

Wolff, Richard. "Class and Economics." *Dollars and Sense* (May/June 2006)

Class analysis predates economics. Long before modern economics emerged, ancient Greeks, for example, analyzed their society by *classifying* people into groups according to the wealth they owned or the incomes they received. Understanding relationships between rich and poor classes (and possible middle classes) struck them as crucial to improving their societies. They argued over equal versus unequal distributions of wealth and income.

However, people have always disagreed about how best to define classes. Alongside *property* definitions of class (rich and poor), there were *power* definitions. Some preferred to classify populations according to the power that various groups wielded: they analyzed societies in terms of powerful versus powerless classes. They debated power distributed unequally (to elites, to kings, and so on) versus equally (in various versions of democracy).

For Adam Smith and David Ricardo, originators of modern economics, class analysis was central. In *Principles of Political Economy and Taxation* (1817), Ricardo's first sentence says "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 the owners of labor power who do the work. The third paragraph of *Principles* says "To determine the laws which regulate this distribution is the principle problem in Political Economy." Like many thinkers before and since, Ricardo believed that to understand a society required the identification of its main classes, their interdependence, and their conflicts. Class and class differences were the core concerns of economics.

Yet the currently dominant economic theories – the neoclassical and Keynesian economics traditions taught in schools, used by journalists and politicians, and therefore widely believed – ignore class analysis. Something happened after Ricardo that eventually drove class analysis into the shadows. That something was Karl Marx's work.

Marx inherited the ancient concepts 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. Marx was a radical who criticized his society's unequal distributions of property and power. Like many previous class theorists, Marx favored collective wealth ownership over private property, egalitarian income distribution, and democracy.

However, Marx faulted the received definitions of class in terms of property and power even though he used them. They were, he argued, necessary but not sufficient. Social reformers had repeatedly used the old concepts of class to analyze societies and advocate programs for equalizing the social distributions of property, income, and power. Yet, Marx argued, their programs had so far failed, notwithstanding some partial or temporary gains. The egalitarian democracies they advocated remained out of reach. Something more or different in the way of class analysis became Marx's goal as one means to turn failed programs into successful revolutions.

Marx thus developed a new class analysis. He defined class not in terms of wealth, income, or power, but rather in terms of surplus. He argued that in all societies, a portion of the people apply brains and muscles to produce a quantity of goods that *exceeded* what they themselves consumed plus what went to replenish the means of production (raw materials, tools, 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 that surplus. Marx’s *Capital*, showed how capitalism organized the production, appropriation, and distribution of the surplus. His class analytical economics focused on the surplus because previous class analyses had missed its existence and significance and thereby weakened movements for egalitarian and democratic societies.

Marx had changed the very meaning of class. Across 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 attached to certain specific processes inside society: 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 class 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 (and sometimes also compared to feudal, slave, and other class structures). Since capitalism is still dominant, Marx’s analysis still applies. 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 provide workers their promised wages which they then use to buy back from the capitalists a portion of what the workers 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 who devoted the resulting surplus to maintain slavery. Feudal serfs kept part of their product for themselves and delivered the rest – the surplus - as rents to feudal lords who used them to maintain feudalism. Whenever workers produce a surplus *that other people get*, Marx labeled that “exploitation”. Thus, the transitions from slavery and feudalism that established capitalism had not freed workers from exploitation. Capitalism was another form of an exploitative class structure; like slaves and serfs, wage workers produced surpluses that others, capitalists, took.

Marx’s class focused economics analyzes the production of surplus in capitalism. Changing 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 changing market supplies, demands, and prices 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 hand, rising class consciousness among workers (understanding surplus and exploitation) can reduce the surplus they deliver to capitalists or even raise the demand that workers appropriate the surpluses themselves.

Marxian class 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 fund managers who buy new

machines to overcome competitors, and so on. Marxism's class analytical economics distinguishes workers who *produce* the surplus ("productive workers") from those who *provide conditions* ("unproductive workers") that capitalists need to keep appropriating surplus (such as supervisors, lawyers, and managers). Productive workers create the surplus that capitalists then distribute to unproductive workers; these two groups of workers relate differently to class processes. Thus Marxian economics can ask and answer questions about class differences among workers (wage-earners) and how those differences affect workers' struggles with capitalists, workers' solidarity, and the prospects of transition to post-capitalist societies. Other kinds of economics that lack an analysis of class in surplus terms cannot ask let alone answer such questions.

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 (faster work, closer supervision, reduced lunch breaks, etc.) produces stress that often requires capitalists to devote more of the surplus for counseling programs to 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 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 across many societies. Class analysis argues

that the economic problems of capitalism (unemployment, waste of natural and human resources, cyclical instability, and so on) emerge in part from capitalist exploitation, i.e., from capitalism's particular class structure. Class analyses also study the interactions among politics, culture, and capitalist class processes. For example, capitalists distribute portions of their surpluses to shape state policies in the interests of exploiting more surplus from their workers, of beating their capitalist competitors, and so on. Such surplus distributions heavily impact politics in capitalist societies. Similarly, competition among capitalists to extract ever more surplus contributes to workers' exhaustion, stress, and alienation. Capitalist competition also provokes conflicts between productive and unproductive workers that likewise influence personal lives, worker productivity, politics, and culture.

In highlighting capitalism's costs, class analysis recognizes that it often yields rising output and consumption levels. Class analysis underscores the contradictions and injustices of capitalism's uneven distributions of its costs and benefits, including unequal social distributions of property and power. The goals of class analysis are to show how (1) capitalism's exploitative organization of the surplus perpetuates those contradictions and injustices, and (2) an end to capitalist exploitation could preserve capitalism's achievements while reducing its costs and injustices.

The culmination of Marxian class analysis is its economics of post-capitalism. In that analysis, revolutionary economic change means an end to exploitation (not merely changes in its form). The workers who produce the surplus are then *also 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.

Monday through Thursday, the workers produce output. Fridays they perform three very different activities collectively: (1) return a portion of their output to themselves as individual wages, (2) replenish the used up means of production, and (3) and devote what remains - the surplus - to maintain this non-exploitative class structure. Such a non-exploitative class structure is what Marxian class analysis means by *communism*. Of course, a non-exploitative class structure 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. 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.” The “mallng” of modern societies reflects as it also shapes their capitalist class structures.

Marxian economists differ as well over the operations of non-exploitative class structures (past, present and future). Generations of these debates developed a complex, sophisticated and diverse Marxian class analytical economics yielding 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 economics orthodoxy.

Instead of welcoming debate among alternative kinds of economics, most neoclassical economists endorse the silencing the alternatives generally and Marxian class analysis in particular. Neoclassical economics does not argue about the production, appropriation, and distribution of surpluses. It simply denies that surpluses or class processes exist. Students mostly study neoclassical 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 in their temporary shadows. 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.

Once, parents chose their children’s mates and kings determined civic life. Conservatives argued then that if young people chose their mates or citizens their leaders civilization would collapse. It turned out otherwise after protracted struggles ended monarchies and reduced parental prerogatives. Conservatives now insist that if workers became their own bosses, economies would collapse. Marxian class analysis represents the counter argument.