



## Exploring Working-Class Consciousness: A Critique of the Theory of the ‘Labour-Aristocracy’\*

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### Abstract

The notion of the labour-aristocracy is one of the oldest Marxian explanations of working-class conservatism and reformism. Despite its continued appeal to scholars and activists on the Left, there is no single, coherent theory of the labour-aristocracy. While all versions argue working-class conservatism and reformism reflects the politics of a privileged layer of workers who share in ‘monopoly’ super-profits, they differ on the sources of those super-profits: national dominance of the world-market in the nineteenth century (Marx and Engels), imperialist investments in the ‘colonial world’/global South (Lenin and Zinoviev), or corporate monopoly in the twentieth century (Elbaum and Seltzer). The existence of a privileged layer of workers who share monopoly super-profits with the capitalist class cannot be empirically verified. This essay presents evidence that British capital’s dominance of key-branches of global capitalist production in the Victorian period, imperialist investment and corporate market-power can not explain wage-differentials among workers globally or nationally, and that relatively well-paid workers have and continue to play a leading rôle in radical and revolutionary working-class organisations and struggles. An alternative explanation of working-class radicalism, reformism, and conservatism will be the subject of a subsequent essay.

### Keywords

labour-aristocracy, imperialism, class-consciousness, monopoly, competition, wage-differentials

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In the past fifteen years, there has been a resurgence of working-class resistance in the developed capitalist social formations. After nearly twenty years of employer- and government-attacks on wages, hours, working conditions and social-welfare provisions, workers in the industrialised world have begun to fight back. Starting with the French public-sector strikes against pension-reforms in 1995, through the general strikes that swept the rest of Europe and Canada in the late 1990s, to the victory of the student-worker coalition's struggle against the French youth-employment law in 2006 and factory-occupations against lay-offs, broad layers of workers have begun to challenge neo-liberalism in the heartlands of global capitalism. Even US-workers, often considered the least radical and militant in the industrialised world, launched a number of struggles in the 1990s – the Staley, Caterpillar and Bridgestone/Firestone strikes of 1994–6, the GM parts-workers strike of 1996, the United Parcel Service strike of 1997, the New York City transport-workers strike of 2005, and the 2008 sit-down strike at Republic Windows and Doors in Chicago.<sup>1</sup>

Despite these manifestations of militant resistance, reformist and even outright conservative politics still grip the majority of workers in the global North. The broad outlines of Marxist theory tell us that capitalism creates its own gravediggers – a class of collective producers with no interest in the maintenance of private ownership of the means of production. The capitalist system's drive to maximise profits should force workers to struggle against their employers, progressively broaden their struggle, and eventually overthrow the system and replace it with their democratic self-rule.

Historical reality seems to challenge these basic Marxist ideas. While living and working conditions for workers in the global North have deteriorated sharply since the late 1960s, the result has not been, for the most part, the growth of revolutionary consciousness and organisation. Instead, we have seen reactionary ideas – racism, sexism, homophobia, nativism, militarism – *strengthened* in a significant sector of workers in the advanced capitalist countries. Since the late 1970s, nearly one-third of voters in US union-households have voted for right-wing Republicans.<sup>2</sup>

Explaining this paradox has been a crucial challenge for Marxists. For the past half-century, a widely accepted explanation of working-class conservatism has been the 'dominant-ideology' thesis. Put simply, the control by the capitalist class of various 'ideological apparatuses' – the schools and media, most importantly – has led the working class and other subordinate groupings

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1. Ashby and Hawkins 2009; Kotalik 2006; Moody 2007.

2. *New York Times* 2004.

to actively embrace conservative capitalist ideologies. In the work of ‘neo-Gramscian’ thinkers (whose ideas have little relationship to that of the Italian revolutionary), ruling-class ideological hegemony equals the acceptance of capitalist ideas by the vast majority of the exploited and oppressed. In the past two decades, the ‘hegemony/dominant-ideology’ thesis has been subjected to devastating and convincing criticisms.<sup>3</sup>

Recently, an older explanation of working-class conservatism has been revived among radical thinkers in the global North – the theory of the labour-aristocracy. In the past decade, scholars and activists have again argued that super-profits, derived from either imperialist investment in the global South or corporate monopoly, and shared with a segment of the working class, is the source of enduring working-class racism and conservatism in the US and other industrialised capitalist societies. Rod Bush’s study of black nationalism in the US uses the theory of the labour-aristocracy to explain the persistence of white working-class racism:

