

# Class and Class Analysis

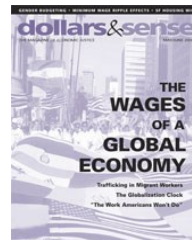
**People:** I am sure you are aware that we live in a *capitalist* society. But what does that mean? At the most basic and simplest level it means that one tiny group of people in this society, the capitalist class (also known as the **bourgeoisie**), *as a consequence of history*, own the means of production (factories, etc.); thereby forcing (because of economic necessity) the rest to work for this class. After all, that is why most of you are here in this room. Upon your graduation, you will polish up your resumes and then present yourselves to potential employers (the capitalist class) for jobs. In other words, class analysis is foundational to our understanding of what a **capitalist** society is and how it functions. Yet, for most of the history of this country up to the present, any discussion of the concepts of **class** and class analysis have been almost taboo for the benefit of the capitalist class; because these concepts automatically open the door to other concepts, such as **class warfare**, **class struggle** (and the related concept of democracy—specifically **authentic democracy**), which in turn raise such issues as power, exploitation, oppression, and social justice. Even departments of economics in colleges and universities, for the most part, tend to avoid teaching about class and its related concepts; thereby teaching what is essentially a half-baked version of economics. (No wonder, these people have never been able to show us how to avoid economic crises, mass unemployment, etc., among their many failings.) In this three-part reading, Professors Wolff and Pollin explain what class and class analysis is, each from a slightly different perspective though, and its relevance in understanding current economic circumstances here in the U.S. and elsewhere. Read, digest, and be prepared to be tested on this reading. (NOTE: words I have bolded here are defined for you in the course glossary (part of online course readings).

**DOLLARS&SENSE** REAL WORLD ECONOMICS

## Class Analysis and Economics

Rick Wolff

This article is from the May/June 2006 issue of *Dollars & Sense* magazine.  
Source: <http://www.dollarsandsense.org/archives/2006/0506wolff.html>



Class analysis predates economics. Long before modern economics emerged, ancient Greek thinkers, for example, analyzed their society by classifying people into groups by wealth. They viewed understanding the relationships between classes as crucial to improving their society and debated whether wealth should be distributed equally. While class analysis has a long history, no single definition of class has prevailed. Alongside property definitions (rich and poor), social theorists have used definitions based on the power that various groups wielded and have debated whether power is or should be distributed unequally (to elites, to kings, and so on) or equally (in various versions of democracy).

For Adam Smith and David Ricardo, originators of modern economics, class analysis was central. Here is how Ricardo opened his *Principles of Political Economy and Taxation* (1817): "The produce of the earth ... is divided among three classes of the community ...". He defined these classes as owners of the land, owners of capital (machines, tools, etc.), and owners of labor power who do the work. He continued, "To determine the laws which regulate this distribution is the principal problem in Political Economy." Like many thinkers before and since, Ricardo believed that understanding a society required identifying its main classes and recognizing the nature of their interdependence and conflicts. Class and class differences were the core concerns of economics at the discipline's founding.

Why then do today's dominant economic theories—the neoclassical and Keynesian economics traditions—ignore class analysis? They do that in reaction to what Marx did with class analysis after Ricardo. Building on but also differing from Smith and Ricardo, Marx took class analysis in new directions. He also linked his new class analysis to a fundamental critique of capitalism; Smith and Ricardo had used their class analyses to celebrate capitalism.

Marx was a radical who criticized his society's unequal distributions of property and power. Like other social critics, he favored collective ownership of property, egalitarian income distribution, and democracy as basic component of social justice. Marx inherited the ancient concept of classes based on property. He made use of Smith's and Ricardo's economics because he valued their class analyses. He also appreciated the power definition of class. But Marx believed that the received definitions of class were inadequate. He developed a new class analysis to equip mass movements for social justice with new insights and strategies for constructing just, egalitarian and democratic societies.

In his new class analysis, Marx defined class not in terms of wealth, income, or power, but rather in terms of the surplus. He argued that in all societies, a portion of the people applied brain and muscle to produce a quantity of goods that exceeded what they themselves consumed plus what went to replenish the raw materials and equipment used up in the production process. That excess he called a surplus. Societies differed in how they organized this surplus: who produced it, who got it, and what they did with it.

