Flash Economics

N° 48
May 11th, 2026

The changing face of American capitalism

American capitalism has undergone two profound transformations.

In the 1960s and 1970s, it was a redistributive form of capitalism, with a relatively high proportion of public spending (on social protection) as a share of GDP, and relatively low levels of income and wealth inequality.

With the election of Ronald Reagan, the United States, in the 1980s and 1990s, shifted from redistributive capitalism to neoliberal capitalism: a reduction in public spending and the tax burden, deregulation, the introduction of fierce competition, and a distortion of income distribution to the detriment of employees.

Finally, from the 2000s onwards, the United States shifted from neoliberal capitalism to monopoly capitalism: the rise of major technology conglomerates, the concentration of wealth derived from monopoly rents, rising profit margins, and underinvestment relative to profitability.

In terms of growth and the efficiency of resource allocation, monopoly capitalism is significantly less efficient than redistributive capitalism or neoliberal capitalism.

Patrick Artus
Senior Economic Advisor
patrick.artus-ext@ossiam.com
@PatrickArtus
Patrick Artus

Isabelle Gravet
Research Assistant
isabelle.gravet-ext@ossiam.com

Marketing communication: this document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Three eras of American capitalism

The first era took place **in the 1960s and 1970s**. As we will see, capitalism at that time was **redistributive**, with a fairly stable distribution of income between wages and profits, strong public spending, and low income and wealth inequalities.

The **second era** began with **Ronald Reagan's rise to power** in 1981 and lasted until the early 2000s. This was the period of **neoliberal capitalism**, characterised by a reduction in public spending and taxation, deregulation, the introduction of intense competition, and a significant shift in income distribution to the detriment of wages.

The **third era** is that of **monopoly capitalism**, which emerged at the beginning of the 2000s. This type of capitalism is marked by the rise of large technology groups that protect their monopoly rents, increase their profit margins and underinvest, and allow their owners to concentrate a growing share of overall wealth.

Redistributive capitalism of the 1960s-1970s

Let us examine trends in **real wages and labour productivity** (**Chart 1**), the **share of public expenditure in GDP and the tax burden** (**Chart 2**), as well as trends in **income** inequality (**Chart 3a**) and **wealth** inequality (**Chart 3B**).

Chart 1
United States : Real compensation per hour and productivity per hour (private sector, 1960.Q1 = 100)

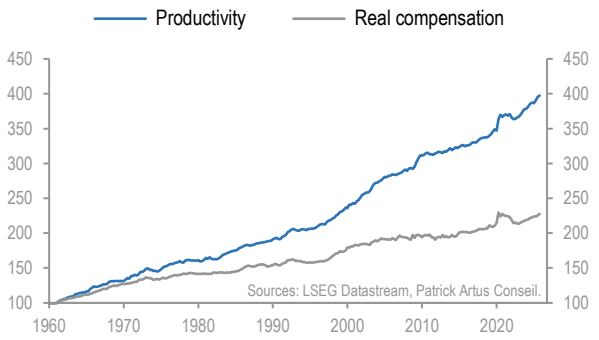


Chart 2
United States: Public spending and tax burden (as % of nominal GDP)