In the core zones (the so-called developed countries of North America, Western Europe, and Japan), which by definition has captured a disproportionate share of the benefits of the system, the upper stratum of the working class has often united with the petty bourgeoisie seeking upward mobility, while taking a defensive position toward the lower working class (as well as other low-ranking groups throughout the world-system).<sup>4</sup>

Important groups of activists, in particular those working with low-wage workers, are also drawn to the theory of the labour-aristocracy. Four members of People Organized to Win Employment Rights (POWER), a workers’ centre organising mostly ‘low-wage/no-wage’ workers of colour in the San-Francisco area, argued that:

Another feature of imperialism that distinguishes it from earlier eras of capitalism is the imperialist powers’ creation of a ‘labor aristocracy.’ The dominant position of the imperialist nations allows these nations to extract super-profits. The ruling elite of imperialist nations use some of the super-profits to make significant economic and political concessions to certain sectors of that nation’s working class. Through higher wages, greater access to consumer goods and services and expanded social wage such as public education and cultural institutions, the imperialist elite are able to essentially bribe those sections of the working class. . . .

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3. Abercrombie, Hill and Turner 1980; Scott 1985, Chapter 8. While Abercrombie, Hill and Turner present a devastating critique of the ‘dominant-ideology’ thesis, they concede – incorrectly in our assessment – that the dominant ideology partially incorporates the working class in ‘late capitalism’.

4. Bush 1999, p. 19.

For a contemporary example of this, all we have to do is look at the 2004 presidential elections. Statistics show that working class whites in the United States voted overwhelmingly for George W. Bush in an election that could be read as a referendum of the empire's war on the Iraqi people. An analysis that solely focuses on class would suggest that working class whites had and have an interest in opposing a war that, if nothing else, is costing them billions in dollars. But clearly that ain't what happened. Working class whites voted overwhelmingly in support of the war on the Iraqi people. The majority of working class whites, despite their own exploitation, tie their own interests to white supremacy and the dominance of 'America' in the world.<sup>5</sup>

A major problem in the assessment of this theory – and perhaps one of its appeals – is that there is no unified theory of the labour-aristocracy among Marxists. Thirty-five years ago, Gareth Stedman-Jones noted:<sup>6</sup>

In most Marxist writing, the use of this idea [the labour-aristocracy – C.P.] has been ambiguous and unsatisfactory. Its status is uncertain and it has been employed at will, descriptively, polemically or theoretically, without ever finding a firm anchorage.... [T]he term has often been used as if it provided an explanation, without ever finding a firm anchorage.... But it would be more accurate to say that it pointed toward a vacant area where an explanation should be.... Indicative of its lack of precision is the elasticity of the stratum of the working class referred to.... The methods by which the labour aristocratic strata are said to have been bought off have been almost as various as the personnel included within it...<sup>7</sup>

Despite its diverse forms, all of the variants of the labour-aristocracy thesis agree on two key-points. First, working-class conservatism is the result of material differences – *relative privileges* – enjoyed by some workers. Workers who embrace racism, nativism, sexism, homophobia and pro-imperialist patriotism tend to be those who earn higher wages, experience more secure employment, and have access to health-care, pensions and other forms of the social wage.<sup>8</sup> Second, the source of this relative privilege ('the bribe') is a sharing of higher-than-average profits between capitalists and a privileged labour-aristocracy.

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5. Browne, Franco, Negron-Gonzales and Williams 2005, p. 46.

6. Stedman-Jones 1975, pp. 61–2.

7. Similar criticisms are made in Barbalet 1987, McLennan 1981, Moorehouse 1978 and Moorehouse 1981.

8. The social wage is provided, either through state-administered social-welfare programmes, as in most advanced capitalist societies, or through collectively-bargained 'private welfare-states' within unionised industries in the US.

The three main variants of the labour-aristocracy thesis differ in their identification of the source of these ‘monopoly super-profits’. The first version, presented in a series of letters by Marx and Engels,<sup>9</sup> argues that British capitalists accrued higher-than-average profits from their ‘industrial monopoly’ in the world-market of the mid-nineteenth century. These super-profits allowed British capitalists to recognise the skilled workers’ craft-unions and accept their restrictive apprenticeship-practices, which, in turn, enabled the labour-aristocracy to secure a rôle in supervising less-skilled workers, higher-than-average wages, and more-secure employment. In the early-twentieth century, Lenin<sup>10</sup> and Zinoviev<sup>11</sup> put forward the second version, arguing that a minority of well-paid workers in the industrialised countries shared the super-profits their capitalists derived from the exploitation of low-wage workers in the ‘colonial world’. The most recent version of the theory<sup>12</sup> recognises that the volume of profits derived from imperialist investment in the global South are insufficient to explain differences in wages, benefits and job-security among workers in the global North. Instead, they locate the source of the relative privilege in super-profits derived from the workings of ‘monopoly-capitalism’. From this perspective, the higher-than-average profits earned by monopolistic corporations are shared with their workers, at the expense of workers in smaller, more-competitive firms.

