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Theoretical Perspectives on Income Inequality

This then is the wit and wisdom of human capital theory—to reduce all economic relations between individuals to the relation of simple commodity exchange, all income categories to the single category interest.

—Michael Carter, 1977

Theory, Albert Einstein once said, determines what we can observe. Louis Althusser, a contemporary French Marxist philosopher, slightly transformed this proposition by saying that theory also determines what we cannot observe (Althusser, 1978a, p. 25). Theoretical questions are always embedded in conceptual structures, and if those structures lack certain pivotal elements (concepts), certain questions cannot or will not be asked. In the analysis of alternative theories, then,
it is as important to establish and explain their “silences” as it is to elaborate and compare their positive claims.

This chapter will systematically compare the logical structure of a reconstructed Marxist theory of income determination with two dominant theoretical traditions in the social sciences—human capital theory within neoclassical economics and status attainment theory within sociology. Throughout the discussion particular emphasis will be placed on the structure of the concepts used in each perspective and the relationship between those concepts and the character of the questions addressed in the theory. My intention is not to offer a comprehensive summary of the details of each theory or a general assessment of their research findings. Rather, I shall focus on the essential underlying structure of the argument.

In the first section of this chapter, I shall outline the basic contours of the Marxist account of income determination. This discussion will be organized around three basic elements of the conceptual structure of Marxist theory: the units of analysis within the theory, the social relations in terms of which those units of analysis are studied, and the logic of causation which is used to construct theories of those units of analysis and social relations. The second section of the paper will present a parallel discussion of human capital theory and status attainment theory. There is no pretense to completeness in these summaries. They are merely designed to situate the theoretical comparisons which follow. Finally, in the third section of the chapter, I shall systematically compare the basic elements in Marxist theory with those of human capital and status attainment theories in order to show how the underlying structure of both human capital and status attainment theory excludes the possibility of asking certain critical questions which are central to Marxist theory. The actual elaboration of a series of substantive propositions about income inequality based on these questions will be postponed until chapter 4.

THE UNDERLYING LOGIC OF A MARXIST THEORY OF INCOME DETERMINATION

In a sense income inequality has been at the very heart of Marxist theory, in the form of the theory of exploitation, but there has been very little sustained theoretical work on income determination by Marxists. Marx himself mainly concentrated on the mechanisms by which capitalist income (profits or surplus value) is extracted from workers, i.e., on the income determination process between classes. He only casually discussed the process by which the incomes of workers themselves were determined, i.e., the income determination process within classes. The essential core of his analysis of workers’ incomes is that:

1. Workers’ income comes from the sale of a particular commodity, labor power. Its value, like that of all commodities, is defined by the socially necessary labor time that goes into its production. In the case of labor power, this is defined by the bundle of goods which are necessary to reproduce labor power, both on a day-to-day basis and intergenerationally.

2. The price of that bundle of goods—the wage—is itself determined by the level of productivity in the wage goods sector of the economy. The more productive the wage goods sector, the lower will be the value (socially necessary labor time required for production) of the wage bundle, and thus the lower will be the wage (all things being equal).

3. Variability in the magnitude of the wage goods bundle in real terms is itself determined by two basic factors: (a) variability in the costs of producing and reproducing skills within the working class—skilled labor power is generally more expensive to produce and maintain than unskilled labor power (i.e., requires a larger bundle of wage goods) and thus requires a higher wage; (b) “historical and moral” factors, in particular the capacity of the working class to struggle collectively for higher wages. In Capital, Marx commented,

the fixation of the value of labor power . . . is only settled by the continuous struggle between capital and labor, the capitalist constantly trying to reduce wages to their physical minimum and to extend the working day to its physical maximum, while the working man constantly presses in the opposite direction. The matter resolves itself into a question of the relative powers of the combatants. [Marx, 1906 ed., p. 443]

These comments are very suggestive, but they provide merely the starting point for a complete theory of income determination. Later Marxists have provided only modest theoretical elaborations on these original formulations (see Baudelot et al., 1974, esp. pp. 159–236; Carter, 1977; Edwards et al., 1975).

