On the Peculiarity of Class Reproduction in the Society of Exchange and the Popular Subject of Rising Inequality in the United States

Maria N Ivanova
m.ivanova@gold.ac.uk

Forthcoming in *Capital & Class*

Abstract

Capitalism as a mode of production and a form of social organization differs from all hitherto existing society in that it does not rely on the preservation of traditional hierarchies or on direct coercion to secure its reproduction. Capitalist society coheres on the basis of exchange which establishes a network of interdependent relations between individuals. Drawing on the work of Alfred Sohn-Rethel, this paper engages with the apparent paradox of how the reproduction of class society takes the form of spontaneous exchange transactions between autonomous individuals. The paper further argues that the conceptual basis of cognition is historically and socially conditioned and highlights the unique identity between the structure of exchange and the conceptual mode of thinking. Finally, the paper demonstrates how the hidden character of social domination and 'the secret identity' of commodity form and thought form serve to systematically obscure the true origins and nature of fundamental social problems. The case in point is the popular topic of rising inequality in the United States, a direct outcome of the reproduction of class relations, the underlying cause of which – the deepening division of intellectual and manual labor – is either conveniently ignored or, worse still, glorified.

On the Peculiarity of Class Reproduction in the Society of Exchange and the Popular Subject of Rising Inequality in the United States

1. Introduction

Friedrich A. Hayek (1988) once conceived of capitalism as 'an extended order of human cooperation' arising spontaneously by human action but not by human design. This quaint definition has proved to be immensely fascinating not only to properly rewarded admirers of capitalism but also to scores of its underdogs. The reason why is not difficult to fathom. Capitalism as a mode of production and a form of social organization differs from all hitherto existing society in that it does not rely on the preservation of traditional hierarchies or on direct coercion to secure its reproduction. Capitalist society coheres on the basis of exchange which establishes a network of interdependent relations between individuals. The relative standing of individuals in the network of exchange relations is ultimately determined by their respective status *vis-à-vis* the process of social production. But relations of social domination and, thus, the class character of capitalist society remain hidden in exchange which appears as spontaneous intercourse between 'free' and 'equal' individuals.

The purpose of this paper is threefold. First, drawing on the seminal work of Alfred Sohn-Rethel on intellectual and manual labor, it examines the apparent paradox of how the reproduction of class society takes the form of spontaneous exchange transactions between autonomous individuals. Second, it revisits Sohn-Rethel's argument that the conceptual basis of cognition is historically and socially conditioned; that is, in societies where social synthesis comes into effect through commodity exchange, the conceptual mode of thinking reflects the formal structure of exchange. Finally, the paper demonstrates how the hidden character of social domination and 'the secret identity' of commodity form and thought form serve to

systematically obscure the true origins and nature of fundamental social problems. The case in point is the popular topic of rising inequality in the United States (US). The paper argues that rising inequality can be seen as a direct outcome of the reproduction of class relations, the underlying cause of which – the deepening division of intellectual and manual labor – is either conveniently ignored or, worse still, glorified in the guise of the increasing 'return to skill' claimed by the best and the brightest.

2. From the Separation of Exchange and Use Value to the Separation of Head and Hand

Capitalist society coheres on the basis of exchange; that is, the multitude of agents engaged in private production form an assemblage by exchanging the products of private labor which are transformed into commodities with the same act that affirms the status of private labor as socially necessary – that of purchase and sale. The survival of private individuals, based on their ability to satisfy basic human needs, depends critically on the confirmation of their labor as socially useful through the purchase of its products. This relentless social logic applies equally to the engineer and the plumber, to the artist and the farmer.

Commodities are objects, material or immaterial, possessing use value in terms of useful properties capable of satisfying human needs and exchange value so that they can be bought and sold, realized as value. Money provides the material for the expression of this (exchange) value, thereby serving as the universal equivalent of commodities. Money establishes between commodities *a relation of equivalence and substitutability*: a work of art and a bushel of wheat are commensurable because they can be expressed in the same monetary units. To that purpose money must be 'vested with an abstractness of the highest level [which enables] it to serve as the equivalent to every kind of commodity that may appear on

the market' (Sohn-Rethel, 1978, 6). The value of a commodity expressed in money represents an abstraction, which is not thought-induced but real, regardless of the particular form money takes – a coin, a paper bill or an entry on a bank account. Thus, the separation of exchange and use value along with the double existence of exchange value as a particular commodity and as money constitutes the fundamental 'real' abstraction of commodity exchange of which money is the material expression.

Commodity exchange not only links and holds together the plurality of individuals thereby forming a society; historically, exchange has played an essential role in the very creation of the individual as such. For human beings have not always been individuals; they once lived in herds and clans. The emergence of the 'individual' has been the product of specific social and historical circumstances with exchange itself serving as 'a chief means of this individuation [Vereinzelung]' (Marx, 1993 [1939]: 496). Two interrelated conditions underlay the process of individuation. The first one is the advent of private property. The fact of possession becomes a general law of property only within the framework of exchange:

> *The concept of property is itself only a conceptualisation of the factual necessity of keeping use and exchange separated. The need to exempt from use objects entered for exchange is a simple fact of experience; if it is ignored exchange must cease.* (Sohn-Rethel, 1978, 40)

The second condition is the emergence of a *class* of direct producers separated from the means of production and subsistence and the resultant commodification of labor power. Exchange precedes production in that the capitalist must hire workers in order for any production to occur. But the availability of labor power as commodity – itself a product of class relations that force the members of propertyless classes into the labor market – serves as the precondition for generalized commodity production which is the fundamental basis of exchange.

Historically, the division of head and hand preceded the advent of wage labor. Sohn-Rethel locates the origins of this division in Ancient Egypt where a separate class of intellectual workers (scribes, tax officials, priests, etc.), a rough equivalent of today's professional and managerial class, became responsible for the organization and execution of all activities surrounding the appropriation of the social surplus by the Pharaoh, such as the calculation and recording of tributes, debts, and movement of supplies. Hence, the original division of intellectual and manual labor was not demanded by the needs of production but arose 'as a means of the appropriation of the products of labour by non-labourers' (Ibid, 90).

