

Sociology 298 Lecture 6
Thursday March 7, 2002
CLASS STRUGGLE, CLASS FORMATION AND CLASS COMPROMISE

I. Stating the Problem

1. Structures and People

It is sometimes thought that the study of class structure revolves strictly around *positions*, whereas the analysis of class formation and class struggle centers on *people*, on the actual practices of real individuals confronting the world. This is not an adequate way of drawing the distinction. Both analyses revolve around people, but viewed from different vantage points. The analysis of class structures views individuals as incumbents of relationally defined positions -- or, to say the same thing: analyzes individuals in terms of their relational interactions generated by their ownership and control over productive resources. The analysis of class formation views individuals as participants in collective actions oriented around the interests generated by class relations. One of the central objectives of class analysis, then, is to understand how individuals-as-incumbents in positions are organized, disorganized and reorganized into individuals-as-participants in struggle. This is the process of class formation.

2. Class Structure as a terrain for constructing potential class formations

So far, our main preoccupation has centered on the class structure side of this process. As I have argued in various places, the crucial way in which class structure bears on the problem of class formation is *by defining a terrain of material interests upon which collective actors* are formed. More specifically, for every person, the objective, material interests defined by the class structure determines three potential categories of actors:

- a) actors who *share* the same class-based material interests as oneself (i.e. who face the same trade-offs and strategies: have to do the same things to improve material welfare)
- b) actors who have *antagonistic* material interests to one's own, and
- c) actors whose class interests may not be identical to one's own, but whom nevertheless may have sufficiently *overlapping interests* to form the basis of class coalitions.

Class structures determine one's potential *friends*, potential *enemies*, and potential *allies*:

Class consciousness is knowing what side of the fence you are on;
Class analysis is knowing who's there with you

The process of class formation – as we shall see in future lectures on this – involves much more than an account of class interests. Issues such as class *identities* forged through class *experiences* are also of great importance in understanding the ways in which solidarities are formed and collective actions accomplished. But we will begin in a simple way here by focusing on interests.

3. The two primary problems in the analysis of class formation

The study of class formation and class struggle engages two primary theoretical and empirical problems:

1) *Explaining why and how individuals located in various ways in the class structure come to engage in solidaristic struggles.* This is basically the collective action problem: explaining how it comes to pass that individuals cooperate in collective struggles which impose sacrifices, often considerable sacrifices, on them.

2) *Explaining the form of struggle that results from such collective solidarity.* Class formations can take many different forms: there can be sharply polarized class formations in which workers are engaged in revolutionary struggles to overthrow capitalism; there can be sharply polarized struggles in which workers are trying to secure a more favorable realization of their interests within capitalism, but not attempting to destroy capitalism itself; there can be highly unified class formations in which working class organizations – unions and parties – engage in bargaining with the capitalist class as a whole; there can be highly fragmented forms of class formations in which particular segments of the working class engage in struggle with particular fractions of capital. So, there is much variation. A good theory of class formation will attempt a conceptual map of this variation and provide explanations for the conditions conducive to one form or another.

These two problems are, of course, connected: how you explain participation of individuals in collective action contributes to explaining the types of collective action that are possible and the conditions under which different possibilities are likely to occur. But also, the theory of strategic possibilities of different kinds of collective formation may also help explain important features of the process of mobilization.

When we return to the problem of class formation in a month or so we will look primarily at the first of these issues – the problem of solidarity and individual participation in collective action. Here we will focus on the form of class formation, in particular at the problem of what is called class compromise.

II. A Stylized Classical Marxist view of class formation: tendential polarization

Classical Marxism did not really have a fully worked out theory of class formation, in the sense of an adequate theory both of individual participation in collective action and a theory of variation of forms of collective formation. Nevertheless, there were some core ideas, ideas which had considerable influence on Marxist thinking throughout the 20th century of these matters.

The basic thinking was as follows:

Class formations represent the translation of the class interests determined by the class structure into collective organizations engaged in struggle. In the long run, therefore, there should be a fairly tight correspondence between these two conceptual fields. In the long run, within capitalism at least, the fundamentally antagonistic class interests determined by class relations should generate fundamentally antagonistic class formations engaged in collective struggle. This prediction can be called the class-for-itself hypothesis:

There will be a systematic tendency within capitalism for the working class as a class-in-itself defined by its antagonistic interests to capital to become a class-for-itself engaged in struggles for the realization of its interests against capital. Collective organization of the working class which falls short of this challenge to capitalism should therefore be thought of as “incomplete”, or partial, or perhaps even worse: as an *obstacle* to the full realization of the collective organizational potential of the working class.

