# Class structure and income determination

There has been a curious gap between theoretical debate and quantitative research on social inequality throughout the history of sociology. The theoretical debates on inequality have above all revolved around the concept of *class,* and in particular around the adequacy of the Marxist theory of class. From Weber, to Parsons, to Dahrendorf and Giddens, the point of departure of theorizing the nature of inequality has been an assessment of Marx's contribution. Quantitative research on inequality, on the other hand, has been almost totally oblivious to the Marxist analysis of class as a structure of domination and conflict. And Marxists, for their part, have tended to be suspicious of quantitative, multivariate approaches to the study of social reality and thus have also done little to link the theoretical debate to quantitative research.

In *Class Structure and Income Determination,* Erik Olin Wright, a sociologist in the Marxist tradition, has made a systematic attempt to bridge this gap—to demonstrate to non-Marxist social scientists that Marxist categories matter, and that class is consequential for understanding American society. The study of income determination is particularly suited to this task, since it has been so thoroughly investigated by non-Marxists, in both economics and sociology, without any reference to the Marxist theory of class. The overriding conclusion of the book is that class position as defined within Marxist theory has a pervasive and systematic impact on income determination, an impact that is at least as important as race, education, occupational status, or sex. Thus to ignore class relations in conducting research on social stratification, Wright argues, is to ignore one of the fundamental dimensions of social inequality in modern society.

## What is class?

The theoretical precondition for this empirical investigation is a careful analysis of the concept of class in general and of the specific Marxist theory of class in particular. Accordingly, Wright begins the book by examining the pivotal differences between Marxist and non-Marxist definitions of class, and then turns to a systematic elaboration of the Marxist concept of class applied to developed capitalist society.

In the popular view, class is perhaps most readily defined in terms of income. Poor people constitute a lower class, middle-income people a middle class, and rich people an upper class. Although most sociologists include other criteria in their analysis of class (social status, life style, etc.), they usually share with the popular conception the view that the class structure constitutes a hierarchy of positions, with given classes being seen as "above" or "below" other classes. This, Wright describes as a "gradational" view of class.

In contrast with Marxist theory of class is one variety of what can be termed a "relational" view of class. Classes thus defined are not labeled along a continuum from lower to upper; instead they are defined by the nature of the social relations within which they exist—for example, lords and serfs within feudalism; capitalists and workers within capitalism. Defining classes in this way—as structural locations within a set of relations of domination—does not provide merely a useful descriptive portrait of a society; it also reflects real groupings of interests that can form the basis for collective social action. Relational concepts of class, therefore, provide a basis for linking the analysis of inequality to a theory of the dynamic forces that shape and reshape society through interaction and struggle.

The Marxist theory of class is not the only relational view of class. Wright spends some time differentiating the Marxist account from several others: the Weberian notion which defines classes primarily in terms of market relations; Dahrendorf's account which defines classes in terms of authority relations; and various views which attempt to define classes in terms of the technical relations within production (i.e., occupational definitions of class). In contrast to these, the distinguishing feature of the Marxist concept of class is the emphasis on exploitation.

Exploitation, as Wright explains it, designates a particular aspect of the relations of domination between classes, namely, the capacity of a dominant class to appropriate the labor of a subordinate class (or, more technically, to appropriate the surplus labor of another class). Such exploitation is of crucial importance: It makes it possible for

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by

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members of the dominant class to consume even if they do not produce, and it provides them with the material resources to buttress their social and political power beyond purely economic concerns. The deciphering of class as a relationship of exploitation, Wright argues, can thus provide a foundation for the analysis of broad questions of political domination, social control, and social change.