The emergence of private commodity production based on wage labor deepened the division of head and hand which increasingly functioned as a means of workers' control. The advanced division of labor implemented by industrial capitalism had a micro-dimension epitomized in the Fordist-Taylorist disintegration of the object and the subject of production at firm level, and a macro-dimension marked by the emergence of an economy-wide, social division of labor which eventually culminated in the so-called 'vertical disintegration' of production across the globe. Thus, the historical development of capitalism has been characterized by a progressive division of labor, the multiple aspects of which include the disintegration of the labor process and a seemingly endless specialization of tasks, flexibilization and atomization of workers, and the spatial reshuffling of production activities. However, the separation of head and hand – the division of intellectual and manual labor – represents a key structural feature of class society, upon which any subsequent division of labor is founded. The mechanism of exchange, which creates a network of interdependent relations, provides the essential mode of integration in the fragmented world of divided labor, private property, socialized production, and private surplus appropriation.

The class character of capitalist society is not directly evident in the intercourse of individuals acting as buyers and sellers.

> *Only the mutually independent buyer and seller face themselves in commodity production… If, therefore, commodity production, or one of its associated processes, is to be judged according to its own economic laws, we must consider each act of exchange by itself, apart from any connection with the act of exchange preceding it and that following it. And since sales and purchases are negotiated solely between particular individuals, it is not admissible to look here for relations between whole social classes* (Marx, 1990 [1867], 733).

This is why, '[e]quality and freedom are … not only respected in exchange based on exchange values but, also, the exchange of exchange values is the productive, real basis of all *equality* and *freedom*' (Marx, 1993 [1939], 245).

Each individual enters the sphere of exchange as a legal person endowed with the same rights and obligations as everybody else. Equality of individuals originates in the fact that as juridical persons they are equally entitled to own property. Ownership is private and exclusive as the same commodity cannot be owned simultaneously by two persons in separate ownership. The rules of exchange are impersonal because individuals are constituted as persons through their ownership of things which is 'not a relation of person to person but rather a relation of the socialized individual *to things* over which *as against other individuals* s/he possesses unique rights of use and alienation' (Rosenthal, 1998: 61-2). In this context, relations of social domination manifest themselves only indirectly through the mutual exchange of privately contracted claims on commodities and property. Ultimately, 'a society where commodity exchange forms the *nexus rerum* is a purely abstract set of relations where everything concrete is in private hands' (Sohn-Rethel, 1978, 19).

3. The Secret Identity of Commodity Form and Thought Form

A worthwhile inquiry into the foundations of knowledge and science in a class society cannot be properly accomplished without considering the historical origins and progression

of the division of intellectual and manual labor. One cannot build a timeless theory of knowledge more than one can build a timeless theory of history because the scientific 'standard of truth' also emerges historically. 'Objective truth' has a class function partly because it is propagated and sustained by the effort of a class of intellectual workers.

Historically, the development of commodity production and exchange mediated by money served as the precondition for an objective process of abstraction leading to the emergence of abstract conceptual thought. The emergence of an 'independent' intellect capable of mathematical reasoning occurred only after commodity exchange became the agent of social synthesis – a state first reached in Ionia in the seventh century B.C. and marked by the introduction and circulation of coined money (Ibid, 44).

As noted above, the real abstraction of commodity exchange arises from the separation of use value and exchange value along with the ability of the latter to take on an independent existence in the form of money. A commodity must first possess use value in order to be realized as exchange value. Only afterwards can it be realized as use value (put to any kind of use, consumed, destroyed). The act of exchange is premised on the separation and mutual exclusion of exchange and use. Objects meant for exchange are exempted from use. Objects intended for use are not meant to be exchanged. While the action of use may be banished from the act of exchange, it is not banished from the mind of the exchangers. In fact, they may be mentally preoccupied with the properties of the commodities as use values while engaging in actual exchange. However, what they think is irrelevant, how they act is essential. *The real abstraction of commodity exchange finds its natural expression in the separation of thought and action.* 'In exchange the action is social, the mind is private. The outcome is a change in the social status of the commodities as owned property' (Sohn-Rethel, 1978, 43).

The real abstraction thus arises in exchange and through exchange or rather through the actions of the exchangers:

> *The abstraction belongs to the interrelationship of the exchanging agents and not to the agents themselves. For it is not the individuals who cause the social synthesis but their actions. And their actions do it in such a way that, at the moments it happens, the actors know nothing of it…* (Ibid, 45)

> *This abstract and purely social physicality of exchange has no existence other than in the human mind, but it does not spring from the mind… This real abstraction is the arsenal from which intellectual labour throughout the eras of commodity exchange draws its conceptual resources.* (Ibid, 57)

In societies where commodity exchange forms the *nexus rerum*, the structure of the cognitive process reflects the formal structure of exchange while the conceptual elements of the cognitive faculty emerge as counterparts of the real abstraction of commodity exchange.[1] These elements are principles of thought common to Greek philosophy and modern science labeled by Kant as categories *a priori*.

> *…[these] categories are historical by origin and social by nature. For they themselves effect the social synthesis on the basis of commodity production in such a way that the cognitive faculty they articulate is an a priori social capacity of the mind; although it bears the exact contrary appearance, that of obeying the principle of ego cogito. Kant was right in his belief that the basic constituents of our form of cognition are preformed and issue from a prior origin, but he was wrong in attributing these preformations to the mind itself engaged in the phantasmagorical performance of 'transcendental synthesis a priori', locatable neither in time nor in place. In a purely formal way Kant's transcendental subject shows features of striking likeness to the exchange abstraction in its distillation as money…* (Ibid, 7)

Kant's transcendental subject signifies the alienated, self-absorbed intellect endowed with the capacity for logical self-direction. Its cognitive arsenal consists of non-empirical thought abstractions and 'pure' concepts. These concepts are similar to money in that they are abstract; that is, they are paradigms of mechanistic thinking, reified rules, the existence of which is purely social and unrelated to anything concrete or real in a material sense: 'This socialized mind of man […] is money without its material attachments, therefore immaterial

[1] See Toscano (2008) for a discussion of different interpretations of the notion of real abstraction.

and no longer recognizable as money and, indeed no longer being money but the 'pure intellect' (Ibid, 130).