The theory of the labour-aristocracy is neither a theoretically rigorous nor factually realistic explanation of working-class reformism or conservatism. We will begin by examining the three variants of the labour-aristocracy thesis – the Marx-Engels theory from the mid-nineteenth century, the Lenin-Zinoviev version from the early-twentieth century, and the Elbaum-Seltzer variant from the 1980s. Our critique, which incorporates earlier Marxist arguments,<sup>13</sup> begins with an evaluation of the claim that British capitalists’ global industrial dominance allowed the emergence of craft-unionism and a privileged layer of skilled workers in Victorian Britain. We then examine the argument that super-profits extracted from workers in the global South underwrite a bribe in the form of higher wages for a minority of the working class in the global North. Finally, we assess the claim that limits on competition flowing from industrial concentration in key-sectors of the economy produce super-profits that are shared as higher wages with unionised workers. Our critique of the

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9. Strauss 2004a presents a useful summary of Engels’s writings.

10. Lenin 1970 and 1974.

11. Zinoviev 1983–4.

12. Elbaum and Seltzer 1982 and 2004.

13. See Tony Cliff (Cliff 1957), Samuel Friedman (Friedman 1983), Marc Linder (Linder 1985), Ernest Mandel (Mandel 1984) and H.F. Moorehouse (Moorehouse 1978 and 1981).

theory of the labour-aristocracy ends with a brief review of the actual history of radical working-class activism in the twentieth century.

### **The labour-aristocracy thesis I – Marx and Engels**

For Marx and Engels, the English working class of the early-nineteenth century had produced the model of a class-conscious labour-movement. Blending together Jacobin democratic-political radicalism and workplace-militancy, the English working class had ‘made itself’ – moving from illegal workplace-union organisation to Chartism, the first, independent, working-class political movement – in less than fifty years.<sup>14</sup> The defeat of Chartism in the late 1840s issued in a period of working-class retreat and conservatism – ‘the un-making of the British working class’.<sup>15</sup> By the late 1850s, Marx and Engels were trying to explain how and why the most revolutionary working class in Europe had become its most conservative in the course of a decade.

In a series of letters between themselves and their supporters, Marx and Engels grappled with the growing conservatism of the British workers’ movement – the dominance of unions of skilled workers which were indifferent, if not openly hostile, to the organisation of the unskilled majority of the working class, and the craft-unions’ support for the capitalist Liberal Party rather than an independent socialist or workers’ party. In an 1885 essay, which was incorporated into new prefaces to his classic *The Condition of the Working Class in England*, Engels argued that the roots of the growing conservatism of the British labour-movement was the emergence of a labour-aristocracy of skilled workers in cotton-textiles, iron, steel and machine-making.<sup>16</sup> He argued that these workers had been able to establish craft-unions, regulate the labour-market through apprenticeship-programmes, and secure higher wages and stable employment. British capitalists’ dominance of the world-economy – their monopoly of industrial production on a world-scale in the third quarter of the nineteenth century – produced super-profits that allowed them to concede relatively higher wages and employment-security to a small minority of workers. The resulting relative privilege, especially when compared with the

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14. Thompson 1963 details this process.

15. Moorhouse 1978, p. 61.

16. Engels 1892. Corr and Brown make two important points about Marx and Engels’s discussion of the labour-aristocracy. First, both Marx and Engels, despite their criticisms of the British craft-union leaders, were defenders of trade-unions and strikes – unlike most contemporary socialists. Second, while Marx tended to use the term ‘labour-aristocracy’ in a descriptive fashion, Engels attempted to provide an analytical basis – Britain’s ‘industrial monopoly’ – for the concept after Marx’s death in 1883 (Corr and Brown 1993, pp. 39–45).

mass of poorly-paid workers who faced recurring bouts of unemployment, explained the growing conservatism of the British labour-movement.