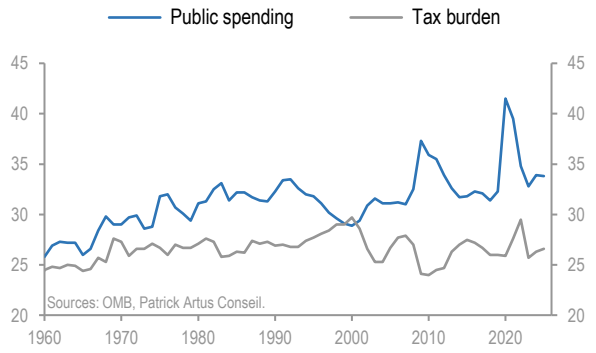


Chart 3A
United States: Gini indices of income inequality

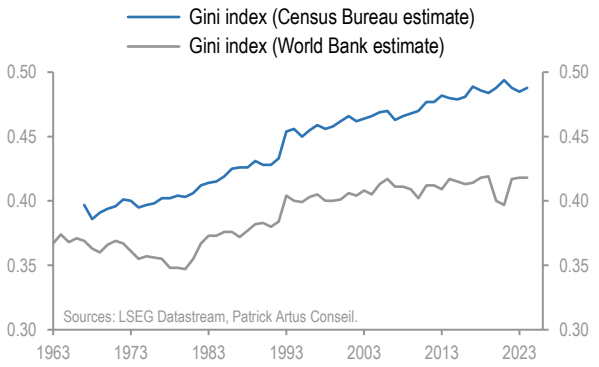
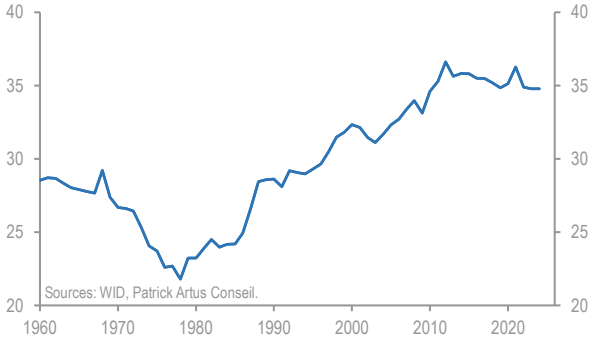


Chart 3B
United States: Share of national wealth held by the 1% of individuals with the highest wealth (as %)



We can see:

- A **slight shift in the distribution of income** in favour of businesses during the 1960s and 1970s;
- An **increase in public spending and the tax burden** from the 1960s to the early 1980s;
- **Low levels of, and even a decline in, income and wealth inequality**.

Neoliberal capitalism of the 1980s and 1990s

Neoliberal capitalism is characterised by:

- A sharp **reduction in public spending and the tax burden** (see **Chart 2 above**), based initially on the idea that a reduction in the tax burden – even if not balanced ex ante by a reduction in public spending – does not undermine public finances due to its positive effects on economic activity;
- **Deregulation**, particularly in air transport, energy, telecommunications, banking and finance (with the final repeal in 1999 of the Glass-Steagall Act, which separated commercial banking from investment banking);
- **The introduction of fierce competition**;
- A **significant distortion in the distribution of income** to the detriment of employees and to the benefit of companies (**Chart 1 above**), resulting in a sharp rise in income and wealth inequality (**Charts 3A/B above**).

Monopoly capitalism in the 2000s–2020s

Since the early 2000s, American capitalism has evolved into a form of **monopoly capitalism**, characterised by large corporations—particularly major technology firms—securing monopoly positions and **increasing their profit margins** (**Charts 4A/B**). The concentration of firms (**Chart 5**) and of wealth (**Chart 3B above**) has become extremely pronounced.

Chart 4A
United States: Ratio between GDP deflator and unit labour cost (1960 Q1 = 100)

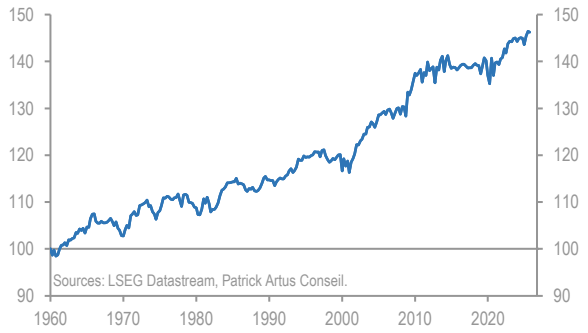


Chart 4B
United States: Profits after tax and interest of non-financial corporations (as % of nominal GDP)

