211
Rubin, Robert, 43, 46 n. 11, 66, 67, 248, 254, 260
Sabatini, K., 173 n. 27
Saee, Emmanuel, 112, 167 n. 17
Schor, Juliet, 139, 139 n. 7, 142, 166, 167, 227, 231
Setterfield, Mark, 5 n. 2, 26, 28, 33, 36, 38, 69, 82, 129, 133, 146, 151, 160 n. 4, 172, 187, 189, 202, 203, 210, 279, 289 n. 2, 314
Snower, Dennis, 122 n. 9
Sorkin, Andrew, 113
Spamann, Holger, 107
Stewart, Terence, 211
Stiglitz, Joseph, 113, 314
Stigum, Marcia, 93 n. 5
Tajfel, Henri, 138 n. 4
Taylor, John, 11, 52 n. 17, 141, 194, 223
Tcherneva, Pavлина, 28, 72, 73 n. 7, 178, 220, 222, 272, 277, 278 n. 13, 287, 292, 310, 313
Thurow, Lester, 229
Timmer, Marcel, 164 n. 10
Tymoigne, Eric, 68, 79
Veblen, Thorstein, 62, 134
Weller, Christian, 173 n. 27
Whalen, Whalen, 62
Williamson, John, 207
Williamson, Oliver, 122 n. 9
Wolfson, Martin, 227
Woodford, Michael, 12
Wray, Randall, 6 n. 2, 24, 31 n. 2, 34, 62, 65, 67, 68, 69, 70 n. 5, 72, 79, 81, 82, 105, 106 n. 3, 119 n. 7, 131, 144, 146 n. 11, 147, 150 n. 15, 151, 179 n. 31, 220, 222, 279, 280 n. 14, 292 n. 6, 307, 308, 309
Yellen, Janet, 48, 48 n. 14
Zandi, Mark, 223, 230
Zysman, John, 228, 229
Subject Index

Note: An f following a page number denotes a figure on that page; an n after a page number denotes a note on that page; a t following a page number denotes a table on that page.

A
across-the-board tariff surcharge, 211–12
actionable practices, 68, 69
adjustable-rate mortgages, 305, 305 n. 1
aggregate demand, 8–9, 18–21
decline of, 9, 42
drawbacks to management of,
288–91
effect on employment, 286, 289
effect of global phenomena on, 315–16
generating growth in, 17–18, 20–21, 79
inability to keep pace with aggregate supply,
162–66
link with wages, 33, 160–62
management policy, 288
need for growth in, 318–19
shocks, 10, 11, 13, 129, 265
theory of, conventional, 287–88
aggregate demand generating process
golden rule, 160, 162, 164, 165
structural flaws in, 158–59, 173, 175–76,
180, 315–16
structural flaws in, policy to address,
175–79, 315–16
aggregate expenditures. See aggregate
demand
AIG, 11, 31, 61, 69, 99–100, 229, 284
American Recovery and Reinvestment Act (ARRA), 8, 265, 284–85
animal spirits, 9, 14, 306
Argentina, financial crisis in, 46
Asia. See East Asian financial crisis; Japan
asset-backed securities (ABS), 65–66, 74, 92,
283–84
asset-based reserve requirements (ABRR),
225–32
asset price inflation, 14
as common in business cycles since 1980,
34
and deregulation, 53
as feature of neoliberal growth model, 23,
33, 39, 51, 53
financing consumer spending through, 49
and international engagement, 48, 50
assets
appreciation of, household, 134–35
bubbles, 14, 20, 51–52, 106, 115, 204, 225,
255
markets, 274–75
asset risk weighted capital requirements,
96
austerity, 22, 154, 221, 239, 250, 262, 279, 298,
318
austerity buzzards, 175, 239, 306,
310
automatic stabilizers, 8
B
bail-out funds, 61
bank credit, decline in, 225–26
bank deposits, alternatives to, 91, 96, 99
bank holding companies
formation of, 90
and regulation, 100–01
Subject Index

325

and safety nets, 100
banking sector
centrality in, 75
decentralization in, 75
excessive leverage in, 236
high capital ratios, effects of, 79
megabank trend (Minsky), 80
rules under New Deal, 96
relative wages in, 111
reserve requirements, 147, 228–29
transformation of business model, 24, 98, 308
trust banks, 88
See also central banks; chartered bank(s); commercial banks; interest rates; investment banks; liquidity; loans; shadow banks; two-masters dilemma

Bank of America
executive compensation at, 107
mutual funds as shareholders at, 119
Bank of England, 224
Bank of France, 228
Bank of Japan, 229
bankruptcy. See insolvency; Lehman Brothers
banks, commercial. See commercial banks
banks, investment. See investment banks
Bear Sterns, executive compensation at, 107
Bernanke, Ben, 3, 222–23, 309
big government, under New Deal, 24, 72
bonds
foreign purchase of government, 275–76
interest rates, 204, 250, 251
junk, 64, 65
See also U.S. Treasury bonds
bonuses, 25, 232, 234, 238
boom phase (Minsky), 18
booms and busts
Keynes' theory of, 116–17
leveraged buyouts, 81
See also bubbles
borrowing
excessive bank, 236
to maintain consumption growth, 41–42
social stigma against, 144–45
sustained by financial innovation/ deregulation, 34
See also banking sector; commercial paper; household debt; risk; shadow banks; underwriting
bubble economy, neoliberal, 39–42
bubbles
asset, 20, 115, 225, 235–36, 256
asset price, 14, 51–52, 106, 115, 204
commodities market, 81–82
See also housing bubble; stock bubble
buffer stock employment (BSE) model, 292 n. 6
Buffet, Warren, 113–14
Bush administration (G. W.), fiscal policy during
deficit reduction, 256–58, 261, 262
fiscal stabilization, 283–84
tax cuts, 198
business cycles
asset price inflation as common in, 34
direct job creation, 293, 294
interest rates, 1960s-1990s, 250, 251
natural operation of, 198
post-1980, commonalities among, 34, 39
rankings, relative to expansion, 2001–2007, 52, 53

C
Canada-U.S. Free Trade Agreement, 44
capital controls, 97
capital development, 102
Keynesian problem, 74, 78
Minsky on, 77–78, 81
Smithian problem, 74–75, 79–80
capital gains/losses
and asset price bubbles, 115
and consumption-income ratio, 134–35
effect on savings rate, 255 n. 19
and stock bubble, 249 n. 8
and stocks, 109
See also rainmakers
capital goods, 44, 226
capital-labor accord, Golden Age, 176
capital market imperfections, 205, 206
capital markets, 89, 90, 92–93, 95, 97
capital requirements, 79
asset risk weighted, 96
reserves, in banking sector, 147, 228, 229, 230–31
capital stock, 208, 250, 258
cash flow effect, 290–91
"cash-out" refinancing of homes, 170
casino capitalism, 62
ceilings on credit extension, 228
central bank policy
credit allocation for social goals, post-World War II, 226–29
Subject Index

