

# Mainstream economics: distraction from inequality & breakdown

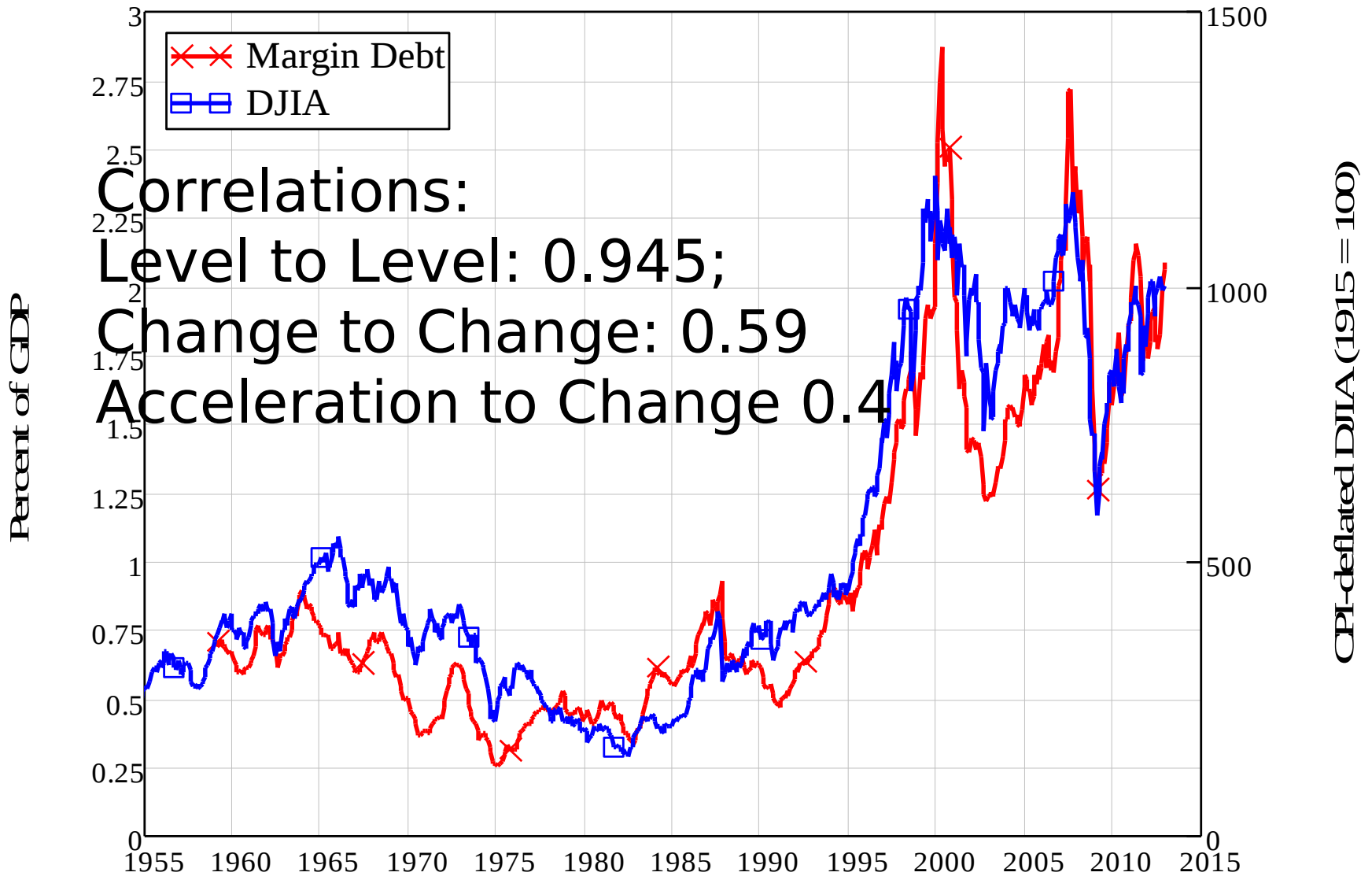
Steve Keen

[www.debtdeflation.com/blogs](http://www.debtdeflation.com/blogs)

