The Rise and Fall of Keynesian Economics

“I believe myself to be writing a book on economic theory which will largely revolutionize...the way the world thinks about economic problems.” J. M. Keynes [1883-1946] to G.B. Shaw, 1935

By Gwen Raverat, National Portrait Gallery  1908

by Duncan Grant
Compare economic fluctuations between pre- and post-1945 [unfortunately, stops at year 2007]

Figure 1: U.S. Business Cycle, 1900:1-2007:4 (Base: 2000)

- Grey area: Contraction
- Red line: Real GNP (Left axis)
- Dotted line: Annualized growth rate of real GNP (Right axis)

3 Parents Florence and John Neville Keynes, 1945

Florence Keynes, his mother
Harry Dexter White & JM Keynes at the Bretton Woods Conference, New Hampshire 1944
Lopokova and Nijinsky in *Carnival of Michel Fokine*
Lydia and JM Keynes 1920’s

the Keyneses
Bertrand Russell, John Maynard Keynes, and Lytton Strachey
Wartime consumption exceeded that of 1929 by 1941

[consumption is black bar]
Federal debt 1945-2016:
$14.4 held by public 1/17; blue line is debt as share of GDP
GDP [inflation-adjusted] 1940-1970
1944 Max. reached again in 1951
USSR [red] and US [blue] military spending as % of GDP
Hyman Minsky
Financial Instability Hypothesis
Britain’s public debt during industrialization from Martin Wolf
Reagan 1981-84 [brown line]: more government spending
Obama 2009-11 [blue line]: austere
Abba Lerner
Functional Finance
Founders of Modern Monetary Theory

Stephanie Kelton

Pavlina Tcherneva    Warren Mosler

Randy Wray
Eliminating the gender and inequality wage gap would raise women’s wages by more than 70%.

Median hourly wages for men and women, compared with wages for all workers had they increased in tandem with productivity, 1979-2014.

Source: Reproduced from Figure G in Alyssa Davis and Elise Gould, Closing the Pay Gap and Beyond: A Comprehensive Strategy for Improving Economic Security for Women and Families, EPI Briefing Paper #412, November 18, 2015.
Global GDP growth, 1961-2013 [World Bank]
[Includes China, which adds 1 percentage point since 2004]
Household [red], business [blue] and federal [green] debt as % of GDP

Figure 6.
DEBT OF NONFINANCIAL DOMESTIC SECTORS
(as a percent of nominal GDP)

- Household Debt / GDP (79.5)
- Business Debt / GDP (72.6)
- US Treasury Debt / GDP (86.2)

Source: Federal Reserve Board, Flow of Funds Accounts.
Private debt: more of a burden than public debt

MOVE BACK HOME?!... KIDS TODAY ARE SO LAZY AND IRRESPONSIBLE! YOUR MOTHER AND I STARTED OUT WITH NOTHING!...

FIVE-FIGURE STUDENT LOAN DEBT

TRUST ME, I WOULD’VE LOVED STARTING OUT WITH NOTHING!...
The inside story of how the Three Marketeers have prevented a global economic meltdown—so far
Rubin, Greenspan and Summers at the U.S. Treasury last Wednesday

The Committee to Save the World

Time Magazine: Rubin, Greenspan, and Summers
2/15/99