326

central bank policy (cont.)
credit controls, use of, 227–28
in Europe, 224, 227, 228
and finance without financiers, 232–34
priority sectors, techniques to protect/promote, 229
See also Dodd-Frank Act; Federal Reserve central banks
ascendancy during Great Moderation, 15
official assets in U.S. held by foreign central banks, 203, 205–07
See also Federal Reserve
chartered bank(s)
Goldman Sachs as, 66–67, 68
Morgan Stanley as, 68
States, 87, 87 n. 2, 88
China
consumption in, 20 n. 17
exchange rate devaluation, 46 n. 12
export-led growth model in, 154
monetary policy, 209–10
and neoliberal policy, 37–38
permanent normal trade relations with, 43, 48, 49
reserves held in U.S. assets, 207
and trade deficit, 43, 48, 49
trade surpluses, 190
WTO membership, 48
Citibank, 101 n. 8, 284
Citigroup
destructive competition at, 120
executive compensation at, 107
and TARP funding, 284
Clinton administration, fiscal policy during, 248–55, 261
budget surplus under, 69
fiscal belt-tightening measures, 198
and public investment, 248, 249
and strong dollar policy, 254, 255
global economic engagement, 43
policy failure concerning manufacturing under, 48 n. 14
Cold War military-industrial complex, 18
collateral, 33, 34
requirements, 78–79, 80
collateralized debt obligations (CDOs), 65–66, 105 n. 2
commercial banks
formation of bank holding companies by, 90
Glass-Steagall Act provisions, 89, 90
increase in fee income, 96
and New Deal, 91
return on assets, decline in, 96
and safety nets, 100
securities market prohibition, 92
securities market prohibition, exemption, 92–93
See also Glass-Steagall Act
commercial loans
decline in, 226
interest rates, 226
commercial paper, 77
and asset securitization, 91
demand for, 91
See also commercial banks
commodities market bubble, 81–82
community development banks (CDBs), 81
compensation
non-wage, 162–63, 163 n. 7
See also rainmakers; wages
competition
commercial/bank holding companies, 90
commercial/investment banks, 90, 92–93, 94, 95
destructive, 119–20
and Glass-Steagall Act, 91, 93–94
globalization and worker, 33, 177–78
money market funds and, 91
and trade deficits, 35
competitiveness
and currency realignment, 210–11
decline in manufacturing sector, 178, 188–89
decline in U.S., 44
conditional stability, 15–16
confidence
diminished, 14, 306
global loss of, 196
increased, consequences of, 9
increased, post World War II era, 4–5
Keynes on, 116–17
and neoliberalism, 116–17
restoring, negative consequences of, 219–20
See also uncertainty
Congress, U.S.
and trading relations with China, 48
and unemployment benefits, 153
See also Dodd-Frank Act; Troubled Asset Relief Program (TARP)
construction, residential decline, 7–8, 8 n. 4, 305
Consumer Age, 129
customer credit, factors in change in attitudes toward, 142–46
information technologies, 144, 146
mortgage refinancing ease, 144
social stigma against borrowing, 144–45
tax law changes, 144
uncertainty, 146
Consumer Financial Protection Bureau (CFPB), 238
consumer of last resort, 174–75
consumers, 136–38
changing attitudes toward debt, 144–45
changing norms affect on consumption, 138, 139–41
consumption standards compared to reference group, 141
endogenous preferences of, 130–31, 136–41
household behavioral norms, evolution of, 141–42
social norms, behavioral patterns based on, 131
underlying source of decisions, 130
See also consumption
consumption
changing norms, affect on, 138
consumer credit, change in attitudes toward, 142–46
conventional life-cycle theory of, 130
decline in 2009, 129–30, 151–52
demographic shift toward high-spending groups, 135, 136
forces shaping in aftermath of Great Recession, 131–32, 153–54
future income expectation effect on, 134, 135–36
household asset appreciation effect on, 134, 135–36
interest rate effect on, 13
life-cycle model of household behavior to explain, 132–33, 134–36
macroeconomic implications of behaviors, 131
mortgage refinancing effect on, 144
overview of, 132–34
ratio to disposable income, post-2007, 7
relaxed liquidity constraints effect on, 135, 136
share of disposable income spent on, 132, 133, 149
and social pressures, 141–42
and utility-producing technologies, 138–39
value of current versus future consumption effect on, 135, 136
See also consumers; household debt consumption expenditures as diminished growth engine, 174–75
as percentage of GDP, 161, 166
consumption-income ratio, 7, 134–36
consumer norm, 139
control fraud, 68–69
conventionally formed expectations, 116–17, 118
corporate bonds, 251
Council of Economic Advisors, 247
countercyclical fiscal policy, 64, 200, 264
Keynes on, 224, 281
creative accounting, 61
credibility, 16, 224
credit
availability of, increasing, 231
ceilings on credit extension, 228
change in attitudes toward, 142–46
contraction of, 9
freeze on, 106, 173, 305–06
See also credit allocation tools; underwriting
credit allocation tools, 225–32
asset-based reserve requirements, 225–32
to contain the U.S. Great Recession, 229–30
in Europe, 228
to provide employment generation, 230–31
for social goals, 226–29
to turn policy into fiscal policy, 231–32
credit cards, 77, 143
credit controls, 227–28. See also credit allocation tools; underwriting
credit default swaps (CDS), 66, 101
corporate bonds, 251
pension fund use of, 82
credit rating agencies, 65, 79, 97–98, 238
credit tools. See credit allocation tools
currency, ability to print, 245, 248, 280
current account
deficits, 61, 206–07, 275–76
dollar exchange rate, 196
imbalances, 190–93
limits on imbalances, 207
national income identity and, 200
relationship with trade, 198–99
savings and investment and, 199–205
surplus, 275–76
surplus in China, 207
worsening of, 197–98
D
debt
changing attitudes toward, 144–45
Subject Index

328

debt (cont.)
  household See (household debt)
  national debt, 249
See also debt accumulation; debt burden

debt accumulation
  and deregulation, 53
  as feature of neoliberal growth model, 51
  and globalization, 48
  and neoliberal growth model, 53
  debt burden, for future generations, 248, 248 n. 6, 267, 269–73, 310–11
  debt-equity ratio, 34
  debt-financed boom, 16
  debt-financed spending, Minsky on, 150–51
  debt-GDP ratio, 311
  debt-income ratio, 34, 148
  debt service ratio, household, 39, 40
  debt service transfers, to bondholders, 273–76
  fear of foreign transfers, 275–76
  mitigating factors in, 274–75
  debt servicing, 170–71
  default, 61
  betting on, 66
  and household debt accumulation, 21, 173, 305
  and risk assessment, 76
See also Lehman Brothers
defense spending
  under Bush (G. W.), 198, 256
  during Clinton administration, 249
deficit, public sector
  effect on private investment, 260, 261, 266, 271
  effects of small, 69–70
  fears about, 264–65, 266
  fears about as unfounded, 265
  interest rate effects from, 271
  Keynesian theory on, 270–71
  political view on, 265–66
  recent figures, 8, 264
  as self-financing, 270–72
See also deficit reduction; fiscal stimulus
deficit hysteria, 62
deficit reduction
  effect on consumption, 259
  lack of effectiveness for increasing investment, 259
  lack of effectiveness for increasing net exports, 260
  logic of deficit reduction, 245–48
  and public investment, 260–61
  and stock bubble collapse, 256
See also Bush administration (G. W.), fiscal policy during; Clinton administration, fiscal policy during
definancializing the economy, 72
deflation, 17, 38
debt, 62, 63, 70
  pension funds, effect on, 81–82
See also disinflation; expansionary fiscal policy; inflation
demand
  aggregate See (aggregate demand)
  effects of deficit reduction on, 246
  and monetary policy, 279
  vs. supply-side policies on unemployment, 290
demand gap between current and potential output, 292
demand shocks, 10, 11, 13, 129, 265
demographic shift, effect on consumption, 135, 136
deposit insurance, 75, 89, 92
  and liquidity crisis, 99
See also Federal Deposit Insurance Corporation (FDIC)
deregulation, 5, 53
  and atrophy of supervision as cause of financial crisis, 67–68
  and pension funds, 67
derivatives, 65, 70, 94–95, 101, 102, 196, 235–36
demunization, 176 n. 28. See also unions/unionization
developing countries
  effect of U.S. economic crisis on, 50
  export-led growth in, 46–47, 154
direct job creation, 292–98, 313
developmental role, 13
  benefits of, 293
  characteristics of, 293–95
  advantage over providing income support alone, 294
  basic wage-benefit package, 293–94
  bottom-up approach, 294–95
  carefully planned projects, 294
  executed through public or semi-public bodies, 294
  hiring irrespective of stage of business cycle, 294
  inflation issues, 295
  solution to all stages of business cycle, 293
Subject Index