By focusing on the surplus, Marx had changed the very meaning of class. In his work, it referred less and less to groups of people (the rich, the poor, labor, management, the rulers, the powerless, and so on). Instead, it increasingly referred to the economic processes of producing, appropriating, and distributing the surplus that occur in every society. A "class structure" came to mean a particular set of these processes. Because the dominant class structure in Marx's time was capitalist, it was the particular capitalist processes of surplus production, appropriation, and distribution that he analyzed.

Capitalism is still dominant, and Marx's analysis still applies. Here is a capsule summary. Capitalists promise workers wages in return for producing an output which the capitalists own, immediately and entirely. The capitalists sell the output in markets and pocket the revenues. One portion of capitalists' revenues provides workers their promised wages, which workers then use to buy back from the capitalists a portion of what they had produced for the capitalists. After paying wages and replenishing materials used up in production, the remaining revenues comprise the capitalists' surplus. The workers produce the surplus; the capitalists appropriate it.

As Marx stressed, capitalism resembles feudalism and slavery in this organization of the surplus. Slaves produced more than they got back from their slave masters; feudal serfs kept part of their product for themselves and delivered the rest—the surplus—as rents to feudal lords. Whenever workers produce a surplus that other people get, Marx labeled that "exploitation." Thus, in his scheme, the transitions from slavery and feudalism that established capitalism had not freed workers from exploitation.

Marx's surplus-based concept of class turned out to be a powerful analytical tool that those in the Marxist tradition have used to make sense of a wide range of political and economic questions. One fruitful area of research has focused on how changes in economic, political, and cultural conditions affect the size of the surplus pumped out of the workers, how workers and capitalists struggle over that size, and how the supplies, demands, and prices of goods and services in the market reflect and affect those class struggles. For example, falling food and clothing prices make it easier for capitalists to lower the money wages they pay and thereby extract more surplus from workers. To take another example, if political and cultural developments encourage workers' class consciousness to grow—if they come to understand surplus and exploitation—they may reduce the surplus they deliver to capitalists or even demand the right to appropriate the surplus themselves.

Marxian analysis also follows the surplus after the capitalists appropriate it. Competition among capitalists and their struggles with workers impose demands on the surplus. Thus, for example, capitalists distribute some of the surplus to pay supervisors to squeeze more surplus from workers. Capitalists distribute another portion of the surplus to attorneys to fend off lawsuits, another portion to pay managers who buy new machines to overcome competitors, and so on.

Class-analytical economics distinguishes workers who produce the surplus ("productive workers") from those who provide the conditions that capitalists need to keep appropriating it ("unproductive workers" such as supervisors, lawyers, and managers). Since productive workers create the surplus that capitalists then distribute to unproductive workers, these two groups relate differently to class processes even though members of both are wage-earners. Thus, Marxian economists can ask and answer questions about class differences among different groups of workers that other economists, lacking an analysis of class in surplus terms, cannot ask let alone answer.

Marxian economics also explores interactions among class processes. How surpluses get produced and appropriated shapes how those surpluses are then distributed and vice versa. For example, intensified exploitation (e.g., speed-ups, closer supervision, or cuts in paid time off) produces stress that often requires capitalists to devote more of the surplus for programs like counseling that help workers cope with alcoholism, absenteeism, and so on. Similarly, when capitalists distribute more of the surplus to buy new machines, that usually changes the number of workers hired, the intensity of their labor, and the resulting rate of their exploitation. Class analysis further shows how commodity prices, enterprise profits, and individual incomes depend on and influence class processes. For example, when workers succeed in raising their wages at the expense of capitalists' surpluses, capitalists often respond by automation, outsourcing to cheaper workers abroad, layoffs, or still other strategies that change individual incomes, corporate profits, prices, and government tax revenues both at home and abroad.