### Classes in advanced capitalism

It is clearly not enough to argue that classes must be defined in terms of the relations of exploitation. In order to use the concept of class in empirical research it is necessary to translate this abstraction into a more concrete account of the structure of class relations in specific societies. This is the second task of the book. This task is particularly urgent for Marxist social scientists, since one of the main criticisms levied against Marxist theory has been its lack of realism as an account of contemporary capitalism. The classical Marxist view of class is depicted as portraying a society radically polarized between bourgeoisie and proletariat. The empirical emergence of a large "middle class" is then taken as a definitive "proof" that Marx was wrong.

Wright argues that whether or not Marx was incorrect in certain predictions about polarization, the logic of his analysis can be extended to incorporate the changes in class relations of advanced capitalism, in particular the emergence of a "middle class." Wright introduces a specific strategy for accomplishing this, based on a concept that he terms "contradictory locations within class relations." Such a location is defined as a position within the class structure which embodies characteristics of at least two basic classes. The simplest example is managers: managers occupy a contradictory location between the working class and the capitalist class. In a sense, they are simultaneously workers and capitalists. Like capitalists, they control the labor of workers, participate in decisions about the use of the means of production and may even participate in decisions about investments (in Marxist terms, decisions concerning what to do with the surplus labor appropriated from workers). Like workers, on the other hand, they are dominated by capital, they must sell their labor power in order to work, and generally they have surplus labor appropriated from them. Foremen, in these terms, would occupy a contradictory location very close to the working class (i.e., the working-class aspects of their location would have much greater weight than the capitalist aspects), whereas top managers would be much closer to the capitalist class.

Wright identifies two other contradictory class locations, small employers and semi-autonomous employees. Small employers occupy a contradictory location between the capitalist class and what is usually called the "petty bourgeoisie" (i.e., self-employed producers who employ no wage-laborers). Like capitalists they exploit the labor of others, but like the petty bourgeoisie they work alongside their employees and generally do not accumulate capital. Semi-autonomous employees, on the other hand, occupy a contradictory location between the working class and the petty bourgeoisie. Like the petty bourgeoisie they have considerable control over their immediate laboring activity, but like workers they are wage-laborers controlled by capital (or the state) within production. Various kinds of technicians and professionals are the best examples.

Wright argues that the concept of contradictory locations within class relations represents a Marxist approach to mapping the social reality which in popular language is called the "middle class." In so doing it retains the essentially polarized logic of the class *relations* which define class position while making it possible to analyze concrete societies within which the class *structure* itself is not perfectly polarized.

This concept of contradictory locations constitutes an important contribution to sociological theory. Equally important, however, is the fact that Wright uses it as the framework for an empirical analysis that sets out to demonstrate the crucial role of class, as Marxists understand it, in structuring income inequality in the United States.

## Social class and income determination in the United States

What is it that determines how much income an individual will receive? Within economics, human capital theorists would give one answer; within sociology, status attainment theorists would give another. What these answers have in common, Wright points out, is a view of the individual as the nodal point in any theory of income determination. Various exogenous factors, such as family background, determine the basic characteristics of individuals. These characteristics then determine the location of individuals within market relations (market capacity, human capital, education, etc.), and that location determines their occupation and hence, their income.

In Marxist theory, on the other hand, income is fundamentally determined by location within the *structure* of