In the 1950s, Eric Hobsbawm produced a detailed, empirical study of the labour-aristocracy in nineteenth-century Britain.<sup>17</sup> While not explicitly addressing Engels's claims that British industrial capital's dominance of the world-market allowed the consolidation of a layer of relatively well-paid and securely employed workers, Hobsbawm traces the development of a new labour-aristocracy of skilled workers in the second half of the nineteenth century. Older, pre-industrial crafts mechanised or experienced 'sub-contracting, putting-out and general sweating', throwing the mass of the artisanal craftsmen into the ranks of the unskilled. A new layer of skilled workers in new industries such as cotton-textiles and metal-working 'where machinery was imperfect and depended on some significant manual skill'<sup>18</sup> emerged. It was these workers who were best able to establish exclusivist craft-unions that used apprenticeship 'to make their labour artificially scarce, by restricting entry to their profession'.<sup>19</sup> Apprenticeships and other exclusionary practices allowed the labour-aristocrats to secure higher wages and more-stable employment. The relative privilege of the craft-workers in textiles and metal-working, achieved at the expense of less-skilled workers, was the social base of 'labour-Liberalism'.

In the early 1970s, John Foster expanded on Hobsbawm's analysis of the emergence of a labour-aristocracy of skilled industrial workers in nineteenth-century Britain.<sup>20</sup> Following Engels, Foster argues that the 'liberalisation' of British capitalist rule after the defeat of Chartism in the late 1840s was founded on Britain's global economic dominance, including an increased export of capital-goods in the form of machinery.<sup>21</sup> British capital's industrial monopoly promoted a radical restructuring of production and the consolidation of a new skilled labour-aristocracy in the cotton-textile industry, machine-making and mining. These workers were not only better-paid and more-securely employed, but were partially integrated into capitalist management through their rôle in

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17. Hobsbawm 1964. Corr and Brown point out that Hobsbawm's work on the 'labour-aristocracy' was intended to provide a Marxian alternative to the mainstream sociological literature of the 1950s and 1960s which argued that the workers in the industrialised capitalist societies had become 'embourgeoisified' by adopting the values and norms of the middle class (Corr and Brown 1993, pp. 54–7).

18. Hobsbawm 1964, pp. 282–3.

19. Hobsbawm 1964, pp. 290–1.

20. Foster 1974, Chapter 7.

21. Foster, at times, confuses the export of capital-goods (textile-machinery) with the export of capital – the internationalisation of capitalist social-property relations through productive investment.

supervising less-skilled workers. In particular, the rôle of skilled machinists ('engineers'), cotton-spinners and mining check-weightman as 'pace-setters' in production made them co-exploiters of labour with capital. The labour-aristocrats preserved their economic position through craft-unionism, apprenticeship and the exclusion of the unskilled from the labour-movement. Their embrace of the capitalist Liberal Party went hand-in-hand with the consolidation of their economic privilege and their integration into the 'cultural orbit of the bourgeoisie'<sup>22</sup> through Church-attendance, adult-education, consumer-cooperatives and temperance-societies.<sup>23</sup>

### **The labour-aristocracy thesis II – Lenin and Zinoviev**

V.I. Lenin and Gregory Zinoviev's analysis of the crisis of European socialism during and immediately after World-War I produced a new version of the labour-aristocracy thesis. Lenin and Zinoviev were shocked when the leaders of the European socialist parties supported 'their' capitalist governments in the First World-War. The victory of 'opportunism' confounded Lenin and Zinoviev, who had written off 'revisionism' (Edward Bernstein's challenge to classical Marxism in 1899) to the influence of the middle classes – downwardly-mobile shopkeepers, artisans and intellectuals – in the workers' movement. They believed the orthodox Marxist leadership of the socialist parties and unions had long ago vanquished the revisionist challenge. Both expected that the European socialist leaders would fulfil their pledge, ratified at numerous congresses of the Socialist International, to oppose their ruling class's war-drive with strikes and social disruption.

Lenin and Zinoviev revived Engels's notion of the labour-aristocracy to explain the collapse of European socialism. While Britain's industrial monopoly in the world-market had ended in the late-nineteenth century, the new imperialism – based on the export of capital, rather than commodities – produced a new labour-aristocracy. Lenin introduced his explanation for the victory of opportunism in the socialist and labour-movements in 'The Collapse of the Second International':

The epoch of imperialism is one in which the world is divided among the 'great' privileged nations that oppress all other nations. Morsels of the loot obtained as a result of these privileges and this oppression undoubtedly fall to the share of

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22. Foster 1974, p. 223.