Those in the Marxist tradition also study the interactions among politics, culture, and capitalist class processes. For example, capitalists spend part of their surpluses on campaign contributions and lobbyists to shape government policies in the interests of exploiting more surplus from their workers, of beating out their capitalist competitors, and so on. Needless to say, such distributions out of the surplus have a heavy impact on politics in capitalist societies. Another example: When Wal-Mart recently found its surpluses hurt by employees' class action suits over discrimination and unfair labor practices, it decided to distribute more of its huge surpluses to "media expenditures." In plain English, this money aims to influence what TV programs we see, how newspapers shape stories, what messages films emphasize, and so forth. Beyond Wal-Mart's image, these distributions of the surplus help to shape the larger culture and thereby the development of the societies whose media Wal-Mart intends to "engage."

Marxian economists recognize that capitalism often yields rising output and consumption levels. But their analyses typically underscore the contradictions and injustices of capitalism's uneven distributions of its costs and benefits and demonstrate how the economic problems of capitalism, including unemployment, waste of natural and human resources, and cyclical instability, emerge in part from the system's particular class structure.

An analysis of class in terms of surplus has also allowed thinkers in the Marxian tradition to develop an economics of post-capitalism. A post-capitalist economy begins when revolutionary economic change brings about an end to exploitation, not merely changes in its form. Then, the workers who produce the surplus will also be the people who appropriate and distribute that surplus. In a sense, productive workers become their own board of directors; they collectively appropriate their own surpluses within enterprises. Imagine that Monday through Thursday, the workers produce output. Fridays they perform three very different activities collectively: return a portion of their output to themselves as individual wages, replenish the used-up means of production, and devote what remains—the surplus—to maintain this new class structure. Such a nonexploitative class structure is what Marxian class analysis means by communism. Of course, a nonexploitative class structure is no automatic utopia; it will have its distinctive economic, political, and cultural problems, but they will differ from those of capitalism.

Marxian economists argue about how class processes interact with other economic, political, and cultural processes to shape the evolution of capitalist societies. They differ as well in their analyses of nonexploitative class structures—past, present, and future. Generations of these debates have yielded a complex, sophisticated, and diverse Marxian class analytical economics that offers distinctive understandings of capitalism and the communist alternative.

Yet Marxian class analysis is now largely excluded from books, newspapers, classrooms, and most people's consciousness by the neoclassical and Keynesian economics orthodoxies. Instead of welcoming debate among alternative kinds of economics, most orthodox economists endorse the silencing of alternatives generally and Marxian class analysis in particular. Neither neoclassical nor Keynesian economics argues about the production, appropriation, and distribution of surpluses. They simply deny that surpluses or class processes exist. Students mostly study neoclassical or Keynesian models of how economies work. Practical economists apply the models to statistics and statistics to the models. The public hears their conclusions not as results of one kind of (class-blind) economics but rather as the truth of economic science, applicable always and everywhere.

Nonetheless, Marxian class analyses thrive despite their exclusion from the mainstream. Capitalism's problems plus the struggles and oppositions they provoke continue to generate critics. Many find capitalism's inequalities of wealth, income, and power unacceptable. Some find their way to Marxian class analyses focused on the social organization of the surplus as a key to the insights and strategies needed to take societies beyond capitalism.

## Reply to Wolff on Class

Robert Pollin

This article is from the September/October 2006 issue of *Dollars & Sense* magazine.

Source: <http://www.dollarsandsense.org/archives/2006/0906pollin.html>



Rick Wolff's article in the May-June issue of *Dollars & Sense* offers a clear, brief, and useful summary of Wolff's views of Marxian economics and class, as developed over many years with his collaborator Stephen Resnick. Their view is by no means representative of what one finds by reading the work of Karl Marx himself. This in itself is not necessarily a problem. Marx was an enormously creative and challenging thinker, and it can be beneficial when people attempt to simplify and summarize Marx in their own ways. But it is fair to ask whether Wolff's and Resnick's analysis succeeds in capturing important insights about economic reality and whether it can serve as a tool for empowering democratic and egalitarian movements—a standard Wolff invokes when he writes that "Marx developed a new class analysis to equip mass movements with new insights and strategies for constructing egalitarian and democratic societies."