The account of a Marxist theory of income determination which follows is not, therefore, simply a description of Marx’s own theory or a distillation of various contemporary Marxist accounts of income inequality. Rather, it is an attempt to reconstruct a Marxist theory of income determination on the basis of the underlying logic of Marxist methodology. In this section the emphasis will be on the formal struc-
that cannot be reduced to the subjectivity of individuals, and that the logic and dynamics of these units of analysis must be investigated both theoretically and empirically.

The argument that social structures, classes, and individuals all constitute legitimate units of analysis does not imply that they are totally independent of each other. Indeed, the very heart of Marxist theory is the investigation of the complex relations of determination among these different units of analysis. The critical point is that each of these units is seen as having a genuine relative autonomy. Thus it is essential to study specific theoretical problems such as income determination in terms of dynamics located within each of the three basic units of analysis, as well as in terms of the dynamics which link the different units of analysis.

The starting point of such an investigation is the level of social structure. The fundamental premise of a Marxist theory is that the essential process by which income is determined varies from social structure to social structure. Specifically, it varies across modes of production. The decisive difference between modes of production centers on the mechanism by which dominant classes appropriate surplus labor from direct producers: in classical feudalism, for instance, surplus labor is directly appropriated in the form of labor dues to feudal lords; in capitalism it takes the form of the appropriation of surplus value (i.e., the difference between the value of labor power—the wage—and the total value produced by workers within production).

The income determination process will also vary across different stages or phases of capitalist development (competitive vs. monopoly capitalism); it will vary depending upon the location of a particular capitalist country within the world capitalist system (imperialist centers vs. periphery); and it will vary depending upon the role of the state in the accumulation process. Any fully developed theory of income determination must involve at least an implicit account of the specificities of the social structure within which that income is determined.
Within such an account of the social structural basis of the income determination process, the specific analysis of income determination at the level of classes can take place. This will be the heart of the empirical investigation later in this book. The investigation of income determination at the level of classes has two basic thrusts: first, the analysis of the income determination processes within classes; and second, the analysis of the ways in which the entire income determination process is shaped by class struggle.

Not only does the income determination process differ from one social structure to another, but within a given society it differs from one class location to another. Income is determined in fundamentally different ways within different classes: the process of acquisition of capitalist income (exploitation) is fundamentally different from the process of acquisition of petty bourgeois income (self-employed income, i.e., income from the sale of commodities produced by one’s own labor); and both of these are different from the process of acquisition of income within the working class (sale of the commodity labor power). Furthermore, as we shall see in the following chapter, the process by which income is determined within the working class (the tendential equalization of wages to the value of labor power) is different from the process by which it is determined for contradictory locations between the working class and other classes (wages are permanently kept above the value of labor power by a mechanism of social control). The income determination process does not operate homogeneously across individuals, even across all wage laborers, but is itself determined by class relations.

Classes are not just locations within a social structure. They are also organized social forces which engage in conflict and which transform social structures. Class struggles intervene in the income determination process in two basic ways: first, through union struggles over wages, contracts, and unemployment insurance, and social struggles for welfare provisions and the like; secondly, by transforming the social structures within which income is determined. This is most dramatically the case where class struggles involve the transition from one mode of production to another, but it is also true for transformations within modes of production. A good example is the considerable growth of the state in advanced capitalism. The expansion of the state’s role in the economy not only directly changes the income determination process through transfer payments, but indirectly affects that process by changing the structural constraints on the market, the competition among workers for jobs, the impact of unemployment on wage rates, the capacity of given employers to discriminate in various ways, etc.

The analysis of income determination at the level of individuals presupposes the analysis at the level of social structures and classes, for individuals as such acquire income only through their location within a class in a given social structure. Within this framework, the analysis of individual-level income determination processes involves two basic aspects: first, the ways in which individual choices and actions can transform the individual’s location within class relations (i.e., the problem of social mobility, both inter- and intragenerational); and second, the various processes which affect those specific individual choices and actions that influence the individual’s income within a given class location. Both of these processes revolve around the social determinants of individual subjectivity or, as it is generally called by Marxists, individual consciousness.