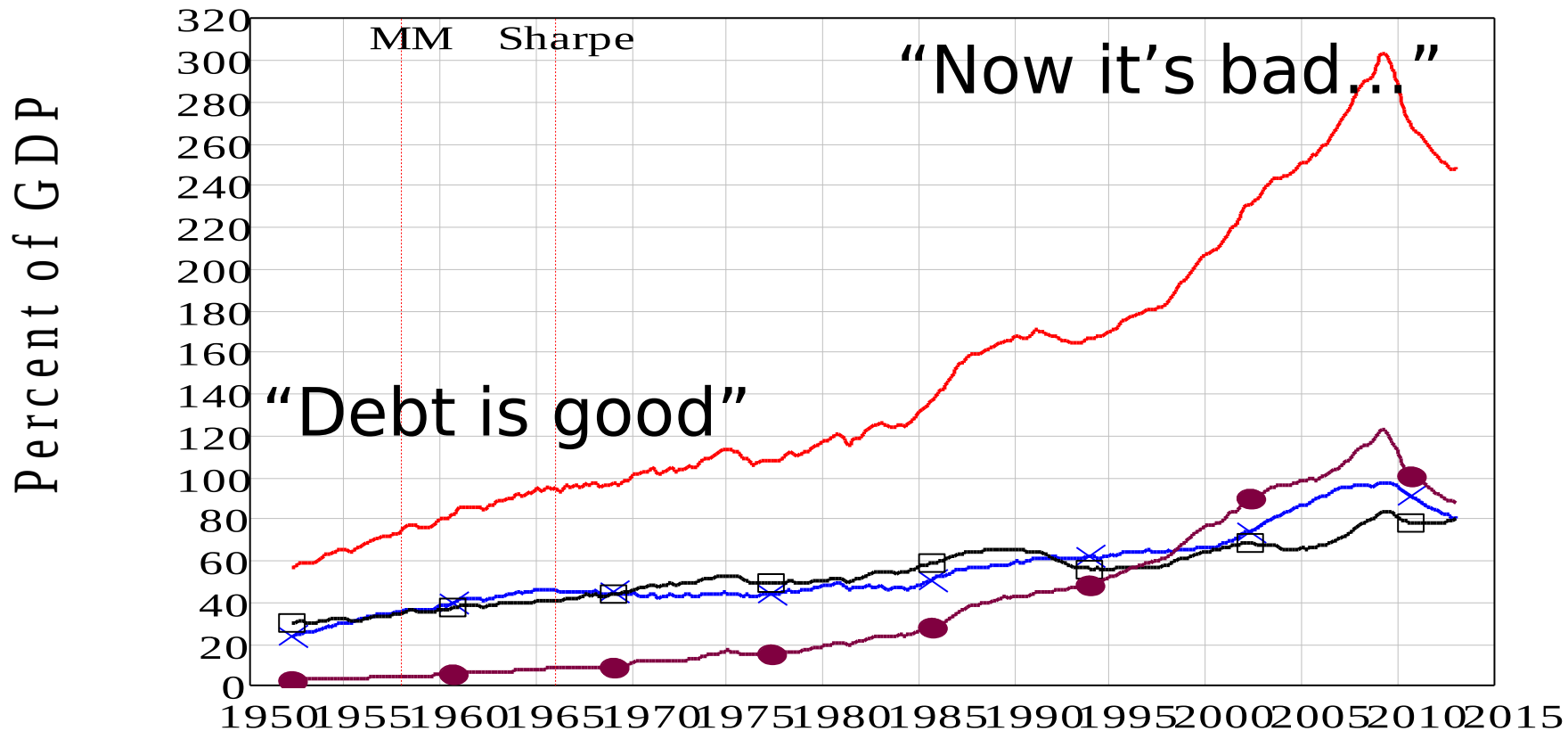
# Distractions

- EMH: Debt does not affect value of firms
- NK Economics: Private debt only matters when ZLB applies
- Distracted attention from greatest build-up of private debt in human history (see Schularick & Taylor)