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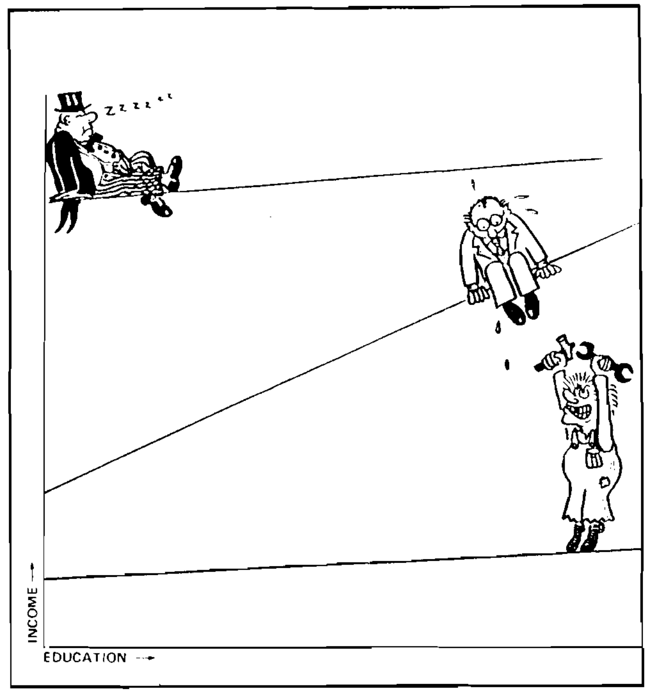
class relations rather than by a cluster of individual traits. The word "determined" in this argument means two things. First, it means that location within class relations defines *how* individuals obtain a stream of income (capitalists get income from exploiting workers; workers get income by selling their labor power to capitalists). Second, it means that one's location within the class structure determines the ways in which a variety of individual characteristics influence *how much* income one gets. In particular, Wright argues, location within the class structure determines the impact of the variables studied by human capital and status attainment theorists. His critique of these perspectives, then, is not that they fail to study important factors which influence income, but rather that since they ignore class location they obscure the real process by which their favorite variables have their effects.

On the basis of these assumptions, Wright constructs a formal model of income determination at the level of classes. He then formulates a series of ten hypotheses about class that, over the succeeding six chapters of his book, he investigates empirically, using data from three major surveys: the longitudinal Panel Study of Income Dynamics and two cross-sectional studies, the Michigan Survey of Working Conditions (1969), and the Quality of Employment Survey (1973).

This article will not attempt to summarize his conclusions, which are complex, and based upon rigorously honest analysis that reveals, "warts and all," the deficiencies as well as the strong positive findings of these explorations. The range and significance of Wright's analysis are perhaps best displayed through the hypotheses that he explores. In brief, he first attacks the issue of occupation, arguing that the individual's position within class relations will have a significant impact on income, independently of occupational status, even when education and a host of other variables are taken into account. Class, defined in Marxist terms, is not simply a proxy for "occupation" and thus must be studied in its own right.

Second, Wright argues that the extent to which an individual can "cash in" various personal attributes, especially education, for income will vary systematically from class to class. In particular he presents a sustained theoretical argument for why managers—people in the contradictory class location between the working class and the capitalist class— should have much higher returns to education than workers, even after a wide range of other variables are held constant (a finding caricatured in the cartoon). Much of the empirical investigation of the book centers on exploring these kinds of interactions for various classes and attempting to decipher the mechanisms which produce them.

Finally, he turns to two issues that over the last twenty years have generated much heat, and some light: the effects of race and sex on income. He argues that the returns to education for white and black males will be much closer within class categories than across them, that is, class is at least as important as color in determining income. The same holds true for women who work; like blacks, they are heavily concentrated in the working class.




Demonstrating the validity of these hypotheses, Wright points out, will not "prove" that the overall Marxist theory of capitalist society is correct. But it does demonstrate that class has a systematic and pervasive impact on income inequality.

Currently, Erik Wright is engaged in a major, cross-sectional social survey of four advanced capitalist societies: the United States, Italy, Sweden, and Great Britain. He hopes to develop a body of data specifically Marxist categories and those grounded in non-Marxist sociology, especially occupation and status, in the analysis of income and various social attitudes and behaviors. Clarifying the ways in which class structures shape the income determination process will, he believes, contribute to our understanding of the kinds of social change needed to alter the underlying processes that generate inequality. Do these changes fundamentally require transformation of the class structure itself, or merely distributive changes within a given class structure? ■

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National Income Determination - According to Keynes there are two major factors that determine the national income of an economy â̂'.Â  As per Keynes theory of nation income, investment (I) remains constant throughout, while consumption (C) keeps changing, and thus consumption is the major determinant of income. 