Understanding Social Inequalities with Marx -
Relevance & Ambiguities of Class Structure in
Late Capitalism

Studying Modern Capitalism – The Relevance of Marx today
10th anniversary conference of IPE
12-13 July 2018

Prof. Dr. Sigrid Betzelt
Structure of my talk

1. Starting point: Marx' class theory in a nutshell

2. Social inequality in late capitalism – the end of classes in „post-industrial“ society???
   a. Objective dimension
   b. Subjective dimension

3. Concluding remarks
1. Marx‘ class theory in a nutshell (a)

Two great antagonistic classes, based on 2 criteria: ownership of means of production & control of labour power of others:

- Capitalists or bourgeoisie
- Working class or proletariat

Additionally, but in the long run diminishing due to proletarianisation & homogenization of classes:

- „Petty bourgeoisie“ of the small self-employed
- „Lumpenproletariat“, i.e. „the social scum, that passively rotting mass thrown off by the lowest layers of the old society“ (Communist Manifesto)

⇒ Property relations are decisive for power relations
1. Marx‘ class theory in a nutshell (b)

Class relations = conflictuous, class struggles are key driving force of history

Precondition for class conflict = **class consciousness** of unified rational interest & shared views of how society should be organized

(distinction „class in itself“ vs. „class for itself“)

➔ **objective & subjective** facets of classes

Inevitable transformation to socialism due to

- intensified struggles between **polarized & homogenized (!)** classes, and

- the revolutionary power of the proletariat
2. Social inequality in late capitalism – the end of classes in „post-industrial“ society??

Some (incomplete!) diagnostic spotlights:

1. Objective class structures: antagonistic?

… then asking question on the state of

2. Subjective „class consciousness“ of working class?

… more questions rather than answers!
a) Functional income distribution: **Decline of wage share**

**Figure 2.1: Adjusted wage share, selected OECD countries, 1970-2015**

*percent of GDP at factor costs*

Note: The adjusted wage share is defined as compensation per employee as a share of GDP at factor costs per person employed. It thus includes the labour income of both dependent and self-employed workers, and GDP excludes taxes but includes subsidies.

Source: European Commission (2016), our presentation.
Table 7: Distribution of household net wealth in Germany

<table>
<thead>
<tr>
<th>Fractiles of household net wealth</th>
<th>Database HFCS</th>
<th>Database HFCS including imputed top wealth distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentile</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>1 000 Euro</td>
<td>bill. Euro</td>
</tr>
<tr>
<td>1st - 5th decile</td>
<td>\</td>
<td>222</td>
</tr>
<tr>
<td>6th decile</td>
<td>52</td>
<td>294</td>
</tr>
<tr>
<td>7th decile</td>
<td>99</td>
<td>501</td>
</tr>
<tr>
<td>8th decile</td>
<td>165</td>
<td>847</td>
</tr>
<tr>
<td>9th decile</td>
<td>262</td>
<td>1313</td>
</tr>
<tr>
<td>10th decile</td>
<td>438</td>
<td>4567</td>
</tr>
<tr>
<td>Total</td>
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<td>7743</td>
</tr>
<tr>
<td>Top 7.5%</td>
<td>525</td>
<td>4061</td>
</tr>
<tr>
<td>Top 5%</td>
<td>668</td>
<td>3517</td>
</tr>
<tr>
<td>Top 2.5%</td>
<td>1063</td>
<td>2694</td>
</tr>
<tr>
<td>Top 1%</td>
<td>1887</td>
<td>1847</td>
</tr>
<tr>
<td>Top 0.5%</td>
<td>3317</td>
<td>1363</td>
</tr>
<tr>
<td>Top 0.1%</td>
<td>13,581</td>
<td>306</td>
</tr>
</tbody>
</table>

Summary inequality measures of household net wealth

<table>
<thead>
<tr>
<th></th>
<th>Database HFCS</th>
<th>Database HFCS including imputed top wealth distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini coefficient</td>
<td>0.7461</td>
<td>0.7751</td>
</tr>
<tr>
<td>Entropy meas. 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GE(1)</td>
<td>1.2894</td>
<td>1.8493</td>
</tr>
<tr>
<td>GE(2)</td>
<td>5.5693</td>
<td>326.84</td>
</tr>
</tbody>
</table>

1) GE(1) is the Theil index, and GE(2) is half the square of the coefficient of variation.

Source: HFCS, 2011, own calculations.

Source: Bach et al 2015 (DIW DP 1502)

b) Extremely unequal distribution of wealth - especially in Germany (2011)

Gini coefficient for:
- France: 0.6730 (0.6857)
- Spain: 0.5723 (0.5818)
- Greece: 0.5540 (0.5726)
c) Personal income distribution: **Increase of top incomes**

Figure 2.2: Top 1 percent income share, selected OECD countries, 1970-2015
(percent of pre-tax fiscal income without capital gains)

Note: For France, Germany, Spain, Sweden, and the USA, top income shares relate to tax units; in the case of the UK, data covering the years 1970 until 1989 comprise married couples and single adults and from 1990 until 2012 adults.

c) Personal income distribution: **Increase of inequality**

*Figure 2.3: Gini coefficient of market income, selected OECD countries, 1970-2015*

Note: The Gini coefficient is based on equivalised (square root scale) household market (pre-tax, pre-transfer) income.