The division of society and nature, and, in particular, the constitution of nature as physical object-world, is part and parcel of the emergence of the independent intellect which is oblivious to time and space, to history and nature, immersed into its 'symbolic' but socially conditioned 'reality'. Once a full-fledged division of manual and intellectual labor has been established, the independent intellect can study nature without interacting with it, without making its 'hands' dirty. The great contribution of Galileo to the development of science and capitalism was that his mathematical and experimental method enabled the acquisition of knowledge of nature from sources other than manual labor. This discovery became the defining feature of modern science and capitalism. Because '[w]ith a technology dependent on the knowledge of the workers the capitalist mode of production would be an impossibility' (Ibid, 122). This is the ultimate rationale for the need to maintain and reinforce the separation of learning from everyday life, of thinking and doing, of conception and execution, of intellectual and manual labor.

The abstract 'reality' of the pure intellect achieves its culmination in the science of mathematics which Sohn-Rethel aptly defines as 'the logic of socialized thought'. Mathematics fulfils a fundamental function in a class society. While ordinary language falls short of achieving the level of abstraction that is needed to articulate an ultimate separation of intellectual and manual labor, mathematics represents a purely abstract, symbolic language devoid of any real connection with human activity.

> *Mathematics cuts a deep cleft between a context of thought and human action, establishing an unambiguous division of head and hand in the production process. It is no exaggeration to say that one can measure the extent of the division of head and hand by the inroad of mathematics in any particular task.* (Ibid, 112-3)

When qualitatively different subjects or events are translated into the formal language of mathematics as units, numbers, or symbols, they are made commensurable. Expressing qualitatively different things as symbols and quantities establishes between them the same *relation of equivalence and substitutability* which exchange establishes between commodities by equating them as values expressed in money. Thus, '[c]apitalism survives dialectically by homogenizing its intellectual patterns to the elementary, dialectical logic of monetary denomination' (Micocci, 2011, 58; 2009). The result is the emergence of an ordered and coherent intellectual 'reality' where all events and processes can be expressed in symbolic and/or quantitative terms. In this way, the actual messy reality of things, which is nonteleological (that is, disorderly and incoherent from the viewpoint of the socialized, 'pure' intellect), is replaced by a coherent system of intellectual constructs that mirror the formal structure and elements of commodity exchange. This system forms an intellectual continuum. History there tends to repeat itself, it becomes a series of quasi logically connected events which seem to unfold toward a foreseeable end. Ruptures and disappearances, which constitute the most serious threat to continuity, are eliminated. With time and space reduced to mere abstractions, history is, in turn, eliminated as history, it becomes a science, and even a scientific 'system' where the importance of comparisons looms large. Events that have taken place centuries apart now appear significantly similar. Because the similarities and differences between events and things become merely a function of their position in an intellectually contrived 'order'.

In sum, the cognitive faculty of the socialized individual represents an *a priori* social capacity of the mind which reproduces the formal structure of exchange and its real abstraction. The acquisition of knowledge is mediated by form abstractions, 'pure' concepts and symbolic categories in the same way in which exchange is mediated by money. Like the

separation of exchange and use value through the commodity form, concepts separate from the real things and take on an independent existence in the individual and collective social mind. Being no longer tied to the things they were once meant to express, concepts become intellectually malleable; they are thought abstractions populating the social world. They rule over mind and nature.

4. The Popular Subject of Rising Inequality in the United States

The significance of the above analysis can be better appreciated in light of an example. Few social problems in recent years have received as much attention as that of rising inequality in the US. A mountain of empirical evidence attests to the existence of a long-term trend of increase in income and wealth inequality since the 1970s. This trend is evident in both measures of inequality reported by the US Census Bureau on annual basis – the Gini index[2] and the shares of aggregate household income received by quintiles. The Gini index for households which reached a postwar low of 0.386 in 1968 has been continuously on the rise since the mid-1970s and fluctuated between 0.477 and 0.482 in 2011-4. Correspondingly, the income shares of the first three quintiles have continuously declined, the share of the fourth quintile has declined after 1967 and stabilized after 1997, whereas the share of the top quintile has increased from 43.6 percent in 1967 to 51.2 percent in 2014 (Table 1). Widely publicized accounts of the spectacular growth of top incomes defined as the incomes of those in the top 1, 0.1, and 0.01 percent of the income distribution can be highly misleading in that they have given rise to nonsensical claims, such as 'the decline of the 99 percent'. Even a cursory look at the evidence would challenge the validity of this notion by revealing

[2] The Gini index is a summary measure of income/wealth inequality in society. It ranges between 0 and 1, where 0 means perfect equality (everyone has the same income/wealth) and 1 means perfect inequality (one person has all the income/wealth and everyone else has zero income/wealth).

that said decline has been limited to the bottom 80 percent. It is further important to emphasize that the inequality of income distribution pales in comparison with that of the distribution of wealth where the gulf between the top 20 and the bottom 80 percent is truly enormous. Between 1983 and 2010, the share of the top 20 percent in total net worth increased from 81.3 to 88.9 percent. Notably, both the relative shares of the top 1 percent and of the next 19 percent have significantly increased (Table 2). When the distribution of financial (non-home) wealth is considered, inequality is even more staggering. In 2010, the top 20 percent owned 95.6 percent of all financial wealth which constitutes an increase of 4.3 percent since 1983. In this case, there was a minimal decline (of 0.8 percent) in the share of the top 1 percent relative to the share of the next 19 percent which increased from 47.5 percent in 1983 to 53.5 percent in 2010 (Table 3).

