

Lecture 17
Sociology 621
March 26, 2008
Class Struggle and Class Compromise

If one holds to the emancipatory vision of a democratic socialist alternative to capitalism, then Adam Przeworski's analysis of class formation paints a considerably more pessimistic picture than that of Offe and Weisenthal. (On the other hand, if one is only concerned with the prospects of improvements in conditions of life for ordinary people within capitalism, then in some ways Przeworski is quite optimistic). He sees no necessary cycle between militancy and opportunism, and certainly no spiral which impels workers towards waves of radicalization and rejection of economism/opportunism. Instead, at least for developed, industrial capitalism, Przeworski sees capitalism as firmly capable of creating the material basis for a more or less permanent class compromise between labor and capital. The issue of the possibilities for a rupture, therefore, become primarily concerned with the cultural contradictions of capitalism, with the ways in which ideological crises may be generated within those material conditions, but not because of any unraveling of the material base of consent itself.

Przeworski's analysis of class compromise focuses much less on the internal logic of organization-building or on the problem of getting rational *individuals* to join a collective action, and more on the dynamic relation between already collectively formed classes which defines the terrain on which class formation takes. He arrives at two fundamental theses which can be termed the **class compromise thesis** and the **transition cost thesis**:

1. *Class compromise thesis*: Under certain conditions, if workers and capitalists act rationally in the pursuit of economic interests, then they will converge on a *class compromise* form of class conflict in which (a) capitalists agree to return part of the fruits of accumulation to workers in the form of productivity-based wage increases, and (b) workers agree to moderate their wage demands to a level which does not threaten the rate of profit and to cooperate with capital within the labor process. Understood in this way, a class compromise is not simply a stalemate -- a balance of forces on a battleground. This might be called a "negative class compromise"; rather it is a situation where the possibility exists for some gains from cooperation between workers and capitalists, or what can be called "positive class compromise".

2. *Transition costs thesis*: Once a class compromise is reached, then the transition costs involved in a socialist rupture will always be sufficiently high to make it *economically irrational* for workers (individually *and* collectively) to struggle for socialism. The struggle for socialism, therefore, can only be based on noneconomic criteria. The pessimism comes from the belief that these are unlikely to be sufficiently strong to sustain a transformation towards any kind of socialist alternative.

I. Conditions for Class Compromise

1. Foundational Fact about capitalism:

Przeworski's basic argument for the possibility of class compromise is this: It is a fundamental fact of capitalism that *economic growth and innovation comes out of private profits*. This has profound implications for working-class class formation.

Workers' *present* welfare depends upon two central variables:

- 1) Level of productivity
- 2) Workers' ability to resist exploitation (capture part of the surplus produced)

Workers' *future* welfare also depends upon two processes:

- 3) Capitalists' present investments out of the surplus they appropriate,
- 4) Workers capacity to appropriate future stream of wages from productivity growth

BUT this generates a dilemma: *workers cannot maximize both #2 and #3.*

This generates a deep tension within working class struggles since workers face a potential trade-off between present and future income in their struggles with capitalists. This is like the perpetual trade-off inherent in every act of balancing present consumption against future consumption – you save from present consumption in order to consume more in the future – with the crucial added problem of struggle and uncertainty.

Let us suppose that workers are insufficiently powerful to overthrow capitalism in their lifetime, but they are powerful enough that they could win very large wage increases through their struggles. Would it be rational for them to do so? Przeworski's answer is that the rationality of particular wage-strategies of workers depends upon the likely response of capitalists to different levels of working class militancy.

2. Levels of Militancy & class compromise

“Optimal militancy” = that level of militancy which generates the maximum *sustainable positive trajectory* in wages over time (assuming continuation of capitalism).

“Maximal Militancy” = the maximum achievable level of antagonistic struggle against capital. Let us suppose that no class compromise is possible, either because the economic conditions do not allow it or because the capitalist class is so short-sighted and selfish that they refuse to make any deal with workers. They prefer all-out class war. Under such conditions, Przeworski argues, workers will do better by being maximally militant, by trying to obtain maximum wage increases at every point in time.

