Political Sociology of Social Inequality:  
On the Structural Consequences of (Re-)Introducing a Free Market System

Lecture Notes

I.

The title of this lecture is political sociology of social inequality. There are two different senses in which the attribute "political" is to be understood:

1. Firstly, all sociology is political, however value-free its treatment of the empirical facts may be. If, for example, the sociologist decides to use the concept of "social class" in preference to that of "social stratification" or "social differentiation", he inevitably takes a position in the on-going social struggle over the "correct" perception and classification of social reality (cf. Bourdieu).

With this knowledge of the inescapably political character of all sociological discourse in mind, I turn my attention to the currently predominant themes of public discourse in what used to be called the "socialist" part of Europe. Clearly, national divisions rather than class divisions preoccupy the minds of large sections of the public as well as of politicians and intellectuals in Central and Eastern Europe. Social inequalities persist, but the question of national (or ethnic) "interests"
predominates. Furthermore, I find a very strong tendency to consider socialism as an obsolete and dangerous system whereas capitalism has become the object of almost unlimited hope and praise. The free market economy is seen as a quasi-magical instrument, able to guarantee the wealth and welfare of all nations.

Obviously, the disillusionment with the performance of "socialist internationalism" and "socialist planification" is at the basis of this new popularity of nationalism and the free market system. This reaction is quite understandable - but it may lead to new illusions.

It is one of the ungratifying tasks of the social scientist that his (or her) intellectual tools oblige him to swim against the predominant currents of the public opinion and to warn against the dangers of mystification. In this lecture, however, I shall not take up the thorny problem of nationalism. I shall only concentrate on the second question and discuss some of the implications of the (re-)introduction of capitalist relations of production and distribution. In doing so, I try to fulfill the task of the social sciences to act as a critical counter-balance against dominant ideas. Thus, as long as Marxist orthodoxies prevailed, I always had a strong inclination to emphasize the merits of "bourgeois" Weberian sociology. Nowadays, however, it seems necessary to call to mind the social consequences of the capitalist market system and thereby to return to certain insights preserved in the Marxist tradition.

That is, it seems to me that today one of the tasks of a political sociology of social inequality is to warn against the naive revitalization of functionalist theories of stratification claiming that free market competition will lead to the best of all possible worlds...

2. But besides this general political consideration there is a second, more specific sense in which I am speaking of a "political" sociology of social inequality: It is my contention that all forms of structured social inequality are upheld and reproduced (or changed) through relations of power.

Obviously, this is not a particularly new insight. It certainly is a thought shared by both Karl Marx and Max Weber. Especially Marxists take it for granted that all social inequality is based upon power. Yet, no true Marxist would want to speak of a "political sociology of social inequality"; much rather, he would talk about "class relations" and "class struggle".
The reasons for my rejection of the Marxist terminology can be summarized in the following way:

1. I accept the view of Barry Hindess\(^1\) that "classes do not act". To treat social classes as collective actors is both a logical and an empirical mistake.

2. Furthermore, I think that the arguments of authors such as Hradil, Beck and Berger have to be taken very seriously. They claim that the empirical importance of social classes as integrated macro-social collectivities is declining in advanced capitalist societies.

3. Consequently, if my proposition is accepted that structured social inequality is based upon conflicts of power, these conflicts cannot be conflicts of classes.

This may sound surprising and will need some elaboration. (Of course, those participants of the course who are acquainted with the paper I presented in Dubrovnik last year\(^2\) will recognize some of the following arguments). Let me, first, begin with what I think is the basic assumption of all 'conventional' (Marxist and Non-Marxist) class theories\(^3\): They take it for granted that the consequences of social inequality are also the causes of social inequality. Or, to put it even more simply, it is assumed that social inequality is caused by social inequality.

This may sound somewhat cryptic. But the theoretical attractivity of the thesis of the 'vicious circle of inequality' becomes clearer when it is elaborated step by step:

1. The empirical starting point of the argument is the unequal distribution of material and symbolic resources among the population. That is, the 'objective' existence of structured social inequality is recognized as an empirical fact.

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(2) The next step is the assumption that the objective inequality of resources leads to the formation of social classes.

(3) As the share of the material and social resources is unequally distributed between the classes, and as it is assumed that they have an interest in increasing (or at least preserving) their relative share, they are driven into an inevitable class conflict.

(4) The result of this class conflict depends on the distribution of power between the classes. The power capacity of each class depends on the resources at their disposition.