A fully elaborated Marxist theory of income determination would attempt to link all three of these units of analysis, both theoretically and empirically. The present study, however, will focus almost entirely on classes. I shall, in effect, “hold constant” the social structural level by examining the class processes of income determination within American capitalism at a particular moment in history. The individual level of analysis also will not be systematically discussed, not because it is not important, but because the individual-level processes can only be tackled once the class processes are understood.

Social Relations

The concept of a “social relation” means something quite different for each of these three units of analysis. For the individual, social relations constitute the essential social environment. Individuals enter into social relations, which are, in a sense, “external” to them. Social structures, in contrast, are made up of social relations. These are the basic components of social structures, and thus they must be understood as “internal” to those structures. Classes, finally, are determined within social relations. Social relations are neither internal nor external.
to classes, since classes are common positions within social relations in the complex sense discussed in Chapter 2.

Within Marxist theory, the global notion of social relations is broken down into several interdependent dimensions. Of particular importance are social relations of production, technical relations of production, exchange relations, political relations, and ideological relations. Although all of these are ultimately relevant to a fully developed theory of income determination, we will focus our attention on the first three.

Of these, the social relations of production play the pivotal role. When we say that the income determination process varies across classes, it is primarily because these classes are situated differently within the social relations of production. Capitalists earn their income through exploitation because they own the means of production (in the precise sense discussed in Chapter 2) and employ the labor power of others; they are thus in a position to appropriate surplus labor from their employees. Petty bourgeois producers own their own means of production and are themselves the direct producers. Thus all of their income is self-earned, generated by their own labor. Workers, on the other hand, neither own their means of production nor control the labor of others; thus they depend entirely upon the sale of their labor power for their income. Because of their position within the social relations of production, therefore, their income depends upon the social conditions for the exchange of labor power (the conditions of the labor market).

Technical relations of production and exchange relations also clearly play a role in the determination of income. Income is not simply a function of location within the social relations of production. The ways in which technical and exchange relations affect income, however, are themselves determined by production relations. Social relations of production, in a sense, organize the causal consequences of other dimensions of social relations. To give some specific examples: changes in the technical division of labor may lead to a degradation of skills among workers and thus a devaluation of the value of their labor power; this in turn would generate a tendency for their wages to decline. These identical changes in the technical division of labor could increase the profits of capitalists. Fluctuations in supply and demand conditions (exchange relations) may have serious effects on the wages of many workers, but very little effect on the wages of managers, because their incomes are fairly insulated from direct market pressures (for reasons to be discussed in Chapter 4). Technical and exchange relations, therefore, are consequential for income, but the ways in which they are consequential are themselves determined by the social relations of production.

**Figure 3.1.** Formal model of income determination at the level of classes.

**Formal Model of Income Determination at the Level of Classes**

The formal model of income determination presented in Figure 3.1 will serve as the basis for the substantive hypothesis developed in Chapter 4.

To know how to read this kind of model of determination, one must understand the various relations of determination indicated in the diagram: limitation, selection, and mediation.

1. **Limitation** is a mode of determination in which one structure or process establishes limits of variation on another structure or process. Limits of variation imply that (a) there are certain excluded possibilities for the determined (limited) structure, and (b) within the range of included possibilities, there is a determinate distribution of probabilities for one outcome or another. In the model of determination in Figure 3.1, the location within class relations establishes limits of variation on income, on the location within exchange and technical relations, and on personal characteristics. This implies that within the working class, for example, certain incomes are totally impossible, and that among all possible incomes, certain incomes are systematically more likely than others.

*Three other modes of determination are not included in this particular model: transformation, reproduction, and reproduction of production, and limits of functional compatibility. For an extended discussion of the logic of modes of determination and their role in Marxist theory, see Wright (1961, ch. 1).
2. Selection is a mode of determination which establishes limits within limits. Selection always presupposes a broader limiting process within which it operates. In Figure 3.1, for example, individual characteristics have a selective effect on income within the limits established by the location within class relations.