# Margin Debt and the Dow Jones Industrial Average



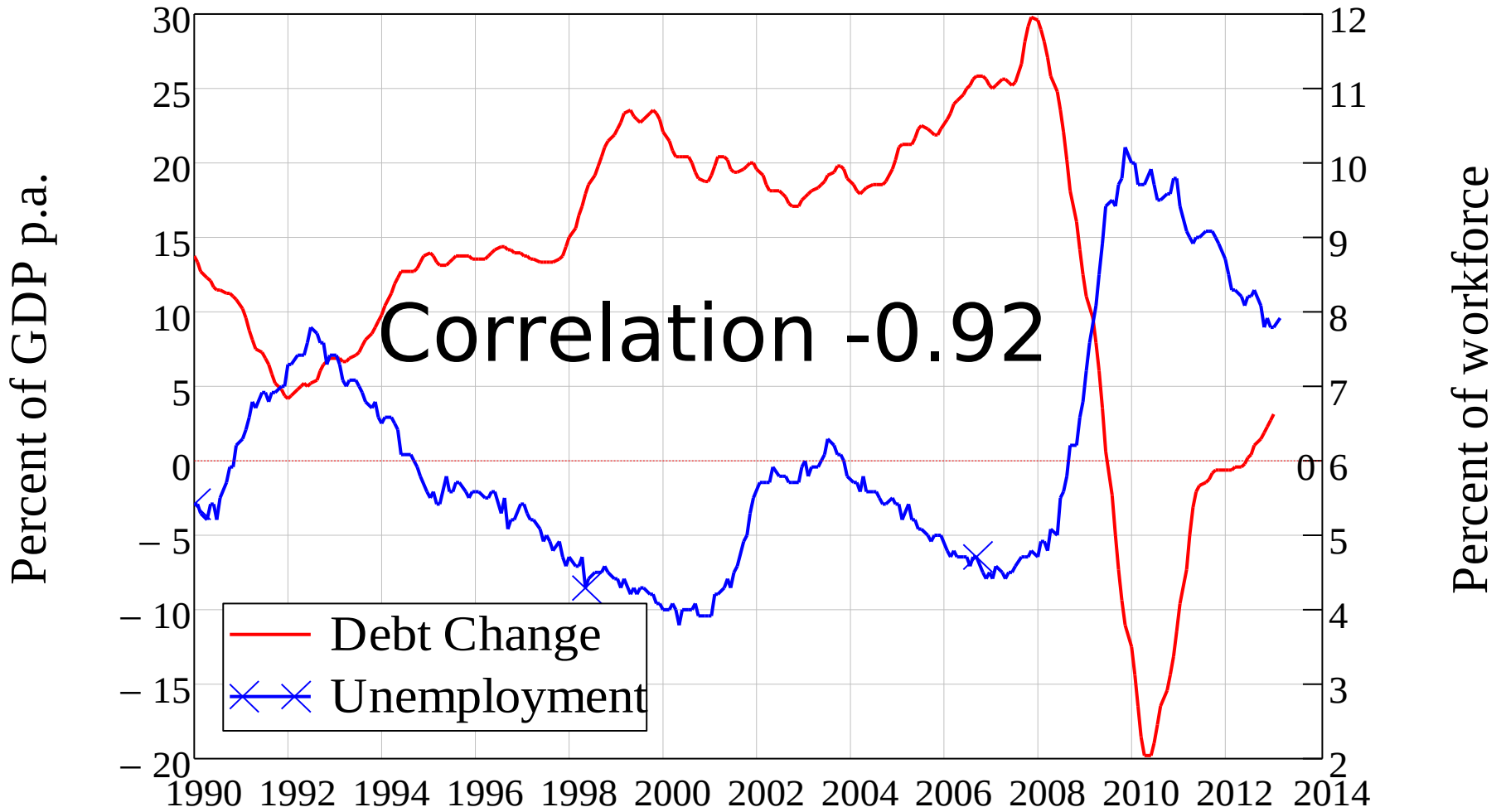
# US Private Debt to GDP



[www.debtdeflation.com/blogs](http://www.debtdeflation.com/blogs)

