

# 11/Industrial Societies: Part II

'Tis a sthrange thing whin ye come to think  
iv it that th' less money a man gets f'r his  
wurruk, the more nicissary it is to th'  
wurruld that he shud go on wurrukin'.

Mr. Dooley

FOR MOST MEMBERS of industrial societies *the occupational class* system, the subject of the present chapter, is the chief determinant of power, privilege, and prestige. Though it is impossible to say what proportion of *all* rewards are distributed on the basis of occupational activity, approximately three-quarters or more of all *cash* income is distributed on this basis.<sup>1</sup> For the vast majority of individuals, those who are not members of the property elite, the figure is substantially higher.

<sup>1</sup> This is based on reports of national income in non-Communist nations which show that three-quarters or more of national income takes the form of employee compensation or proprietarial income. See, for example, *Statistical Abstract of the United States, 1962* (Washington: GPO, 1962), table 426, or Allan M. Cartter, *The Redistribution of Income in Postwar Britain* (New Haven, Conn.: Yale University Press, 1955), table 2.

The great importance of the occupational class system is further indicated by the fact that one of the chief rewards distributed by most other class systems is access to favored occupations. This is clearly the case with respect to the educational class system and, to a lesser degree, the class systems based on age, sex, status-group membership, political status, and even property.

### The Entrepreneurial Class

During the earlier stages of industrialization, the entrepreneurial class appeared destined to be the dominant class in the new societies. Today this is no longer the case. This class has already vanished in some industrial societies and is slowly but surely declining, in both size and power, in most of the rest.

Because of the close relationship between this class and the propertied class, and because the two are easily confused, it is necessary to make clear the distinction between them. The entrepreneurial class includes *those individuals who are actively engaged in the management of business enterprises which they own*. As this definition makes clear, the entrepreneurial class is a unit within the occupational system of stratification, not within the property system. However, its position in the former is based on its resources in the latter. Nevertheless, not all members of the entrepreneurial class are members of the propertied class, nor are all members of the propertied class members of the entrepreneurial. Many small entrepreneurs do not have sufficient capital to qualify as members of the propertied class, and many members of the propertied class do not exercise active control of business enterprises. In short, despite considerable overlap, the two can easily be differentiated on both the analytical and empirical levels.

The decline of the entrepreneurial class can be shown in a number of ways, especially in the case of the United States, where it is more pronounced than in other non-Communist nations. In this country entrepreneurs dropped from 11.4 per cent of the labor force in 1870 to 6.0 per cent in 1954.<sup>2</sup> The 1960 census revealed still further decline: during the preceding decade, the number of self-employed proprietors in construction, manufacturing, transportation, communications, utilities, wholesale and retail trade, banking and finance, insurance and real estate, and several lesser categories declined from 2.2 to 1.7 million, or from 5.2 to 2.9

<sup>2</sup> Kurt Mayer, "Recent Changes in the Class Structure of the United States," in *Transactions of the Third World Congress of Sociology* (London: International Sociological Association, 1956), vol. III, p. 70.

per cent of the male labor force.<sup>3</sup> During the same period, the number of salaried managers in these same industries increased from 1.6 to 2.3 million.

Far more important, the entrepreneurial class has declined in terms of power. Among the first to call attention to this trend were Professors Berle and Means, who, already a generation ago, marshaled a considerable body of evidence to support the thesis that in the United States the ownership of wealth was becoming increasingly separated from the control of wealth.<sup>4</sup> Analyzing the nation's 200 largest companies, which controlled nearly half the country's corporate wealth, they showed that 44 per cent were controlled by their managers rather than by their owners, and that this same 44 per cent controlled 58 per cent of the assets of all these firms, indicating that the pattern was more common in the larger concerns.<sup>5</sup> As Berle and Means pointed out, this pattern of control was a result of the extreme fragmentation of ownership in these giant corporations, which made it exceedingly difficult for anyone other than the managers to organize a majority of the stockholders. The managers could do this chiefly because of their control of the proxy machinery and other resources of the company which they could turn to their own advantage. As Berle and Means put it, "management control, though resting on no legal foundation, appears to be comparatively secure where stock is widely scattered."<sup>6</sup>

Subsequent studies have not only provided support for their conclusions, but have helped clarify the basis of the growing power of the managerial elite.<sup>7</sup> For example, in the middle 1940s Robert Gordon conducted an important study of leadership and decision-making in large American corporations, and concluded:

For the most part, the board of directors [which represents the owners] as a formal group has surrendered its function of active decision-making in the large corporation. "Outside" directors function, if at all, primarily as financial and business advisers. The value of advice by competent and interested directors should not be minimized. But the job of actually making

<sup>3</sup> U.S. Census of Population, 1960: *Occupational Characteristics*, table 25.

<sup>4</sup> Adolf A. Berle and Gardiner C. Means, *The Modern Corporation and Private Property* (New York: Macmillan, 1932), especially book 1.

<sup>5</sup> *Ibid.*, p. 94.

<sup>6</sup> *Ibid.*, p. 88.

<sup>7</sup> For interesting data on the subject of the trend itself, see Mabel Newcomer, *The Big Business Executive* (New York: Columbia University Press, 1955), table 4, p. 27. This table shows that in a sample of American corporations in 1900 only 7.3 per cent had boards of directors with half or more of the members from the firm's own management; by 1952 this figure had climbed to 33.5 per cent. See also E. S. Mason (ed.), *The Corporation in Modern Society* (Cambridge, Mass.: Harvard University Press, 1959), who writes, "Almost everyone now agrees . . . that, typically, control is in the hands of management; and that management normally selects its own replacements" (p. 4).

the decisions which are the essence of the leadership function rests primarily with the executives themselves. Those who seek to restore the board as a true decision-making body misread the problem of large-scale management organization. The withering away of the active leadership function of the board is unavoidable. It is merely a reflection of the fact that *large-scale business leadership can be performed efficiently only by a single group of working officials willing and able to devote the necessary time to the business.*<sup>8</sup>

As Gordon indicates, the growing power of the managerial elite is a function not only of its ability to rig elections, but also of the growing complexity of the large corporation and all that entails. The management of a large corporation has become demanding, full-time work, and those who are unwilling or unable to devote full attention to it, as is true of most owners and directors, soon find that control passes to those who can.

Census data on income provide additional insights into the relative power of entrepreneurs and managers. In those industries previously cited, in which the number of proprietors dropped while the number of managers rose, the median income for managers was \$7,479 in 1959; by contrast, the median income for proprietors or entrepreneurs in those same industries was only \$5,932.<sup>9</sup> The latter figure was even less than the national averages for professional, technical and kindred workers (\$6,778), and for foremen (\$6,705), and was not, in fact, much above the average for the entire census category of craftsmen, foremen, and kindred workers (\$5,318).

Studies of private industry in other countries show much the same pattern, though usually not so far advanced. In Britain, for example, the percentage of employers in the male labor force dropped from 5 to 3 per cent in a single generation, from 1921 to 1951.<sup>10</sup> More significantly, control of the largest firms appears to be passing into the hands of managers, who at present occupy nearly half of the seats on the controlling boards of the largest companies, while leading stockholders occupy less than 20 per cent.<sup>11</sup> These figures are especially noteworthy in view of indications that men who are simultaneously either top managers and directors, or

<sup>8</sup> Robert A. Gordon, *Business Leadership in the Large Corporation* (Berkeley, Calif.: University of California Press, 1961, originally published by the Brookings Institution, 1945), pp. 145-146. Quoted by permission of the Brookings Institution (emphasis added).

<sup>9</sup> U.S. Census of Population, 1960: *Occupational Characteristics*, table 25.

<sup>10</sup> David Marsh, *The Changing Social Structure of England and Wales, 1871-1951* (London: Routledge, 1958), table 42. For statistics on the decline of the entrepreneurial class in Belgium, France, West Germany, Italy, and the Netherlands from 1950 to 1962, see Margaret Gordon, *Retraining and Labor Market Adjustment in Western Europe* (Washington: GPO, 1965), table 7, p. 23.

<sup>11</sup> P. Sargant Florence, *Ownership, Control, and Success of Large Companies: An Analysis of English Industrial Structure and Policy, 1936-1951* (London: Street & Maxwell, 1961), pp. 191-193.

leading shareholders and directors, are the dominant figures in policy making, and that other directors are of lesser importance.<sup>12</sup> The trend toward increasing fragmentation of stock ownership in this country has also occurred in Britain. In 1936 the twenty largest stockholders in each of the largest companies in England owned collectively an average of 30 per cent of the stock; by 1950 the average holdings of the twenty largest stockholders had dropped to 19 per cent.<sup>13</sup> This has undoubtedly been a factor in the decline of the entrepreneurial class in Britain.

More recently David Granick reported the results of a comparative study of business enterprise in four nations—Britain, France, West Germany, and Belgium. Though he found that the family-owned and managed firm is still thriving in some industries and some nations (notably West Germany), the prospects for continued family control are poor.<sup>14</sup> One of the major reasons he cites is the inability of the family firm to cope with the succession problem. Capable and energetic fathers do not always have capable and energetic sons, and even when they do, the presence of multiple heirs with contradictory views on company policy is often a serious handicap. In Granick's opinion, few families produce three successive generations of businessmen of a caliber capable of competing successfully with modern managerially controlled competitors. He argues that the chief reason family firms are currently as strong as they are on the Continent is because the great inflation of World War I and the early 1920s destroyed many of the firms then in existence. As a consequence, most family firms are still so new that they are managed either by the founder or his sons. According to Granick, "the real testing period of intergeneration stability [i.e., the appearance of the third generation] is only now appearing."<sup>15</sup>

Despite its decline, the entrepreneurial class and its elite still retain considerable power. This is more evident on the local level than the national, in small communities than in large, and in nations where the American pattern of political control prevails than where the Swedish or British patterns hold sway.<sup>16</sup> By virtue of their willingness and ability to provide

<sup>12</sup> *Ibid.*, pp. 79–80.

<sup>13</sup> *Ibid.*, table IIIC, pp. 68–69, or p. 186.

<sup>14</sup> David Granick, *The European Executive* (Garden City, N.Y.: Doubleday Anchor, 1964), chap. 24 and especially pp. 312–313.

<sup>15</sup> *Ibid.*, p. 312.

<sup>16</sup> See, for example, A. B. Hollingshead, *Elmtown's Youth* (New York: Wiley, 1949), especially chap. 6; Robert Lynd and Helen Lynd, *Middletown in Transition* (New York: Harcourt, Brace & World, 1937), chaps. 3 and 9; or Arthur Vidich and Joseph Bensman, *Small Town in Mass Society: Class, Power and Religion in a Rural Community* (Princeton, N.J.: Princeton University Press, 1958), chap. 5. All illustrate the power of the entrepreneurial class in small American communities. Compare these with any of the studies of Scandinavian politics at the national level.

the vitally essential financial support for candidates for public office, this elite often acquires considerable influence in the political arena.

Looking to the future, the prospects for this class do not seem especially bright. The forces which have brought about its decline up to this point show no signs of abating. Thus it would seem that in time the entrepreneurial class will be largely relegated to the marginal and interstitial areas in the economies of the more advanced nations, with the result that most of its members will be neither especially powerful nor privileged. They may, in fact, become hardly distinguishable from the clerical class or the upper strata of the working class. Most of the power and influence which members of this class still possess will probably pass to those members of the managerial class who replace them.

The decline of the entrepreneurial class does not, of course, necessarily imply the simultaneous decline of the propertied class. Nevertheless, the two are interdependent, and it would be quite surprising if the decline of the entrepreneurial class did not contribute to the weakening of the propertied class as well. In addition to the more obvious reasons for predicting this, there is an ideological factor which cannot be ignored. Historically, the propertied class has always defended property rights on the grounds that the men who possessed these rights were the men who actively managed and directed the economic affairs of society, and that these rights were no more than a proper reward for such efforts. Now, as ownership and management become increasingly separated, one of the major justifications for property rights in large industrial enterprises is obviously being destroyed. This cannot help but leave the members of the propertied class ideologically more vulnerable than in the past.

### **The Class of Party Functionaries**

The class of party functionaries or professional politicians was discussed at length in the last chapter. This class has the unique quality of functioning *as a unit* within two class systems simultaneously. Not only does it stand in a distinctive relation to the dominant political organization or organizations in a society, it also fills a unique occupational role.