conventional objections to, 295–98
administrative complexity, 296
fraud and corruption, 296
tax policy, 295–96
usefulness of projects, 297–98
discount-window lending, Minsky on, 75
disinflation, 17, 34, 40–41
disposable income consumption ratio to, post-2007, 7
household debt as share of, 142–43
share spent on consumption, 132, 133, 149
distribution effects of fiscal stimulus, 273–76
distributive justice, 176, 313
district Federal Reserve banks, 88–89
Dodd-Frank Act, 100–01, 232–33, 234–39
asset bubbles, 235–36
central bank policy, 234–39
dangerous and excessive banker compensation, 237
dangerous financial products, 235–36
excessive leverage, 236
excessive reliance on short-run borrowing from shadow banking, 236–37
fleecing customers, 238
outsourcing regulations to avoid conflicts of interest, 238
shadow balance sheets, 237
too big to fail financial institutions, 237
dollar exchange rate, role in trade deficit, 189–90, 194–96, 245, 257–58, 262
flight to, after East Asian crisis, 254
and multinational corporations, 45, 47
redistributive effect of, 254 n. 16
strong dollar, 34, 43, 45, 46 n. 13, 254, 255, 260
dot.com bubble, 51
versus housing bubble, 42
dynamic-stochastic general equilibrium (DSGE) theory, 12

E
East Asian financial crisis
Chinese exchange rate devaluation, effect on, 46 n. 12
foreign fund inflows into U.S. as result of, 203
response to, 46–48
trade deficit increase after, 47, 254
East Europe, Minsky on capital development in, 74
economic crisis
warnings of coming, 4, 5 n. 2, 5–6
See also economic crisis, explanations for
economic crisis, explanations for exhausted macroeconomic paradigm, 50–52
flawed model of global economic engagement, 32, 42–50
China and PNTR, 48–50
NAFTA, 44–46
response to East Asian financial crisis, 46–48
triple hemorrhage, 43–44, 50
neoliberal growth model, 32–42
See also financial crisis
economic inequality, effect on spending, 142
economic recovery, as “temporary,” 310 n. 2
effective demand, 288
electronic credit scoring, 19
Employee Free Choice Act, 177
employer of last resort (ELR), 292 n. 6
employment, Keynesian goal of full
effective demand, 288
employment growth, 249
endogenous preferences, 130–31
ergy prices, effect of offshoring on, 44
Europe
austerity in, 221
central bank policy, current, 224
central bank policy, post–World War II, 227
credit allocation techniques in, 228
institutional constraints, 306
publicly owned financial institutions in, 233
unemployment in, 22
European Central Bank (ECB), 224
eurozone, 154
excessive leverage, 236
exchange rate
China and devaluation, 46 n. 12
current account, 196
NAFTA effect on, 45
and purchase of U.S. assets by foreign central banks, 203
realignment of, 210–11
role in trade deficit, 189–90, 194–96, 245, 262
executive compensation. See bonuses; rainmakers
expansionary fiscal policy, 28
and central banks, 223–24, 231–32
as ineffective, 226
interest rate effect on, 309
### Subject Index

