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Wage Repression Is Main Driver of Inequality, Economists Argue in New Book

[*Macroeconomic Inequality from Reagan to Trump*](#), by Lance Taylor with Özlem Ömer, examines the roots of wealth and income inequality in the U.S. Their book is the inaugural title in a series launched by the Institute for New Economic Thinking and Cambridge University Press.

"This book is a tour de force. Combining deep theoretical insights with thorough empirical work, the authors explain the causes and consequences of major recent episodes in the advanced capitalist world. Over the decades, Taylor has built up a convincing, original, and thoroughly researched theoretical structure of his own.

The end results illuminate understanding about the provision of humane and realistic policies. These findings operate as characteristics of this new volume, the first in an important new series. [Macroeconomic Inequality from Reagan to Trump](#) is certain to be a jewel in its crown."

--Dr. Geoff Harcourt, Jesus College, Cambridge

NEW YORK—In a new book released today by the [Institute for New Economic Thinking](#) and Cambridge University Press, economists Lance Taylor and Özlem Ömer reveal that wage repression—far more than monopoly power, offshoring, or technological change—has driven rising inequality.

In *Macroeconomic Inequality from Reagan to Trump: Market Power, Wage Repression, Asset Price Inflation, and Industrial Decline*, Taylor (Emeritus Professor of Economics at the New School for Social Research) with Ömer (Middle East Technical University in Turkey) take an innovative approach to measuring inequality, providing the first and only full integration of distributional and macro level data for the US. This is the first book-length study to show how corporations have been able to keep U.S. wages down even as productivity has risen, leading to a surge in inequality in the last half-century.

“For the most part, American workers have been working more productively, but they haven’t been getting paid for it due to forces that aren’t natural and inevitable. Wage repression doesn’t just happen” said **Lance Taylor**. “It is apparent that something other than the market is at work here – like power relations, ideology about unemployment levels, and many innovations in business strategy, such as subcontracting. These are all feeding on and reinforcing processes within national political institutions that are more and more reflective only of business interests and concerns,” he added.

The book also discusses the role of capital gains as a contributor to rising inequality since the 1980s. Rising asset prices, bolstered by high rates of savings by prosperous households, have resulted in a decrease in the national income share from wages. The result has been the emergence of a “dual economic structure,” with jobs destroyed in manufacturing and other activities in which high wages combine with rising profits and productivity. More and more labor has been shunted to low-paying service occupations, where an increasing share of Black and Latino workers are employed.

While research by Thomas Piketty and colleagues pursues inequality from the income side, Taylor and Ömer examine income and wealth distributions, combined with the cost and demand sides, flows of funds, and full balance sheet accounting of real capital and financial claims. This blends measures of inequality with national income and product accounts to show the relationship between productivity and wages at the industry sector level. Taylor and Ömer assess the scope and nature of various interventions to reduce income and wealth inequalities using his simulation model, disentangling wage growth and productivity while challenging mainstream models.

Macroeconomic Inequality from Reagan to Trump is the first title in Studies in New Economic Thinking, a new book series from The Institute for New Economic Thinking and Cambridge University Press.

“The 2008 financial crisis pointed to problems in economic theory that require more than just big data to solve,” said **Thomas Ferguson, INET’s Research Director and Editor of the series**. “INET’s series in New Economic Thinking exists to ensure that innovative work that advances economics and better integrates it with other social sciences and the study of history and institutions can reach a broad audience.”