Little needs to be added to what we have already said about this class except to note that in Communist nations in particular, and in totalitarian nations in general, it performs many of the basic functions historically associated with the entrepreneurial class. In other words, it manages and directs the economic institutions of society, as well as the political. In recent years, however, this class has tended to lose these powers to the

managerial class, and for some of the same reasons as the entrepreneurial class. In particular, this shift has been facilitated by the growth in the size and complexity of economic organizations, which makes control of managers by outsiders progressively more difficult. Though the leading members of the managerial class are normally Party members, their interests are not identical with those of the Party functionaries, as will become evident in the next section. Hence the shift in power is more than a shift from Tweedledum to Tweedledee.

### The Managerial Class

In the constant struggle for power and privilege in modern industrial societies, no group has risen more rapidly than the members of the managerial class. As our analysis has already shown, this class has gained considerably at the expense of the propertied, entrepreneurial, and political classes, and there is every reason to think that it will make further gains at their expense in the future.

The key to this important development, as noted earlier, lies in the strategic location of the managerial class in the structure of modern, large-scale organizations. Members of this class sit at the very center of things, where all lines of communications converge. As a result, they have immediate access to critical information which they can use for their own purposes in dealing with owners, party functionaries, or elected officials legally responsible for formulating organizational policy. This situation develops whenever the attempt is made to divorce policy-making from administration, since the administrators invariably stand between the policy-makers and the organization itself, and are thereby able to filter selectively the information which passes back and forth. *The larger and more complex an organization becomes, the greater the opportunities for this, and the more valuable a top managerial position becomes as a resource in the struggle for power and privilege.*

Nowhere have the gains of the managerial class been greater than in the private sector of the American economy. In many companies, managers have achieved virtual autonomy, making the board of directors an appendage of management rather than the instrument of the stockholders it was designed to be. This has made it possible for managers to set their own terms of compensation, much in the manner of entrepreneurs, and they have rewarded themselves handsomely. The only factors limiting them appear to be (1) the availability of resources within the firm, (2) the danger of provoking a massive stockholder reaction by excesses, and (3) the danger of damaging the company's reputation in the important

market for capital (a market to which most firms must periodically turn if they are to continue to expand and thus remain competitive).

These limitations are apparently not too restrictive. A study of the top officers of the 428 largest nonfinancial corporations in the United States made in 1950 revealed that more than 40 per cent of the company presidents received salaries and other cash payments in excess of \$100,000 a year, and 84 per cent received more than \$50,000.<sup>17</sup> The author of this study, Mabel Newcomer, pointed out that these figures understate the true income of these managers since they do not include certain substantial forms of remuneration, such as expense account payments for club memberships, entertainment, travel expenses for wives who are "considered to be a definite business asset," and the like, the value of stock options, and in some cases the corporation's contribution to the pension fund. Nevertheless, seventy of these men had incomes greater than that of the President of the United States (with its taxable expense account included).<sup>18</sup>

In another study of the same year, David Roberts examined a much larger sample of corporations. It included 939 of the 3,000 publicly owned, i.e., nonfamily, corporations which reported executive compensation and other data to the Securities and Exchange Commission, and hence included many smaller companies not in the Newcomer study. Nevertheless, the median income of the chief executives of these concerns was \$68,000 per year and the middle 50 per cent of the sample received from \$46,000 to \$100,000 annually.<sup>19</sup> More recently, a series of annual surveys of executive compensation in this country produced very similar results. For example, the 1960 survey, which included 605 of the leading corporations in the country, showed that in companies with net sales of \$30 million the average cash income of chief executive officers was \$61,000. In firms with net sales of \$100 million the average income was \$88,000, and in those with net sales of \$400 million the average income was \$133,000.<sup>20</sup> The following year's survey indicated that in firms with net sales of \$1 billion, the chief executives averaged \$250,000, and in those with sales of \$10 billion, the average was over \$400,000.<sup>21</sup> Like those in Newcomer's study, these figures exclude stock options and other fringe benefits, which are often quite substantial.

<sup>17</sup> Newcomer, p. 124.

<sup>18</sup> *Ibid.*, pp. 123 and 127.

<sup>19</sup> David R. Roberts, *Executive Compensation* (New York: Free Press, 1959), p. 15.

<sup>20</sup> These and the following figures are from Arch Patton, "Trends in Executive Compensation," *Harvard Business Review*, 38 (September-October, 1960), p. 146.

<sup>21</sup> Arch Patton, "Executive Compensation in 1960," *ibid.*, 39 (September-October, 1961), p. 152.



These same surveys provide information on the incomes of other high-ranking managers. In 1962, second-ranking officers had incomes averaging 71 per cent of the chief executives', while the third and fourth men averaged 59 and 54 per cent respectively.<sup>22</sup>

The 1962 survey also provided, for the first time, information on executive compensation in some other countries, namely, Britain, West Germany, France, Argentina, and Australia. In all these countries the incomes of the top executives of private firms were very similar. In companies with net sales of \$1 million, the average income was about \$13,000, or roughly 60 per cent of the American figure; in firms with sales of \$100 million, the average was about \$35,000, or 40 per cent of the American figure.<sup>23</sup> However, there is reason to believe that fringe benefits and other perquisites are greater in most of these other countries than in the United States. These fringe benefits are extremely important as a source of income because in most cases the individual pays no tax on them. Hence, a British executive with a basic salary of \$22,500 per year, and untaxed fringe benefits worth \$14,000, has a total income the equivalent of \$155,000 per year, because of the high rate of taxation.<sup>24</sup>

The size of managerial incomes have, quite naturally, provoked considerable comment, frequently of a critical nature. There have also been attempts to justify them as functional necessities demanded by the hierarchical nature of the corporation itself. For example, one sociologist recently pointed out that in a fifteen-layer organization with a \$4,000 base wage and a 15 per cent increment by rank (to motivate men to seek advancement), the top salary would be over \$28,000, and that, since the progressive tax system reduces the differentials between ranks, even larger salary differentials are needed.<sup>25</sup> He then went on to argue that the progressive tax system may necessitate a hundred-fold wage differential between the base and peak of the hierarchy. This reasoning is based on a confusion of official and actual tax rates for various levels of income. On the basis of the Federal income tax, which is the most progressive major tax in the United States, persons with incomes of less than \$5,000 a year actually pay 9 per cent, while those with incomes of \$20,000 to \$50,000 per year pay only 22 per cent.<sup>26</sup> If allowance were made for the influence of regressive taxes, such as the sales tax, and other nonprogressive taxes,

<sup>22</sup> Arch Patton, "Executive Compensation Here and Abroad," *ibid.*, 40 (September-October, 1962), p. 152.

<sup>23</sup> *Ibid.*, p. 145.

<sup>24</sup> Roy Lewis and Rosemary Stewart, *The Managers: A New Examination of the English, German, and American Executive* (New York: Mentor Books, 1961), p. 224.

<sup>25</sup> Wilbert E. Moore, *The Conduct of the Corporation* (New York: Random House, 1962), p. 14.

<sup>26</sup> Philip Stern, *The Great Treasury Raid* (New York: Random House, 1964), p. 6.

such as property taxes, it is probable that the true tax differential between the chief executive of a fifteen-layer organization and a worker with the basic wage would not be much more than 10 percentage points, and probably less.<sup>27</sup> This means that an 8 to 1, not a 100 to 1, income differential would be ample, and that, consequently, an annual income of \$32,000 would be sufficient to meet the functional problem of maintaining motivation.

Soviet experience, too, indicates that differentials of 100 or more to 1, such as exist in American industry, are not functionally necessary. According to one expert, the maximum differential in recent years has been only 25 to 1, and the new wage scale scheduled to go into effect in 1962 called for a maximum differential of only 15 to 1.<sup>28</sup> While these figures understate the true differential, since Soviet managers also enjoy substantial fringe benefits, they demonstrate that large-scale industrial organizations can function quite well without 100 to 1 differentials. (They also suggest that Soviet managers may now be rewarded at a level considerably above what is functionally necessary.)

The fantastically high salaries of managers in American industry can be explained only by their power position within the organization. As indicated earlier, their salaries and other benefits are as large as they are because no other group within the organization is able to prevent it.<sup>29</sup> Under the circumstances, they generally follow the practice of charging what the traffic will bear.

This may be the explanation for the variations in executive compensation from industry to industry, so long a puzzle to economists. For example, executive salaries in public utilities and railroads are substantially lower than salaries for comparable executives in industrial concerns.<sup>30</sup> It is probably no coincidence that both of the former are subject to much greater governmental scrutiny than the latter.

<sup>27</sup> See, for example, Gabriel Kolko, *Wealth and Power in America: An Analysis of Social Class and Income Distribution* (New York: Frederick A. Praeger, 1962), pp. 36-38.

<sup>28</sup> See David Granick, *The Red Executive* (Garden City, N.Y.: Doubleday Anchor, 1964), p. 92, and Margaret Dewar, "Labour and Wage Reforms in the USSR," in Harry B. Shaffer (ed.), *The Soviet Economy: A Collection of Western and Soviet Views* (New York: Appleton-Century-Crofts, 1963), p. 222. See, also, evidence from the American military system, which is more complex than any American corporation, yet has an income ceiling of less than \$30,000 per year (see p. 363).

<sup>29</sup> See Robert Gordon, pp. 109-110 and 130. Moore also recognizes this, as shown by his statement: "Executive salaries are determined by members of the boards of directors, and executive officers are also members of the board. Good manners may prevent their voting on their own salaries, but the independence of boards and executives from external supervision or control does, I suggest, encourage all of the spurious rationalizations for what may amount to plunder or legal embezzlement" (p. 15).

<sup>30</sup> See Newcomer, p. 124, or Robert Gordon, p. 275.

This also suggests an explanation for the substantial disparity in income between the managerial elite in private industry and the managerial elites in nationalized industries (as in Britain or the Soviet Union) or government (as in the case of American city managers and school superintendents or the higher civil servants). While managers in nationalized industries and government are very well paid by comparison with the rank and file of citizens, their salaries and perquisites cannot compare with those received by executives in private industry. For example, the upper limit in industry in recent years exceeded \$800,000, while for school superintendents and city managers the maximum was \$48,000 and \$30,000 respectively.<sup>31</sup> Again, the explanation for this disparity appears to be related to the way the salaries are set. In private industry, the managerial elite increasingly has the power to set its own wages, while in government, this power lies mostly with others.<sup>32</sup> This hypothesis would also explain the relatively low incomes of the Russian managerial elite.

Another benefit enjoyed by the managerial elite, and one which is often overlooked, is *job security*. Robert Gordon concluded on the basis of his extensive study that American business executives are "likely to have a high degree of security of tenure. Wholesale purges of executive ranks are rare, and top management, usually securely in control of the proxy machinery, seldom has to worry about retaining its position."<sup>33</sup> Robert Dahl makes the same point with respect to the tenure of school superintendents when he writes, "Once appointed, a superintendent is difficult to remove, not only because he builds up his own following among the public school interests but because he can invoke the support of national professional groups if his removal does not seem to be based on considerations of professional adequacy."<sup>34</sup> Thus, though the bases of

<sup>31</sup> *Time* magazine, June 5, 1964, p. 86n., reported that Frederick Donner of General Motors was the highest-paid executive in American industry in 1963 and received \$806,000 exclusive of stock options and the like. The figures for school superintendents and city managers are from the *Municipal Year Book, 1963* (Chicago: International City Managers' Association, 1963), p. 222. Again, such figures understate the actual differences since perquisites for managers in industry are much greater than for those in government. The difference between city managers and school superintendents is probably due to the fact that school superintendents are employed by the largest cities in the country, while city managers are not (these cities still retain the traditional mayor-council form of government).

<sup>32</sup> It would be a mistake to suppose, however, that this power is entirely in other hands. A skillful city manager or school superintendent can often do much to raise his own salary. He can push for higher salaries for those beneath him, for example, thus narrowing the differential between his salary and theirs, inviting an upward adjustment in his own salary to restore the "proper" differential. This is but one of many avenues open to him.

<sup>33</sup> Robert Gordon, p. 311.