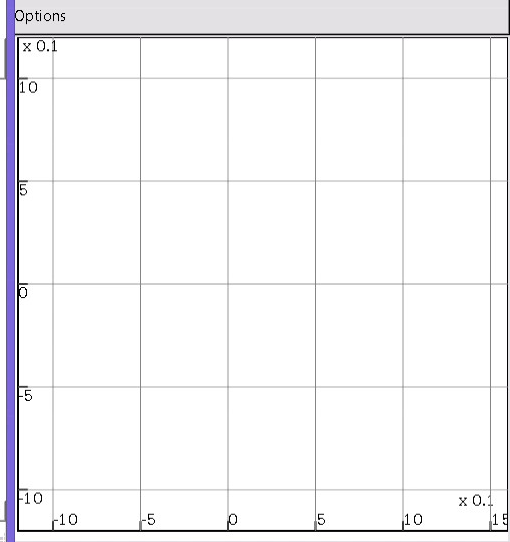
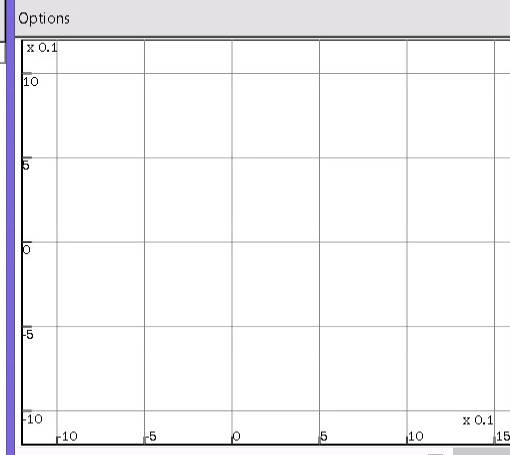
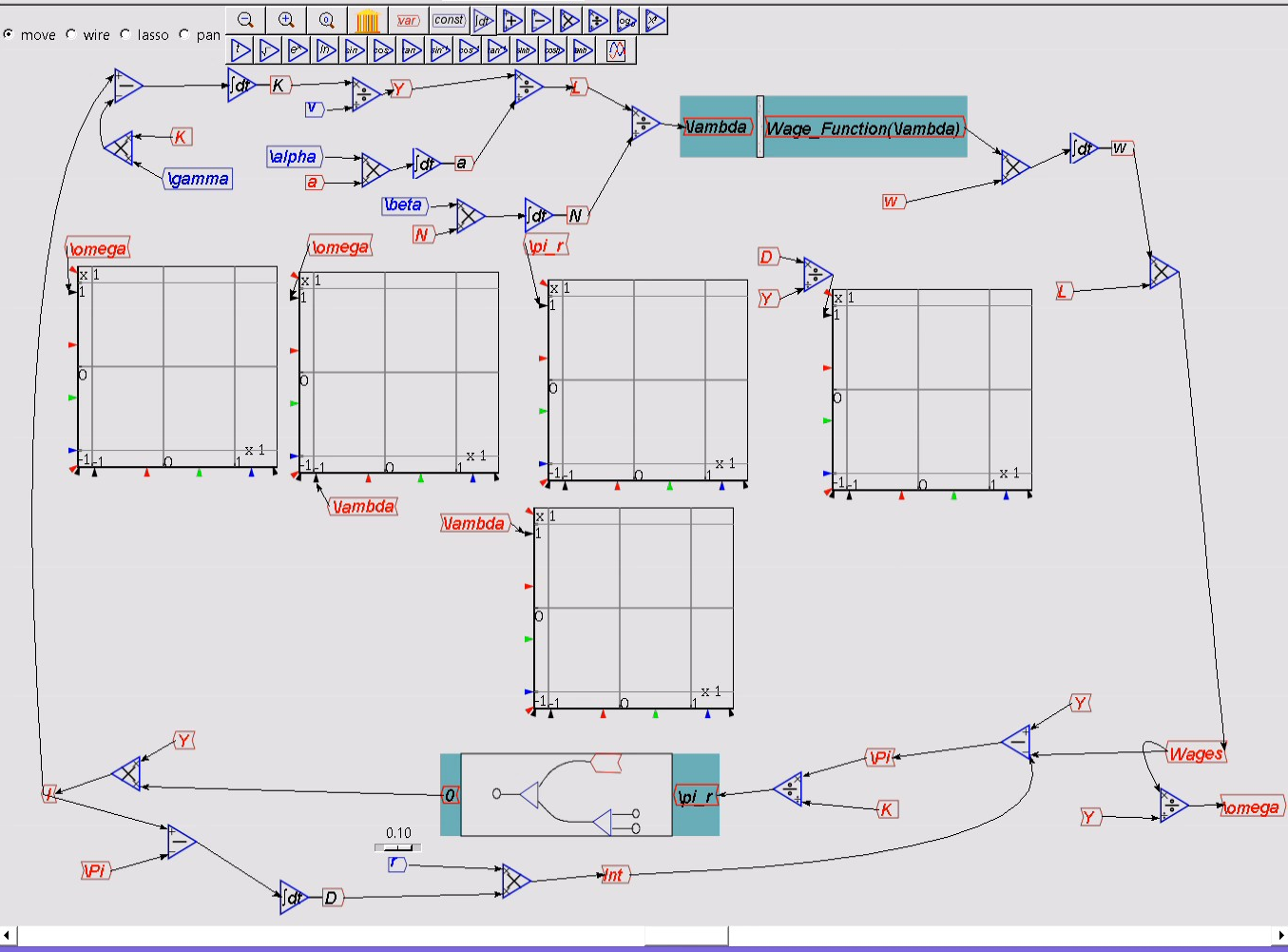
- Total
- ××× Household
- Business
- Finance