There is no doubt that Wolff, along with Resnick, has made substantial efforts to develop a new Marxian analytic framework. However, I do not think that their analysis offers a viable framework for understanding economic reality; rather, I think that their approach contributes towards pushing progressives away from confronting major fundamental problems of contemporary capitalist societies.

Wolff and Resnick claim that what is distinct about Marxian class analysis is that class divisions result from capitalists extracting surplus labor time from workers, not from capitalists' power or their ownership of property. As Wolff writes, "Marx defined class not in terms of wealth, income, or power, but rather in terms of the surplus."

Marx divides a worker's time on a job into two parts. The first part of the average working day is "necessary" labor time, through which a worker produces his or her sustenance and that of his/her family. The remainder of the working day is "surplus" labor time. Marx said that this surplus labor time is the time during which the worker continues to produce, but the products generated during this time are claimed by the capitalist who has employed the worker. Marx uses the term exploitation to refer specifically to the ability of capitalists to extract surplus labor time from their workers.

My difference with Wolff over defining class in terms of the surplus, as opposed to property and power, is straightforward. In reality, no worker would allow a capitalist to extract surplus labor time from her or him if this worker had the power to prevent it. And why don't workers have such power? Because the workers do not own their own means of production, in other words, their own means of survival. They do not own property or hold enough wealth to keep themselves and their families alive. If they did hold significant amounts of wealth, they would then have more economic power, and they would not take a job with a capitalist that would allow the capitalist to extract surplus labor time from them. Thus the very notion of surplus extraction is inextricably intertwined with those of wealth, property ownership, and economic power.

This becomes obvious when we consider one of the overarching issues facing the global working class today: sweatshop labor conditions. There is no doubt that workers in sweatshops are being badly exploited by capitalists —i.e., that the workers are getting paid far less than the value of the goods they are producing. However, the single most important reason that sweatshops exist is that people accept these jobs, even given this reality of exploitation. True, once workers are hired into sweatshop firms, they are often forced to stay on the job though harsh forms of compulsion. Still, for the most part, workers could escape exploitation in sweatshops simply by refusing to show up at work.

The fact that they do show up means that sweatshop employment represents an option that is superior to their next best alternative. That is, if sweatshop workers had money saved up or productive assets to fall back on, they would not show up at the sweatshop, and they could still keep themselves and their families alive. Or, even without savings or productive assets, sweatshop workers could still lessen their exploitation if they had more organized political power. The fact that they don't have property or power is precisely the reason that they are exploited every day in sweatshops. In my view, Wolff's insistence on making a sharp analytical distinction between surplus labor extraction, on the one hand, and property ownership and power, on the other, as the bases for class exploitation leaves him with no coherent explanation for this most basic feature of social reality today, the sweatshop.

Moreover, the situation facing the sweatshop worker is actually part of a more general problem facing workers in capitalist societies—the issue of unemployment, underemployment, and what Marx famously termed "the Reserve Army of Labor." Marx devoted a 100-page chapter to this question in Volume 1 of *Capital* alone. The reason for Marx's attention to this issue is clear. The reserve army of unemployed and underemployed workers is what keeps workers' bargaining power weak, and it keeps workers divided among themselves, competing for scarce job opportunities. In an economy with something approximating true full employment, workers could bargain up their wages and improve working conditions. The workers would then also have more money with which they could, among other things, save, buy their own productive assets, or strengthen their unions. With the workers acquiring additional power and assets, the capitalists would then have to compete increasingly to attract workers onto their payrolls. The capitalists' ability to extract surplus labor time from workers would fall. Thus, bargaining power is at the very center of understanding surplus extraction; and unemployment—i.e. maintaining a sufficiently large reserve army of labor—is an indispensable tool that capitalists use to maintain their bargaining power advantage.

However, Wolff's article does not mention any of the issues surrounding unemployment, underemployment, and the reserve army of labor. This was not an oversight on his part: in *Knowledge and Class: A Marxian Critique of Political Economy*, Wolff and Resnick's most comprehensive work, there is not a single reference for either the terms "unemployment" or "reserve army of labor" in the book's index. (By contrast, the index cites 37 references to "overdetermination," a widely used concept in the postmodernist academic literature.)