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansionary fiscal policy (cont.)</td>
<td>Kindleberger on, 220</td>
</tr>
<tr>
<td>as necessary,</td>
<td>219, 231, 239</td>
</tr>
<tr>
<td>political view of, 178–79</td>
<td></td>
</tr>
<tr>
<td>Expansionary monetary policy, 14, 226, 246</td>
<td></td>
</tr>
<tr>
<td>Expansion of 2001–2007, relative to post-World War II cycles, 52, 53</td>
<td></td>
</tr>
<tr>
<td>Expectations, 138 n. 5 and aggregate demand, 288</td>
<td></td>
</tr>
<tr>
<td>Future income expectation, effect on consumption, 134, 135–36</td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td></td>
</tr>
<tr>
<td>Deficit reduction effect on, 247, 258, 260</td>
<td></td>
</tr>
<tr>
<td>Export-led growth in developing countries, 46–47, 154</td>
<td></td>
</tr>
<tr>
<td>Reliance of Japan on, 209</td>
<td></td>
</tr>
<tr>
<td>See also imports</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td></td>
</tr>
<tr>
<td>Fannie Mae, 11, 97, 229</td>
<td></td>
</tr>
<tr>
<td>Creation of, 227</td>
<td></td>
</tr>
<tr>
<td>Federal Deposit Insurance Corporation (FDIC), 75, 89, 233, 237</td>
<td></td>
</tr>
<tr>
<td>Federal Reserve and bail outs, 8</td>
<td></td>
</tr>
<tr>
<td>Big bank protections, 75</td>
<td></td>
</tr>
<tr>
<td>Credit allocation tools, 225–32</td>
<td></td>
</tr>
<tr>
<td>Mistakes in dealing with crisis, 224</td>
<td></td>
</tr>
<tr>
<td>Commodity inflation obsession, 224</td>
<td></td>
</tr>
<tr>
<td>Ignorance of functioning of the financial structure, 224–25</td>
<td></td>
</tr>
<tr>
<td>Overcommitment to prerogatives of bankers, 225</td>
<td></td>
</tr>
<tr>
<td>Surrender to fiscal policy straitjackets, 224</td>
<td></td>
</tr>
<tr>
<td>and finance without financiers, 232–34</td>
<td></td>
</tr>
<tr>
<td>Financial regulation, 232–33, 234–39</td>
<td></td>
</tr>
<tr>
<td>Encouraging bank lending, 309</td>
<td></td>
</tr>
<tr>
<td>Gradualism tactic, 78</td>
<td></td>
</tr>
<tr>
<td>Inability to prevent Great Depression, 89 and interest rates, 40–41, 203</td>
<td></td>
</tr>
<tr>
<td>Key investment project funding, 27 as lender of last resort, 224</td>
<td></td>
</tr>
<tr>
<td>Liquidity crisis and, 75</td>
<td></td>
</tr>
<tr>
<td>Low-interest-rate policy effect on housing, 51, 52</td>
<td></td>
</tr>
<tr>
<td>Main goals of, 223</td>
<td></td>
</tr>
<tr>
<td>Minsky on increasing role of, 80 portfolio, post-2007, 222–23</td>
<td></td>
</tr>
<tr>
<td>Powers granted by Dodd-Frank Act, 232–33</td>
<td></td>
</tr>
<tr>
<td>Proposal to lessen role of, 77–78</td>
<td></td>
</tr>
<tr>
<td>Quantitative easing policy, 22, 211, 223, 224, 231, 234</td>
<td></td>
</tr>
<tr>
<td>Transparency of, 73</td>
<td></td>
</tr>
<tr>
<td>Federal Reserve Act, 89, 93</td>
<td></td>
</tr>
<tr>
<td>Minsky on, 89</td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td></td>
</tr>
<tr>
<td>Essential functions of (Minsky), 73</td>
<td></td>
</tr>
<tr>
<td>Role in economic crises, 21</td>
<td></td>
</tr>
<tr>
<td>Finance capitalism, 62</td>
<td></td>
</tr>
<tr>
<td>Finance without financiers, 73 n. 6, 308</td>
<td></td>
</tr>
<tr>
<td>Financial crisis in Greece, 66, 196, 221, 239</td>
<td></td>
</tr>
<tr>
<td>Major causes of, 2008–present</td>
<td>See also (Great Recession)</td>
</tr>
<tr>
<td>Deregulation and atrophy of supervision, 67–68</td>
<td></td>
</tr>
<tr>
<td>Fraud as normal business procedure, 68–70</td>
<td></td>
</tr>
<tr>
<td>Investment banks going public, 66–67</td>
<td></td>
</tr>
<tr>
<td>Managed money, 64–66</td>
<td></td>
</tr>
<tr>
<td>Mid 1970s to late 1990s, 64 as temporary interruption, 175</td>
<td>See also bubbles; East Asian financial crisis; financial fragility; housing sector; uncertainty</td>
</tr>
<tr>
<td>Financial fragility as cause of financial crisis, 9, 14, 99–100</td>
<td></td>
</tr>
<tr>
<td>Household, rise in, 146–47</td>
<td></td>
</tr>
<tr>
<td>Lender behavior effect on, 147–49</td>
<td>See also Glass-Steagall Act</td>
</tr>
<tr>
<td>Financial industry Employee categories, 111–12</td>
<td></td>
</tr>
<tr>
<td>Public involvement in, 73 n. 6, 308</td>
<td></td>
</tr>
<tr>
<td>Relative wages in, 109–13</td>
<td>See also (rainmakers)</td>
</tr>
<tr>
<td>Financial instability hypothesis (Minsky), 24, 70, 117, 131, 304</td>
<td></td>
</tr>
<tr>
<td>Financialization, 37 n. 7, 62</td>
<td></td>
</tr>
<tr>
<td>Financial Product Safety Administration, 236</td>
<td></td>
</tr>
<tr>
<td>Importance of, 232–33, 234–39</td>
<td>See also Dodd-Frank Act; Federal Reserve; Glass-Steagall Act</td>
</tr>
<tr>
<td>Financial sector Allocation of profits toward, 82</td>
<td>See also banking sector; financial crisis; financial fragility; fiscal policy; uncertainty</td>
</tr>
<tr>
<td>Financial Services Modernization Act, 24</td>
<td></td>
</tr>
<tr>
<td>Financial Services Oversight Council (FSOC),</td>
<td></td>
</tr>
</tbody>
</table>
Subject Index

101, 236
FIRE sector, 82
fiscal policy
countercyclical, 64, 200, 224, 264, 281
deficit to surplus shift, 256
expansionary See (expansionary fiscal policy)
future challenges, 310–14
goal of, 310
mis specification of, 287–88
monetary policy vs., 232
principles for sustainable, 258–61
redistribution of after-tax incomes, 178
reform, 27–28. See also (Dodd-Frank Act)
stimulus See (fiscal stimulus)
taxation See (taxation)
See also Bush administration (G. W.), fiscal policy during; Clinton administration, fiscal policy during; direct job creation; fiscal policy, and Great Recession; taxation
fiscal policy, and Great Recession, 8–9, 282–86
aggregate demand theory, 287
American Recovery and Reinvestment Act, 8, 265, 284–85
under Bush (G. W.), 283–84
conventional view, 282–83, 287
under Obama, 284
short-term measures, 175
unemployment, 284–86, 288
fiscal policy, rethinking, 286–91
aggregate demand management, 288
aggregate demand management, drawbacks to, 288–91
mis specification of fiscal policy, 287–88
pro-growth model failure, 286
public works approach, 286–87
fiscal stimulus
after Great Recession, 276–80
proposed framework, 277–80
and public programs, 277
and tax cuts, 277
debt burden on future citizens, 269–73
distribution effects of, 273–76
household analogy, 267, 276–77
source of money for, 267–68
financial stimulus, 267–68
private spending, 268
Fisher, Irving, 77
foreign assets, and GDP, 245
foreign central banks, official assets in U.S.
held by, 203, 205–07
foreign direct investment (FDI), 47, 49
foreign ownership of debt, and future generations, 248 n. 6
foreign purchase of government bonds, 275–76
fragility. See financial fragility
fraud, 68–69, 238
and direct job creation, 296
as normal business procedure, 68–70
Freddie Mac, 11, 97, 229, 233
creation of, 227
free banking, 87
free market, 304, 307
free trade, 37
Canada-U.S. Free Trade Agreement, 44
North American Free Trade Agreement, 43, 44–46, 207
standard argument for, 269–70
See also trade deficit
Friedman, Milton, 77
full employment, 28, 33, 318–19
abandonment of, 33, 38–39
aggregate demand effect on (Keynes), 289
by direct job creation through public works, 281–82
and “golden rule,” 160, 162, 164, 165
and inflation, 279–80
Keynes's definition of, 281
Keynes's on, 281
as policy objective, 54
See also direct job creation; unemployment
full-time-job destruction, 285–86
future economic challenges, 307–16
financial reform, 307–09
financial reform, and monetary policy, 307
fiscal policy challenges, 310–14
monetary policy, 309
wages, productivity, and global engagement, 314–16
G
Galbraith, John K., 62, 63
General Agreement on Tariffs and Trade, 211–12
General Motors (GM), 284
General Theory (Keynes), 63
generational transfer payments, 269
Germany
credit allocation techniques in, 228
monetary policy, 209
Subject Index

Germany (cont.)
trade surpluses, 190, 190 n. 5

Ginnie Mae, 233

Glass-Steagall Act
banking/finance segregation by, 89–90
commercial bank provisions, 89, 90
consequences of innovation and protection, 95
erosion of, as increasing financial instability, 95–98
factors leading to dismantling of, 91–95
Minsky on, 73–74

global economic engagement model. See trade deficit
globalization
and neoliberal growth model, 37–38
and unionization, 177–78
See also trade deficit
global rebalancing, 209–11
global savings glut, 203–05
Golden Age of capitalism, 64, 160, 176
"golden rule," 160, 162, 164, 165, 176–77
Goldman Sachs, 63, 66–67, 99, 101 n. 8
abuse by, 66
banking charter of, 66–67
mutual funds as shareholders of, 119
as too big to fail, 67
government as solution vs. as problem, 307
government spending
decline in, 153, 153 n. 18
macroeconomic impacts of, 290–91
cash flow effect, 290–91
income and employment effect, 290
portfolio effect, 291
See also fiscal policy
Gramm-Leach-Bliley Financial Services
Modernization Act, 90
grants-in-aid, 291