# Change in Debt & Unemployment

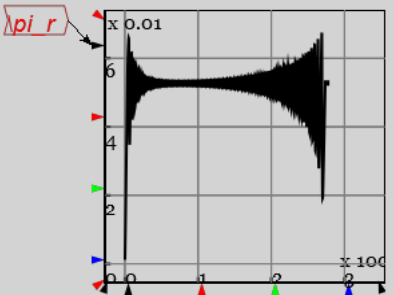
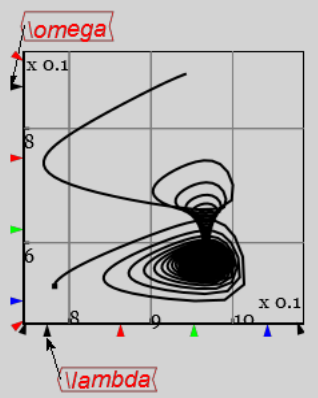
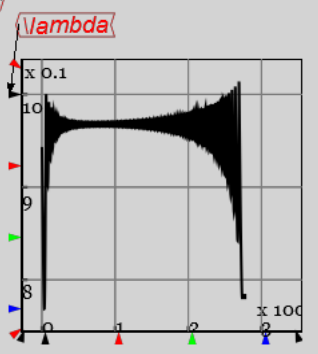