By ignoring the dynamics of unemployment and underemployment, Wolff and Resnick, in my view, have foreclosed the possibility that their approach can provide a viable theoretical basis for understanding class exploitation in capitalism. Moreover, simply to understand day-to-day reality under capitalism, much less to propose viable strategies for constructing democratic socialist societies, is impossible without grappling with the facts of global unemployment and underemployment. Let me emphasize this further: in my view, understanding the dynamics of unemployment and underemployment is crucial both for developing a coherent analysis of class exploitation in capitalist economies and for advancing effective strategies toward building a more egalitarian society.

To make this point more concrete, consider the fact that roughly 35% to 50% of the working people in less-developed countries are working in what are termed "informal" jobs as agricultural day laborers, urban street vendors, or at-home producers of clothing, among others. Women are disproportionately employed in such informal jobs. A high proportion of these jobs pay poverty-level wages or worse. But many informal workers do not receive wages at all because they are self-employed. For these people, the rate of surplus extraction is zero, since they don't work for a capitalist.

These informal workers form the pool of people who line up to be hired in sweatshops—i.e., to be exploited in a sweatshop is a better option for them than being self-employed selling matchbooks on the street. These informal workers, along with the sweatshop workers in developing countries, together form a still larger pool of workers defining the reserve army of labor for capitalists even in developed countries like the United States. Even when U.S. businesses do not actually outsource jobs to developing countries or import products from these countries, they can still make credible threats to U.S. workers, claiming, for example, "either you take a pay cut or we move your job to El Salvador, where wages are a tenth of what we pay you." Such threats play a crucial role in maintaining low wages and exploitative working conditions in the United States.

This reality of the global labor market brings up a fundamental weakness in Wolff's and Resnick's use of the concept of surplus extraction itself. For example, how do we usefully compare the rate of surplus extraction between a Toyota autoworker in Tennessee and a garment worker in El Salvador? The autoworker in Tennessee earns wages perhaps 30 to 40 times more than the garment worker in El Salvador. But if we simply apply the formal definition of surplus extraction—that is, the percentage of workers' total labor time that goes to the capitalist rather than to their own wage—the Tennessee autoworker could be more exploited than the El Salvador garment worker.

In fact, this basic difference in living standards between these two workers matters a lot, regardless of how we measure their relative rate of surplus extraction. Such differences need to be recognized. At the most obvious level, it matters for one's life opportunities whether a worker and her family are living on \$40,000 a year or \$1,000 a year. Such differences in incomes also matter for understanding a range of political issues, including why millions of workers in developing countries try to enter the U.S. workforce, to be exploited by capitalists in the United States as opposed to in, say, El Salvador.

Marx speaks to these issues in his own discussion of surplus value. In writing on the definition of surplus value and the length of the working day, Marx writes as follows: "The extension of the working day encounters moral obstacles. The worker needs time in which to satisfy his intellectual and social requirements, and the extent and the number of these requirements is conditioned by the general level of civilization" (*Capital*, Volume I, p. 341 of Vintage edition). The implication of what Marx is saying here is clear: we cannot say hard and fast what the rate of surplus value is, because we cannot cleanly divide a workers' labor time over the course of a working day between what is necessary for the workers' sustenance and what goes to the capitalist as surplus. Before we can divide up the workers' time in this way, we first need to establish what is the "general level of civilization" in a given society. And this "general level of civilization" is never something that is handed us on a silver platter. It rather depends first on the total amount of goods and services that the economy produces—i.e. the level of productivity, or what Marx termed the "forces of production." It also then depends on how evenly this total supply of goods and services is distributed. A society that operates with strong institutions of solidarity will distribute its total supply of goods and services more evenly, thereby expanding the time for a worker "to satisfy his intellectual and social requirements."

Overall, Rick Wolff and his collaborator Stephen Resnick deserve respect for their attempt to bring fresh thinking to Marxian economics. However, in my view, their theoretical approach is not viable, either as a foundation for understanding social and economic reality or as a tool for helping to build a more democratic, egalitarian future.