4.1. The Dominant View

The mainstream debate on the causes of rising inequality has been to a significant extent dominated by a neoliberal/neoclassical account centered on the so-called rising premium to education in the context of skill-biased technological change (SBTC). This account emphasizes the interplay between the supply and demand for highly skilled workers in relation to technological change. On the one hand, it is asserted that SBTC has induced a growing demand for skills as a result of which the return to skills (or the skill premium), as measured by the relative wages of college graduates to high school graduates, has shown a tendency to increase (e.g. Autor, Katz, and Krueger, 1998; Berman, Bound, and Griliches, 1994). On the other hand, it is argued that the growing supply of skills has stimulated the development of complementary technology which in turn has further increased the demand for skills (e.g. Acemoglu, 2002; Goldin & Katz, 1998). Further explanations for rising wage

inequality point to various effects of globalization (e.g. Borjas *et al.*, 1997; Feenstra & Gordon, 2001; Haskel *et al.*, 2012) and changes in labor market institutions, such as the decline of the real value of the minimum wage and the diminished role of unions (e.g. Lee, 1999; Jacobs & Myers, 2014; Western & Rosenfeld, 2014). Another account attributes rising inequality to the excessive growth of top incomes. This perspective is intensely preoccupied with the fortunes of the top 1 percent and espouses the belief that rising inequality can be remedied with a reform of the system of taxes and transfers (e.g. Piketty, 2014; Saez, 2006). All these accounts share one common feature: they seek to determine the nature and causes of inequality through measurement via advanced statistical and formal methods. The correct measurement shall establish the scientific foundation on the basis of which all related factors including causes and solutions will be objectively revealed. In addition to the heavy reliance on data aggregation and statistical analysis, neoclassical studies often construct models to analyze the mechanics of the problem. All these accounts are thus excessively 'scientific' being the product of 'the methodical operation of the human mind in its socialized form, guided by its specific logic, which is mathematics' (Sohn-Rethel, 1978, 130).

The neoliberal/neoclassical emphasis on educational attainment and the 'rising skill premium' is of particular interest for the present analysis. This perspective acknowledges that deepening inequality is linked to changes in the wage structure resulting from the so-called polarization of the occupational structure.[3] Following Autor's (2010) presentation, while during the 1980s there was an almost uniform rise in different employment categories and skill levels with occupations below the median skill level actually declining and occupations above the median increasing as a share of employment, the transformation of the occupational structure over the 1990s was characterized by the disproportionate expansion

[3] One of the problems with this argument concerns its inability to account for the rise of intra-occupational wage inequality (see Kim & Sakamoto, 2008; Wysong & Perrucci, 2007).

of job opportunities in both high-skill/pay occupations and low-skill/pay occupations, coupled with shrinking opportunities in middle-skill/pay white-collar and blue-collar occupations. These changes in the occupational structure are attributed to the growing demand for highly educated and skilled workers driven by SBTC, largely associated with the computerization of the workplace (e.g. Autor, Katz, and Krueger, 1998; Berman, Bound, and Griliches, 1994). This account was particularly popular in the 1990s when a more convincing case could be made that it was at least superficially consistent with the facts.[4] However, a large and growing body of literature still continues to operate on the assumption that the demand for skills driven by SBTC has continued unabated in blissful ignorance of the evidence that said demand has actually been declining since 2000 (Beaudry, Green & Sand, 2013).

The claim that technological change is positively skill-biased is highly controversial in light of the evidence, historical and most recent alike. Supporters of the SBTC hypothesis readily admit that this phenomenon did not exist in the nineteenth century when the artisan shop was first replaced by the factory and later by interchangeable parts and the assembly line. Consequently, products previously manufactured by skilled artisans started to be produced by low-skill factory workers. Allegedly, the big difference between then and now is that in the nineteenth century manufacturing technology and skill were substitutes whereas in the twentieth century they became complements (e.g. Goldin & Katz, 1998). According to Acemoglu (2002, 9), technological changes over the last century have been skill-biased because 'the rapid increase in the supply of skilled workers has *induced* the development of skill-complementary technologies'. And yet since the early 2000s the growing supply of skills

[4] The assertion that technologically-driven demand for skills has been the main determinant of rising inequality has faced significant challenges even from a neoclassical perspective. Lemieux (2008) offers an overview of the literature pointing to the multiple problems with that argument (see also Galbraith, 1998).

has coexisted with the proliferation of low-skill jobs in the US economy and thus with the deepening inequality of income and wealth. This reality poses a challenge that the SBTC view has been unable to master. I shall return to this important point later.

Despite its scientific garb, the 'skill premium' argument is ideologically charged as it indirectly seeks to justify the polarization of the wage structure on 'meritocratic' grounds. The emphasis on educational attainment represents in essence a 'scientific' restatement of the conservative view linking individual success or failure (i.e. the ability to earn high or low pay) to the individual choice and determination to acquire marketable skills. Naturally, the proponents of the skill premium argument seem unaware of the ideological bias of their 'value-free' methodology. Regardless of the fact that they themselves construct the models used to prove the existence of skill premium, they end up looking at these models as the reality itself.

In what follows, I outline an alternative explanation for rising inequality in the US which is seen as a consequence of the deepening polarization of the class structure and the progressive division of intellectual and manual labor. It should be acknowledged that these processes are themselves the result of the structural transformation of the US economy and its evolving position within the global division of labor – a topic which is beyond the scope of the present analysis.

4.2. A Very Brief Excursion into the History of Class

During the nineteenth century, foreign travelers were often impressed with what Alexis de Tocqueville described as the remarkable 'equality of conditions' characteristic of American society.[5] Various inequalities of wealth and power appeared less pronounced compared to

[5] Those accounts were apparently oblivious of the existence of slavery.

the European countries. For the most part of the nineteenth century, even the denial of the existence of 'fixed classes' in the US was not uncommon. Wage labor was considered an 'un-American' institution, while the notion of laboring or wage classes appeared 'distasteful to many true-hearted Americans' (Quoted in Lasch, 1994, 62). This conception of classless society extended beyond the absence of hereditary privileges and had at its root the abolishment of the division between intellectual and manual labor. As noted by Lasch (1994, 64),

> *The concept of a laboring class was objectionable to Americans because it implied not only the institutionalization of wage labor but the abandonment of what many of them took to be the central promise of American life: the democratization of intelligence.*

However, by 1890 when the Census Bureau announced the closing of the frontier of settlement, a permanent class of hirelings was firmly established, while the term 'social mobility' was gaining currency. The rise of the opportunity to rise in the social scale became a substitute for the democratization of intelligence effectively ending the prospects for the latter. Institutionalized education cut a deep cleft between the thinking and the laboring classes in the same way in which Fordism-Taylorism separated conception from execution. For the purpose of the highly stratified educational system is not to enlighten the masses by raising them to common intellectual standards but to serve as a recruitment mechanism for elites.

