

of disposable personal income,

2013, NIPA Table 2.1.

iding that rose independent
rowing.
mortgage debt and second-
re to income from 1948 to
along with the rising home
-1960s it stabilized through
5). However, after the early
to income changed, rising
9.2% of income in 1982 to
study found that, in 2004-
their home equity via mort-
of their disposable income

implies not only that house-
t also that financial institu-
edit to them, despite rising
any certainty the reasons

why households sought to borrow at a growing rate, but the decline in nonsupervisory workers' wages, the marked slowdown in the growth of household median income, and the very slow growth of average income for lower income families are likely to have played a significant role. In the neoliberal era, the prices of some essential goods and services have risen rapidly, including out-of-pocket health care costs, the cost of a college education, energy costs, and in some regions housing costs including local property taxes. It is likely that many hard-pressed families resorted to credit to maintain an acceptable living standard.²⁷

However, that is only half of the story. Why were financial institutions willing to lend growing sums to millions of middle and low income households to finance consumer spending? The answer lies in the two other developments cited above, the series of asset bubbles and the turn to speculative, risky activities by the financial sector. An asset bubble brings rising wealth to those who own the asset, which can serve as security for obtaining a loan. In addition, the speculatively oriented financial institutions proved adept at developing new and very

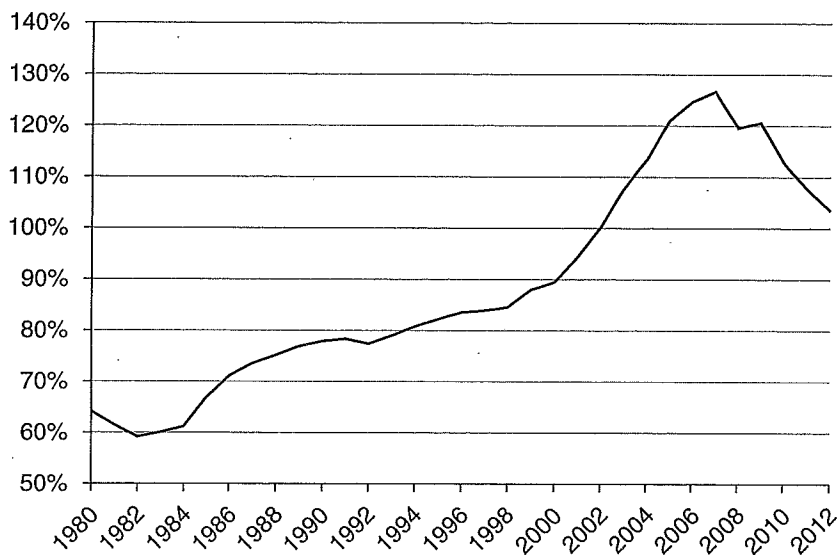


Figure 4.20. Household debt as a percentage of disposable personal income, 1980-2012.

Source: Board of Governors of the Federal Reserve System, 2013, *Flow of Funds Accounts*, Table B.100; U.S. Bureau of Economic Analysis, 2013, NIPA Table 2.1.