## Reply to Pollin

Rick Wolff

This article is from the September/October 2006 issue of *Dollars & Sense* magazine.

Source: <http://www.dollarsandsense.org/archives/2006/0906wolff.html>

I won't engage Professor Pollin about whose views of Marx are truly "representative." Debate on who gets Marx right is mostly academic (in the bad sense) or sectarian. Resnick and I always identify ours as one interpretation among many engendered by Marx and Marxism. Let's rather recognize and debate alternative interpretations as to their theoretical and political contents and implications. We try to do that for the interpretation of class in terms of surplus.

Pollin misses why our work stresses the definition of class in surplus terms. We aim to remedy the inattention to the production, appropriation, and distribution of surplus in most conventional class analyses, both Marxist and non-Marxist. Conventional analyses, including Pollin's publications, treat classes in terms of property (rich vs. poor) and power (rulers vs. ruled), with very little or no systematic attention to the production and distribution of surplus. We recognize—and our work examines—the relevance of property and power distributions, but precisely in their interactions with the ways societies organize their surpluses.

Pollin wants our agreement that if workers had property or power, exploitation would cease (note the focus on property and power now as if they alone determined the surplus). Such reasoning misses two of Marx's key points. The first is that the capitalist organization of the surplus itself contributes to capitalism's social distributions of property and power; those distributions are effects as well as (some of the many) causes of the social organization of the surplus. Marx's second point is that radically altering the social distribution of property and power does not necessarily (nor historically) eliminate capitalist exploitation. When he notes that the state sometimes owns and operates capitalist enterprises alongside, or instead of, private owners and operators, he clearly recognizes how changed distributions of property and power (from private to state) can coexist with capitalist exploitation in its surplus definition. We develop just this point in detail for the USSR in Resnick and Wolff, *Class Theory and History: Capitalism and Communism in the USSR* (2002).

Pollin complains now that our book *Knowledge and Class* (1987) did not treat unemployment, underemployment, and especially the reserve army of the unemployed. But those were not the topics that book addressed then; they rather interest Pollin now. As to the relative importance to Marx of unemployment vs. the surplus, recall that *Capital* devotes one section out of eight in Volume 1 to the reserve army. He devotes most of the rest of Volume 1 to the production and appropriation of the surplus in capitalism; most of Volume 2 treats the circulation of capital in terms of the surplus; and most of Volume 3 analyzes how the capitalist surplus gets distributed to bankers, landlords, shareholders, merchants, and so on.

To focus on the production, appropriation, and distribution of the surplus is not only to engage the central contributions of Marx's work. Our book and our work since also explicitly develop those arguments to provide insights for progressive thought and action now. For example, a surplus analysis focuses progressive action around wages not merely toward raising them, but toward challenging the legitimacy of (a) who appropriates the surplus, and (b) how the appropriators distribute the surplus. The point is to criticize the social effects of capitalist surplus appropriation and distribution, while advancing an alternative social organization of the surplus. We develop such a surplus analysis for a critical rethinking of left and labor union strategies in the United States in "Exploitation, Consumption, and the Uniqueness of U.S. Capitalism," (*Historical Materialism* 11:4 [2003]).

Pollin's concern with unemployment is Keynesian. Marxist goals go far beyond reducing unemployment; they are about changing the class structure of jobs, eradicating the capitalist organization of the surplus—exploitation—that makes jobs the problem, not the solution. Dissolving Marxism into Keynesianism undermines the specific difference of Marxism—its particular surplus-focused contribution to struggles for basic social change.

Pollin attacks us for "pushing progressives away from confronting major fundamental problems"—another overheated and facile accusation that the left hardly needs. Resnick and I offer analyses of the surplus hoping to strengthen struggles for equality and democracy. We think those struggles can be more successful in the future than they have been in the past if people include the social reorganization of the surplus as part of progressive agendas. Indeed, as our book on the USSR underscores, the achievement and durability of progressive changes toward equality, democracy, and better relationships among people and with the natural environment depend in part on changes in the social organization of the surplus: above all, on the elimination of exploitation.

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