According to what has been widely considered the first comprehensive study of social stratification in a small community in the US, conducted by Robert and Helen Lynd, in mid-1920s' Middletown (Muncie, Indiana, the community under study), there were two classes – a working class and a business class (i.e. middle class) – which accounted for, respectively, 71 and 29 percent of the town's population. The working class consisted of those who earned their living addressing their activities 'primarily to <u>things</u>, utilizing material

things in the making of things and performance of services, while the members of the second group address their activities primarily to people in the selling or promotion of things, services, and ideas' (Lynd & Lynd, 1929, 22). The business class also included highly skilled professionals, such as architects, surgeons and chemists, amounting to 4 out of the 29 percent. Notably, Lynd & Lynd's definition of the middle class overlaps with R.H. Gretton's definition, according to which the middle class is 'that portion of the community to which money is the primary condition and the primary instrument of life' (Gretton, 1917, 8). Gretton's middle class includes 'the merchant, in the broadest sense of that word, and the capitalist manufacturer' along with the learned professional class which also uses of money as the primary instrument of life. Thus, the common feature of middle-class activities is their 'abstract' character.

According to Lynd & Lynd (1929), Middletown in the 1920s did not have an upper class, only a lower (working) and a middle (business) class as the 8 or 9 households who could be conceived of as belonging to an upper class did not form a group apart but were merged into the middle class. By the mid-1930s, when the same authors revisited the town, this situation had dramatically changed. The so-called 'X family' – a wealthy family of manufacturers whose local position since 1925 had become hereditary with the emergence of the second generation of sons – had established a significant degree of control over industry, banking, real estate, government, schools, churches, and philanthropy in Middletown. As Lynd & Lynd (1937, 77) observe,

> *If […] one views the Middletown pattern as simply concentrating and personalizing the type of control which control of capital gives to the business group in our culture, the Middletown-situation may be viewed as epitomizing the American business-class control system. It may even foreshadow a pattern which may become increasingly prevalent in the future as the American propertied class strives to preserve its control.*

During the three postwar decades, US capitalism seemed to have experienced a reversal in the pattern of growing business-class control, as a result of which American society recorded some of the lowest levels of income inequality in its history. The mass-production-mass-consumption Fordist capitalism invented its own version of the 'middle class' as an ideological device meant to promote working-class consumerism. Working-class households were elevated to 'middle-class' status based on the ability to purchase a single-family residence, two cars, and, ideally, college education for the children. Since the 1980s, that middle class has experienced rapid decline. If we define the middle class to include all households receiving between 75 and 125 percent of median income, then the size of the US middle class in 1995 stood at 27.3 percent of all households compared to 43.9 percent for Germany's and 52.7 percent for Sweden's middle class (Kerbo, 2012, 212). Progressive authors love to deplore the disappearance of the Fordist middle class. According to Galbraith (1998, 4), the growing gap between 'good' and 'bad' jobs 'is leading toward the transformation of the United States from a middle-class democracy into something that more closely resembles an authoritarian quasi democracy, with an overclass, an underclass, and a hidden politics driven by money'. However, the postwar Fordist republic of citizens-consumers was as far away from a middle-class democracy as it could possibly be; for the prospects for the latter effectively died around the time the frontier was closed. The democratization of consumption was a poor substitute for the democratization of intelligence. The Fordist 'middle class' is indeed on its way out as the economic rationale for its existence is no longer there. But the middle class proper is alive and well and getting richer in symbiosis with the upper class.

Income inequality is not a product of ill-conceived policies but an inherent feature of capitalism whose ultimate root lies in the fact that a tiny minority (roughly equal to the

recently much talked about top 1 percent) owns the bulk of the productive and financial assets and, consequently, appropriates a disproportionate amount of the social product or national income in mainstream parlance. In this context, any suggestion that the incomes and/or fortunes of the propertied and propertyless classes could or should rise at a similar pace amounts to sheer nonsense. The top 1 percent (the upper class, the capitalist class proper) has very limited direct involvement in the process of social production and surplus appropriation on the top of an even more limited involvement with anything concerning the lower class and with the lower class itself. Any interaction between the tiny upper class and the huge lower class is mediated by the appropriately named 'middle class', the next 18-19 percent. The defining feature of this middle class, whose birth preceded capitalism dating back to the ancient societies of appropriation, is its position as functional intermediary between the upper and the lower class in the process of social production and surplus appropriation. That class of managerial and professional workers ('the credentialed class') engaged in the maintenance and reproduction of the status-quo constitutes the 'next' 18-19 percent (Wysong & Perruci, 2007). The middle class may have changed its name but not its character. As Gretton (1919, 5) observes,

> *what the people of the Middle Class are now, they have always been. Soundly educated, cosmopolitan in outlook, well-knit into the body politic, and capable in their own affairs as they are at present, they are regarded as possessing all those qualities in the past (though, of course, in different degree), and as exercising them upon policy.*

4.3. The Rise of the Symbolic Analysts and the Resurgent Division of Intellectual and Manual Labor

The growing gap between good and bad jobs is a product of the deepening division of intellectual and manual labor, clearly visible in the economy-wide changes that have been underway since the 1970s. By the early 1990s, the vestiges of the Fordist 'middle-class', mass

production-mass consumption economy were largely shaken off and the foundations of a differently stratified economy of divided labor were firmly established. Robert Reich's (1992) singular ode to the rise of the symbolic analyst is a case in point. Reich's vision is valuable for the present analysis in that it demonstrates how the inexorable separation of head and hand, of intellectual and manual labor, governs and shapes the way in which reality is seen and represented.

According to Reich (1992), the bulk of American jobs can be divided into three categories: routine production services, in-person services and symbolic-analytic services. Routine production services involve a wide variety of occupational functions unified by the performance of repetitive tasks. This includes not only blue-collar workers in the traditional industries but also their supervisors – low- and middle-level managers. Routine jobs are also amply represented in the high-tech industries where huge piles of raw data must be processed in the same monotonous way as assembly-line work. Even professionals, such as lawyers and accountants, would fall under that category if their work involves mainly repetitive tasks, such as 'cranking out the same old wills, contracts, and divorces, over and over, with only the names changed (Ibid, 181). The second functional category – in-person services – is similar to routine work in that it also involves simple, repetitive tasks; the pay for such services is a function of the hours worked or the amount of work performed as in the case of routine work. The material difference is that such services must be provided person-to-person and are not tradable. Work in both categories requires no analytical or problem-solving skills. Thus, 'a standard American education, based on the traditional premises of American education' (Ibid, 175) is sufficient to prepare routine workers and in-person servers for their lifetime of service.

