



On Tuesday 1 July 2025, 04:00-21:00 GMT, we'll be making some site updates on Taylor & Francis Online. You'll still be able to search, browse and read our articles, where access rights already apply. Registration, purchasing, activation of tokens, eprints and other features of Your Account will be unavailable during this scheduled work.

Home ► All Journals ► Politics & International Relations
► Studies in Political Economy / Recherches en économie politique ► List of Issues ► Volume 97, Issue 1
► Understanding the global financial crisis

Studies in Political Economy / Recherches en économie politique >

A Socialist Review

Volume 97, 2016 - [Issue 1](#)

4,118 12

Views CrossRef citations to date Altmetric

7

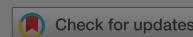
Original Articles

Understanding the global financial crisis: contributions of post-Keynesian economics

Marc Lavoie

Pages 58-75 | Published online: 29 Jun 2016

Cite this article <https://doi.org/10.1080/07078552.2016.1174463>



We Care About Your Privacy

We and our 909 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting "I Accept" enables tracking technologies to support the purposes shown under "we and our partners process data to provide," whereas selecting "Reject All" or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the ["privacy preferences"] link on the bottom of the webpage [or the floating icon on the bottom-left of the webpage, if applicable]. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

...

I Accept

Reject All

Show Purpose

Acknowledgements

I wish to offer my thanks to Jim Stanford for setting up the session and the discussions that followed the lecture and its written version. Many thanks also to Greg Albo, who forced me to clarify several passages. This paper is based on my keynote lecture to the Progressive Economics Forum at the annual conference of the Canadian Economics Association on the 29th of May 2015.

Notes on contributor

Marc Lavoie, teaches in the Department of Economics at the University of Ottawa in Ottawa, Ontario, Canada.

Notes

1 As rep

2 See <http://www.bbc.co.uk/news/economy-2015-05>

3 Blecke

4 Go

5 Ibid.

6 Lavoie

7 See La

8 I have

for heter



“Perspectives for Post-Keynesian Economics”; “Financialization, Neo-liberalism and Securitization,” “Teaching Monetary Theory”; and “Should Heterodox Economics Be Taught.”

9 This refers to the fact that in many states in the United States, the home owner can simply abandon the house and send the keys to the financial institution holding the mortgage, with no recourse.

10 See Minsky, Can It Happen Again?; John Maynard Keynes; Stabilizing an Unstable Economy.

11 Minsky, Can It Happen Again?, 92–93.

12 Minsky, John Maynard Keynes, 128.

13 Minsky, Can It Happen Again?, 101.

14 Galbraith, A Short History of Financial Euphoria. There are many other post-Keynesian contributions to theories of financial instability, among them those of another participant to this forum, Brenda Spotton Visano, Financial Crises; see also Toporowski, The End of Finance.

15 Stabilizing an Unstable Economy. 237.

16 Keynes

17 See C

18 Beze

19 Can I

20 Sh

21 Brow

22 Palley

23 McCa

24 For d

25 Godley, “Macroeconomics without Equilibrium or Disequilibrium,” 91.



26 McLeay et al., “Money Creation in the Modern Economy,” 15–16.

27 Keynes, The Collected Writings, 222.

28 Borio and Disyatat, “Global Imbalances and the Financial Crisis.”

29 Eichner, The Macrodynamics of Advanced Market Economies, 849.

30 See in particular Wray, Understanding Modern Money; and Modern Money Theory.

31 Bindseil, Monetary Implementation, 252.

32 It is sometimes said that capital adequacy ratios, as suggested by the Basel III regulations, restrain the ability of banks to create credit money. But banks are always able to raise their capital ratios by retaining a larger share of their profits or by issuing new shares, or even through accounting manipulations.

33 Lavoie, “Monetary Base Endogeneity.”

34 Lavoie, “Changes in Central Bank Procedures.” The floor system was advocated by some post-Keynesian writers, notably Fullwiler, “Paying Interest on Reserve Balances.”

35 In Canada, starting in April 2009 but continuing for only about a year, a floor system was also adopted by the Bank of Canada as part of its zero interest rate policy (ZIRP) framework. The ZIRP was a response to the 2008 financial crisis, which had led to a relatively small amount of credit growth. The ZIRP was a response to the 2008 financial crisis, which had led to a relatively small amount of credit growth.

36 In Canada, starting in April 2009 but continuing for only about a year, a floor system was also adopted by the Bank of Canada as part of its zero interest rate policy (ZIRP) framework. The ZIRP was a response to the 2008 financial crisis, which had led to a relatively small amount of credit growth. The ZIRP was a response to the 2008 financial crisis, which had led to a relatively small amount of credit growth.

37 Borio and Disyatat, “Global Imbalances and the Financial Crisis.”

38 Lavoie, “Monetary Base Endogeneity.”

39 Koo, The Money Illusion.

40 Bean, “The Money Illusion.”

41 Sheard, “The Money Illusion.”



42 See notably Fullwiler, “An Endogenous Money Perspective.”

43 See Modern Money Theory.

44 Kelton and Wray, “Can Euroland Survive?” 10.

45 Kriesler and Lavoie, “The New Consensus on Monetary Policy.”

46 Spotton Visano, “Gendering a Post-Keynesian Theory.”

47 Ball, “Long-term Damage from the Great Recession.”

48 Wilkins, “Monetary Policy and the Underwhelming Recovery.”

49 Blanchard, “Looking Forward, Looking Back.”

Related Research Data

Unconventional Monetary Policies: An Appraisal

Source: SSRN Electronic Journal

Balance sheet recession as the ‘other half’ of macroeconomics

Source: European Central Bank, “The Balance Sheet Approach to Monetary Policy”

Money

Source

9 Eco

Source

Paying

Source

Note

Kaldor

S

An En

Source

Mode

Source

The c

mech

Source

The Global Financial Crisis: Methodological Reflections from a Heterodox Perspective



Source: Studies in Political Economy

Post Keynesian Economics

Source: Unknown Repository

Monetary Policy in a Period of Financial Chaos: The Political Economy of the Bank of Canada in Extraordinary Times

Source: Unknown Repository

Financial Crises

Source: Unknown Repository

Macroeconomics without Equilibrium or Disequilibrium

Source: Unknown Repository

Changes in Central Bank Procedures During the Subprime Crisis and Their Repercussions on Monetary Theory

Source: Unknown Repository

Are we all Keynesians?

Source: Brazilian Journal of Political Economy

Post-Keynesian Economics

Source: Unknown Repository

Long-term damage from the Great Recession in OECD countries

Source: European Journal of Economics and Economic Policies Intervention

Teaching monetary theory and monetary policy implementation after the crisis*

Source: European Journal of Economics and Economic Policies Intervention

Understanding financial crisis through accounting models

Source:

Finan

Source:

The M

Source:

Gend

Source:

Shou

S

Int

Source:

Persp

Source:

Linkin



People also read

Recommended articles

Cited by
12

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive updates by email



Sign up



Copyright © 2024

Accredited



Registered in England
5 Howick Place, London W1A 2AA

Wiley or Francis Group
a John Wiley & Sons business