

INEQUALITY, CONSUMER CREDIT
AND THE SAVING PUZZLE

CHRISTOPHER BROWN



INEQUALITY, CONSUMER CREDIT AND THE SAVING PUZZLE

Providing much needed context for current events like the sub-prime mortgage crisis, this timely book presents a vision of an economy evolved to greater dependence on consumer credit and analyzes the trade-offs and risks associated with it. While synthesizing the Keynesian theory of consumption with the Institutional theory of habit selection (brought up to date with new knowledge from evolutionary biology and neuroscience), this book represents an in-depth treatment of the macroeconomic dimensions of consumer credit and implications of recent financial innovations from a non-traditional economic approach.

Some of the effects of consumer credit dependence include the potential for illiquidity in markets for debt-collateralized securities, sub-prime contagion, or the possibility of a Minsky-type debt deflation episode. The author also argues that a sharp increase in borrowing by US households over the past 20 years, aided by financial innovations such as the securitization of consumer loans and sub-prime lending, have lessened the harmful consequences of income inequality, and that the collapse of personal saving after 1993 is actually a gradual trend of consumer habits conforming to the imperatives of corporatism.

The book's primary audience will be academic economists in sympathy with heterodox and pluralist approaches. It sets forth an institutional or 'top-down' theory of household spending behavior that should be of interest to readers in fields such as sociology, consumer or family studies, psychology, or anthropology. Much of the book is technically accessible for non-economists and students.

Christopher Brown is Professor of Economics at Arkansas State University, USA.

EDWARD ELGAR PUBLISHING

The Lyptatts, 15 Lansdown Road
Cheltenham, Glos, GL50 2JA, UK
Tel: +44 (0) 1242 226934 Fax: +44 (0) 1242 262111
Email: info@e-elgar.co.uk

William Pratt House, 9 Dewey Court
Northampton, MA 01060, USA
Tel: +1 413 584 5551 Fax: +1 413 584 9933
Email: elgarinfo@e-elgar.com
www.e-elgar.com

ISBN 978-84720-509-45



9 788472 050945

INEQUALITY, CONSUMER CREDIT
AND THE SAVING PUZZLE

CHRISTOPHER BROWN



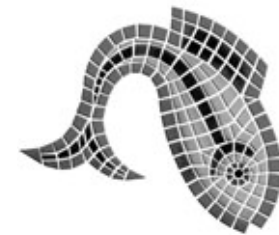
*New
Directions
in
Modern
Economics*



INEQUALITY, CONSUMER CREDIT AND THE SAVING PUZZLE



CHRISTOPHER BROWN



andy driver

DESIGN ILLUSTRATION
ARTWORK RETOUCHING

M 07944 643920

E andy.driver@btopenworld.com

JOB No EE_0134

CONTACT Andy Driver

DATE SENT 23.07.2008

BOOK TITLE
Inequality, Consumer Credit and the Saving Puzzle

EDITOR David Fairclough

PRODUCTION CONTROLLER Ilsa Williamson

ORDER No 35386

SPINE BULK 14mm

JACKET SIZE: Royal Jacket 234mm x 156mm

COLOURS: CMYK

PLEASE NOTE:
Colours on the laser printed proof may differ slightly to those viewed on the PDF due to the nature of laser printing compared to the colour values seen on the screen.