(5) As the power resources available to the classes are unequally distributed, it follows that their power struggle will inevitably lead to a renewed inequality of distribution. Thereby, the 'circle of inequality' is completed and can start all over again. It can only be interrupted, if the asymmetrical balance of power between the classes is changed through external influences and/or through internal contradictions.

As a formal theoretical explanation this is quite convincing. It is by no means a circular explanation, as the 'circle of inequality' it describes is an empirical, not a logical circle. This means that the explanation is open to empirical falsification, as every theoretical statement should be.

And indeed, this is precisely what empirical reality has 'done' to the various versions of the conventional theory of class struggle and class reproduction - it has falsified it. That is, the circular chain has lost some of its empirical links. Let me explain:

The first link of the chain, the empirical existence of 'objective' material and symbolic inequalities in all advanced societies, remains unchallenged. But the second and third steps in the argument, the empirical existence of social classes and their ability to act as collective actors in class conflict, are very doubtful indeed. First, I turn to the question of "social class".

Of course, sociologists can always categorize the members of a population according to the objective inequalities of their social positions, and they can allocate them to different "classes". But vertical classification is a purely nominalistic procedure. In order to be able to speak of ‘social classes’ in a

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1 The latter argument is preferred by Karl Marx, of course.
sociologically meaningful way, classes would have to be considered as 'real' social collectivities, as macro-social groups integrated not only by common material conditions, but also by a shared lifestyle and a sub-culture of their own. However, all empirical evidence from advanced western societies points to the fact that class solidarities are weakening whereas social inequality is persisting.

I cannot go into details here, but I think I can safely summarize the discussion about the empirical existence of social classes by stating that we have to get accustomed to the theoretical possibility of 'social inequality without classes' (Dennis Wrong). That is, we are increasingly faced with forms of social inequality which do not lead to the formation of integrated social classes.

However, the eventual result of the on-going empirical debate about the adequacy of the notion of 'social class' in the description of structured social inequality of advanced capitalist societies is not crucial even for my own argument. For, if it is correct to assume that objective social inequalities either may, or may not, lead to social class formation, and if it is also correct to assume that social inequality is rooted in power relations, it follows that social classes cannot be the primary power basis of social inequality. As I said before, classes do not act. Therefore, two separate issues must be clearly distinguished in inequality research:

(1) On the one hand, there is the empirical question of the degree of class fragmentation or class integration given in a particular state society.

(2) On the other hand, there is the second, equally empirical question of the specific power relations which maintain the unequal distribution of material and symbolical resources in the population.

My point is that, whatever the empirical answer to the question of class fragmentation or class cohesion may be, social classes can never be considered as actors in the field of power which reproduces social inequality. That is, not 'the bourgeoisie' and 'the proletariat' face each other in the struggle about the distribution of scarce resources. As I pointed out at some length in last year's paper, the participants of what used to be called the "class struggle" are not "classes". Rather, the main protagonists of the power conflict about the unequal distribution of resources in advanced capitalist societies typically are capitalist firms and employers' organizations on one side, and trade
unions on the other side; this distributive conflict is mediated by the representatives of the state apparatus and political parties.

That is, if we want to disentangle the power relations which reproduce social inequality in advanced market societies, the degree of empirical class structuration or fragmentation of the population should not be our main concern. Instead, we should concentrate upon the interplay between the various collective actors representing the 'corporatist triangle' of capital, labour and the state. They constitute the core of the macro-social field of power, and the sociological analysis of structured social inequality should always start from there. Only as a second step, additional sources of power, such as pressure groups, social movements and the social structuration of the population itself, should also be taken into account. The power exercised by the core actors of the 'corporatist triangle' is modified, but not substantially altered by the impact of these additional sources of power.¹

¹ For a more complete elaboration of this argument, see my paper on 'The Concept of Class', op.cit.
II.

For the second part of my presentation, I shall single out one of the three possible relations of the 'corporatist triangle', the relationship between capital and labour. That is, for the purposes of this paper, I bracket out the influence which the various agencies of the state apparatus exercise upon the structure of social inequality in advanced capitalist state societies. This is, of course, somewhat artificial. But for the reasons stated above, I think it particularly important at the present time to emphasize the inherent structural characteristics of the capital-labour-relationship. It is my contention that every state society which submits itself to the rules of the market will have to come to terms with the consequences of this relationship, which is a fundamentally asymmetrical one.

I shall concentrate here on what I have called the primary asymmetry of power in capitalist society, the structural asymmetry between capital and labour. I shall not deal with the secondary asymmetries of the capitalist labour market which lead to internal divisions of the labour force and to the fragmentation of capital.