<sup>34</sup> Robert Dahl, *Who Governs? Democracy and Power in an American City* (New Haven, Conn.: Yale University Press, 1961), p. 151.

their tenure are different, the fact of job security is essentially the same for both kinds of managers.

Not surprisingly, there are differences in job security between the managers in Communist nations (and probably other totalitarian nations as well) and those in democratic. The former are much less secure in their posts and much more subject to demotion or dismissal, or worse yet, imprisonment or execution. A study of the subsequent assignments of plant directors whose replacement was reported in the Soviet press, indicated that 40 per cent were dismissed or given positions that clearly represented demotion.<sup>35</sup> Compared with Western managers, those in the Soviet Union are at a further disadvantage because it is impossible for them to accumulate large holdings of private property during their prosperous years to serve as a cushion after demotion or dismissal.<sup>36</sup> Though there has been a definite increase in job security for Soviet managers in the last decade, it is still not comparable to that enjoyed by their American and Western European counterparts.<sup>37</sup> This seems to be an inevitable by-product of totalitarian or semitotalitarian government.

This relative lack of job security, however, has not prevented the Soviet managerial class from becoming semihereditary. Judging from available evidence, it appears that managers who remain in the good graces of the Party elite can secure for their children special educational advantages which, as elsewhere, pave the road to membership in the managerial class or one of the other privileged segments of Soviet society. Khrushchev himself stated that only a third of the students at the university level were children of peasants or workers in the 1950s. A recently expatriated Soviet student reports that "only a handful of students attending the prestige institutions come from families outside the intelligentsia," and that "the greater the prestige of a university or institute, the more 'elite' are those who attend it."<sup>38</sup> Since the managerial class is counted among the *rukovodiashchie kadry*, or leading cadres, within the intelligentsia, it is safe to assume that its sons are well represented in the best universities and institutes.<sup>39</sup>

<sup>35</sup> Granick, *Red Executive*, p. 112. See also, Merle Fainsod, *How Russia Is Ruled*, rev. ed. (Cambridge, Mass.: Harvard University Press, 1963), p. 106, on the subject of managerial insecurity under Stalin.

<sup>36</sup> They can accumulate savings and other personal possessions, but the possibilities are much more limited than in the West, where managerial incomes are so much larger.

<sup>37</sup> Granick, *Red Executive*, pp. 112-114.

<sup>38</sup> David Burg, "Observations of Soviet University Students," in Richard Pipes (ed.), *The Russian Intelligentsia* (New York: Columbia University Press, 1953), pp. 80-81. For an earlier period, see Alex Inkeles, "Social Stratification and Mobility in the Soviet Union: 1940-1950," *American Sociological Review*, 15 (1950), pp. 472-476.

<sup>39</sup> See Leopold Labedz, "The Structure of the Soviet Intelligentsia," in Pipes, pp. 70-71, on the status of the managers within the intelligentsia. See, also, Inkeles, p. 466.

Early in the 1940s, James Burnham, a disillusioned ex-Marxist, published a book entitled *The Managerial Revolution* in which he advanced the thesis that the managerial class was destined to become the ruling class of the future in industrial societies.<sup>40</sup> He argued that in capitalist nations the managerial class was rapidly displacing the propertied class as the dominant class and, in similar fashion, was displacing the Party elite in the Soviet Union. It was only a matter of time, he believed, until the managers, particularly those in charge of production, became the new ruling class.

While many features of Burnham's analysis seem doubtful or clearly in error, he raised an important question, the question of how the managerial class and its elite are related to the other powerful classes and their elites. Are these opposed groups, locked in a life-and-death struggle for dominance, as Burnham argues? Or is the relationship of a different kind?

In recent years, a growing number of observers have expressed the view that Burnham is correct in attributing increasing power to the managers, but incorrect in claiming that they are displacing the older elites. For example, C. Wright Mills argued that the managerial elite, rather than displacing the property elite, is merging with it "into the more or less unified stratum of the corporate rich."<sup>41</sup>

While Mills's documentation of this assertion leaves much to be desired, there is considerable evidence, both circumstantial and direct, that indicates that those who become members of the managerial elite in private industry are almost certain to be, or become, members of the property elite as well. On logical grounds it seems clear that a man with an income in excess of \$50,000 should have no great difficulty accumulating assets with a net value of \$133,000 in a relatively few years.<sup>42</sup> In fact, with an income of this size supplemented by stock options, other fringe benefits, interest from existing holdings, and capital gains, this should be quite simple. Direct evidence clearly supports this line of reasoning. When members of the managerial elite have been obliged to reveal their net assets, it has become evident that they were also usually members of the property elite. Charles Wilson, former president of General Motors and later Secretary of Defense, and Robert McNamara, former president of the Ford Motor Company and also a Secretary of Defense, are but two cases in point. When these men entered governmental service and were

<sup>40</sup> (Bloomington, Ind.: Indiana University Press, 1960, first published 1941).

<sup>41</sup> Mills, *The Power Elite* (Fair Lawn, N.J.: Oxford University Press, 1956), p. 147.

<sup>42</sup> See fn. 112, page 340, for an explanation of the \$133,000 figure as the minimum for membership in the property elite.

obliged to declare their assets, it was revealed that Wilson owned GM stock worth \$2.5 million, while McNamara owned Ford stock worth \$1.6 million and held an option to purchase additional shares at \$18 below their market value, making them worth an additional \$270,000.<sup>43</sup> Their other assets were not reported. Even so, an examination of Table 2, Chapter 10 (page 339) makes it clear that these men were not just marginal members of the property elite; they were among its more substantial members.

Additional evidence of the close relationship between the managerial and property elites is found in recent data on the social origins of the former. One of the best studies of this subject is Newcomer's, since she includes only persons who are definitely members of the managerial elite. More than a third of the executives in her sample came from "wealthy" homes,<sup>44</sup> and roughly half of their fathers had occupations of such a nature that membership in the property elite, as I have defined that group, was likely.<sup>45</sup> As these figures indicate, not only can membership in the managerial class lead to membership in the propertied class, but the converse is also possible. Both patterns, in fact, are common.

One final tie between the two classes deserves note, namely, their common concern for the preservation of the institution of private property. As the preceding discussion should have made clear, the managerial elite, or at least that portion employed by private industry, values this institution no less than the property elite. Wherever industries have been nationalized, managerial autonomy and power is reduced and salaries decline (at least relative to the industries still privately operated).<sup>46</sup>

Nevertheless, the union between the propertied and managerial classes is by no means complete. In the first place, not all managers, as we have seen, are employed by private industry. In addition to the higher civil servants, city managers, and school superintendents, many are employed in nationalized industries and by nonprofit organizations such as the Scandinavian cooperatives.<sup>47</sup> The average income of these managers is much less than that of those employed by private industry, and their opportunities for accumulating property, therefore, are not nearly so good. Furthermore, their position of power and privilege does not depend on

<sup>43</sup> *The New York Times*, Jan. 16, 1953, p. 8, and Dec. 26, 1960, pp. 12, 30, and 31.

<sup>44</sup> Newcomer, p. 63.

<sup>45</sup> *Ibid.*, pp. 53-54. Among those counted as "likely" are the following: head of the same corporation as son (11.6 per cent), entrepreneurs in finance (5.5), entrepreneurs in manufacturing, mining, and transportation (8.9), entrepreneurs in mercantile lines (15.8), upper-rank officials (7.3), lawyers (5.1), and physicians (2.7). These total 56.9 per cent.

<sup>46</sup> See, for example, Lewis and Stewart, p. 126.

<sup>47</sup> On the Scandinavian cooperatives, see, for example, Marquis Childs, *Sweden: The Middle Way*, rev. ed. (New Haven, Conn.: Yale University Press, 1947).

the private ownership of industry. Finally, because they are, in most cases, professional men trained for public service, they are likely to have acquired a more or less critical view of private enterprise where the profit motive takes precedence over concern for the public good. In short, because of their training and personal situation, these men are not likely to be strong advocates of private enterprise or strong supporters of the propertied class. Rather, their experience and interests tend to make them ambivalent or even hostile.

Even in private industry, there is something less than a complete identity of interests between managers and the propertied class. Whenever managers use their powers of office to wrest control of a corporation from the stockholders, they are attacking the principle of private property and the concept of property rights. Similarly, when they use their control over the board of directors to inflate their salaries and other perquisites, they are attacking the very foundation of the propertied class.

As a result, we are obliged to treat the propertied class and the managerial class as two *analytically* separate and distinct units which are capable of being united *empirically* to a greater or lesser degree. From the empirical standpoint, the problem is to ascertain the degree to which the individuals who belong to the propertied elite also belong to the managerial elite, and vice versa; but analytically, we recognize that membership in one elite does not automatically confer membership in the other. Furthermore, where dual membership is not held, we recognize that a basis for conflict exists. In the United States, and probably in most other non-Communist nations, a considerable measure of overlap obviously exists in the case of managers in private industry (though even Mills claimed only that the managerial elite and the propertied elite are merging into a "more or less unified stratum"). For managers in government and other nonprofit organizations, the overlap is much more limited, and ties between the two classes much more tenuous.<sup>48</sup>

In the Soviet Union a similar relation has developed between the managerial class and the Party functionaries. In his analysis of Soviet managers, David Granick asserts that industrial managers and full-time Party officials are "to a considerable extent . . . the same type of people. Members of both groups must normally be trusted party members, active politically; their incomes are similar, even their education is not too different."<sup>49</sup>

<sup>48</sup> A similar distinction may be necessary in the case of officeholders and property holders in agrarian societies. It appears, however, that even on analytical grounds the relation is closer in agrarian societies than in industrial. Unfortunately, the limitations of space preclude a detailed discussion of this subject here.

<sup>49</sup> *Red Executive*, p. 273.

Though Soviet managers have much in common with the Party functionaries, and, Granick reports, may even be the same individuals at different points in their careers, there is considerably less than a perfect identity of interests. On many points their interests diverge, a fact clearly recognized by the Party elite, who keep separate the offices of factory manager and Party secretary in every plant and enterprise throughout the Soviet Union. As one writer recently put it,

The Party apparatus undertakes to differentiate its role from that of management, despite the fact that top factory executives are also Party members. Operating through its own independent hierarchy of secretaries in the factories and enterprises, the Party seeks to project a distinctive image of itself as the custodian of the nation's interests in contrast to the more narrowly oriented outlook of some industrial managers. This special mandate of the Party apparatus involves it in *both collaborative and potentially antagonistic relations* with factory management.<sup>50</sup>

With respect to Granick's second point, he does not claim that industrial managers and Party officials are "normally" the same individuals at different stages in their careers, only that they are "frequently" the same. Even this seems an overstatement, and Granick provides little more than scattered examples to justify it. His two tables bearing on the subject suggest that shifts from managerial positions in industry to full-time Party work or the reverse, are, at best, an infrequent career pattern.<sup>51</sup> According to another authority, the split between managers and Party workers begins while they are still students.<sup>52</sup>

In summary, it appears that in the Soviet Union, as elsewhere, the managerial class and its elite constitute a fairly distinct class within society. Many ties bind it to the politically dominant class, however, and it even has overlapping membership with the latter to some extent. Hence, it appears destined to play an ambivalent role in the many struggles for power and privilege within the Soviet Union.

### The Military Class

In *The Power Elite*, C. Wright Mills described contemporary American society as subject to the domination of three closely interrelated groups,

<sup>50</sup> Fainsod, p. 516. Quoted by permission (emphasis added). See also Granick, *Red Executive*, chap. 10, and Klaus Mehnert, *Soviet Man and His World*, translated by Maurice Rosenbaum (New York: Frederick A. Praeger, 1961), chap. 7, on the antagonistic aspects of this relationship which, as they and Fainsod make clear, are often more than potential.

<sup>51</sup> Granick, pp. 274 and 276.

<sup>52</sup> Burg, pp. 83-85.



the corporate rich, the political directorate, and the warlords.<sup>53</sup> By including the military elite, he gave expression to a point of view which has gained considerable acceptance in the last decade. In essence, this view asserts that the military crisis of modern times has put immense power into the hands of the military, and extreme proponents of this view argue that the military threatens to become the dominant class in society.

No one would question that the military has great power in the modern world. But one may well doubt that its power *within* societies is substantially greater than in the past and that it is so pervasive as it is often made to appear.