The third functional category is that of the symbolic analysts who 'solve, identify and broker problems by manipulating symbols', such as words, data, models, oral and visual presentations (Ibid, 177-8). Some of these manipulations may produce more efficient resource and asset allocation, inventions and innovations, or entertainment for an audience. Traditional American education is utterly inadequate for the cultivation of symbolic-analytic talent. Only a select segment of the higher education system can provide the superior training needed by the best and brightest on the way to their symbolic-analytic futures:

> … *our best schools and universities are providing a small subset of America's young with excellent basic training in the techniques essential to symbolic analysis. When supplemented by interested and engaged parents, good health care, visits to museums and symphonies, occasional foreign travel, home computers, books and all the other cultural and educational paraphernalia that symbolic-analytic parents are delighted to shower on their progeny, the education of this fortunate minority is an exceptionally good preparation for the world that awaits.* (Ibid, 233)

Concurrently with the rise of the symbolic analysts from the mid-1980s onward, standardized test scores – a symbolic-analytic innovation *par excellence* – became the key instrument for sorting high school graduates according to 'meritocratic' rules. Access to the most selective parts of the 'meritocratic' higher education system became conditional primarily upon the achievement of high scores on standardized tests. This deepened and reinforced the stratification of the higher education system as not only the applicants but also the institutions themselves became subject to ranking on the basis of standardized test scores (Alon, 2009).

The rise of the symbolic analyst is not only coincidental but largely identical with the previously discussed polarization of the occupational structure which became apparent in the late 1980s and dramatically intensified in the 1990s. The said polarization is just another name for the widening gap between intellectual and manual labor. Reich captures with

remarkable precision the highly specific nature and purpose of the members of the symbolic credentialed class:

> *They simplify reality into abstract images that can be rearranged, juggled, experimented with, communicated to other specialists, and then, eventually, transformed back into reality. The manipulations are done with analytic tools, sharpened by experience. The tools may be mathematical algorithms, legal arguments, financial gimmicks, scientific principles, psychological insights*… (Ibid, 178)

Through the inroads of mathematics and symbolic categories, the language and operation of the symbolic class are far removed from the reality of everyday life. The cleft between thought and action, thinking and doing, conception and execution widens to the extreme.

Reich's book is remarkable in many ways. For one, it is peculiar as an unbridled exaltation of class rule delivered by the then soon-to-be Secretary of Labor in the Clinton administration. Reich puts his finger on some of the most pernicious features of the American class society without the slightest shadow of realization that something might be wrong with the picture he paints. Being a symbolic analyst himself, his mind seems to wander a parallel reality. As Lasch (1994, 38-9) observes,

> *Only in a world in which words and images bear less and less resemblance to the things they appear to describe would it be possible for a man like Reich to refer to himself, without irony, as secretary of labor or to write so glowingly of a society governed by the best and brightest.*

Unlike neoliberal writers who seek to justify *laissez-faire* capitalism by evoking trickle-down effects, Reich has no shame admitting that the rising tide does not and will not lift all boats. In particular, the boats of the routine production workers and in-person servers are sinking, albeit not at the same speed, while the vessel of the symbolic analysts is rising. It is clear beyond a shadow of a doubt that the rising fortunes of the elite minority thrive alongside the sinking prospects of the losing majority in the brave new world of work. But how could they co-exist so peacefully?

> … *the secession of symbolic analysts from the rest of America has proceeded calmly and quietly. The four-fifths of the population whose economic future is growing more precarious has not vociferously contested the disengagement of the one fifth whose economic future is becoming brighter.* (Ibid, 282)

Reich attributes the reasons for the acquiescence of the bottom 80 percent to a combination of their political passivity along with the recognition that they 'depend upon how and where symbolic analysts decide to dedicate their energies and money' (Ibid, 294).

At present, Reich (2014) denounces the accumulation of vast fortunes by the top 0.01 percent after having condemned rising income inequality in multiple books. It does not seem to occur to him that this state of affairs may be the natural outcome of the rule of the best and brightest, selected, nurtured, and employed in the ways he described with such sickening fascination in his 1992 book.

4.4. Making Sense of the Reversal in the Demand for Skills and the Growth of the Low-Wage Economy

The growth in high-skill/pay, symbolic-analytic occupations that inspired the progenitors of the 'new economy' did not continue in the 2000s. Employment growth in 1999-2007 was heavily concentrated among the lowest three deciles of occupations. In deciles four through nine, employment shares actually declined while in the highest decile of occupations, employment shares remained flat. There was no relative growth in the top 20 percent of the occupational skill distribution between 1999 and 2007, and only a modest recovery between 2007 and 2012 (Autor, 2010; 2014). During the Great Recession job losses in higher-wage and mid-wage occupations exceeded those in lower-wage occupations whereas job creation during the recovery was disproportionately concentrated in lower-wage occupations. Thus, 44 percent of job gains between February 2010 and February 2014 were in lower-wage

industries versus 26 and 30 percent in mid-wage and higher-wage industries (National Employment Law Project, 2014).