Source: Solt (2016), our presentation.
c) Personal income distribution: Increase of inequality, moderating role of the welfare state

*Figure 2.4: Gini coefficient of disposable income, selected OECD countries, 1970-2015*

Note: The Gini coefficient is based on equivalised (square root scale) household disposable (post-tax, post-transfer) income.

Source: Solt (2016), our presentation.
d) Levels of personal disposable income: Key role played by (un-)employment

Figure 7: Change in the share of employed and unemployed people by household disposable income deciles, 24 EU Member States (percentage points)

Source: EU-SILC.
Source: Eurofound 2017a
e) Increase of **in-work poverty** in the EU

**Figure 5: Proportion of workers at risk of in-work poverty (%), by EU Member State, 2007 and 2014**

*Note: Croatia and Malta were not included in the survey in 2007. EU values exclude these countries.*

*Source: EU-SILC 2007 and 2014 microdata, weighted by PB040 or PB060, all working-age people*

Source: Eurofound 2017b
f) Increase of **workers in material deprivation** in many EU countries

Figure 6: Percentage point change in the at-risk-of-poverty rate and material deprivation rate for workers, EU Member States, 2007–2014

Note: Croatia and Malta were not included in the survey in 2007. EU values exclude these countries.

Source: EU-SILC 2007 and 2014 microdata, weighted by PB040 or PB060, all working-age people

Source: Eurofound 2017b
Factors influencing in-work poverty

Non-standard employment (part-time, self-employed etc.) disproportionately often among the „working poor“

⇒ heterogeneous social structure „petty bourgeoisie“ & „precariat“ of digital capitalism
First diagnostic spotlight:

Objective class structures:

✓ Income & wealth polarization, squeeze of the „middle classes“ (not displayed)

✓ Impoverishment & deprivation, especially in crisis countries

✓ Social reproduction of class structure: inherited wealth; low upward class mobility (not displayed)

➢ But: instead of „homogenisation“ of working class, more differentiated social situations (soziale Lagen)
2. Subjective facets of class structure

„Class consciousness“ of the working class?

*Mixed picture:*

a) Tendency of upward self-positioning in social structure instead of „class consciousness“ („part of middle class“)

b) …supported by public & academic discourses about diffuse „middle class(es)“ – often highly ideological (*see Ulf Kadritzke*)

c) „Digital precariat“ & other (small) self-employed between „petty bourgeoisie“ ↔ labour struggles & strikes
2. Subjective facets of class structure

d) Still high expectations on the welfare state in Europe, despite all transformation

| Table 2 European support for welfare state dimensions |
|------------------------------------------|-----------------|-----------------|
| Dimension                                | % pro-welfare attitudes | % anti-welfare attitudes |
| Goals                                    | 71               | 14              |
| Range                                    | 94               | 4               |
| Degree                                   | 35               | 29              |
| Efficiency                               | 54               | 34              |
| Effectiveness/abuse                      | 17               | 62              |
| Effectiveness/underuse                   | 21               | 52              |
| Outcomes goals                           | 63               | 25              |
| Outcomes policy Output                   | 42               | 53              |
| Outcomes economic                        | 34               | 42              |
| Outcomes moral                           | 45               | 42              |

Source: Roosma et al. 2013; based on data of ESS 2008, survey in 22 European countries
2. Subjective facets of class structure

How to be interpreted?

- Welfare state (support) as concealing „true class antagonism“, contributing to a „false consciousness“?
- Welfare state as „class compromise“, moderating the social inequalities produced by capitalism?
  ➔ Advocating a strong welfare state & effective outcomes of collective social security (de-commodification), financed by taxation of capital, as a sign of „class consciousness“ and solidarity??
2. Subjective facets of class structure

e) BUT high expectations were disappointed: welfare state transformation towards economic liberalization & „de-securitization“ & re-commodification;
social-democratic parties are de-legitimized ➔ has left a deep imprint in people‘s subjectivities:

Case of Germany as „post-conservative“ welfare state:

- No broad political resistance, instead compliance with individualization & marketization of social risks (e.g. financialisation of old-age security)
- Emotional unrest & rising anxieties of losing social status
2. Subjective facets of class structure

- Increasing social cleavages, less social cohesion, social closure against „outsiders“, racism, classism, nationalism, chauvinism all over Europe (and beyond…), and within all social classes

- (Far-)Right-Wing voting of working class & the unemployed disproportionately high

⇒ Working class seem to be far from a social-revolutionary subject, despite some singular protests
3. Concluding remarks

- **Social sciences** must provide for *clear-cut insights in the class structure* and highlight the still decisive property & power relations in capitalist society, in all its appropriate differentiation.

- … educational function to de-ideologize and de-mystify constructs such as diffuse middle classes, and not contribute to social cleavages.

- **Trade unions & new social movements** need to find ways to unite the new social ‘milieus‘ of working class in the digital precariat & ‘petty bourgeoisie‘…..however difficult!

- **Political fight for a strong welfare state**, social rights and truly democratic structures is essential for (at least) moderating class antagonism & social reproduction, and thus furthering social cohesion.
Thanks for your attention!