With respect to the first point, it is undoubtedly true that the position of the military has changed in *American* society. But this is very different from saying that it has changed in the world generally or as a result of the shift from agrarian to industrial society. The military, as we have seen, was normally a powerful force in agrarian societies and, in a number of instances, the dominant force.<sup>54</sup> A careful review makes it clear that the historic American pattern of military subordination was very atypical and reflected the unique combination of events in American history which enabled this nation to survive and prosper without a strong military force.

So far as the second point is concerned, reports of the power of the modern military are greatly exaggerated, at least in the case of the more advanced industrial nations. While it is certainly true that the military establishments in the United States, the Soviet Union, and most other advanced industrial nations are very large and command immense budgets, it is no less true that the power of the military has been clearly *circumscribed* and subject to civilian control. This is true not only in all the great powers today, but, what is more remarkable, was true in Germany during the expansionistic Nazi era.

On several occasions the Soviet military, or certain elements in it, have made bids for greater power, but in each instance have been rebuffed. The best known example of this in recent years occurred when Marshal Zhukov was summarily dismissed as Minister of Defense in 1957.<sup>55</sup>

In the United States, one cannot find even so modest a challenge to

<sup>53</sup> *Op. cit.*

<sup>54</sup> See, for example, Andrzejewski on praetorianism, *Military Organization and Society* (London: Routledge, 1954), pp. 104-107, or John J. Johnson's fascinating study, *The Military and Society in Latin America* (Stanford, Calif.: Stanford University Press, 1964).

<sup>55</sup> See, for example, Wolfgang Leonhard, *The Kremlin Since Stalin*, translated by Elizabeth Wiskemann and Marian Jackson (New York: Frederick A. Praeger, 1962), pp. 255-259, or Fainsod, pp. 482-487.

civilian authority as that posed by Zhukov.<sup>56</sup> While no one can dispute the fact that the military budget has grown immensely, this has been largely the result of civilian desires; and while the military may have gained somewhat more autonomy in purely military matters, this has been due chiefly to the growing complexity of military technology and organization. With respect to other matters, the position of the military has not improved greatly, and may even have deteriorated to some extent, particularly in the distribution of power and privilege, outside the area of strictly military affairs. For example, a recent study reports that from 1929 to 1949 the ratio of Army officers' earnings to those of all persons employed full-time in the civilian labor force dropped from 2.98 to 2.53.<sup>57</sup> According to the same study, fringe benefits also suffered, particularly housing. It is said that "first lieutenants in the inter-war years had housing comparable to that assigned colonels in 1959." The lowering of the retirement age has also proven a real hardship for many officers, and the problem has been aggravated by the recent ruling forbidding them to accept employment with military contractors which would involve them in business dealings with that branch of the military with which they were formerly connected. Last, but not least, as recently as 1958 only a handful of the top officers in the military establishment received incomes of \$20,000 or more—or less than half the maximum paid school superintendents.

These facts take on special significance when it is recalled that the military has made repeated efforts in recent years to improve its economic status. Its relative failure can only be interpreted as evidence that it lacks the *relevant* kinds of power to achieve this within the framework of the present distributive system. *Apparently the power to obliterate whole nations with atomic missiles is one thing, and the power to enlarge one's share of the national income something else, and the former is not easily transformed into the latter.* The dilemma of the military serves as a useful reminder that the *magnitude* and *scope* of power are two different things, and immense power in one area cannot necessarily be converted into comparable power in other areas, at least not by legitimate means.

This raises the question of why the military, having failed to improve its position by legitimate means, has not turned to force. This is one of the truly remarkable features of the modern world: *successful military coups have been virtually nonexistent in the more advanced industrial nations.* They have, of course, been very common in agrarian societies of the past

<sup>56</sup> Probably the nearest thing to it would be the MacArthur incident during Truman's administration. This was the action of a single man, however, and did not receive support from any other ranking military leader.

<sup>57</sup> This and other information in this paragraph are based on Morris Janowitz, *The Professional Soldier* (New York: Free Press, 1960), pp. 181-187.

and in underdeveloped or industrializing nations of the modern world. However, among the more advanced industrial nations there has been only one instance of this. It occurred in Japan in the period immediately preceding World War II, and the record indicates that even this was something less than a true military coup since it was strongly supported by powerful civilian elements which continued to have a major voice in affairs of state until Japan's surrender in 1945.

The explanation for this virtual absence of military coups is by no means obvious, and the problem deserves far more study than it has received. However, it seems to be linked with the important ideological change of modern times. So long as the state was viewed as the private possession of a single family which had acquired its privileges by violence, there was no serious ideological barrier to military seizure. With the spread of the democratic theory of the state, the situation changed significantly. This new ideology tended to strengthen resistance to military coups *within the military itself*. To the degree that military leaders are recruited from civilian families and raised in the democratic tradition, they are likely to oppose military coups.

A second factor has probably been the changing nature of war itself. In modern warfare there are no longer civilians in the true sense of the word; virtually the entire population is engaged in the war effort. Even in peacetime, the boundary between civilians and the military is not so sharp as it was. More and more, officers live, and even work, "off the post," and thus become heavily subjected to civilian influences.<sup>58</sup> The net effect of these developments could only be to weaken the traditional self-image of the military as a group apart, with special and meritorious qualities which justify its use of force as an instrument of political action in internal affairs. If this analysis is correct, *the military may well become indistinguishable from the civil service, at least when viewed from the perspective of the distributive process.*

### The Professional Class

Of all the changes linked with industrialization, none has been more important than the revolution in knowledge. Since the beginning of the Industrial Revolution two centuries ago, mankind's fund of useful knowledge has multiplied many times.

From the standpoint of the occupational class system, this development has been highly significant. To begin with, it has been responsible for the considerable growth in size, importance, and affluence of the pro-

<sup>58</sup> For a good discussion of these trends, see Janowitz.

fessional class. Second, it has caused education to become a much more valuable resource, and made educational institutions far more important in the distribution of power and privilege, than ever before in history. Finally, it has greatly reduced the ancient need for unskilled and semi-skilled labor, and is thereby threatening the livelihood of millions of people. Because of their importance, each of these developments deserves careful consideration.

One of the most troublesome problems associated with the professional class is that of definition. As students of the professions have long observed, it is much easier to speak of them than to define them.<sup>59</sup> Nevertheless, certain criteria stand out clearly. To begin with, the term always refers to an occupation which requires the mastery of a complex body of specialized knowledge and related skills which are basically intellectual in nature. Furthermore, these cannot be acquired quickly even by persons of ability: graduation from an institution of higher education is rapidly becoming a prerequisite for admission to all of the professions. Finally, though members of the professions often have considerable *influence* over others, they seldom have much formal *authority*; in this respect they differ greatly from members of the managerial class. For purposes of the present analysis, an occupation will be regarded as a profession to the degree that it measures up to these standards, and the professional class will be regarded as that segment of the population employed in those occupations.

This class has evolved out of the priestly class and certain elements of the retainer class in agrarian societies, e.g., physicians, mathematicians, astrologers, teachers, and the like. Except for the priests, their numbers were few and their influence limited. In large measure this was because their "knowledge" was so often unreliable. While individuals of this type sometimes gained the favor of a powerful ruler or member of the governing class and thereby achieved fame and fortune, the majority had little of either.

In the last two hundred years, and particularly in the last fifty, the professional class has emerged as a potent force in society. As the *reliability* of technical knowledge has increased, so has the demand for persons who have mastered it. As the sheer *volume* of such knowledge has grown, an ever increasing number and variety of specialists have been required. Finally, as a result of the trend toward greater economic equality and the rise in the standard of living, the number of persons able to pay for professional services has greatly increased. Given the simultaneous

<sup>59</sup> See, for example, A. M. Carr-Saunders and P. A. Wilson, *The Professions* (Oxford: Clarendon Press, 1933), Introduction; or Roy Lewis and Angus Maude, *Professional People* (London: Phoenix House, 1952), chap. 4.

operation of all three of these factors, the demand for trained professionals has grown immensely.

Precise figures on the numbers of professionals in traditional agrarian societies are difficult to obtain, but some idea of the magnitude of the change can be obtained by comparing the proportions of professionals in the labor force of nations still largely agrarian a generation ago with the proportions in the more advanced industrial nations of the present. In the former case, the percentages ranged from less than 1 per cent (in Mexico in 1940) to about 3 per cent (in Greece in 1928).<sup>60</sup> If the professionals whose work reflected the partial industrialization of these societies could be eliminated from the totals, the upper figure would probably be no more than 2 per cent, and perhaps less. By contrast, in the American labor force in 1960 nearly 10 per cent of all male workers were classified as professional, technical, and kindred workers, and this figure obviously does not represent the ultimate.<sup>61</sup> In fact, everything indicates that this figure will continue to rise for the indefinite future. In other industrial nations the figure is not yet this high, but the trend is the same.<sup>62</sup>

The growth in size of the professional class has been accompanied by corresponding increases in influence and income. Though the former is difficult to measure, the latter is not. Income data from all of the more advanced industrial nations show a considerable overlap between members of the professional class and members of the managerial class, and the medians are not greatly different. In the United States in 1959, for example, the median income of all men classified as professionals, technicians, and kindred workers was only 10 per cent less than for all salaried managers and officials (\$6,778 versus \$7,479).<sup>63</sup> A recent report on incomes in the Soviet Union suggests that the income differential between the professional and managerial classes is somewhat greater there, but it, too, reveals a substantial overlap. Certain leading professors and academicians, for example, have base salaries comparable to those of executives and managers of large industrial enterprises and of at least one

<sup>60</sup> W. S. Woytinsky and E. S. Woytinsky, *World Population and Production: Trends and Outlook* (New York: Twentieth Century Fund, 1953), pp. 356-357.

<sup>61</sup> In 1870 professionals constituted about 2.5 per cent of the American labor force. See Burton Clark, *Educating the Expert Society* (San Francisco, Calif.: Chandler, 1962), chart 2.2, p. 47.

<sup>62</sup> A recent study shows that the number of professionals and semiprofessionals in the Soviet Union increased from 520,000 in the 1920s to 6,820,000, or roughly 6 per cent of the labor force, in 1957 [see Nicholas DeWitt, *Education and Professional Employment in the USSR* (Washington, D.C.: National Science Foundation, 1961), p. 456]. The number of professional and technical workers in England and Wales increased from 420,000 in 1881 to 1,240,000, or again 6 per cent of the labor force, in 1951 (see David Marsh, pp. 126 and 145).

<sup>63</sup> *U.S. Census of Population, 1960: Occupational Characteristics*, table 25.

deputy minister in the national government. This same study also reports that members of the professional class are among those most likely to be rewarded with extremely lucrative prizes for outstanding achievement.<sup>64</sup>

To a considerable degree, the high incomes enjoyed by members of the professional class reflect the working of the law of supply and demand.<sup>65</sup> Compared with agrarian societies, there is, as we have seen, a much greater demand for intellectual manpower. Furthermore, the standards of performance are more demanding because the fund of reliable knowledge is so much greater than in the past. If the professions require above average ability, and if the supply of brainpower in societies is distributed in terms approximating a normal distribution curve, then any raising of standards would tend to reduce rapidly the supply of qualified persons. These factors are partly offset by the substantial improvement in educational systems, but the growing supply of trained professionals has not matched the even more rapidly growing demand in most fields. As a consequence, those who desire the services of the more skilled professions have been forced to bid high to obtain them.

This is not the whole story, however. Besides native ability, professionals must also have expensive and time-consuming experience. As a result, there is relatively little shifting about from one profession to another, and shortages in one field cannot normally be filled by recruits from another which may have an oversupply. These "natural" rigidities in supply are often supplemented by "artificial" or "man-made" rigidities. Most professions are organized in some manner, and most use their organizational structure to control the flow of recruits. In principle, this is for the purpose of controlling the quality of persons in the field; in practice, it also creates a greater shortage of labor than would otherwise exist. This can happen quite unintentionally simply because the leaders of the profession set higher standards for admission than are really necessary. In some instances, professions have deliberately taken steps to increase the price of their services. This works best in those fields where professionals are self-employed, but organized, and serve a widely scattered and unorganized clientele, as in the case of American physicians.