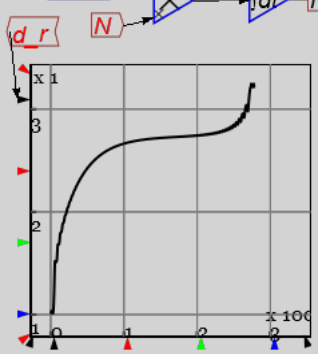
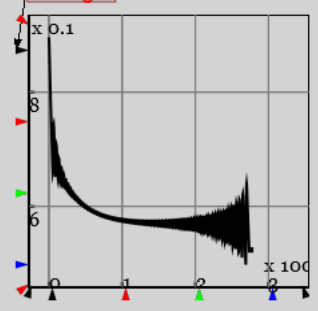
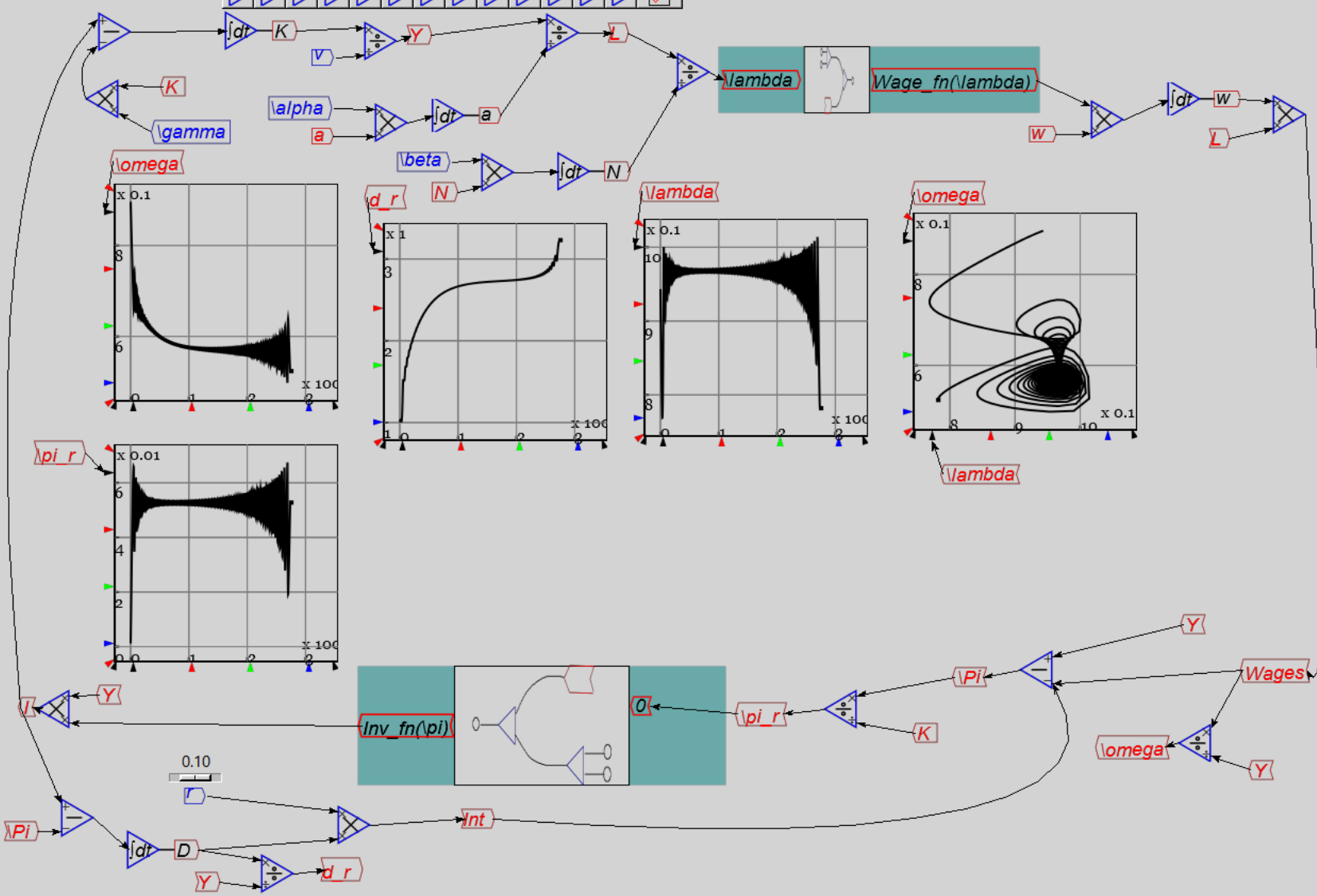


