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 drawing on the Austrian theory of entrepreneurship with the institutional theory of herd behavior brought up to date with new knowledge from evolutionary biology and neuroeconomics, the book succinctly provides an economic perspective 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 Keynesian-type debt-deflation recession. The author also argues that it is in the interest of society to incur the costs associated with the 'debt trap'. By examining the historical development of consumer credit and sub-prime lending, the book identifies the moral, social, and ethical dimensions of consumer credit, and finds that the collapse of savings after 1980 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. Much of the book is technically accessible to non-economists and students.

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