There are also certain rigidities on the demand side which can restrict the free operation of the market system. Sometimes a monopsonistic

<sup>64</sup> DeWitt, pp. 537-545, and especially table VI-81.

<sup>65</sup> This was nicely documented some years ago in the case of one profession when it was shown that the mean income of dentists varied inversely with their density in a state-by-state analysis in which variations in per capita income were controlled. See Milton Friedman and Simon Kuznets, *Income from Independent Professional Practice* (New York: National Bureau of Economic Research, 1945), charts 11C and 12C, pp. 165-166.

or oligopsonistic situation prevails, and professionals in a given field find that there is only a single buyer, or a few buyers, for their services. The former condition tends to prevail in the Soviet Union and other totalitarian states (though thus far it has not proven possible to coordinate wage scales completely; some measure of local autonomy has proven more efficient). The oligopsonistic situation is approximated in the United States in the case of school teachers and nurses, who often find that in a given community there are only a handful of potential buyers for their services. Under either monopsonistic or oligopsonistic conditions, the seller's position is weakened and prices tend to be depressed. This may well be the explanation for the fact that overall the relative income of professionals is not quite so good in the Soviet Union as in the United States.

No analysis of the professional class would be complete without reference to the many ties which link it to the propertied, managerial, and political classes in all advanced industrial societies. Studies of social interaction patterns show that most members of the professional class live in the same neighborhood, belong to the same clubs, attend the same churches, and associate and intermarry with members of these other powerful and privileged classes.<sup>66</sup> Many individuals are simultaneously members of both the professional and propertied classes, since the high incomes of so many professional men enable them to accumulate substantial holdings in property.<sup>67</sup> The nature of their work also facilitates entry into the political class. For example, a recent study of the United States Senate revealed that 64 per cent of its members were professional men (chiefly lawyers).<sup>68</sup> In the British Parliament, the figure has ranged from 52 to 54 per cent since World War II, an increase from the interwar year average of 45 per cent.<sup>69</sup> A similar situation exists in France and most other democratic nations, though the disproportions are not always so ex-

<sup>66</sup> See, for example, W. Lloyd Warner and Paul Lunt, *The Social Life of a Modern Community* (New Haven, Conn.: Yale University Press, 1941), or Hollingshead, *op. cit.*

<sup>67</sup> According to a survey conducted for the Federal Reserve Board, the net worth of professional men was three-quarters that of members of the managerial class. See "1953 Survey of Consumer Finances: part 4, Net Worth of Consumers, Early 1953," Federal Reserve Bulletin (September, 1953), p. 12. Another study of the same period (1950) suggested a somewhat lower figure, or about 60 per cent. See Horst Menderhausen, "The Patterns of Estate Tax Wealth," in Raymond Goldsmith, *A Study of Saving in the United States* (Princeton, N.J.: Princeton University Press, 1956), vol. III, table W-60.

<sup>68</sup> Donald Matthews, *U.S. Senators and Their World* (Chapel Hill, N.C.: University of North Carolina Press, 1960), p. 32.

<sup>69</sup> J. F. S. Ross, *Elections and Electors: Studies in Democratic Representation* (London: Eyre & Spottiswoode, 1955), p. 440.

treme.<sup>70</sup> In the case of the Soviet Union, roughly 30 per cent of the members of the professional class are also Party members, and professional persons (including semiprofessionals) make up 25 per cent of the Party membership.<sup>71</sup> In short, though the professional class is a distinct entity with special interests of its own, nevertheless it is closely linked with the dominant classes in industrial societies and provides them with important support. We shall return to this later, in the discussion of class conflict.

### The Clerical Class

Up to this point, the occupational classes examined have occupied a favored position in society, with respect to both power and privilege. Now we turn to those classes whose members are less favorably situated. It should be noted, however, that there is no sharp cleavage between the first group and the second. On the contrary, with respect to both power and privilege there is clearly an overlap, with a few of the most fortunate members of the less favored classes enjoying a greater measure of these valued rewards than many of the least successful members of the propertied, managerial, political, and professional classes.<sup>72</sup>

Historically, the most favored of the lesser classes in industrial societies has been the clerical class. Though its origins can be traced back to agrarian societies, its great growth in size has come about only in the last century. This growth has been one of the by-products of the rationalization and bureaucratization of modern industry and the growth in the size of organizations.

The British experience has been fairly typical. In 1851 clerical workers constituted less than 1 per cent of the total labor force; a century later they totaled 10.5 per cent.<sup>73</sup> In the United States the percentage rose from 0.6 per cent in 1870 to 15.2 per cent in 1962.<sup>74</sup> A second trend of

<sup>70</sup> On France, see Philip Williams, *Politics in Post-war France* (London: Longmans, 1954), p. 206, who reports that at the turn of the century, and still in mid-century, approximately half of the members of the National Assembly were professional men. For a less extreme case, see R. M. Chapman et al., *New Zealand Politics in Action* (London: Oxford University Press, 1962), p. 145, on New Zealand. Their figures show that a quarter of the candidates elected to the General Assembly in 1960 were professional men.

<sup>71</sup> DeWitt, pp. 534-536.

<sup>72</sup> The overlap involves more members of the higher classes because of the downward skewing of all distributions at the upper levels of the distributive system.

<sup>73</sup> David Lockwood, *The Blackcoated Worker: A Study in Class Consciousness* (London: G. Allen, 1958), p. 36.

<sup>74</sup> For the 1870 figures see Mayer, p. 70; for the 1962 figure see *Statistical Abstract, 1962*, table 297, p. 226.



importance involves the sex composition of this class. Nearly all clerical workers were men in the earlier period. In England in 1851, 99.9 per cent were males; by 1951 this figure had been reduced to 40.4 per cent, and probably has declined still further since then.<sup>75</sup> A similar trend has occurred in the United States and other advanced industrial nations.

In an earlier era, the status of clerical workers was clearly intermediate between that of the privileged classes and the masses of manual workers. Their position in the occupation hierarchy was roughly analogous to that of the *petite bourgeoisie* in the property hierarchy. Unlike the masses of manual workers, their working conditions were reasonably good; they were relatively free of physical danger, noise, smells, and grime. Holidays were more frequent and working hours shorter. Furthermore, their work brought them into frequent personal contact with members of the privileged classes and represented a genteel, respectable way of life. Last, but not least, their income was higher and their job tenure far more secure than that of the masses of workers.<sup>76</sup>

In more recent years the situation has changed and the gap between the clerical class and the working class has been steadily reduced. According to Lockwood, in England in the years prior to World War I, "the ordinary adult clerk was roughly on a par with the skilled worker" in terms of income, but by 1956 the position of clerks had deteriorated to the point where they were no better off than the average manual worker.<sup>77</sup> In the half century from 1905 to 1955 the average earnings of British manual workers increased 674 per cent, while the earnings of various types of clerks increased only between 265 and 463 per cent.<sup>78</sup> Trend data for the Soviet Union are not available, but current figures show that office employees in industrial enterprises typically have incomes somewhat above semiskilled workers in manufacturing and somewhat below skilled workers.<sup>79</sup> In the United States, in the twenty-year period from 1939 to 1959, the median income of craftsmen, foremen and kindred workers passed that of clerks and kindred workers, while that of operatives, or semiskilled workers, began to rival clerical incomes. The trends can be seen quite clearly in the following figures, which are for males only:<sup>80</sup>

<sup>75</sup> Lockwood, *op. cit.*

<sup>76</sup> Here, as elsewhere in this section, I have relied heavily on David Lockwood's excellent analysis of this class (*op. cit.*).

<sup>77</sup> Lockwood, p. 67.

<sup>78</sup> *Ibid.*, p. 217.

<sup>79</sup> DeWitt, table VI-81, p. 543.

<sup>80</sup> The figures for 1939 are from *Historical Statistics of the United States: Colonial Times to 1957* (Washington: GPO, 1960), p. 168; those for 1959 are from the U.S. *Census of Population, 1960*, vol. I, part 1, table 208.

	1939	1959
Clerical and kindred workers	\$1,421	\$4,785
Craftsmen and kindred workers	\$1,309	\$5,240
Operatives	\$1,007	\$4,299

Translated into percentage terms, using the income of clerical workers as the base, the pattern becomes even clearer:

	1939	1959
Clerical and kindred workers	100	100
Craftsmen and kindred workers	92	110
Operatives	71	90

The gap between the clerical and working classes has also been closed with respect to such things as hours, holidays, tenure, and pensions.<sup>81</sup>

There are several obvious reasons for this deterioration in the position of the clerical class. To begin with, the emancipation of middle-class women, which freed them to seek employment outside the home, has loosed a flood of potential clerical workers. Many fields of employment are largely closed to women because family involvements prevent them from working continuously over a period of many years. Hence, they tend to concentrate in fields where continuous employment is not essential, and clerical work is an obvious choice. Despite the fact that the demand for clerical workers has risen steadily, it has not kept pace with the supply, and as a result, wages in this field have not kept pace with those in most other fields.

A second factor which has probably contributed to the decline of the clerical class has been the growth in the size of work organizations. Fifty years ago most offices were so small that clerks were able to develop a personal relationship with their employer. In the modern corporation or governmental bureau employing thousands, clerical workers have become mere statistics in the table of organization and a charge against the profits of the business. Under the circumstances, modern managers feel little compunction in firing those whose services are no longer needed. This is a serious loss for members of the clerical class, since, prior to the 1920s, "it was generally assumed that office workers could rely on being permanently employed, providing they were efficient and their character good."<sup>82</sup>

Finally, the recent introduction of office machines which can do the work of scores of clerks has greatly slowed the rise in demand for clerical

<sup>81</sup> Lockwood, pp. 53ff.

<sup>82</sup> *Ibid.*, p. 56.

labor. Adding machines, calculators, and most recently computers, not to mention typewriters, dictaphones, duplicating machines, and a variety of others, have all supplanted thousands of clerical workers.

Unlike the manual workers whom they long looked down upon, the majority of clerical workers have been reluctant to organize and restrict either the flow of new workers or machines into the field. They have therefore remained subject to the free play of market forces and in recent decades this has worked greatly to their disadvantage. These developments have led some sociologists to conclude that the historic cleavage between manual and nonmanual workers is vanishing. Instead of thinking of the occupational class system as divided into these two basic units, they argue, we should now think in terms of a three-fold division organized around a "middle mass" of "clerks, salesmen, craftsmen, foremen, small proprietors, semi-marginal or would-be professionals and technicians, managers and officials with few subordinates, and operatives with high income."<sup>83</sup>

Without denying the increasing convergence in income, and perhaps also in style of life, it should be noted that one fundamental difference remains, and it alone is sufficient to cast serious doubt on proposals to ignore the manual-nonmanual distinction: *members of the clerical class have much greater opportunities for upward mobility into the managerial, entrepreneurial, and professional classes.* Census data gathered in 1962 showed that 37 per cent of the men aged twenty-five to sixty-four whose first full-time job after leaving school was a clerical job had risen into the professional, entrepreneurial, or managerial classes; the same was true of only 26 per cent of those who were first employed as craftsmen.<sup>84</sup> The sons of clerical workers enjoy an even greater advantage over the sons of craftsmen. Forty-two per cent of the former have become members of the professional, entrepreneurial, or managerial classes, compared with only 27 per cent of the latter.<sup>85</sup> Similar results have been found in virtually every advanced industrial nation for which mobility data are available.<sup>86</sup> In view of such evidence, it is unwise to ignore the distinction between manual and nonmanual occupations, which still remains an important fact of life in the distributive systems of virtually all advanced industrial nations.

<sup>83</sup> See Harold Wilensky, "Orderly Careers and Social Participation: The Impact of Work History on Social Integration in the Middle Mass," *American Sociological Review*, 26 (1961), pp. 529-530.

<sup>84</sup> "Lifetime Occupational Mobility of Adult Males, March, 1962," U.S. Bureau of the Census, *Current Population Reports* (1964), Series P-23, No. 11, table 2.

<sup>85</sup> *Ibid.*, table 1.

<sup>86</sup> See S. M. Miller, "Comparative Social Mobility," *Current Sociology*, 9 (1960), No. 1, pp. 66-80.