To make my case as clearly as possible, I shall consider only the core area of the market economy, the large capitalist corporation. I want to point out the various strategic advantages enjoyed by the representatives of the capital side in their confrontation with the representatives of labour. It is my contention that they are structural advantages, i.e. advantages intrinsic to the bargaining situation between capital and labour. Certainly, these strategic advantages are not the only components of the relationship between capital and labour. Historical conditions and particular circumstances, especially legal regulations and institutional traditions, may modify and partly offset the strategic advantages of the representatives of the capital side. Nonetheless, with this proviso in mind, I posit that all collective actors representing the interests of labour against those of corporate capital will have to

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2 That is, neither the bargaining situation in the public sector nor the power relations prevailing in the field of small and medium-sized private firms are explicitly discussed here. I also neglect the heavily subsidized branches of the capitalist core where the direct influence of state intervention is particularly strong.
to come to terms with the following eight facets of the primary asymmetry of power, no matter how they are organized¹:

(1) First, there is the asymmetry of numbers. The basic bargaining constellation consists of a field of power where many workers face few employers. Organizing and co-ordinating many individuals is more complicated and more costly than organizing few. This is the first structural asymmetry in favour of capital.

(2) The second asymmetry is the asymmetry of composition. In the capitalist labour market, the typical employer is a firm, not an individual. Firms are organized and goal-oriented collective actors. But firms employ individuals. Thus, the capital side of the labour market is always composed of organizations, the labour side of individuals. In the eyes of James Coleman, this asymmetry of power between organizations and individuals is the most fundamental feature of modern society, a type of society he describes as "asymmetrical society" ².

(3) This leads directly to the third asymmetry, the asymmetry of organization. As I just said, capital is already organized. The capitalist firm is, by definition, an organization whereas labour has to get organized in order to achieve some kind of parity in the bargaining process. However, if one looks into the history of industrial relations in the advanced capitalist state societies, the following general pattern emerges: In the original constellation organized firms faced isolated individual workers. Once the workers had succeeded to organize themselves in trade unions, the capital side reacted and established a secondary level of organization, the employers' associations. In other words, the degree of organization of the capital side is typically higher than that of the labour side.


Furthermore, there is, of course, the most well-known asymmetry, the asymmetry of material resources. The capital side controls the means of production, the workers don't. The main power resource trade unions can rely upon is the withholding of human labour power. But human labour as a living 'substance' is much more fragile than the material resources available to the capital side. Whenever the use of labour power comes to a halt, be it voluntarily (e.g. strike) or by force (e.g. lock-out; unemployment), this typically leads to immediate crises of personal income, if not personal identity, labour power being a relatively inflexible and 'perishable' commodity. Capital, on the other hand, is more flexible and more durable. In case labour is temporarily unavailable, capital can 'wait'. It may be transferred to alternative productive or even consumptive uses. In particular, it can be employed for labour-saving investments, thus further weakening the bargaining position of the workers. Looked at from a purely structural point of view, the much heralded idea of a "parity" between the strike as the main weapon of the workers and the lock-out as the employers' counter-measure proves to be an ideological myth. The material superiority of the capital side is quite undeniable.

Besides this material advantage there is also an asymmetry of knowledge between capital and labour. As individuals, workers may be highly qualified. But their skills can only be put to productive use, if they are co-ordinated and appropriated by the firm. The firm is the location where experience, knowledge and technology are accumulated and applied. The individual has only got his private memory, the firm has an infinitely larger information processing and storage capacity. Thus, it is not surprising that so many employees feel inadequate and lack self-confidence when they have to face the compounded intellectual power of their employing organization.

The sixth asymmetry I call the asymmetry of selective association. The short circuiting of information, the social networking, the mutual giving and receiving of small favours seems to be particularly effective among the members of the so-called "managing classes". But informal arrangements do not only facilitate life between firms, they also smooth out the contacts between capital and the state. A quotation from Offe and Wiesenthal captures this rather well:
'The very attentive attitude towards business interests that every government of the capitalist state is structurally forced to assume substantially reduces the efforts of "knocking at the doors". The entire relationship between capital and the state is built not upon what capital can politically do through its associations (...), but upon what capital can refuse to do in terms of investments decided upon by individual firms. This asymmetrical relationship of control makes comparatively inconspicuous forms of communication between business associations and state apparatus sufficient to accomplish the political objectives of capital.' (Offe, op. cit., 192).