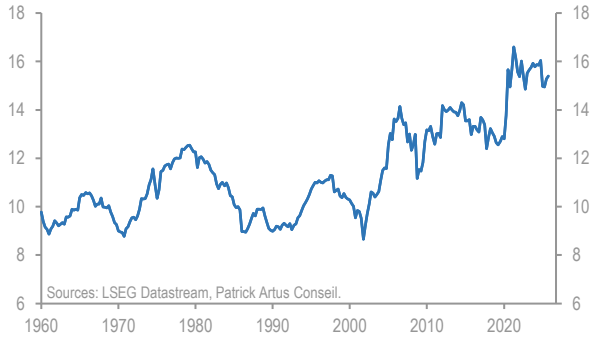
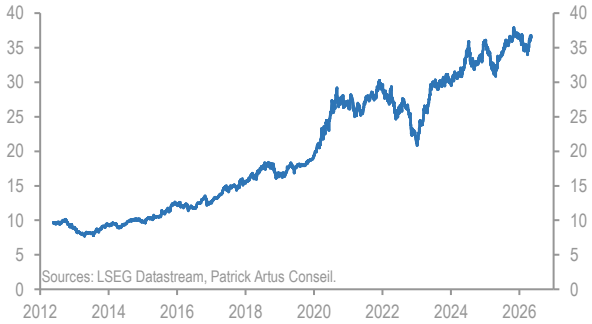


Chart 5
United States: Market capitalisation of the Magnificent Seven (as % of the market capitalisation of S&P 500)



From the early 2000s onwards, there has also been a **shortfall in investment** (**Chart 6**) compared with what investment would have been had it followed **Tobin's q** (the ratio of market capitalisation to the economic value of capital, **Chart 7**).

Chart 6
United States: Non-residential private investment (as % of nominal GDP)

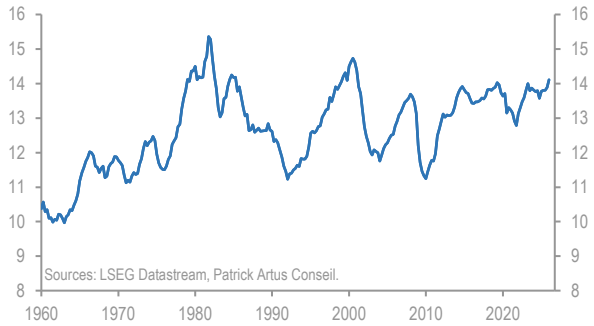
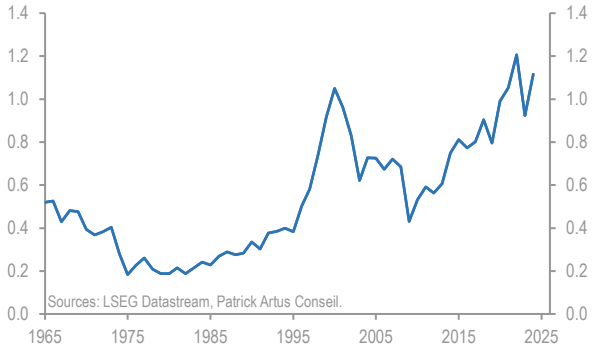


Chart 7
United States: Tobin's q ratio

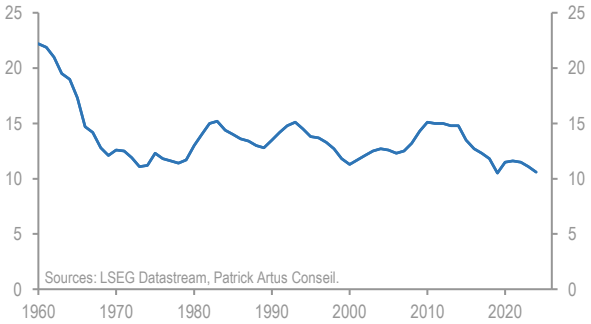


Summary: When was the most favourable period for capitalism in the United States?

We compare the periods of redistributive capitalism (1960–1980), neoliberal capitalism (1980–2000) and monopoly capitalism (since 2000).

If the comparison focuses on inequality, poverty (**Chart 8**) and the scale of redistributive policies, then, of course, the capitalism of the 1960s and 1970s is preferable.

Chart 8
United States: Official poverty rate (% of population below the poverty line)



If we compare **growth rates** (**Chart 9**, **Table 1**), growth slows as we move from redistributive capitalism to neoliberal capitalism, and slows further as we move to monopoly capitalism.