### The Sales Class

With the growth in the size of economic organizations, many functions which were once joined in a single occupational role have been separated and made the bases of more specialized roles. The selling function is a good example of this. In the small workshops which were characteristic of agrarian societies, the master craftsman, together with his journeymen and apprentices, did everything from purchasing raw materials to selling the finished product. Except in a few of the larger merchant houses, no person specialized merely in the sale of goods.

In modern industrial societies this is all changed. The growth in the size of businesses and the resultant surge of specialization have given rise to a considerable increase in the number of persons who earn their livelihood solely by selling. For example, in the United States the percentage of the labor force employed as salespeople rose from 2.5 per cent in 1870 to 6.5 per cent in 1962.<sup>87</sup> Though women are well represented in this field, they are by no means the majority, as in the clerical field: in 1960, only 32 per cent of the sales personnel in this country were women.

Official government figures show that the median income for the male members of this class has been fairly similar to that for men in clerical occupations and skilled trades. However, as can be seen from the figures below, the median income of salesmen has risen above that of clerks, while falling further behind that of craftsmen:<sup>88</sup>

	1939	1959
Clerical and kindred workers	\$1,421	\$4,785
Craftsmen and kindred workers	\$1,309	\$5,240
Salesmen	\$1,277	\$4,987

Actually, the summary figure for salesmen is very deceptive, since a more detailed breakdown of occupations reveals almost a bifurcation. On the one hand, there are a number of subcategories with median incomes substantially below the median for the field as a whole. In 1959 these included newsboys with \$567, hucksters and peddlers with \$2,826, and salesmen in retail establishments with \$4,027 (or \$272 less than the median for semiskilled workers). These three categories alone contained almost half of all salesmen. On the other hand, another set of sales occupations of roughly equal size had median incomes far above the median for the field as a whole. These included stock and bond salesmen with \$7,730,

<sup>87</sup> Mayer, p. 70, and *Statistical Abstract*, 1962, table 297, p. 226.

<sup>88</sup> *Historical Statistics*, p. 168, and *U.S. Census of Population, 1960*, vol. I, part 1, table 208.

salesmen employed by manufacturing concerns with \$6,835, real estate agents with \$6,508, insurance agents with \$6,331, and salesmen employed by wholesale establishments with \$6,146. Taken together, this second group of men compares favorably in terms of income with men in the professions, whose median income in 1959 was only about 5 per cent more than the median for this favored group of salesmen.

These differences within the sales class provide a valuable clue to the nature of the forces governing their rewards. All of the high income fields are ones in which the dollar volume of sales per salesman is normally quite high, while all of the low income fields are ones in which the dollar volume is low. This means that, in the former fields, salaries and commissions, though higher in absolute terms, are usually a much smaller percentage of total costs. This, in turn, means that they can be raised more freely without greatly affecting either the price of the product or the firm's profit. Furthermore, since in a capitalist economy sales volume is vitally important to every firm, intelligent executives will do whatever they can to increase sales. If this can best be done by offering greater incentives to their salesmen, they will do it.

Table 1 illustrates the nature of some of the basic relationships involved. As this table shows, in an industry with a low dollar volume of

**Table 1** Relationship between Sales Costs, Sales Volume, and Profits (Hypothetical)

SALES COST PER SALESMAN PER DAY	OTHER COSTS *	PROFIT	TOTAL VOLUME OF SALES	NUMBER OF ITEMS HAVING TO BE SOLD	SALES INCREASES REQUIRED
<i>Industry with low dollar volume of sales per salesman:</i>					
\$15	\$75	\$10	\$100	100	
\$20	\$90	\$10	\$120	120	20%
<i>Industry with medium dollar volume of sales per salesman:</i>					
\$15	\$885	\$100	\$1,000	100	
\$20	\$929	\$100	\$1,049	105	5%
<i>Industry with high dollar volume of sales per salesman:</i>					
\$15	\$8,985	\$1,000	\$10,000	100	
\$20	\$9,075	\$1,000	\$10,095	101	1%

\* It is assumed that these vary in proportion to sales.

sales per salesman, even a slight increase in the salary or commission of the salesman necessitates a substantial increase in sales, just to maintain the original profit level. Under these circumstances, management will naturally pay the lowest wage at which it is possible to hire persons with

the skills necessary to fill the role, and will probably rely on advertising and similar techniques to maintain sales. By contrast, in an industry with a high dollar volume of sales per salesman, a comparable raise in the salesman's income requires only a small increase in sales. In such industries, management is likely to find that the incentive of higher income will stimulate salesmen to work harder and that a better caliber of men can be recruited, with a resulting increase in profits. In short, in some industries it is profitable to provide salesmen with the opportunity to earn incomes well above the national average, while in others it is not.

With respect to mobility opportunities, the situation of salesmen is even better than that of clerks. The sample survey conducted by the Census Bureau in 1962 showed that 41 per cent of the men aged twenty-five to sixty-four whose first full-time job was that of salesman had risen to the professional, entrepreneurial, or managerial classes, compared with 37 per cent of those who started as clerks and 26 per cent of those who started as craftsmen. Similarly, 47 per cent of the sons of salesmen had risen to the professional, entrepreneurial, and managerial classes, compared with 42 per cent of the sons of clerks and 27 per cent of the sons of craftsmen.<sup>89</sup>

In Communist countries the importance of sales personnel is minimal, and while we have no data on their income, it seems safe to say that it is below the national average.<sup>90</sup> The governments of all the Communist states except Yugoslavia have, until recently, set quotas for both the production and distribution of goods, and except at the level of the consumer, the element of choice has been minimal.<sup>91</sup> Even there, however, the perennial emphasis on the production of capital goods at the expense of consumer goods has insured the sale of nearly everything produced, with no special effort necessary to stimulate sales.

### The Working Class

In traditional agrarian societies the great majority of the population was concentrated in the peasant class. Though a remnant of the peasant or farm class still survives in more or less modified form in every industrial

<sup>89</sup> "Lifetime Occupational Mobility of Adult Males, March 1962," *op. cit.*, tables 1 and 2.

<sup>90</sup> It is unlikely that their income would be greater than that of office employees in industrial enterprises, and for the latter, incomes average only 88 per cent of the national average (DeWitt, p. 543).

<sup>91</sup> As noted previously, there are definite signs of change in this area throughout most of Eastern Europe, including the Soviet Union, since the Party elite apparently intends to give some scope to the market forces of supply and demand and to reduce the scope of planning and quotas.

society, its place as the largest occupational class was taken long ago by the working class, a descendant of the old artisan class. Actually, the members of this new class are not, for the most part, descendants of the artisans of an earlier era. Rather, most of them are the displaced descendants of peasants and farmers forced off the land both by excess fertility and by the mechanization of agriculture.

Though the working class is the largest occupational class in the more advanced industrial societies, it has seldom had the numerical preponderance the peasant class once had. With the single exception of Britain, the working class has probably never constituted more than 60 per cent of the total male labor force, and usually it has totaled less than 50 per cent. So far, the relative size of the working class has been quite variable, standing, apparently, in a curvilinear relationship to the degree of industrialization in a society. In the earlier stages of industrialization, the proportion of workers in the labor force steadily rises as the proportion of farmers and farm laborers declines. Eventually, when the farm population has been reduced to a small minority and migration from the rural areas has been reduced to a trickle, a turning point is reached, and the working class, too, begins to decline, at least in relative terms.

Census data indicate that the proportion of manual workers in the *urban* part of the population is already declining in many industrial societies. In the United States, for example, the percentage of males in manual occupations in the urban labor force dropped from 70 per cent in 1870 to 60 per cent in 1960.<sup>92</sup> A recent nationwide study of mobility in Sweden revealed that only 61 per cent of the males in the urban labor force were in manual occupations, as compared with 73 per cent of the previous generation.<sup>93</sup> The Hungarian census of 1949 indicated a similar decline between the last generation and the present; in the present generation only 72 per cent of males in the urban labor force were in manual occupations compared with 82 per cent in the previous generation.<sup>94</sup> Comparable trends can be observed in data from other countries, including France, Japan, Norway, and West Germany.<sup>95</sup>

The modern working class, like the peasantry before it, contains persons in varying circumstances. At one extreme are a handful of persons

<sup>92</sup> Calculated from *Historical Statistics*, p. 74, and *1960 Census of Population*, vol. I, part 1.

<sup>93</sup> These figures are calculated from Gosta Carlsson, *Social Mobility and Class Structure* (Lund: Gleerup, 1958), table 6.1. These figures might be distorted somewhat by differential fertility, but the effect of this would be to *reduce* (not increase) the difference between the two generations, since working class families were traditionally larger than middle class. The same applies to the Hungarian figures cited below.

<sup>94</sup> These figures are calculated from data reported in S. M. Miller, p. 72.

<sup>95</sup> Calculated from data assembled by Miller, *ibid.*

who earn wages higher than the median in the managerial or professional classes; at the other extreme are some who are unable to earn enough to support themselves and depend on welfare payments to supplement their earnings. Yet despite these differences, there is, as in the case of the peasantry, one attribute which makes it possible to treat them all as members of a single class in the occupational class system: *the resource on which each depends is a job involving a limited range of manual skills that could be performed by most other members of society after a relatively short period of training.*

As a consequence, members of the working class are always in a poor competitive position relative to the other classes we have examined. This has been especially true when they have sought to compete on an individual basis under anything approaching free market conditions, because of the traditional oversupply of manual labor. Since the number of persons seeking these jobs normally exceeds the number of jobs available (or has in the past), the buyers of labor are usually in a position to hire at, or near, the subsistence level—at least so long as truly free market conditions prevail.

As a matter of historical fact, the situation of most members of the working class has not been nearly so grim as this, especially in the more advanced industrial societies. Other factors have intervened to improve the situation for the majority. To begin with, in the early stages of industrialization it often took highly skilled artisans a number of years to master their trade (though there is reason to think the apprenticeship period could usually have been shortened considerably if speed of training had been a major objective). This introduced a degree of inelasticity into the supply factor in the market situation. Those who wished to employ highly skilled laborers knew that they could not find many replacements on short notice. Thus, though the supply of craftsmen in a given field might potentially be almost unlimited, at any given time it was severely limited. This gave the members of such crafts a bargaining power which enabled them to demand and obtain wages above the subsistence level. The extent to which this was possible varied according to the ease and speed with which replacements could be trained.

Since the beginning of the Industrial Revolution, a host of new machines have been created, many of which can perform intricate tasks which men once spent months or years mastering. What is more, they perform them more rapidly and efficiently. While it is difficult to find a precise measure of the trend, rigidities in the labor market due to skill level alone are apparently declining and an ever-increasing percentage of manual trades require a shorter period of time for mastery by the average



worker. Hence, while in the past the factor of skill provided some measure of protection for a considerable number of workmen, its influence is declining and may eventually almost disappear.<sup>96</sup>

A second factor which has modified the situation is *union organization*. Though the union movement dates from the eighteenth century, its chief successes have been in the last two generations.<sup>97</sup> By acting collectively in negotiations with employers on wages, hours, and working conditions, workers have managed to gain a considerable measure of control over the supply of labor. When well organized, they have been able to create a situation in which no labor is available below a certain price. To accomplish this, they have usually had to prevent the use of strikebreakers recruited from the ranks of the unemployed. In earlier times this was accomplished by direct (often violent) action by the union itself; more recently this has been accomplished by political action.

There are, of course, limits beyond which unions cannot go in their efforts. Above all, they cannot drive the price of labor so high that their employer or their industry loses its competitive position. To do so would be to destroy the goose that lays the golden eggs. To some extent this is what the United Mine Workers seem to have done to the coal industry after World War II: by driving the cost of labor so high in the mining industry they at least hastened the substitution of oil for coal. In advanced industrial nations, the opportunities for substituting new materials for traditional ones are increasing all the time. The case of the coal industry illustrates another limit on collective bargaining and union activity. As wages in an industry rise, employers are provided with increased incentive to replace men with machines, thus reducing the number of workers who benefit from union activity.

Perhaps the chief effect of union activity has been to create a major cleavage within the working class, dividing workers who are organized into unions from those who are not. For the former, union membership is a valuable resource which raises their wages considerably above the

<sup>96</sup> See, for example, Gerhard Bry, *Wages in Germany, 1871-1945* (Princeton, N.J.: Princeton University Press, 1960), pp. 283-286, who reports declining wage differentials among manual workers in Germany, Britain, and the United States, and attributes this *in part* to "mass production techniques with an accompanying breakdown of skilled operations into simpler jobs." However, as he makes clear, other factors are also responsible. See also J. Frederic Dewhurst and Associates, *Europe's Needs and Resources* (New York: Twentieth Century Fund, 1961), appendix 3-5, which reports declining wage differentials between skilled and unskilled workers for eleven countries in Europe.