The various asymmetries between capital and labour mentioned so far may sound impressive. Indeed, they constitute a strategic armoury which can be made use of in many different combinations. Nonetheless, it might be objected that they apply to atomistic market situations only. That is, it might be conceded that the above asymmetries are an adequate description of a labour market where isolated individuals face organized employers. But as soon as the workers achieve trade union solidarity, their strength is equal to that of the employers.

This view of the "parity of power" between capital and labour is not only put forward by conservative politicians and spokesmen of business interests. Traces of it may also be found in the rhetoric of the traditional labour movement itself. I only mention the old workers' slogan: "Alle Räder stehen still, wenn uns starker Arm es will!" ("All wheels come to a halt, if our strong arm wants it").

As I said before, I think this is a mistaken view. There is no parity of power resources between capital and labour. To emphasize this, two more asymmetries of power may be mentioned:

(7) As a seventh asymmetry, I point to the asymmetry of interests. Here, the main argument is that employers may have conflicting interests insofar as they are engaged in competition amongst each other. But with respect to their labour market policies the employers' interests are largely unanimous. Their common interest is to employ labour at the most profitable conditions, and this common interest usually prevails. On the other hand, every worker is an individual with typically split interests. First, there is an almost inevitable conflict between the obligations and interests of private life and the occupational duties and ambitions of individual persons. Every single worker has to come to his or her own solution in this dilemma. Working women, torn apart by "divided loyalties" (Anne Phillips 1987) between their families and their jobs, are particularly affected by this problem. Of course, trade union membership does not solve the dilemma of private and occupational interests. Rather, it
leads to another conundrum, the dilemma of solidarity: Is solidaristic participation in
general trade union struggle the best strategy? Or is it preferable to get involved in the
collective defense of more limited interests, e.g. by joining a professional association? Or is
individual opportunism the best way to realize one's interests? Furthermore, even if a union
or an interest group is joined, the question arises whether one takes an active part oneself,
or whether one enjoys a "free ride" (Mancur Olson 1965), letting others stick their neck out.
And finally, there are the various internal divisions of the labour force which lead to secon-
dary asymmetries of power among the working population: The enormous inequalities of
qualification, occupational status and income inside the labour force create additional
ambiguities of interest. As a consequence, it is difficult to create strong, efficient and
durable bonds of solidarity between the dependently employed population. It may be
possible to reach a minimal consensus about wage claims, working conditions and general
benefits, but to keep up sustained pressure is notoriously hard. Given this general situation,
the employers' long-term strategy of "divide and rule" has every chance to succeed (cf.

(8) As an additional, eighth, asymmetry I want to draw attention to the asymmetry of options
between capital and labour. It has already been stated, in order to achieve anything at all the
only option of the labour side is to get organized. By contrast, the capital side has various
options available: Firms may either enter into negotiations with the representatives of the
labour force - or they may alter the very conditions of negotiation. Through the establishment
of monopoly or oligopoly situations the market mechanism may be partly suspended.
Capital may be transferred. Investments may be stopped. Labour saving technology may be
introduced, etc. That is, everyday policy decisions of the capitalist firm may favourably
affect its bargaining position vis-à-vis its labour force. The workers have no such option.

My catalogue of primary asymmetries between capital and labour ends here. It should have become
obvious that it is by no means a systematic catalogue. Its heuristic objective is, rather, to draw
attention to some structural properties inherent in the capital-labour-relationship. No amount of
wishful thinking can set them aside.

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Of course, the scenario I have in mind is not an ahistorical one: Firstly, it is assumed that the capital side enjoys relative autonomy from state regulation, especially with respect to its investment decisions. Secondly, the establishment of some kind of independent trade-union movement is assumed. And, thirdly, it is also assumed that a regular procedure of collective bargaining between capital and labour is institutionalized. In other words, my heuristic model is based upon a generalized version of the various forms of European welfare capitalism.

Clearly, this is not the only possible form of capitalism. But I would claim that it is the historical form were the bargaining position achieved by the labour side is strongest. And this is precisely the point I wanted to make with this contribution: Even in those state societies where capitalism is restrained by strong labour movements and an elaborate welfare system the presence of significant asymmetries of power between capital and labour is unmistakable.

Therefore, my prognosis is that all European societies who try to follow the same path will have to pay the same price, at least. They will have to realize that they are allowing the installation of a new generator of inequality in their very core. They may accept to pay the price, because they hope that this generator -the free market system - will also lead to a dramatic increase of the "wealth of the nation". It may be so. But one single glance at the deteriorating conditions of the poverty stricken "vast majority" (Harrison 1977) of mankind living in the peripheries of the capitalist world system teaches us that, in the long run, this is bound to be a faulty calculation.