3. Mediation defines a causal relation in which one structure or process determines the causal relationship between two other structures or processes. In Figure 3.1, the location within class relations (in particular, within the social relations of production) mediates the other causal relations in the model. The ways in which the location within exchange and technical relations, for example, influence income are themselves mediated by class location. The most important results in the empirical sections of this study all concern these relations of mediation.

In interpreting this model, it is crucial to realize that the relations of determination are not necessarily temporal. For example, to say that class location places limits on the individual characteristics of incumbents of those positions, while exchange and technical relations select characteristics from within those limits, does not imply that the limiting process comes "before" the selection process in time. If anything, concrete individuals enter into exchange relations before actually becoming incumbents of a class location (and they certainly acquire many of their individual characteristics before even entering exchange relations). The argument, therefore, is not a temporal one, but a structural one. The structural characteristics of the class locations themselves determine (i.e., limit) the basic distribution of personal characteristics recruited into those positions. Exchange relations have their effect on individual characteristics within the limits established by production relations.

This atemporal character of the relations of determination in Figure 3.1 will not cause any difficulty so long as it is remembered that this is not a model of the individual-level income determination process, but rather of the class-level process. As it stands, the model says little about how individuals as such acquire their income. Obviously, from the individual's point of view, personal characteristics are a determinant of location within class relations (and within exchange and technical relations as well). But from the point of view of the class structure as such, the individual characteristics which are selected into a given class location are themselves determined by the interplay of production relations, exchange relations, and technical relations.

If we look just at the immediate process of income determination in

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Figure 3.1 (the relations of determination directly affecting income) the model should be interpreted in the following way:

1. Income is fundamentally determined by the location within the structure of class relations. This relation of determination defines the basic income differences between classes.

2. Individual characteristics and the location within exchange and technical relations also influence income, but only within the basic limits established by the location within class relations. No working-class position within the social relations of production can possibly receive an income as high as a large capitalist, regardless of the brilliance or education of the incumbent of that position, the tightness of the labor market, or the technical functions performed within that position. Within those limits, however, personal characteristics and exchange or technical relations can have a real impact.

3. The precise way in which exchange relations, technical relations, and individual characteristics influence income is itself determined by (mediated by) the location within class relations. For example, as we shall see in chapter 6, education (one aspect of the position within exchange relations) makes a much bigger difference for the income of managers than it does for the income of workers.

THE UNDERLYING LOGIC OF HUMAN CAPITAL AND STATUS ATTAINMENT THEORIES OF INCOME DETERMINATION

In this section, we will examine the basic arguments of human capital theory in economics and status attainment theory in sociology. Since the main purpose is to establish the critical differences with Marxist theory, the accounts which follow will not pretend to be comprehensive.

The classic statement of human capital theory, which still serves as a general overview of the theory, is that of Becker (1975). For an assessment, by a human capital advocate, of recent criticisms of human capital theory, see Cain (1976). Probably the most useful critique of the tradition from within economics is that by Tharlow (1975). For a very useful Marxist critique which has influenced my analysis of human capital theory, see Carter (1977). The basic argument of the status attainment approach to income determination can be found in Sewell and Hauser (1975, ch. 1).

The discussion of human capital and status attainment theories which follows is not "innocent," to use a favorite expression of Louis Althusser's. The categories used to assess these theories, just as the categories used to assess the world, are themselves inevitably rooted in a theoretical structure. Any comparison of theories, therefore, is
Class Structure and Income Determination

Human Capital Theory: A Brief Summary

At any given point in time, individuals make a variety of choices which shape their present consumption and future income. Particularly important among these choices are decisions about how to spend one's time and one's resources. In terms of human capital investments, the decisive choice is over allocating one's time toward obtaining income in the present, thus maximizing present consumption, or allocating one's time toward obtaining skills in the present, thus maximizing future consumption.

Why should increasing one's skills lead to increases in consumption in the future? The assumption is that skilled labor is more productive than unskilled labor, and that as a result employers are willing to pay such labor higher wages (since in neoclassical theory, wages = marginal productivity). In other words, higher these wages will be depends upon the technical conditions of production (which determine substitution effects) and the supply and demand conditions of the market. The actual choices by individuals, therefore, will depend upon their subjective time preferences on the one hand (utility functions), and the conditions which determine the rate of return on human capital investments (market and technical conditions) on the other.