<sup>97</sup> On the early unions, see, for example, G. D. H. Cole, *The Common People, 1746-1946* (London: Methuen, 1956, first published 1938), chap. 14, or Carroll Daugherty, *Labor Problems in American Industry*, 5th ed. (Boston: Houghton Mifflin, 1941), pp. 318-324.

subsistence level, improves their working conditions, and provides them with a measure of job security. For the rest, union membership is of little value except by indirect means.<sup>98</sup>

A third factor which, in the long run, has proven of greater importance than either skill level or union organization is *political organization*. So long as the machinery of government remained firmly in the hands of the propertied class and its allies, the very existence of labor unions remained in jeopardy. For example, the Combination Acts of 1799 and 1800 made union organization extremely dangerous; and, as recently as the 1930s, the property elite in Middletown (and many other American communities) used the machinery of local government to combat the unions.<sup>99</sup>

In most of the more advanced industrial nations, workers are now organized into Socialist, Labor, or Communist Parties, which either share in the governmental process or substantially influence it. In the United States there is no class-based party of this type, but the Democratic Party works with the labor unions and the working class. In Canada, even this is lacking: there the working-class vote is divided among the parties in much the same proportions as the vote of other classes.<sup>100</sup> In Communist countries, the Communist Party rules in the name of the working class, but as we have noted, it is no longer a workingmen's party in the same sense that the Socialist, Labor, and Communist Parties are in democratic nations.

Where the usual pattern prevails, workingmen's parties seek to restrict the free play of market forces, and to reduce their importance in the determination of wages. This is accomplished by various means. One of the first steps is often to curtail the supply of labor by legislative means, especially by limiting the employment of children. Later, efforts are made to establish the legal right of workingmen to organize and bargain collectively, a principal which introduces monopsonistic or oligopsonistic elements into the market situation. Still later, the party usually tries to establish a legal minimum for wages above the subsistence level, thus reducing the range within which employers can compete for labor. Another major feature of the program of workers' parties is the establishment of rights to

<sup>98</sup> There is evidence which indicates that in industries or communities in which a good part of the working class is organized, the employers of nonunion labor strive to keep their wages reasonably competitive to reduce the dangers of unionization of their employees. Also, to the extent that unions enter politics and secure minimum wage laws and the like, nonunion workers benefit. On the other hand, the practice of the union shop and closed shop prevents nonunion workers from competing for jobs for which they may even have superior qualifications.

<sup>99</sup> On the Combination Acts, see G. D. H. Cole and R. W. Postgate, *The British Common People, 1746-1938* (New York: Knopf, 1939), chap. 14; on Middletown (Muncie, Indiana), see Lynd and Lynd, chap. 2.

<sup>100</sup> Robert Alford, *Party and Society: The Anglo-American Democracies* (Chicago: Rand McNally, 1963), chap. 9.

goods and services based on citizenship alone (see pages 428 to 430). Other policies have the same intent: to minimize the influence of the basic market factors of supply and demand in the determination of individual income. To put the matter in slightly different terms, one might say that *the efforts of workingmen's parties are aimed largely at making the distribution of goods and services subject to political, rather than economic, determination.*

Finally, the situation of the working class has been modified and improved by most of those factors which have contributed to the decline in political and economic inequality. In other words, the working class has benefited by the rise and spread of the new democratic-egalitarian ideology, the rising level of productivity, the reduction in the birthrate, and the increased involvement of the total population in warfare. All have helped raise the income for most workingmen well above the subsistence level.

It is difficult to say exactly what a bare subsistence wage would be in most industrial societies today, and therefore difficult to determine how far removed the average workingman is from it. However, there are studies of the trends in *real wages*, i.e., after adjustments for changes in the cost of living from year to year, in various nations, and they shed considerable light on the problem. For example, one recent study showed that in the period from 1871 to 1958, real weekly wages in Germany more than doubled.<sup>101</sup> This same study indicated that real British wage rates nearly doubled between 1871 and 1944, while American wages rose more than four-fold. Since then still further increases have been recorded in both of the latter.<sup>102</sup> These gains were all made despite the substantial shortening of the work week, which in 1871 averaged about seventy-two hours in Germany and about sixty in the United States and Britain.<sup>103</sup> Data from Norway indicate a nearly two-fold increase in real wages in the brief period from 1920 to 1955,<sup>104</sup> while figures from Italy show a 13.6 per cent increase in the single decade 1948-1959.<sup>105</sup> If we assume that the average wage was already above the subsistence level in the first period in each of

<sup>101</sup> Bry, calculated from tables A-50 and A-54.

<sup>102</sup> In the United States real wages rose 10 per cent from 1944 to 1959, which means a 4.4-fold increase from 1871 to 1959. For the period from 1944 to 1959 see Harold Vatter, *The U.S. Economy in the 1950's: An Economic History* (New York: Norton, 1963), table 8-2.

<sup>103</sup> *Ibid.*, pp. 274-275.

<sup>104</sup> Calculated from Walter Galenson, *Labor in Norway* (Cambridge, Mass.: Harvard University Press, 1949), table 3 for the period from 1920 to 1938, and Mark Leiserson, *Wages and Economic Control in Norway, 1945-1957* (Cambridge, Mass.: Harvard University Press, 1959), table 4 for the years 1938 to 1955.

<sup>105</sup> Daniel Horowitz, *The Italian Labor Movement* (Cambridge, Mass.: Harvard University Press, 1963), pp. 275-276.

these time series, then it follows that the average income of members of the working class is now considerably above the subsistence level in all of the more advanced industrial societies.

The wages of industrial workers have risen not only in absolute terms in the modern era, but also relative to the income of the more privileged classes as well. This is indicated, for example, by income data from the United States for the period from 1939 to 1959, which show the following rates of increase in money (not real) wages for male workers:<sup>106</sup>

*Nonmanual workers:*

Professional and kindred workers	366%
Proprietors, managers, and officials	312%
Clerical and kindred workers	337%
Salesmen	391%

*Manual workers:*

Craftsmen, foremen, and kindred	400%
Operatives	427%
Laborers (nonfarm)	438%
Service workers	397%

Data from France for the period from 1910 to 1954 show the same pattern, only more pronounced: whereas the money income of various managerial and professional occupations increased 100- to 170-fold in this period, for various occupations in the working class it increased 200- to 350-fold.<sup>107</sup> In Communist countries also, income differentials between the working and nonmanual classes have been reduced compared with the pre-Communist era. The gains of the working class have come not only from increased wages, however, but also, in large measure, from the changing nature and growing importance of the resource of citizenship.

These political and economic advances have combined with certain other developments to produce one other significant change in the social situation of the working classes. In the earlier stages of industrialization, a great cultural chasm separated manual workers from the middle classes. This is now disappearing, or at least being substantially reduced. In part, this change stems from improvements in the economic situation of workers and from the mass production of consumer goods which makes it possible for persons of limited incomes to purchase commodities which are not nearly so distinguishable from their more expensive counterparts as comparable goods of a half century or century ago. In addition, the political

<sup>106</sup> These percentages are based on 1939 figures from *Historical Statistics*, p. 168, and 1959 figures from the *U.S. Census of Population, 1960*, vol. I, part 1, table 208.

<sup>107</sup> Jean Fourastié, *The Causes of Wealth*, translated by Theodore Caplow (New York: Free Press, 1960, first published 1951), table 3.

advances of the working class have greatly reduced antagonism toward existing political institutions, bringing the average worker's thinking more into line with that of the middle class. Most important, perhaps, the rise of free public schools and the mass media have stimulated a trend toward cultural convergence among the classes. The net effect of all these developments has been the adoption of many elements of middle class culture by the working class, and probably, as a result, some reduction in the traditional hostility of workers toward the existing social order.

### The Farming Class

As the working class has grown, the agricultural segment of the population has steadily declined. In the United States, for example, farmers and farm laborers constituted 40 per cent of the labor force in 1870, only 7 per cent in 1962.<sup>108</sup> What is more, there is every indication that the figure will drop still further in the next generation, and by that time may equal no more than 2 or 3 per cent of the labor force.<sup>109</sup> The situation in Europe is very similar. According to one recent study, the percentage of farmers in the labor force in the non-Communist nations dropped from 42 per cent in 1910 to 27 per cent in 1950 and was continuing to decline throughout the rest of the decade.<sup>110</sup> The figure for West Germany, for example, dropped from 23 per cent in 1950 to 17 per cent in 1957, and in the Netherlands, from 16 per cent in 1950 to 11 per cent in 1958. In Britain, where the figure was the lowest in the world, farmers constituted only 4.5 per cent of the labor force in 1955. It appears that the farm population will soon constitute no more than 10 per cent of the total population in any of the more advanced industrial nations, with the possible exception of the Soviet Union.<sup>111</sup>

As important as the decline in numbers is the transformation in the character of rural life. Patterns associated with the urban economy are increasingly penetrating and transforming rural areas. Subsistence farming, for example, is rapidly becoming a thing of the past in all of the more

<sup>108</sup> The 1870 figure is from Mayer, p. 70; the 1962 figure is calculated from the *Statistical Abstract, 1962*, p. 215. For males only, the 1962 figure was 9 per cent.

<sup>109</sup> In the brief span of seven years from 1955 to 1962 the figure dropped 4 percentage points. Furthermore, census data show that the farm population now contains a very high percentage of elderly persons who are not likely to be replaced when they die.

<sup>110</sup> These and the following figures are from Dewhurst, *Europe's Needs*, appendix 3-2, table A.

<sup>111</sup> Dewhurst, *Europe's Needs*, p. 74. The Soviet Union, as is well known, has had great difficulties in the agricultural area, and as recently as 1955, peasants still constituted 45 per cent of the male labor force (DeWitt, tables VI-42-44). Even so, the farm population is declining in relative numbers, and within another generation the Soviet pattern will probably resemble the American and Western European.

advanced industrial nations. Farmers seldom produce for their own immediate needs anymore; instead, they produce for the market. This process has reached the point where many farmers now sell a product in its raw, unprocessed form and then buy it back in finished form on the retail market (for example, dairy farmers, who increasingly purchase milk and other dairy products for home consumption).

But even this does not begin to communicate the radical nature of the transformation which agriculture is currently undergoing in the United States. As Edward Higbee so dramatically describes in *Farms and Farmers in an Urban Age*, agriculture is rapidly losing its distinctiveness and more and more coming to resemble other forms of industrial activity.<sup>112</sup> Mechanization has proceeded to the point where a single lettuce packing machine costs over \$20,000, and a single diesel tractor as much as \$32,000.<sup>113</sup> In fact, the average capital investment for workers in agriculture exceeds by one-third the average capital investment for workers in all other industries.<sup>114</sup> In addition, those farmers who are surviving and prospering in the increasingly intense competition find themselves caught up in a network of business relationships, governmental controls, and financial transactions no less complex than those of their urban counterparts in the business world. Those who lack skill in these traditionally nonagricultural activities are soon forced to sell out.

The chief consequence of all this is that the small independent farmer, who was once such an important element in American life, is now vanishing as rapidly and as surely as the proverbial Indian. The great majority have already been forced into the ranks of the urban working class, though the Census Bureau still generously counts many of them as farmers. In the brief period from 1940 to 1960, the farm population in the United States was cut in half, from 30.5 million to 15.6 million.<sup>115</sup> Of the latter, 44 per cent were small farmers whose annual net income from agriculture averaged only \$217 in 1959, and who survived only because they had \$2,884 in income from other sources.<sup>116</sup> Above them was a group whose net earnings from farming averaged \$1,740 per year, but whose earnings from other sources averaged \$1,816. According to Higbee, this group, which comprised 34 per cent of all American farmers, will almost certainly be squeezed out or die off soon (nearly two-thirds of them were already 45

<sup>112</sup> *Farms and Farmers in an Urban Age* (New York: Twentieth Century Fund, 1963).

<sup>113</sup> *Ibid.*, pp. 10 and 54.