Great Depression
events leading to, 63
Federal Reserve inability to prevent, 89
Great Moderation, 4–5, 14, 15–16, 304
Great Recession
employment decline during, 6–7
history of, 6–9
legacy in medium to longer term, 174–75
micro- vs. macroeconomic explanations, 31–32
new consensus thinking on, 11–13
official end of, 21, 154
supply-side economics on, 9–10
as temporary interruption, 175
trade deficit effect on, 188
See also consumption; economic crisis, explanations for; financial crisis; housing sector

Greece, financial crisis in, 66, 196, 221, 239
Greenspan, Alan, 305 n. 1

Gross Domestic Product (GDP)
during Bush (G. W.) administration, 256
business investment as share of, 20 n. 16
during Clinton administration, 249, 252, 254
deficit reduction, effect on, 245
net public debt to GDP ratios, 172
savings-investment balance relative to, 197, 201
trade deficit as percentage of, 191–93
group identification, effect on consumption, 136–38
growth accounting, Keynesian, 180–81
growth models
neoliberal See (neoliberal growth model)
pro-growth, failure of, 286
standard, investment in, 253 n. 13

H
habits, consumer, 139
healthcare
definancializing, 72
as non-wage compensation, 162, 163 n. 7
policy on, 277, 279, 311 n. 3–312, 318
hedge funds
and Lehman bankruptcy, 99
relationship to large banks, 101–02
and shadow banking system, 236–37
hold-up problem, 122 n. 9
home mortgages
adjustable-rate, 305, 305 n. 1
attitude change toward refinancing, 144
conventional, 305 n. 1
subprime, 33, 79, 305
teacher repayment terms, 305
See also housing bubble; housing sector
Homeowners Loan Corporation (HOLC), 233
household asset appreciation, effect on consumption, 134–35
household behavioral norms, evolution of, 141–42
consumer credit, factors in change in attitudes toward, 142–46
information technologies, 144, 146
mortgage refinancing ease, 144
social stigma against borrowing, 144–45
tax law change effect on, 144
uncertainty, 146
social pressures, 141–42
mass media, 141–42
and product innovation, 141
rising economic inequality, 142
household debt
debt-servicing burden, 172, 173
default on, 21, 173, 305
distribution of burden, 172
effect on household consumption, 25–26, 169–74
macroeconomic implications of, 149–52
and maintenance of standard of living, 69–70
role in Great Recession, 150–52
as share of disposable income, 142–43
and taxation law changes, 144

household financial fragility, rise in, 147–49
household income
annual growth rates, 168
distribution of, 167, 168
household labor, 167
household savings rate decline, 40, 41–42
housing bubble
as cause of Great Recession, 305
compared with earlier bubbles, 42
economic effects of, 52
low-interest-rate policy effect on, 51, 52
housing sector, 25–26, 69–70
construction decline, 7–8, 8 n. 4, 305
debt-servicing burden, 172, 173
fraud in mortgage lending, 68
government support, post-World War II, 227
household financial fragility, rise in, 146–47
lender behavior effect on, 147–49
household savings rate decline, 40, 41–42
housing boom, 8
inflation of house prices, 39, 40
mortgage debt, 8, 170–71
role in Great Recession
end of housing bubble, 305
failure of sub-prime mortgages, 305
household debt See (household debt)
real income stagnation, 82
rising short-term interest rates, 305
stagnation of housing prices, 39
See also household behavioral norms,
evolution of; housing bubble
hysteresis, 189

illiquid assets, 134 n. 3–135
imbalances
currency market, interventions, 211
current account, 190–93
limits on, 207
trade imbalances, skewed nature of, 190–91
See also trade deficit
import certificate program, 212
imports
“chained” measures of, 194 n. 10
cheap, effect of, 34
restrictions on, 211–12
See also exports
income
disposable, spent on consumption, 7, 132, 133, 149
expectations, effect on consumption, 134, 135–36
household debt and stagnation of, 82
inequality in, 34, 36, 133
redistribution of after-tax, 178
See also wages
income distribution. See inequality, income
income growth, need for, 318–19
industrial capacity, erosion of, 47
industrial loans
decline in, 226
interest rates, 226
inequality, income, 34, 36, 41, 50, 133, 146,
162–166, 316
inflation
commodity inflation, 224
and full employment, 279–80
of housing prices, 39, 40
low, 34
pension funds, effect on, 81–82
and unemployment, 295
See also asset price inflation; deflation;
disinflation
information technologies, 144, 146
infrastructure banks, 233
insider-outsider theory, 122 n. 9
insolvency, 61, 78, 100, 236
instability, See financial instability hypothesis
insurance industry, 95
interest rates
adjustable mortgage, 305 n. 1, 305 n. 1, 305
and budget deficits, 245–246
during Bush administration (G. W.), 256
during Clinton administration, 250
on commercial/industrial loans, 226
conventional mortgage, 305 n. 1
effect on consumption, 13
Subject Index