Status Attainment Theory: A Brief Summary

Status attainment theory has a less formally developed account of the income determination process than does human capital theory. Nevertheless, the basic contours of the argument can be easily summarized. Since income varies across individuals, the causes of this outcome must be sought in variations in the characteristics of individuals. Two clusters of such variation are particularly important: first, variation in various ascriptive characteristics of individuals (social origins, parents' education, race, sex, intelligence, etc.) and second, variation in various achieved or acquired characteristics of individuals (principally education and occupational status, but also things like geographical mobility, personality, motivations, etc.). The central research task within this tradition is to sort out the relative importance of and interrelationships between achieved and ascribed factors in determining various outcomes, such as income.

In the investigation of income, occupational location (as measured by occupational status) plays a particularly strategic role, since it is viewed as the critical achieved characteristic. Occupations vary over many dimensions—their "functional importance," their power, the difficulty of moving into the occupation, the mechanisms of selection into the occupation, etc. The single metric which best captures these multiple dimensions of occupations is "occupational status" (or "occupational prestige"), which is basically a measure of the overall social standing of the occupation in the eyes of average people. In order to understand income determination, therefore, it is necessary to understand the ascriptive and achievement processes through which people are sorted into occupational statuses, and the extent to which their personal characteristics (ascribed and achieved) continue to influence their income once they have obtained an occupational status.

At first glance, the theoretical stances toward income inequality in conventional neoclassical economics and in sociology seem poles apart. Human capital theory in economics has developed a sophisticated, deductive mathematical analysis of income determination based on a few simple, axiomatic assumptions. Sociological studies of income determination have relied largely on statistical analysis of empirical relations, generally avoiding any sustained mathematical formulations. Human capital theory couches the analysis of income determination in the language of utility functions, marginal productivity, supply and demand; sociological studies use a language of social background, occupational status, and achievement motivations.

Nevertheless, in spite of these real differences, there is a sense in which both bodies of theory share a basic underlying structure. While they may develop one aspect or another to differing extents, and while they may formulate different kinds of propositions within this structure, they both adopt the individual as the central unit of analysis, and they both analyze individuals primarily in terms of exchange relations and technical relations of production.

There are secondary differences between the concepts of status and prestige. Prestige is understood as measuring the overall social rankings of occupation, status is often used more narrowly to designate the economic standing of the occupation (thus, it is often referred to as a socioeconomic status). For our present purposes this distinction is largely irrelevant: in both cases the variable defines a one-dimensional metric of occupations which is viewed as relevant for the determination of the individual's income.
The Unit of Analysis

In both human capital and status attainment theory, outcomes which are attached to individuals are the essential objects of investigation, and the causes of those outcomes are largely seen as operating through individuals (or quasi-individuals, in the case of firms in neoclassical economics).

This individualistic premise is much more explicit within human capital theory. The ultimate regulator of the entire process of income acquisition is the subjective preferences of individuals, particularly their time preference for present over future consumption. Indeed, within human capital theory, as Mincer has argued (1970, p. 7), if individuals all had the same initial endowments and all faced the same market and technical conditions, then they would essentially choose their own incomes on the basis of their time preferences (subject to various random factors).

Status attainment theory appears somewhat less wedded to an individualistic premise. The metric for discussing occupational positions, after all, is based on social evaluations of position, and thus has a supra-individual character. The essential dynamic of the theory, however, is conceived almost entirely at the level of atomistic individuals. Social structures have their consequences because they are embodied in individuals, in the form of personal characteristics. The class structure, for example, is seen as relevant in the analysis of income determination only insofar as it constitutes one of the factors which shape the individual’s own achievements and motivations. The preoccupation of the theory is with ascription vs. achievement as determinants of individual outcomes, not with the structure of the outcomes themselves.