<sup>114</sup> *Ibid.*, p. 11. In 1960 the figures were \$21,300 and \$15,900 respectively.

<sup>115</sup> *Statistical Abstract, 1962*, table 839. This decline was partly due to the revised definition of farm population introduced in 1960, but the revision itself was largely necessitated by the radical changes in the economic situation of the rural population which occurred in the previous twenty years.

<sup>116</sup> Higbee, pp. 45-46.

or more years of age).<sup>117</sup> In short, it appears that only about 22 per cent of the 15.6 million persons in the 1960 farm population have any real future in farming. The rest can hope to use their farms only for supplementary income, while turning to urban-centered manual trades for their main source of livelihood.

Some farmers have sought to fight these trends through organized action similar to that of the unions, but this has not proved very effective. In part this has been because of the magnitude of their problems. Not only has the farm population been large, it has also been widely scattered, making communication and coordination extremely difficult. The problem has also been ideological: the great majority of American farmers were raised in a tradition of extreme individualism which prejudiced them against reliance on collective action.<sup>118</sup>

In recent years, as the seriousness of their situation has become more evident and as the number of farmers has declined, organized efforts have been somewhat more successful. This is especially true of the cooperatives, which seem to be gaining in power and influence. In explaining their rise, Higbee states,

Although it may seem incongruous that a farm organization should grow stronger as the number of farmers declines, the explanation is simple. The effectiveness of co-ops, just like the effectiveness of other vertically organized entrepreneurial enterprises, increases as weaklings drop out and the stronger survivors set about to build more efficient organizations. It takes farmers who are financially strong and well versed in economics to check production voluntarily in order to establish a favorable market position for collective bargaining. The technique is the same as that used by industry, organized labor, and professional societies such as the American Medical Association.<sup>119</sup>

Those farmers who survive the current struggle will be a very different breed from the small independent farmers of the past. They will be substantial members of the propertied class, skilled in the increasingly complex intricacies of farm management. The capital investment in land and buildings alone of the 22 per cent of farmers who seem likely to survive, already averages nearly \$90,000 and is steadily rising.<sup>120</sup> In fact, the top third of these farmers have an investment of this kind averaging \$135,000, enough to justify their inclusion in the property elite. If such figures seem startling to those accustomed to thinking in terms of the traditional family

<sup>117</sup> *Ibid.*, p. 52.

<sup>118</sup> There is good reason to believe that none of these characteristics, including the ideological, are peculiar to American farmers. Stalin's great difficulties with Russia's farmers are but one indication of the commitment to an individualistic outlook.

<sup>119</sup> *Ibid.*, p. 37. Quoted by permission.

<sup>120</sup> Calculated from Higbee, tables 1 and 13.

farm, it may be well to add that in 1959 there were 408 farms in the United States each with sales of \$1,000,000 or more, and another 800 with sales of \$500,000 to \$1,000,000.<sup>121</sup> Many of these farms are operated like highly automated industries, with hired managers and full-time production workers increasing the resemblance between the new agricultural system and modern industry.

The same trends appear to be developing in European agriculture, though the relative size of the farm population there suggests that the development of agriculture is lagging about a generation behind. Nevertheless, the drift is evident. As one writer put it recently, after reviewing current developments, "All these changes are in the direction of turning the [Western European] farm into something like a factory which purchases raw materials, feeds them into machines (land and animals) and markets the product."<sup>122</sup> This same writer claims, however, that the family farm remains the European ideal and that the preservation of such farms is the goal of nearly all Western European governments.<sup>123</sup> Since the same could have been said of Americans and their government until the last few years, one may be pardoned for viewing such assertions with a measure of skepticism.

The position of the Soviet Union's farm population is more difficult to characterize than that of any other industrial nation. In some respects that nation is highly advanced and has broken radically with the agrarian past; in others, it is quite backward. The latter trait is evidenced both in the large percentage of the population it is still obliged to use in agriculture and in its low level of productivity. As recently as 1955, slightly over half of the total labor force was engaged in agricultural activities.<sup>124</sup> For men alone, the figure, while a bit lower, was still 45 per cent. Despite the heavier use of labor and the larger size of the nation, Soviet agricultural output was 20 per cent lower than in the United States, according to Soviet authorities themselves.<sup>125</sup> In addition, the conditions of life in most rural villages continue to be extremely primitive.

<sup>121</sup> *U.S. Census of Agriculture, 1959: Large-scale Farming in the U.S.* (Washington: U.S. Bureau of the Census, 1963), p. 8.

<sup>122</sup> P. Lamartine Yates, *Food, Land and Manpower in Western Europe* (London: Macmillan, 1960), p. 201. See Margaret Gordon, table 6, p. 21, for statistical evidence on the decline in size of farm population in Belgium, France, West Germany, Italy, The Netherlands, and the United Kingdom since World War II.

<sup>123</sup> *Ibid.*, pp. 186-188.

<sup>124</sup> This and the following estimate are based on DeWitt, tables VI-42-44. These figures are probably a bit too high, since they include collective farm workers engaged in administrative or clerical work and in crafts. See Lazar Volin, "The Collective Farm," in Alex Inkeles and Kent Geiger, *Soviet Society: A Book of Readings* (Boston, Mass.: Houghton Mifflin, 1961), p. 337.

<sup>125</sup> See, for example, B. I. Braginskii and D. Dumov, "Labor Productivity in Agriculture in the USSR and the USA," in Shaffer, p. 181.



On the other hand, the Soviet government has thoroughly destroyed the older forms of agricultural organization. Since the 1930s the overwhelming majority of peasants have been obliged to work on large collective farms with several hundred or several thousand others, at tasks assigned by farm managers and under their control. Though the mode of payment and certain other features of collective farm life are distinctive, one expert has concluded that the Soviet peasant is "becoming in most respects indistinguishable from a worker in the Soviet factory."<sup>126</sup> In short, *in the Soviet Union, as in other advanced industrial nations, the differences which historically separated farmers and peasants from urban workers seem to be disappearing, with the result that the farming or peasant class is in the process of being absorbed by other classes.*

### The Unemployed and Slave-labor Classes

At the bottom of the occupational hierarchy in advanced industrial societies one often finds either a class of unemployed persons or a class of slave laborers. The former is more likely in democratic nations, the latter in totalitarian.<sup>127</sup> Both classes arise from the inability or unwillingness of societal leaders to achieve a balance between the forces of supply and demand in the labor market.

As our analysis of the expendables in agrarian societies made clear, the unemployed class has a long and dreary history. However, this has not prevented it from performing a social function of great value to the leading classes. Its presence has always served as a depressant on wages, thereby forcing peasants and workers to be much more cautious in their demands than they might otherwise have been.

The future of this class is difficult to predict. In recent years the level of unemployment has been quite low in most of the highly industrialized democracies of the western world. For example, in 1955 the unemployed numbered only about 1 per cent of the labor force in Britain, Finland, France, Iceland, Luxembourg, the Netherlands, Norway, Sweden, and Switzerland, and for the whole of non-Communist Europe, only 4.2 per cent.<sup>128</sup>

The highest rates of unemployment in Europe were registered, inter-

<sup>126</sup> Volin, p. 343. For a more detailed study of the Soviet peasantry, see Naum Jasny, *The Socialized Agriculture for the USSR* (Stanford, Calif.: Stanford University Press, 1949).

<sup>127</sup> A recent report by Soviet economist Yefim Manevich indicates substantial unemployment in various areas of the Soviet Union. See Edward Crankshaw in *The Washington Post*, July 18, 1965, p. A-22.

<sup>128</sup> Dewhurst, *Europe's Needs*, table 3-9. See also Margaret Gordon, table 1, p. 9, which shows a median figure of 1.1 per cent unemployed for seven of the leading nations of Western Europe in 1961 versus a median of 2.5 per cent for the same nations in 1955.

estingly enough, by four of the least industrialized nations, Greece, Italy, Portugal, and Spain. This suggests that unemployment tends to decline with increasing industrialization. It would be a serious mistake, however, to suppose that this is the only factor involved, or that unemployment rates automatically decline with advancing industrialization. A study of the historical sequence in any single country proves that increasing industrialization can be accompanied by *rising* rates of unemployment. In the United States, for example, the rate of unemployment among male workers rose from 2.8 per cent in 1953 to 7.9 per cent in 1961 despite obvious advances in industrialization. This demonstrates that the rate of unemployment is also a function of such things as war, the business cycle, and technological innovation (in this case, automation). Each of these affects the demand for labor, and thus the rate of unemployment.

Many observers of the contemporary scene have expressed serious misgivings about the influence of automation on the modern economy. These fears are not without foundation; automation obviously could lead to large-scale unemployment. However, it is not inevitable: men have it within their power to create institutional arrangements which can prevent it. The real question, then, is whether they will do so.<sup>129</sup>

While predictions in an area like this are always hazardous, the probability of massive unemployment comparable to that in the 1930s does not appear great. In most of the more advanced societies the working class, the group primarily threatened by a major increase in unemployment, now has the political instruments and experience it needs to defend itself. This is clearly true in countries where the Swedish, or even the British, model of political organization prevails. It is somewhat less certain in nations with the American model, although political leaders in such countries appear to be responsive to even moderate increases in the rate of unemployment. Furthermore, considering the high level of productivity and affluence which increasingly characterizes all industrial societies, the privileged classes would almost certainly make concessions in order to protect their many advantages.

One final factor suggests that the number of unemployed will not increase appreciably. The new, simple, and inexpensive means of contraception make it unlikely that the unemployed, or those threatened by unemployment, will continue to have large families as in the past (unless they are unintentionally encouraged to do so by faulty systems of welfare benefits). In short, while there may be fluctuations, and perhaps even some permanent increase of modest proportions, *there will probably be no substantial permanent increase in the rate of unemployment.*

If unemployment is the lowest status in the occupational class system

<sup>129</sup> See Kenneth Galbraith, *The Affluent Society* (Boston: Houghton Mifflin, 1958).

in democratic industrial nations, *slave labor* is its equivalent in totalitarian ones. A class of slave laborers is not an inevitable feature of totalitarian states, as the post-Stalin era in the Soviet Union demonstrates. On the other hand, the fact that both the Nazi and Communist regimes utilized it, suggests that it is not an accidental or incidental occurrence in such states.

It has sometimes been supposed that the development of the slave-labor class in Germany and Russia was merely a response to political dissent. However, though the labor camps in both countries seem to have been created for this purpose, their great expansion occurred largely because of the need for cheap labor.<sup>130</sup> The availability of political prisoners and other persons enabled these totalitarian regimes to employ large numbers of persons *at or below subsistence wages*, despite an expressed commitment to a socialistic or semisocialistic ideology.

It is still impossible to say just how large the slave-labor populations of Nazi Germany and the Soviet Union became. In both instances, however, they clearly numbered in the millions at their peak. Most estimates for Russia are about ten million at the time of Stalin's death.<sup>131</sup> As the Soviet novelist Alexander Solzhenitsyn made clear in his thinly fictionalized novel, *One Day in the Life of Ivan Denisovich*, for most members of this class, as for the expendables in agrarian societies, life was "poor, nasty, brutish, and short."<sup>132</sup>

At the present time there is no large slave-labor class designed to achieve economic goals in any advanced industrial society, and the prospects for the emergence of one do not seem great. As the Communists and other employers of slave labor have found, this type of labor is far better suited to unskilled and semiskilled work than to tasks requiring skilled labor or professional training. Persons living at the subsistence level and motivated only by fear do not usually perform well in the more demanding occupational roles. In view of the rapid technological advances which continually reduce the need for unskilled labor, it is improbable that any of the more advanced industrial nations will turn to slave labor for economic purposes. If a slave-labor class should develop in the near future, it would more likely be in Asia, Africa, or Latin America, or in countries which are only now making the painful transition to industrialism. In any industrializing society which comes under totalitarian control, a slave-labor class might well prove to be profitable for a time, at least when judged from the standpoint of the political elite.

<sup>130</sup> See, for example, Fainsod, pp. 432-433 and 459-460.

<sup>131</sup> *Ibid.*, pp. 458-460, or Inkeles and Geiger, p. 253.

<sup>132</sup> Translated by Max Hayward and Ronald Hingley (New York: Bantam, 1963).