# Minsky “Stability is Destabilizing”

- Structural extension Goodwin growth model
  - Investment exceeds profit when profit rate high
  - Banks lend to finance investment
- “Great Moderation” leads to “Great Depression”
- Workers pay for higher debt via lower wages share
  - Rising inequality leads to economic collapse



move wire lasso pan [math symbols]



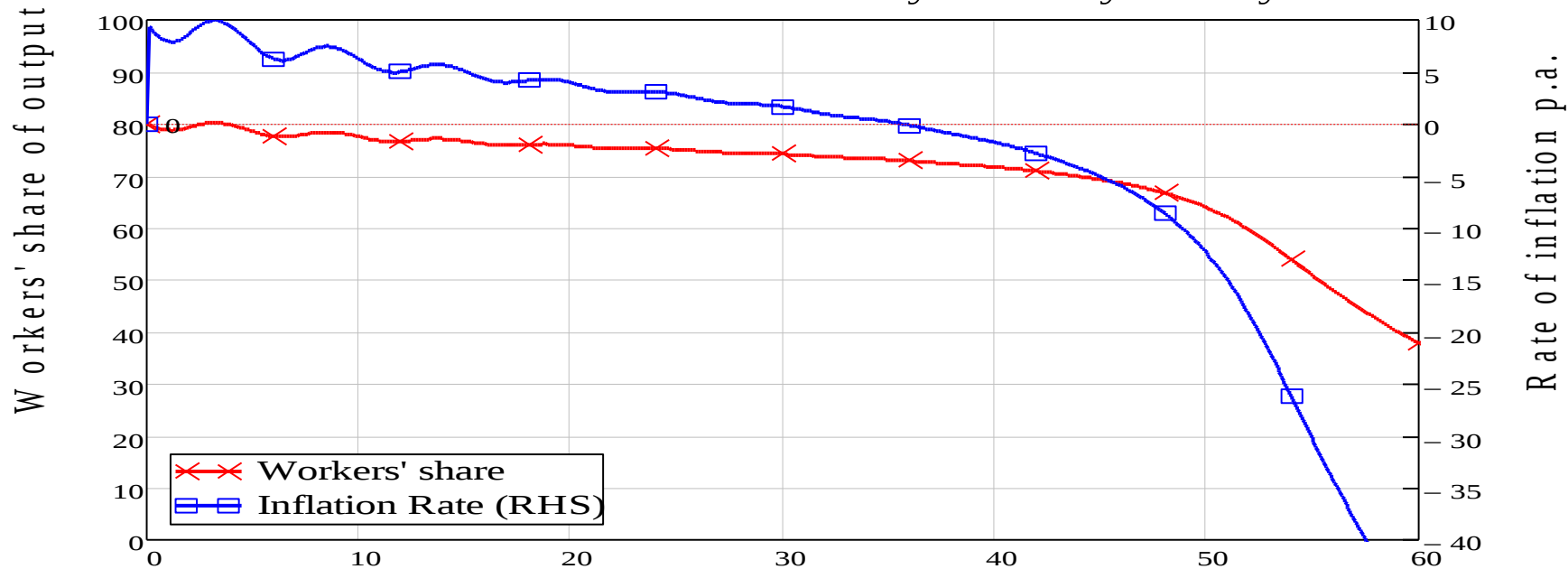
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# Ignoring debt blindsides policy

- Employment, inflation & profit share give no warning of crisis
- Debt dynamics must be included in macro models
- Macroeconomics must be monetary...

### Workers share and inflation in a strictly monetary Minsky model



### Profit Share of Output