Hyper-radicalism thesis: optimal militancy = maximal militancy: class compromise is always a sham.

Class Compromise Thesis: under certain conditions optimal militancy is less intense than maximal militancy. A class compromise means that in exchange for workers moderating their militancy, capitalists agree to reinvest part of the surplus (profits) and to give workers some of the fruits of this reinvestment in the form of productivity based wage increases. Under such conditions, Przeworski argues, the optimal strategy for workers is to be *moderately militant*: sufficiently militant to ensure that capitalists abide to their side of the bargain, but not so militant as to threaten the compromise by squeezing the rate of profit.

3. Conditions for sustainable class compromise

The critical issue is, then, what determines the feasibility of class compromise? Three issues are especially important: **time horizons, trust, associational power.**

- (1). Time horizons
- (2). Trust
- (3). working class associational power

(1) Time horizons

The problem of time horizons basically concerns how far in the future workers and capitalists make strategic calculations. The higher the degree of uncertainty about future states of the economy, the shorter will be the time horizons of all actors. The more confident actors are about the predictability of the future, at least in terms of basic material conditions, the longer into the future they are willing to make strategic calculations. In advanced industrial capitalism, Przeworski argues, there is generally a relatively long time horizon based on the historical experience of stable accumulation.

(2) Trust

Trust is in some ways even more important than time horizons. Even if workers believe that they can predict the future state of the economy pretty well, they are unlikely to agree to a class compromise if they feel that they cannot trust capitalists to follow through with their promises. The same, of course, applies to the willingness of capitalists to believe the promises of workers. The historical memory of betrayals, therefore, can be a serious obstacle to forging stable class compromises.

Because of the antagonistic interests of workers and capitalists and the generally depersonalized character of the capital-labor relation, it is unlikely that this kind of trust can be built exclusively on beliefs of good faith. It is therefore important that an institutional framework

exist in which trust is reinforced and, perhaps, even guaranteed. Przeworski argues that the institutions of bourgeois democracy, especially under the guidance of social democratic parties, provides the institutional setting for the necessary reciprocity and trust to develop. (We will discuss the specific issue of the role of parliamentary democracy in class compromises in the next block of the course).

If these arguments are correct, then in *advanced industrial capitalist democracies* there will in general be both a sufficient time horizon and the institutional conditions of trust for class compromises to be forged between workers and capitalists. Under these conditions, then workers will be better off opting for moderate militancy and capitalists for productivity-based wage increases: both benefit from this arrangement *relative to historically feasible alternatives*.

(3) Form of Class Compromise

The class compromise thesis suggests a specific relationship between the strength of the working class and the interests of capital. The conventional Marxist wisdom is that these are inversely related: increasing working class organizational strength is monotonically more disadvantageous to capitalists. The class compromise thesis indicates that the relationship is more like an inverse-J relationship: Capitalists prefer a disorganized working class, but if working class associational power moves beyond the trough in the curve, then capitalists individually have interests in further increasing union density because this makes their labor supply predictable, increases market coordination and potentially increases worker discipline within production; below that threshold, capitalists have interests in reducing density. US = to the left of the trough; Sweden = to the right of the trough.

My work on class compromise tries to lay out more precisely the underlying mechanisms which make a positive class compromise stable. The core of my argument is that in various ways workers associative power can help capitalists solve various kinds of collective action problems. (The details of the argument are elaborated in detail in my paper on class compromise).