Considering that recent employment gains have been disproportionately concentrated at the very bottom of the skill/pay distribution, it is hardly justifiable to speak any more of labor market polarization defined as the simultaneous growth of high-skill/pay and low-skill/pay jobs. In actuality, the share of high-skill/pay jobs has not only stabilized but declined while the share of low-skill/pay jobs is still expanding. Furthermore, there is no shortage of evidence that the overall falloff of job quality has taken place despite a sustained rise of educational attainment and skills along with an increase of the productivity of the average US worker (e.g. Beaudry, Green & Sand, 2013; 2014; Schmitt & Jones, 2012). However, even authors who lament the decline of 'good jobs' as a key factor behind rising income inequality often seem to neglect the fact that the underlying cause for the transformation of the occupational and wage structure is the changing structure of the US economy. This neglect gives rise to heart-warming appeals to turn 'bad jobs' into good ones by endowing them with health benefits and retirement plans in addition to bettering their pay (Schmitt & Jones, 2013). Apart from the fact that such appeals are no more realistic than the famous wealth tax of Thomas Piketty, they seem to miss the crux of the matter. A 'bad job' with benefits is not tantamount to a 'good job', and it certainly makes no economic sense to pay a 'good wage' for a 'bad job'. While the link between skill content and pay may not be as straightforward as mainstream economic theory would like us to believe, the defining feature of a bad job is not simply its pay but its content. Such jobs typically involve manual production work or in-person services. Most of them have low skill content and require a very limited involvement of the cognitive faculty. They represent 'manual' labor writ large.

How can we explain the slowdown in the rate of growth of high-skilled symbolic-analytic occupations and the decline of their share in total employment since 2000, which happens to be the year symbolically associated with the Tech Bust? As Beaudry, Green & Sand (2013; 2014) document, the reversal in the demand for skills and cognitive tasks has taken place despite a sustained rise in educational attainment as measured by the growing numbers of college graduates. This has led to a de-skilling process in the course of which highly educated workers have moved down the occupational ladder and begun to seek employment in occupations traditionally performed by lower-skilled workers, thereby pushing low-skilled workers further down the occupational ladder and occasionally even out of the labor force. Thus, 'having a college degree is only partly about obtaining access to high-paying managerial and technology jobs since it is also about beating out less educated workers for barista and clerical job type jobs' (Beaudry, Green & Sand, 2013, 3). Notably, employment growth in cognitive task-intensive occupations has declined simultaneously with computer investment as the almost 40-percent increase in equipment and software investment as a share of GDP over the 1980s and 1990s was followed by a reversal and decline after 2000 which brought this share back to the levels of the mid-1970s. In light of this evidence, the same authors hypothesize that the introduction of a new technology generates demand for managerial and problem-solving skills during an adoption period, while the technology is installed, adapted, mastered and routinized, after which the demand for skills slows down concurrently with capital investment as the adaptation challenges are superseded by the less demanding tasks of operation and maintenance.

This account is consistent with the view taken here, according to which the core purpose of technology, in general, and of the automation of the production process, in particular, has been to make production independent of the knowledge and skills of the

workers. The introduction of machinery in the production process, from its earliest stages during the Industrial Revolution to its most advanced contemporary forms of computerization and automation, has been driven not only and not primarily by the desire to increase efficiency and lower production cost but by the need to achiever a higher level of control over the labor process and the workers: 'The postulate of automatism as a condition for the capital control over production is even more vital than its economic profitability' (Sohn-Rethel, 1978, 122). The difference between the early automation and present day computerization is not qualitative, but quantitative; that is, is just a matter of degree. The development of an automatic system of machinery objectifies the separation of head and hand as such a system, once designed and implemented by a relatively small group of high-skilled workers, can be maintained and operated by a large majority of low-skilled workers. Hence, the automation of production naturally entails the progressive de-skilling of the labor force. Consequently, technological change is not positively skill-biased, except for the relatively short period between the adoption of new technology and its routinization. The last such period from about the mid-1980 until 2000 was marked by a simultaneous surge of computer investment and the relative demand for skilled labor which have, in the meantime, concurrently tailed off.

The deepening division of labor under capitalism inevitably leads to the expansion of the volume of manual and/or routine work along with a large and growing class of manual workers. Computerization and automation are governed by the same underlying principles as the Fordist-Taylorist production process. There is no qualitative break between the assembly line and the computer; they represent different levels of automation. Both computerization/automation and the Fordist-Taylorist production process entail the disintegration of complex, composite tasks/processes into simple tasks that need repeated

performance. These tasks represent manual and/or routine work in that they do not require any significant degree of conscious application of the cognitive faculty. Arguably, computerization and automation cause the displacement of some workers performing routine tasks. But there are likely limits to this process due to the existence of tasks and functions that machines cannot perform (Autor, 2014). Importantly, the automation of some areas goes along with the progressive routinization of others. In the course of the progressive division of labor, more and more complex human activities that once had an intellectual or creative component are being reconstituted as series of simple tasks and thereby transformed into routine work whose performance requires neither brain nor skill. The limits to automation do not set limits to the de-humanization of work.

In sum, the proliferation of bad jobs at the bottom and the spectacular income growth at the top are inextricably linked. Their simultaneous occurrence attests to the deepening polarization of the US class structure and the correspondent deepening division of intellectual and manual labor, which constitutes the material foundation for the diverging fortunes of the top 20 and bottom 80 percent.

References

Acemoglu, Daron (2002) 'Technical Change, Inequality, and the Labor Market', *Journal of Economic Literature* 40(1): 7-72.

Alon, Sigal (2009) 'The Evolution of Class Inequality in Higher Education: Competition, Exclusion, and Adaptation', *American Sociological Review* 74(5): 731-755.

Autor, David H., Lawrence F. Katz, and Alan B. Krueger (1998) 'Computing Inequality: Have Computers Changed the Labor Market?', *Quarterly Journal of Economics* 113(4): 1169-

1213.

Autor, David H. (2010) 'The Polarization of Job Opportunities in the US Labor Market: Implications for Employment and Earnings', Center for American Progress and The Hamilton Project.

Autor, David H. (2014) 'Polanyi's Paradox and the Shape of Employment Growth', NBER Working Paper No. 20485.

Beaudry, Paul, David A. Green, and Benjamin M. Sand (2013) 'The Great Reversal in the Demand for Skill and Cognitive Tasks', NBER Working Paper No. 18901.

Beaudry, Paul, David A. Green, and Benjamin M. Sand. (2014) 'The Declining Fortunes of the Young Since 2000', *American Economic Review*, 104(5), 381–386.

Berman, Eli, John Bound, and Zvi Griliches (1994) 'Changes in the Demand for Skilled Labor within U.S. Manufacturing Industries: Evidence from the Annual Survey of Manufactures',

Quarterly Journal of Economics 109: 367-97.

Borjas, George J., Richard B. Freeman, and Lawrence F. Katz (1997) 'How Much Do Immigration and Trade Affect Labor Market Outcomes?' *Brookings Papers on Economic Activity*, 1: 1-90.