interest rates (cont.)
effect on expansionary fiscal policy, 309
federal funds rate, 1981–2010, 40–41
Federal Reserve increases, 203
low-interest-rate policy, 51, 52
mortgage refinancing exploitation of, 144
role in Great Recession, 305
short-term, 11
zero-bound constraint, 13–14, 40–41, 309
International Monetary Fund (IMF), 46, 64
strong dollar policy, 260
and Washington Consensus, 37
investment
during Bush administration (G. W.), 256
business, during Great Recession, 271
during Clinton administration, 248–51, 252
insufficient, 74, 78
new investment offshore, 43–44
residential, decline in, 7–8, 152
in standard growth models, 253 n. 13
and deficit reduction, 260
interest rate effect on, 250
investment banks
apprenticeship process in, 122–24
bonus-driven compensation schemes, 25, 43, 78, 107–9, 244
change in incentive structure of, 67
erosion of underwriting income, 90
Glass-Steagall Act provisions, 89
going public as cause of financial crisis, 66–67
replacement of underwriting, 24, 67
See also Lehman Brothers; rainmakers
Japan
lost decade, 12, 309
publicly owned financial institutions in, 233
reliance on exports, 209
techniques for protecting/promoting priority sectors, 229
trade surpluses, 190, 190 n. 5
J-curve pattern, 194 n. 11
job guarantee (JG) model, 292 n. 6
job losses
due to non-oil trade deficit, 188 n. 2
reasons for after 2001, 51
See also offshoring; outsourcing; trade deficit
JPMorgan Chase, 101 n. 8
junk bonds, 64
K
Keynes, John Maynard, 62, 63
booms and busts theory of, 116–17
on confidence, 116–17
definition of full employment by, 281
on full employment, 281
on inflation and unemployment, 295
on potential output, 292
theory of effective demand, 287
on use of monetary/fiscal policy, 232
Keynesian economics, 13–19
analyst shift toward, 10–11
on capital development, 74, 78
and growth accounting, 180–81
and policy, 11, 118, 319
on source of demand growth in long run, 16–19
on uncertainty, 15–16, 116–17
on zero-bound constraint, 13–14
See also aggregate demand; finance; uncertainty
Keynesian thinking, shift toward, 10–11
Keynes Moment, 219
Kindleberger Moment, 220–21
antidotes to, 221–22, 239
L
labor force participation. See full employment; unemployment
labor gap, 292. See also direct job creation
labor laws, and unionization, 177, 315
labor market flexibility, 38
labor productivity, 19 n. 15, 161–62
labor share of income, 164, 164 n. 9
decline in, 164 n. 10
supervisory vs. non-supervisory workers, 165 n. 11
late industrializing developing countries, trade surpluses of, 190 n. 5
Lehman Brothers, 4, 8, 69
bankruptcy of, 99
investigator report on failure of, 68
lend and hold model of securitization, 24
lender of last resort, 221, 224
leverage, 16, 34, 67
matched book trading as source of, 93
See also rainmakers
leverage buyout (LBO) boom and bust, 81
<table>
<thead>
<tr>
<th>Subject Index</th>
<th>335</th>
</tr>
</thead>
<tbody>
<tr>
<td>life-cycle theory of consumption, 130</td>
<td></td>
</tr>
<tr>
<td>liquidity</td>
<td></td>
</tr>
<tr>
<td>consumption and constraints on, 135, 136, 145</td>
<td></td>
</tr>
<tr>
<td>government protection, 75</td>
<td></td>
</tr>
<tr>
<td>shadow system, 98</td>
<td></td>
</tr>
<tr>
<td>liquidity crisis, 12, 61, 99–100</td>
<td></td>
</tr>
<tr>
<td>liquidity cushions, 96, 98</td>
<td></td>
</tr>
<tr>
<td>liquidity preference theory, 145 n. 9</td>
<td></td>
</tr>
<tr>
<td>loan guarantees, 226, 230–31</td>
<td></td>
</tr>
<tr>
<td>loans</td>
<td></td>
</tr>
<tr>
<td>bank, 78–80</td>
<td></td>
</tr>
<tr>
<td>decline in commercial/industrial, 226</td>
<td></td>
</tr>
<tr>
<td>encouraging banks to make, 79, 309</td>
<td></td>
</tr>
<tr>
<td>interest rates on commercial/industrial, 226</td>
<td></td>
</tr>
<tr>
<td>liar loans, 79</td>
<td></td>
</tr>
<tr>
<td>See also home mortgages; housing bubble; housing sector</td>
<td></td>
</tr>
<tr>
<td>lost decade, in Japan, 12, 309</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Maastricht Agreement, 209</td>
<td></td>
</tr>
<tr>
<td>macroeconomic policy. See fiscal policy; monetary policy</td>
<td></td>
</tr>
<tr>
<td>managed money, as cause of financial crisis, 64–66</td>
<td></td>
</tr>
<tr>
<td>manufacturing</td>
<td></td>
</tr>
<tr>
<td>employment in</td>
<td></td>
</tr>
<tr>
<td>post-1980, 34, 35</td>
<td></td>
</tr>
<tr>
<td>post-World War II, 34, 35</td>
<td></td>
</tr>
<tr>
<td>job losses in, 34, 47–48, 48 n. 14, 178</td>
<td></td>
</tr>
<tr>
<td>neoliberal paradigm on output, 34 n. 5–35</td>
<td></td>
</tr>
<tr>
<td>value of dollar, effect on, 208</td>
<td></td>
</tr>
<tr>
<td>Marshall Plan, 18</td>
<td></td>
</tr>
<tr>
<td>mass media, influence on consumerism, 141–42</td>
<td></td>
</tr>
<tr>
<td>matched book trading, 93</td>
<td></td>
</tr>
<tr>
<td>Medicaid, 239, 265</td>
<td></td>
</tr>
<tr>
<td>Medicare, 261, 295</td>
<td></td>
</tr>
<tr>
<td>Merrill Lynch, 31, 61, 107</td>
<td></td>
</tr>
<tr>
<td>Mexico, trade deficit with, 45</td>
<td></td>
</tr>
<tr>
<td>microfoundations method, 11</td>
<td></td>
</tr>
<tr>
<td>military spending</td>
<td></td>
</tr>
<tr>
<td>during Reagan administration, 198</td>
<td></td>
</tr>
<tr>
<td>See also defense spending</td>
<td></td>
</tr>
<tr>
<td>minimum wage, 33, 38, 54</td>
<td></td>
</tr>
<tr>
<td>Minsky, Hyman, 11, 62</td>
<td></td>
</tr>
<tr>
<td>on banker role in reform, 82</td>
<td></td>
</tr>
<tr>
<td>on capital development, 77–78, 81</td>
<td></td>
</tr>
<tr>
<td>on community development banks, 81</td>
<td></td>
</tr>
<tr>
<td>on debt-financed spending, 150–51</td>
<td></td>
</tr>
<tr>
<td>on discount-window lending, 75</td>
<td></td>
</tr>
<tr>
<td>on essential functions of finance, 73</td>
<td></td>
</tr>
<tr>
<td>on Federal Reserve Act, 89</td>
<td></td>
</tr>
<tr>
<td>on financial fragility, 117</td>
<td></td>
</tr>
<tr>
<td>financial instability hypothesis of, 24, 70, 117, 131</td>
<td></td>
</tr>
<tr>
<td>on Glass-Steagall Act, 73–74</td>
<td></td>
</tr>
<tr>
<td>on megabank trend, 80</td>
<td></td>
</tr>
<tr>
<td>on pension funds, 81–82</td>
<td></td>
</tr>
<tr>
<td>on two-masters dilemma, 86, 100</td>
<td></td>
</tr>
<tr>
<td>on underwriting, 74–75</td>
<td></td>
</tr>
<tr>
<td>on Volcker experiment, 78</td>
<td></td>
</tr>
<tr>
<td>Minsky Moment, 153, 219</td>
<td></td>
</tr>
<tr>
<td>misallocation (Smithian problem), 74–75, 79–80</td>
<td></td>
</tr>
<tr>
<td>MMMFs (money market mutual funds), 91, 92</td>
<td></td>
</tr>
<tr>
<td>MNCs. See multinational corporations</td>
<td></td>
</tr>
<tr>
<td>monetary policy</td>
<td></td>
</tr>
<tr>
<td>fiscal policy versus, 232</td>
<td></td>
</tr>
<tr>
<td>future challenges, 307, 309</td>
<td></td>
</tr>
<tr>
<td>as Keynesian, 11</td>
<td></td>
</tr>
<tr>
<td>limits to, 13–14</td>
<td></td>
</tr>
<tr>
<td>money, neutrality of, 33</td>
<td></td>
</tr>
<tr>
<td>money manager capitalism, 24, 62</td>
<td></td>
</tr>
<tr>
<td>defining, 70</td>
<td></td>
</tr>
<tr>
<td>failure of, 70–73</td>
<td></td>
</tr>
<tr>
<td>role in Great Recession, 64–70</td>
<td></td>
</tr>
<tr>
<td>See also shadow banks</td>
<td></td>
</tr>
<tr>
<td>money market mutual funds (MMMFs), 91, 92</td>
<td></td>
</tr>
<tr>
<td>Morgan Stanley, 99</td>
<td></td>
</tr>
<tr>
<td>banking charter of, 68</td>
<td></td>
</tr>
<tr>
<td>mutual funds as shareholders at, 119</td>
<td></td>
</tr>
<tr>
<td>mortgage-backed securities, 8, 105 n. 2, 222–23, 305</td>
<td></td>
</tr>
<tr>
<td>mortgages. See home mortgages</td>
<td></td>
</tr>
<tr>
<td>multinational corporations (MNCs), 45, 47, 54, 187–88</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td></td>
</tr>
<tr>
<td>NAFTA (North American Free Trade Agreement), 43, 44–46, 207</td>
<td></td>
</tr>
<tr>
<td>National Bank Act (1863), 94 n. 6</td>
<td></td>
</tr>
<tr>
<td>National Bank Act (1864), 87–88</td>
<td></td>
</tr>
<tr>
<td>national income identity, 200</td>
<td></td>
</tr>
<tr>
<td>nationally recognized statistical ratings organizations (NRSROs), 97–98</td>
<td></td>
</tr>
<tr>
<td>“natural rate of unemployment,” 19 n. 15, 33 n. 3, 38 n. 9, 38–39. See also non-accelerating inflation rate of unemployment neoconservatism model, 16–19 neoconservatism, 62</td>
<td></td>
</tr>
</tbody>
</table>
Subject Index

