

Second Gilded Age

Source: End This Depression Now, Krugman, cap. 4.

Ermanno Catullo
Crisis Economics
ecatullo@unite.it
Unite
A.A. 2022-2023

Income inequality

Since the '80s the income of the **one per cent** richer of the population increased enormously.

These growth of income goes to **corporate and finance manager**.

In finance for instance in hedge funds, managers gain a percentage of **profits** and **share bonuses**, it increase their risky behavior.

Income inequality

In finance your contribution to the economy is very low and many times at the expenses of others, so it is difficult to explain this income growth

The **tightly regulated** financial system in the '40s and '70s did not give space for self enrichment.

Thus income inequality growth can be associated with **deregulation**. Pushing for higher income of CEO also in other sector, reducing any social stigma.

Inequality and Debt

Higher inequality push **debt expansion**:

- Lower income classes want to imitate higher ones.
- Expenditure for living in neighborhood that allow a better access to public education increase.

Inequality and Bad Policy

People that earned a lot thanks to deregulation had all the incentives and means to **lobby** for their policies.

Moreover **sliding door** position between politics and finance have a larger impact on policy maker because the income are higher.

Even in Europe the **international positions** in EU or other international organization may sustain policy that have no consensus among the population.