This is not to suggest that social structure plays no role in human capital nor in status attainment theory. At least implicitly, it plays an important role in shaping the functioning of the market and individual utility functions within human capital theory, and social structure certainly operates as a systematic constraint on individual action in status attainment theory. While methodological individualism may be a strong tendency in both sociology and economics, very few serious social scientists take this individualistic thrust to the point of ignoring social structures altogether. The point is that in both status attainment and human capital theories of income determination, social structures are viewed as theoretically interesting largely as determinants or constraints on individual actions and outcomes. With few exceptions, they have little theoretical relevance in their own right.

As we have seen, within Marxist theory, both social structures and classes are considered basic units of analysis as such. While the choices

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and actions of individuals are legitimate objects of investigation, they are seen as theoretically intelligible only within a broader analysis of the determinations and contradictions of social structures and classes.

Social Relations

Both human capital and status attainment theories see individuals as entering into two different kinds of social relations: exchange relations (market relations) and technical relations of production.

In human capital theory, exchange relations provide the essential mechanism by which people obtain the actual income returns to their investments in human capital. To the extent that there are impediments to the free functioning of the market—including impediments to the individual’s information about the market—then it would be possible for someone to invest in skills and in the end be unable to realize a full return on that investment. As in all neoclassical theory, the market constitutes the essential process for the mutual adjustments of supply and demand which make rational choice based on utility functions possible.

Technical relations of production enter into human capital theory in three ways. First, the technical relations of production of skills define the trade-offs in time and resources the individual has to make in order to obtain those skills (i.e., in order to increase productivity). Secondly, the technical relations of production of commodities determine the mix of different levels of skills which will be demanded by employers for a given level of output. Thirdly, technical relations determine the marginal productivity of those skills for a given output, and thus what the employer is willing to pay for them. Taken together, these technical and exchange relations determine what the actual income of an individual with a given level of human capital is likely to be.

Exchange relations play a more tacit role within status attainment theory. Following Weber (1922), most status attainment theorists implicitly view “market capacity” as the essential immediate determinant of the individual’s “life chances.” Markets are treated, in this perspective, less as an arena for the equalization of supply and demand than as a bargaining arena. Individuals with greater achieved and ascribed statuses, it is argued, have greater bargaining power within an exchange relation, and thus can negotiate better terms of exchange, i.e., higher income.

Technical relations of production might at first appear to be absent from status attainment treatments of income determination. There is certainly no formal discussion of production functions, technology,
marginal productivity, and so on. However, they enter the analysis in a fundamental way through the emphasis on occupational position.

As argued in chapter 1, one of the basic theses of mainstream thought is that the social relations of production determine the technical relations of production, and thus it would be expected that given occupations would be much more concentrated in some classes than in others (see chapter 5).

Within status attainment theory, there is very little discussion of what it is about the technical relations of production which enables a given occupational position to be advantageous or disadvantageous. One component of this model is the individual job. Here are periodic functional importance of occupations as determined by the technical organization of production, and some discussion about the differential power of occupations because of the command over resources that they derive from their positions in the technical division of labor. 10 But this is somewhat narrower than the everyday usage of the concept of occupation, in which it designates broadly what a person “does for a living." In much of the social science literature, the concept of occupation simply appropriates this usage without any additional theoretical specification. It is more useful, in the present context, to restrict the notion of occupation to a specific aspect of what a person “does," namely those aspects defined by the technical division of labor. For descriptive purposes, the term job could be used to define more inclusively all aspects of what a person does within work. In terms of our discussion of Marxist theory, a job would, therefore, consist of social relations of production (class location) and technical relations of production (occupational location).

For an interesting empirical study of the characteristics which determine the average incomes of occupations, see Bleiby and Kalleberg (1975).

The classic statement of the functionalist view of occupational rewards is that of Davis and Moore (1945). In many ways it represents the clearest thing to a marginal productivity argument in neoclassical economics, since in operational terms "marginal productivity" and "functional importance" are closely related concepts. While few empirical studies of the status attainment process have attempted to elaborate the logic of functional importance or indispensability, a diffuse notion of functional importance is often implicit in much of the discussion of status attainment.

