A Class-Based Account of Increasing Inequality in the US Economy 1964-2010

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This paper offers an alternative account of the growth in income inequality. Rather than focus on individuals and their constrained optimization, the paper focuses on class and class conflict. Using a classical (rather than neoclassical) approach to value theory, it proposes definitions that enable empirical determination of long run class shares. The paper suggests the causes of this fall are domestic, and attributes them to a major change in the balance of US class relations ushered in by the Volcker interest rate rise in late 1979 and consolidated by the deregulatory movement espoused by the Reagan Presidency. This marked the triumph of 'finance' over the weak social democracy that had been established by the New Deal and the post-War settlement. One consequence was an extraordinary growth in inequality as the prerogatives of the pre-1929 era were re-established.

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