
Alvin Hansen secular stagnation hypothesis and its relevance for the current crisis

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Résumé

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The recent phase of expansion in the US and the more contrasted recovery of the EU economies after the 2008-2009 crisis have for a time put aside the discussion on the prospects of the crisis. Although receiving scant attention in the last years the idea that we are in the middle of a long-term stagnation comes back with the warning signs of a possible new recession.

All of this is of course matter of day-by-day speculation. That is not the case with the argument underlying Alvin Hansen secular stagnation hypothesis. The focus of the paper is precisely on the relevance of that argument for today's pattern of growth in advanced industrial economies and by implication in the world economy.

The return to the fore of "secular stagnation" is mainly due to Lawrence H. Summers and his comments at the 2013 IMF conference in honor of Stanley Fisher. Summers does mention Hansen but he does not really elaborate on the original argument put forward in the 1930s.

The first section of the paper examines Summers argument and quotes extensively his words. That is to provide the textual evidence of the reasons for the rejuvenation of a notion that is decisively outside the domain of mainstream macroeconomics, indeed a "heresy" in macroeconomics as pointed out by Backhouse and Boianosky (2016). It also highlights the theoretical framework in which the question of stagnation is discussed today.

The second section of the paper examines Hansen argument and the evolution of the notion of secular stagnation in the history of economic analysis following Backhouse and Boianosky. That is very helpful to understand what they label the "new secular stagnation hypothesis" and the association with Keynesian economics.

The last section elaborates on the significance of the original argument for today's debate on the crisis. Central to Hansen secular stagnation hypothesis is the weakening of the motives of private investment and thus of the basis for a strong investment-driven expansion. This parallels the problem posed by the 2008-2009 crisis. Although finance had a large role ultimately the problem is the difficulty of a sustained expansion driven by investment opportunities. This is the result of long-term tendencies, not any short-term financial crisis.

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Mots-Clés: crisis, secular stagnation, Alvin Hansen, Lawrence H. Summers, private investment