neoliberal growth model, 32–42
  asset price inflation as feature of, 23, 33, 39, 51, 53
economic policy, role of, 37–39
  and globalization, 37–38
  need for new model, 54–55
  neoliberal bubble economy, 39–42
  post-1980 neoliberal growth model, 33 n. 3
neoliberalism, 62, 318
  definition of, 23
  failure of, 23
net debt, U.S., 205–06
  See exports
net international investment income, 192 n. 6
net transfer payments, 192 n. 6
“new consensus” approach, 11–13
New Deal, 63–64, 91
  banking regulations under, 96
  commercial, deposit-taking banks, 91
  New Keynesianism, 5
  New York Clearing House, 88, 88 n. 3
non-accelerating inflation rate of unemployment (NAIRU), 38 n. 9
  See also “natural rate of unemployment”
norms
  changing, affect on consumption, 138
  defining, 139 n. 7
  household behavioral, evolution of, 141–42
  social, effect on consumer behavior, 131
  value sharing, of distributive justice, 176
North American Free Trade Agreement (NAFTA), 43, 44–46, 207
NRSROs (nationally recognized statistical rating organizations). See nationally recognized statistical rating organizations
O
Obama, Barack
  and currency market imbalances/ interventions, 211
  and Dodd-Frank Act, 234
  fiscal stabilization under, 284
  stimulus package, 22
OECD, 164 n. 10
Office of the Comptroller of the Currency (OCC), 88, 94, 94 n. 6
Office of Thrift Supervision, 101
  official assets in U.S. held by foreign central banks, 203, 205–07
offshoring, 33
  consequences of, 43
  energy prices effect on, 44
  See also outsourcing
  Okun’s Law, 282–83, 287
  OPEC, 44
  ordinary workings of the goods and labor market, Minsky on, 304, 305
  originate and distribute model, 24, 67, 97, 98, 308
  originate and hold model, 96, 98, 308
  originate and reserve model, 96
outsourcing
  and conflicts of interest, 238
  costs of, 189 n. 4
  of management, 65–66
  See also offshoring
  overworked American hypothesis, 166–69
ownership society, 62
P
  P
  Pacific Rim countries, trade deficit with, 47
  paternalistic capitalism, 24, 64
  path dependence, 116
  Paulson, Henry, 67
  pension funds
    and credit default swaps, 82
    and deregulation, 67
    and financial crisis, 64–66
    Minsky on, 81–82
  pensions
    definancializing, 72
    as non-wage compensation, 162
    permanent normal trade relations (PNTR), U.S.–China, 43, 48, 49, 207–08
  personal savings, decline in, 201–02
  perverse incentives, 106
  peso, collapse of, 45
  plutonomy, 34
  Ponzi schemes, 31, 68
  portfolio effect, 291
  potential output, Keynes on, 292
  predator state, 38, 62
  priority sectors, techniques to protect/promote, 229
  private equity funds, 101, 111, 236–37
  private investment. See investment
  private sector deficit, 199–200
  productivity
    future challenges, 314–16
    labor, 19 n. 15, 161–62
    potential versus actual output, 159 n. 3
Subject Index 337

sharp upturn in, 252, 253, 253 n. 14
technology effect on growth, 253
wages and growth of, 26, 33, 34, 35–36, 163
wage stagnation relative to growth, 162–63,
165, 166
pro-growth model, failure of, 286
protectionism, 54
psychological characteristics, of individual
choice, 130
public goods, increased government provision
of, 54
public investment, 248, 249, 260–61, 262
publicly owned financial institutions, 233
public service employment (PSE) model,
292 n. 6
public works, 277–78, 286–87, 312
See also full employment
pump priming, 28, 295
purchasing power, strong dollar policy effect
on, 46 n. 13
pyramid scheme. See Ponzi scheme
Q
quantitative easing (QEII), 224
quantitative easing (QEII), 22, 223, 224, 231, 234
R
rainmakers
apprenticeships, 122–24
caracter traits of, 113–14
chronic excess supply of, 110
compensation (bonuses), 61, 107–11,
114–17, 118–20
defining, 104
Dodd-Frank Act on, 237
rents, 111–17, 118–24
risk-taking, 105, 118
rational expectations, 116, 118, 138 n. 5
Reagan administration
military spending during, 198
tax cuts during, 18, 198
“real bills” doctrine, 89
real estate boom and bust. See housing bubble
real wages. See wages
recessions
and demand management policy, 288–89
employment at end of 2001, 51
since 1974–75, 6–7, 8
See also Great Recession
redistributive effect of high dollar, 254 n. 16
reference groups, 138 n. 4
reform
future challenges
financial reform, 307–09
financial reform, and monetary policy,
307
to promote national economic well-being,
54
reform policy, 27
See also Dodd-Frank Act
regulation
restoration of legitimacy of, 54
See also Dodd-Frank Act; Federal Reserve
Rule by Rentiers, 225

S
Salomon Brothers, 114, 121
Samuelson, Paul, 17
Sarbanes-Oxley Act, 237
savings
capital gains effect on, 255 n. 19
during Clinton administration, 255
decline in, relation with ratio of wealth to
GDP, 254 n. 17
decline in personal, 201–02
drop in household, 40, 41–42
gap with private investment, 199–205
sumers and loan banks, and housing market,
227
Say’s Law, 16
Subject Index