Feenstra, Robert, and Gordon Hanson (2001) 'Global Production Sharing and Rising Inequality: A Survey of Trade and Wages', NBER Working Paper No. 8372.

Galbraith, James K. (1998) *Created Unequal: The Crisis in American Pay*. New York: The Free Press.

Goldin, Claudia and Lawrence F. Katz (1998) 'The Origins of Technology-Skill Complementarity', *Quarterly Journal of Economics* 113(3): 693-732.

Gretton, R.H. (1919) *The English Middle Class*. London: Bell.

Haskel, Jonathan, Robert Z. Lawrence, Edward E. Leamer, and Matthew J. Slaughter (2012) 'Globalization and U.S. Wages: Modifying Classic Theory to Explain Recent Facts', *Journal of Economic Perspectives* 26(2): 119–40.

Hayek, Friedrich A. (1988) *The Fatal Conceit: The Errors of Socialism*. London: Routledge.

Jacobs, David, and Lindsey Myers (2014) 'Union Strength, Neoliberalism, and Inequality: Contingent Political Analyses of U.S. Income Differences since 1950', *American Sociological Review* 79(4): 752–74.

Kerbo, Harold R. (2012) *Social Stratification and Inequality: Class Conflict in Historical, Comparative, and Global Perspective*. 8th Edition. New York: McGraw Hill.

Kim, Chang Hwan and Arthur Sakamoto (2008) 'The Rise of Intra-Occupational Wage Inequality in the United States, 1983 to 2002', *American Sociological Review* 73(1):129–157.

Lasch, Christopher (1994) *The Revolt of the Elites and the Betrayal of Democracy*. New York: W.W. Norton.

Lee, David S. (1999) 'Wage Inequality in the United States During the 1980s: Rising Dispersion or Falling Minimum Wage. *Quarterly Journal of Economics* 114(3): 977–1023

Lemieux, Thomas (2008) 'The Changing Nature of Wage Inequality', *Journal of Population Economics* 21: 21–48.

Lynd, Robert S. and Helen Merrell Lynd (1929) *Middletown: A Study in Contemporary American Culture*. New York: Harcourt, Brace & Company.

Lynd, Robert S. and Helen Merrell Lynd (1937) *Middletown in Transition: A Study in Contemporary American Culture*. London: Constable & Company.

Marx, Karl (1990 [1867]) *Capital: A Critique of Political Economy*, *Volume I*. London: Penguin Books.

Marx, Karl (1993 [1939]) *Grundrisse: Foundations of the Critique of Political Economy*. London: Penguin Books.

Micocci, Andrea. (2009) *The Metaphysics of Capitalism*. Lanham, MD: Lexington Books.

Micocci, Andrea. (2011) 'The Preponderance of Finance and the Present Crisis', *Studies in Political Economy* 87: 49-64.

National Employment Law Project (2014) 'The Low-Wage Recovery: Industry Employment & Wages Four Years Into the Recovery', 27 April.

Piketty, Thomas (2014) *Capital in the Twenty-First Century*. Cambridge, MA: Harvard University Press.

Reich, Robert B. (1992) *The Work of Nations*. New York: Vintage Books.

Reich, Robert B. (2014) 'And Now the Richest .01 Percent', 17 November, Available at http://robertreich.org/post/102926070780, Accessed on 24 November 2014.

Rosenthal, John (1998) *The Myth of Dialectics*. London: MacMillan.

Saez, Emmanuel (2006) 'Redistribution Toward Low Incomes in Richer Countries.' In Bannerjee, A., R. Benabou, and D. Mookherjee. *Understanding Poverty*. New York: Oxford University Press.

Schmitt, John, and Janelle Jones (2012) 'Where Have All the Good Jobs Gone?' Center for Economic and Policy Research, Washington, DC, www.cepr.net/documents/publications/good-jobs-2012-07.pdf.

Schmitt, John, and Janelle Jones (2013) 'Making Jobs Good', *Challenge* 56 (4): 6–21.

Sohn-Rethel, Alfred (1978) *Intellectual and Manual Labor: A Critique of Epistemology*. London and Basingstoke: Macmillan.

Toscano, Alberto (2008) 'The Open Secret of Real Abstraction', *Rethinking Marxism: A Journal of Economics, Culture & Society* 20(2): 273-287.

Western, Bruce, and Jake Rosenfeld (2014) 'Unions, Norms, and the Rise in U.S. Wage Inequality', *American Sociological Review* 76(4): 513–37.

Wolff, Edward N. (2012) 'The Asset Price Meltdown and the Wealth of the Middle Class', NBER Working Paper No. 18559. National Bureau of Economic Research: Cambridge, MA.

Wysong, Earl, and Robert Perrucci (2007) 'Structure Organizations, Resources, and Class Analysis: The Distributional Model and the US Class Structure', *Critical Sociology* 33: 211–246.

Table 1

Share of Aggregate Income Received by Each Fifth and Top 5 Percent of Households

Year	Number (thousands)	Shares of aggregate income					
		Lowest fifth	Second fifth	Third fifth	Fourth fifth	Highest fifth	Top 5 percent
2014	124,586	3.1	8.2	14.3	23.2	51.2	21.9
2007	116,783	3.4	8.7	14.8	23.4	49.7	21.2
1997	102,528	3.6	8.9	15.0	23.2	49.4	21.7
1987	91,124	3.8	9.6	16.1	24.3	46.2	18.2
1977	76,030	4.2	10.2	16.9	24.7	44.0	16.8
1967	60,813	4.0	10.8	17.3	24.2	43.6	17.2

Source: US Census Bureau

Table 2

Distribution of net worth in the United States, 1983–2010

	Top 1 percent	Next 19 percent	Bottom 80 percent
1983	33.8%	47.5%	18.7%
2010	35.4%	53.5%	11.1%

Source: Wolff, 2012

Table 3

Distribution of financial (non-home) wealth in the United States, 1983–2010

	Top 1 percent	Next 19 percent	Bottom 80 percent
1983	42.9%	48.4%	8.7%
2010	42.1%	53.5%	4.7%

Source: Wolff, 2012