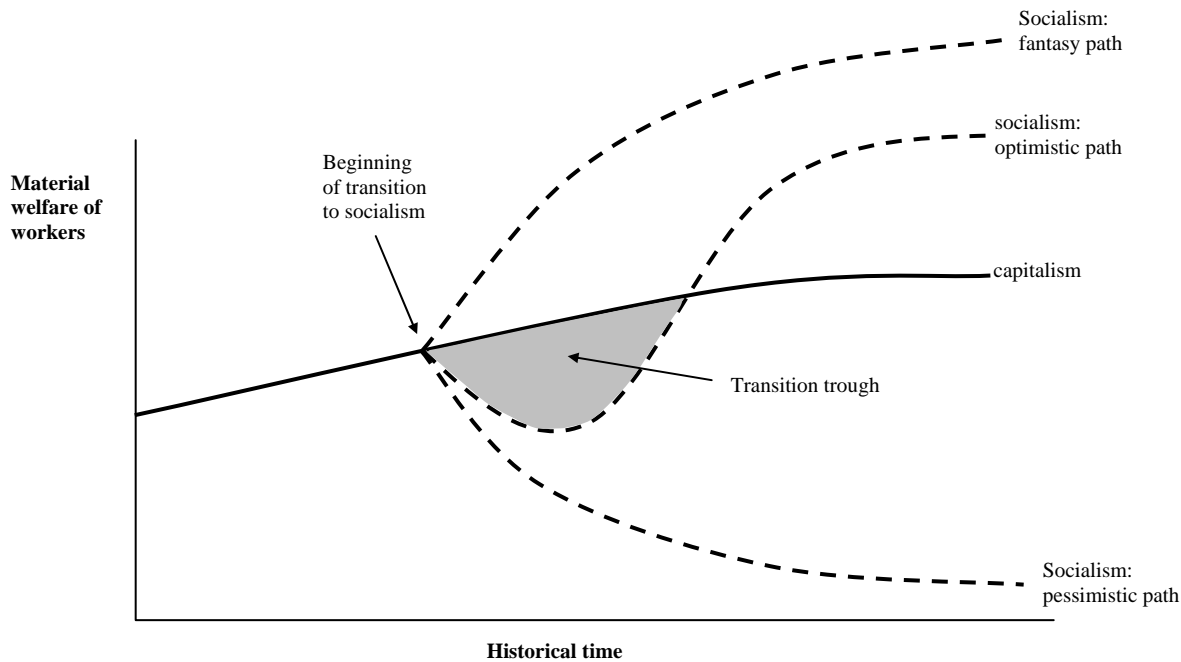
II. Transition Costs

The fact that a class compromise is better for workers than hyper-militancy *within the capitalist rules of the game* does not mean, of course, that those rules of the game are optimal for workers. Why don't workers simply opt for socialism? Why don't they engage in revolutionary struggles to transform the rules of the game themselves?

The reason why this alternative is not chosen, Przeworski argues, is that so long as workers are motivated out of material interests and a class compromise within capitalism is possible, it is highly unlikely that the struggle for socialism would be in their interests. *Being* in socialism might be in their interests, but *struggling* for socialism would not.

The basic argument behind this thesis is that there are significant transition costs to moving from capitalism to socialism. The capacity of capitalists to disinvest means that they can

cause tremendous economic dislocation in any attempted rupture with capitalism (this is quite apart from the issue of armed counterrevolution, etc.). This means that even if we assume that socialism is unambiguously more productive than capitalism and that levels of living would improve more rapidly for all workers under socialism, it would in general still be irrational for workers to struggle for socialism because of the depth of the “transition trough” as illustrated below.



Where a class compromise is not possible, of course, this picture looks very different. Particularly if the longrun welfare trajectory of capitalism is declining, then the transition trough may be quite shallow and thus even in purely economic terms the struggle for socialism could be rational. (It should be noted that even under the conditions of a shallow transition trough the transition could still involve pervasive sacrifices and the upward trajectory of socialism could be much less certain because of unfavorable technical conditions.)

The upshot of Przeworski’s analysis is that both because class compromise optimizes workers welfare trajectory *within* capitalism and because the costs of a rupture with capitalism are so large, it is unlikely that under conditions of stable accumulation workers would ever struggle for socialism primarily out of material interests alone. But it is their material interests -- i.e. their interests determined by the relations of exploitation -- which define them as a class and which define their specific *class* interests in socialism (as opposed to their “human” interests in socialism). This creates a deep irony within the Marxist theory of class formation: *it is only by moving beyond their interests as a class that workers as a class can struggle for socialism.*