Section 20 exemption, 93

securities
asset-backed, 65–66, 74, 92, 283–84
mortgage-backed, 8, 105 n. 2, 222–23, 305
Securities and Exchange Commission (SEC), 235, 237, 238

securities markets, prohibition on dealing in, 92–93

securitization, 65, 74–75, 91, 97

originating and distributing model, 24, 67, 97, 98, 308

originating and holding model, 96, 98, 308

shadow balance sheets, 237

shadow banks, 61, 74, 92, 98

as cause of financial crisis, 65

cream skimming by, 77

excessive reliance on short-run borrowing, 236–37

and money manager capitalism, 81

reform and, 81

See also Bear Sterns; Lehman Brothers

shocks

aggregate demand, 10, 11, 13, 129, 265

supply-side shock, 9, 12

technology, 12

small community development banks (CDBs), 81

small government, 318

and austerity, 175, 239, 306, 310

and neoliberal growth model, 38

social interdependence, 319

social justice, 318

social norms, consumer behavioral patterns based on, 131

social reference groups, influence on consumer, 138–41

Social Security, 63–64, 295

social stigma, against borrowing, 144–45

solvency, and government protections, 76

special investment (or purpose) vehicles (SIVs or SPVs), 65

spending, social pressures on, 141–42

economic inequality, 142

mass media, 141–42

product innovation, 141

spending allocations, as political, 279

stagnation, 4, 221

housing price, 39

political response to, 22

real income, 82

wage See wage stagnation

State banks, 233

chartered, 87, 87 n. 2, 88

trust, 88

stimulus measures, 8, 11, 22

stimulus policy, 5

stock bubble, 51

and capital gains, 249 n. 8

collapse of, 256

versus housing bubble, 42

peak of, 254–55

strong dollar policy, 34, 43, 45, 46 n. 13, 254, 255, 260

structural unemployment, 293

subprime mortgages, 33, 74, 79

failure of, 305

See also housing bubble

supply-side economics, 9–10, 10 n. 8, 12

supply-side factors, and economic performance, 17, 303

surplus to deficit shift, during G. W. Bush administration, 256

T

TALF (Term Asset-Backed Securities Loan Facility), 11

TARP (Troubled Asset Relief Program), 11, 99, 107, 283–84, 291

taxation

bang for the buck argument, 313, 313 n. 4

changes in, effects on household debt, 144
cuts after Great Recession, 277

cuts during Reagan administration, 18, 198

cuts during Bush (G. W.) administration, 256

direct job creation policy, 295–96

falling revenues, 265

permanent cuts, 278–79

versus government spending, 312

and stimulus spending, 272 n. 7

See also fiscal policy

Tax Reform Act of 1986, 144

Taylor Rule, 223

technology

to assess credit risk, 144

electronic credit scoring, 19

and productivity growth, 253

venture capital funding for, 271, 271 n. 6

Temporary Assistance for Needy Families

(TANF), 284

Term Asset-Backed Securities Loan Facility

(TALF), 11

too big to fail financial institutions, 67, 71, 72

trade deficit, 26, 34, 47
Subject Index

and China, 43, 48, 49
as contributing factor to Great Recession, 188
currency market intervention effect on, 205–07
dollar exchange rate, role in, 189–90, 194–96, 245, 262
and employment loss, 193
factors in, 187–88
financing of, 189
and fiscal deficit, 196–99, 210
and global savings glut, 203–05
increase after East Asian crisis, 47, 254
job losses by non-oil trade deficit, 188 n. 2
with Mexico, 45
origins of, 188–89
Pacific Rim countries, 47
as percentage of GDP, 191–93
policy interventions and structural factors, 205–08
policymakers' attitude toward, change in, 35–36
as product of global economic engagement, 43, 44
remedies for, 208–12
across-the-board tariff surcharge, 211–12
exchange rate realignment, 210–11
global rebalancing, 209–11
import certificate program, 212
stimulation of economy, 210
and rise in net financial inflows, 202–05
and saving/investment balance trends, 189, 197, 199–205, 210
trade agreement effect on, 207–08
trade deficit trap, 188–90
trends and cycles in, 191–94
See also free trade
trade imbalances, skewed nature of, 190–91
trade surpluses, of late industrializing
developing countries, 190 n. 5
transfer payments, generational, 269
Treasury bonds. See U.S. Treasury securities
Troubled Asset Relief Program (TARP), 11, 99, 107, 283–84, 291
trust banks, 88
trust investments, 63
twin deficits hypothesis, 196–99
U
uncertainty
and consumer credit, 146
effect on consumer behavior, 118, 137–38, 140–41
effect on value of dollar, 257, 258
Keynesian economics on, 15–16, 116–17
reducing through group identification, 137–38
role in Great Repression, 8–9, 21–22, 318
underemployment, 69
under-utilized resources, 268, 269–70, 278
underwriting, 308
erosion of income from, 90
longer term risk (Minsky), 74–75
lowering of standards by thrifts, 74
necessity of, 76–77, 308
replacement of, 24, 67, 77
unemployment
demand, effect on, 286, 288
demand vs. supply-side policies on, 290
in Europe, 22
natural rate of, 19 n. 15, 33 n. 3, 38 n. 9, 35–36
and inflation, 295
psychological consequences of, 317–18
skills/geographic mismatch as cause, 9 n. 7
structural, 293
in U.S., 69, 284–86
See also full employment; manufacturing;
offshoring; outsourcing; unions/unionization
unemployment insurance, 239, 264, 265, 283, 291
unions/unionization, 33, 54
decline in, 176–78
and globalization, 177–78
during Golden Age, 176
and labor laws, 177, 315
and labor market flexibility, 38
loss of power of, 69
U.S. Treasury
and bail outs, 8
big bank protections, 75
proposal to lessen role of Federal Reserve, 77–78
response to international crises, 46
and transparency, 72–73
See also strong dollar
U.S. Treasury securities
and developing countries, 50
buyback by Federal Reserve, 8
in Federal Reserve portfolio, 222–23
interest rates, 204, 250, 251
interest rates, post-World War II, 77–78
U.S. Treasury securities (cont.)
repurchase of, 93
and risk-free savings accounts, 102–03
TIPS, 273 n.8

V
value sharing norm of distributive justice, 176
venture capital funding, 271, 271 n.6
Volcker experiment, 78
Minsky on, 78
Volcker rule, 101, 237

W
wages
in financial industry, 109–13
and aggregate expenditures, 160–62
minimum, 33, 38, 54
policy issues, 279
and productivity growth, 26, 33, 34, 35–36, 163
of supervisory vs. nonsupervisory workers, 163, 164
See also income; rainmakers; wage stagnation
wage stagnation
and falling aggregate demand, 173, 175–76, 180, 315
and household indebtedness, 82, 169
international engagement effect on, 34, 50
labor market flexibility effect on, 38
relative to productivity growth, 162–63, 165, 166
and work hours increase, 166–69
Wall Street firms
executive bonuses at, 107–09
See also rainmakers
warnings, of coming economic crisis, 4, 5 n.2–6, 5–6
Washington Consensus, 37
wealth destruction, 9, 173, 305–06
wealth effect
from housing, 14, 42, 52, 135–36, 247
from stocks, 14, 254–55, 258–59
welfare benefits, 38, 283, 293
whistleblower program (SEC), 238
World Bank, 37, 46, 64
World Trade Organization (WTO), 48, 207, 211

Z
zero-bound constraint, 13–14, 40–41, 309