Postindustrial theorists such as Bell (1973) have stressed that the "real content" that gives occupations differential rewards is command over resources of one sort or another (capital, information, labor, or expertise). Such views begin to raise issues which are quite similar to those within a Marxist perspective. The distinctive feature in the present context, however, is the insistence that part of the technical content of a position which gives it its power, and thus ultimately power relations are reducible to technical relations. See, for example, Lenski (1966), Treiman (1977, pp. 5-22).
Figure 3.2. The basic model of income determination in status attainment and human capital theories. Note: For simplicity, only the central causal determinations are indicated here.

The conceptual structures pictured in Figure 3.1 and 3.2 represent radically different approaches to the study of income determination processes, especially when these structural relations are untangled in terms of social relations of production. Each of these theoretical traditions has its own set of explanations for status attainment, and these theoretical traditions are never possible for status attainment. In one tradition, human capital is seen as a central concept, with income determined by the accumulation and exchange of human capital, and in the other, social relations of production are at the heart of the explanation.
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<td>The point is that there would be no reason whatsoever within their theoretical frameworks for a human capital or status attainment theorist systematically to consider structural mediations in the first place. Since social relations of production play no organic role in the theory, there would be no reason to examine how the income determination process varies across production relations. Since structures are not primary units of analysis, there would be no reason to examine how different structures have different income processes. And since the theories do not countenance classes as organized social forces, there would be no reason to ask how the collective struggles of the working class and other classes transform the social structure in ways which alter the income determination process itself. These are all pivotal questions within Marxism that are excluded by the conceptual terrain of neoclassical economics and mainstream sociology.</td>
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<td>The fact that human capital and status attainment theory are unable to ask certain important Marxist questions does not imply that the questions they do ask are irrelevant or uninteresting. Indeed, from the perspective of Marxist theory, the questions they ask are potentially relevant, if correctly situated within a social structural and class context. The basic question of status attainment theory, for example, is: What is the balance between ascribed and achieved characteristics in the determination of an individual’s income? If this question is asked for people within specific class locations within specific social structures, then it becomes a meaningful question for Marxist theory: Within an advanced capitalist society, what is the balance between ascription and achievement in the determination of the income of individuals within the working class? within the capitalist class? within contradictory class locations? Asked in this way, the question directs our attention toward the process of structural mediation within the income determination process. If the class mediations are ignored, then it is assumed that the balance between ascription and achievement can be analyzed simply at the individual rather than the class-structural level.</td>
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<td>Similarly, the basic question of human capital theory is: Why do individuals with different amounts of education (and other investments in human capital) receive different incomes? The elaborate discussions of time preferences, internal rates of return, discount rates, lifetime earnings, etc., are all designed to answer this question. If this question is posed for specific structural locations within class relations, then again it becomes a meaningful one within Marxist theory. Indeed, as we shall see in chapter 4, there are even certain circumstances when...</td>
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the conventional human capital answers (with some modifications) to this question become meaningful within Marxist theory, if structural mediations are taken into consideration (that is, for pure working-class locations under competitive market conditions).

The appropriate rejoinder to the above claims is that the Marxist questions are ill-posed. What appear to be “structural mediations,” it could be argued, can ultimately be reformulated as outcomes of individual actions and choices. Thus, such “variables,” if they have any relevance at all, can be incorporated into an individual-level analysis. No such reformulation has yet been produced, so any assessment of its effectiveness as a counter to the theoretical and empirical arguments of this study will have to wait.

Let us now leave this discussion of the underlying logic of a Marxist approach to income determination and develop a series of substantive propositions about the income determination process in contemporary American capitalism. The compelling quality of a Marxist approach lies not simply in its capacity to ask different questions, but in its capacity to provide a strategy for answering them as well.

4

Class and Income: Hypotheses

It seems paradoxical that almost any scholar invited to discuss social class in historical context will refer to the works of Karl Marx, while virtually no contemporary empirical studies of social class use definitions of social class which could be called Marxian under the most liberal construction.

—THOMAS E. LASSEW, 1966

A central thesis of chapter 3 was that, in Marxist theory, class location mediates the income determination process. In this chapter we will try to give substance to this proposition by examining the income determination process within each of the class locations discussed in chapter 2 and then developing a series of concrete, operational hypotheses about these structural mediations. These hypothe-