Chart 9
United States: Real GDP growth (Y/Y as %)

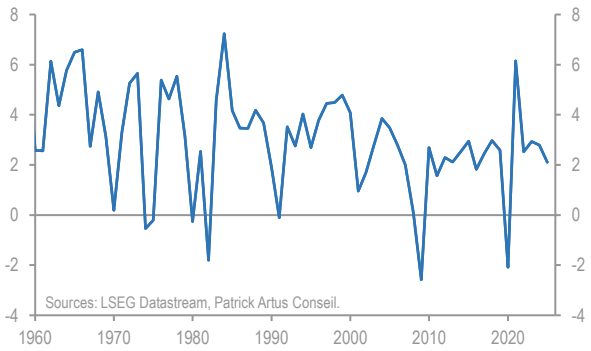


Table 1. United States: GDP (volume, average annual growth rate, %)

Periods	1960-1979	1980-1999	2000-2025
Average annual growth rate, %	3.93	3.34	2.13

Sources: LSEG Datastream, Patrick Artus Conseil.

If we compare the **efficiency of resource allocation**, we see:

- Savings being channelled increasingly into property investment, hence the rise in property prices since the late 1990s (**Chart 10**);
- Under-investment relative to the level reached by market capitalisation since the early 2000s (**Chart 7 above**);
- Massive share buybacks, leading to an abnormal rise in stock market indices, particularly since 2012 (**Chart 11**).

Chart 10
United States: Real home price index (1960.M1 = 100)

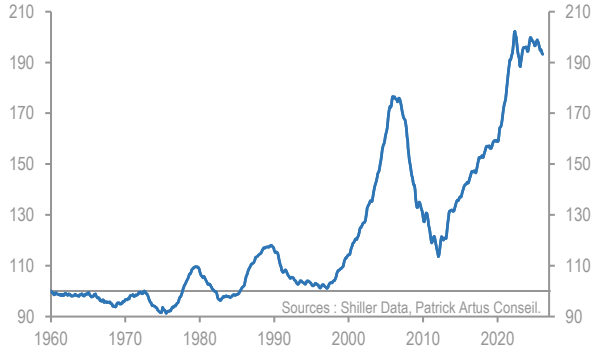


Chart 11
United States: S&P 500 stock price index deflated by the consumer price index (1960.M1 = 100)



All in all, it is clear that the 'quality' of American capitalism was significantly higher during the era of redistributive capitalism (1960–1980) than it has been since the advent of neoliberal capitalism or monopoly capitalism.

Disclaimer

Ossiam, a subsidiary of Natixis Investment Managers, is a French asset manager authorized by the Autorité des Marchés Financiers (Agreement No. GP-10000016). Although information contained herein is from sources believed to be reliable, Ossiam makes no representation or warranty regarding the accuracy of any information of which it is not the source. The information presented in this document is based on market data at a given moment and may change from time to time. This material has been prepared solely for informational purposes only and it is not intended to be and should not be considered as an offer, or a solicitation of an offer, or an invitation or a personal recommendation to buy or sell participating shares in any Ossiam Fund, or any security or financial instrument, or to participate in any investment strategy, directly or indirectly. It is intended for use only by those recipients to whom it is made directly available by Ossiam. Ossiam will not treat recipients of this material as its clients by virtue of their receiving this material. All performance information set forth herein is based on historical data and, in some cases, hypothetical data, and may reflect certain assumptions with respect to fees, expenses, taxes, capital charges, allocations and other factors that affect the computation of the returns. Past performance does not predict future returns. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice. Ossiam assume no fiduciary responsibility or liability for any consequences, financial or otherwise, arising from, an investment in any security or financial instrument described herein or in any other security, or from the implementation of any investment strategy. This information contained herein is not intended for distribution to, or use by, any person or entity in any country or jurisdiction where to do so would be contrary to law or regulation or which would subject Ossiam to any registration requirements in these jurisdictions. This material may not be distributed, published, or reproduced, in whole or in part.