It was because of this kind of thinking that communists in the labor movement often attacked “reformism”: while it might be the case that reformism did advance certain interests of the working class, it fell far short of a polarized challenge to capitalism as a whole, and by improving conditions for workers, if only marginally, it reinforced illusions about the potential for workers within capitalism, thus delaying this “final struggle” of the working class as a class for itself.

III. The Concept of Class Compromise

This traditional view, in short, denies the possibility of any sort of stable “class compromise” that could be genuinely in the interests of workers. Class compromises, the argument goes, are always a sham – really a form of class *capitulation* in which the leadership of working class formations may benefit (they are opportunists who sell-out and collaborate with the bosses), and perhaps even an elite stratum of workers may do fairly well economically (the “aristocracy of labor”), but the working class as a whole is screwed and its revolutionary potential short-circuited.

Here I would like to present an alternative view of class compromise, a view which opens up the possibility for there being real possibilities for material compromise and cooperation among classes with fundamentally antagonistic class interests. The theoretical work most relevant to this problem was done by the Political Scientist Adam Przeworski in a series of papers written in the 1980s and published in his book *Capitalism and Social Democracy*.

1. Przeworski’s core theses

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. We will therefore take it for granted that workers and capitalists are both organized into collective associations for the pursuit of their interests. The question he poses are: a) under what conditions will workers struggle for socialism -- for the overthrow of capitalism, and b) if they do not struggle to overthrow capitalism, under what conditions will a class compromise be possible. The answers to these questions are interconnected, he argues, for a stable class compromise helps creates conditions under which workers will not struggle for socialism.

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. If a the struggle for socialism is to occur, therefore, it can only be based on noneconomic criteria.

2. Conditions for Class Compromise

2.1 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 of the forces of production
- 2) workers ability to resist exploitation (capture part of the surplus produced with the productivity)

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: workers do not control investments and thus they do not control the conditions for the future earnings.

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.

2.2. 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.

2.3 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

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) Associational Power of workers & Form of Class Compromise

Up to this point, the form of class compromise we have been discussing could be termed a *negative* class compromise. The key issue is that workers have sufficient power to appropriate too much surplus from the point of view of capital accumulation or to in other ways disrupt the accumulation process. Capitalists respond to this credible threat by granting some of the demands of workers, thus agreeing to a compromise. But the compromise is strictly negative: workers agree to abstain from punishing capitalists in exchange for a wage-productivity bargain.

I think that there is also a possibility of what might be termed “positive class compromise”. Przeworski discusses this as well, although not as systematically as he does negative compromise. Positive class compromise depends upon a specific relationship between the associational strength of the working class and the material 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, problems which they have difficulty solving on their own. Two of these have been especially important:

1. *Underconsumption*: This is a classic problem identified by Marx. Each capitalist tries to minimize wages of workers-as-employees, for in doing so he maximizes his own profits. But in reducing the wage bill, this means that in the aggregate workers-as-consumers have less money to spend in the market, and this makes it more difficult for capitalists to sell what they produce. This is the classic problem identified by Keynes as insufficient aggregate demand generated by the individual strategies of capitalists. There are a variety of solutions to this problem. They state can increase spending, for example, to absorb some of this over-production. But class compromise can also help solve this problem by constraining the wage-cutting capacity of individual capitalists and thus increasing aggregate wages.

2. *Wage restraint*. There is a complementary problem, somewhat less familiar, which is the tendency for capitalists to push up wages too fast in periods of tight labor markets. Why do wages tend to rise when there is a labor shortage? What happens is this: individual capitalists find that they have difficulty hiring labor, and therefore start poaching the workers of other capitalists by offering higher wages. Now, this might seem good for workers, but in the long-run it is not: this ultimately puts a squeeze on profits and results in slower investment and economic downturns, unemployment, etc. For workers it is better if capitalists are constrained from bidding up wages and respond to labor shortages by seeking labor saving innovations. Strong, collectively organized unions can do this as well: enforce wage restraint on capitalists and convince workers that this is a good thing because of the long term stability of productivity-linked wage increases with low unemployment. Again: this is workers solving a capitalist collective action problem.

2. 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.

However: 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. Furthermore, a transition trough always implies *uncertainty about the future*. The claim that things must get worse before they get better involves a huge prediction: that things will get better, and better soon enough to make the

decline of the initial part of the transition tolerable. This is one of the reasons why believing fervently in the predictions of historical materials may be important: if one feels very confident that the revolution will ultimately succeed and that when it does it will usher in a new era of prosperity and emancipation, then one may be willing to tolerate a quite severe, even cataclysmic trough. (This is a bit like suicide bombers believe that their sacrifice guarantees immediate entrance into Paradise). But if one lacks this confidence, and especially if masses lack this confidence, then the commitment to the transition may falter and the transition itself unravel.

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 capitalist 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.*