23. Morris 1988 summarises historical research published after Foster's that tends to support the latter's claims.



certain sections of the petty bourgeoisie and to the working-class aristocracy and bureaucracy.<sup>24</sup>

This segment ‘represents an infinitesimal minority of the proletariat and the working masses, form an insignificant minority of the proletariat and of the toiling masses’ whose ‘adherence . . . with the bourgeoisie against the mass of the proletariat alliance with their “own” national bourgeoisie, against the oppressed masses of all nations’ was the social basis of reformism and conservatism in the working class.

Lenin located the economic foundation of the labour-aristocracy in the super-profits generated through imperialist investment in the ‘colonial’ world – Africa, Asia and Latin America, what we today refer to as the global South.<sup>25</sup> According to his 1920 preface to *Imperialism: The Highest Stage of Capitalism*:

Obviously, out of such enormous *superprofits* (since they are obtained over and above the profits which capitalists squeeze out of the workers of their ‘own’ country) it is *possible to bribe* the labour leaders and the upper stratum of the labour aristocracy. And that is just what the capitalists of the ‘advanced’ countries are doing: they are bribing them in a thousand different ways, direct and indirect, overt and covert.

This stratum of workers-turned-bourgeois, or the labour aristocracy, who are quite philistine in their mode of life, in the size of their earnings and in their entire outlook, is the principal prop of the Second International, and in our days, the principal *social* (not military) *prop of the bourgeoisie*. For they are the real *agents of the bourgeoisie in the working-class* movement, the labour lieutenants of the capitalist class, real vehicles of reformism and chauvinism.<sup>26</sup>

Zinoviev, in a lengthy analysis of German Social Democracy, argued ‘it cannot be denied that for a *certain minority* of skilled workers, for the *labor aristocracy*, a few crumbs may fall off from the imperialist table’.<sup>27</sup> The majority of the ranks of German Social Democracy, the largest working-class party in the world before 1914, came from this layer of well-paid, skilled industrial

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24. Lenin 1974, p. 220.

25. Lenin recognised that the vast majority of the imperialist export of capital – foreign direct investment – flowed from one advanced capitalist country to other advanced capitalist countries in the early-twentieth century, as it does today. However, his theory of the labour-aristocracy argued that the source of the ‘bribe’ was the super-profits expropriated from workers in the ‘colonial’ societies.

26. Lenin 1970, p. 667.

27. Zinoviev 1983–4, p. 182.

workers – who ‘served the big bourgeoisie as the best means of introducing bourgeois ideas into the laboring masses’.<sup>28</sup>

Neither Lenin nor Zinoviev reduced the imperialist ‘bribe’ to higher wages alone. Both pointed to greater security of employment, and greater access to cultural resources, education, and social benefits as key-elements of the relative privilege of the labour-aristocracy. These material privileges were derived, first and foremost, from the higher-than-average profits accrued from imperialist investments in the global South. While they focused on relatively well-paid skilled industrial workers and their craft-unions as the core of the labour-aristocracy in the early-twentieth century, Lenin and Zinoviev recognised that the growing full-time officialdom of the mass Social-Democratic parties and unions were also an important source of reformism and conservatism in the working class. However, they believed that the growth of the labour-officialdom was another manifestation of capitalists sharing imperialist super-profits with a small minority of the working class.

### **The labour-aristocracy thesis III – Elbaum and Seltzer**

The Lenin-Zinoviev version of the labour-aristocracy theory, with its emphasis on capitalists and workers in the global North sharing the fruits of the super-exploitation of workers in the global South, faced serious empirical challenge by the 1970s. On the one hand, there were major empirical problems (see below) with Lenin and Zinoviev’s claims that higher wages and more-secure employment for a significant minority of workers in the imperialist countries comes from the super-profits earned from the exploitation of lower-paid workers in Africa, Asia and Latin America. On the other hand, the labour-aristocracy could not be restricted to the declining numbers of skilled industrial workers and their craft-unions in the advanced capitalist countries. In the early 1980s, Max Elbaum and Robert Seltzer attempted to salvage the theory of the labour-aristocracy by providing a new, and more sophisticated theoretical and historical foundation.<sup>29</sup>

Elbaum and Seltzer assert that the emergence of monopoly-capitalism allowed large corporations that dominate key-branches of industry to earn super-profits, which they share with their workers in the form of secure employment, higher wages and benefits. With the consolidation of monopoly-

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28. Zinoviev 1983–4, p. 168.

29. Elbaum and Seltzer 1982 and 2004. Strauss 2004b presents the same argument as Elbaum and Seltzer.

capitalism, almost all unionised workers employed by the large corporations became part of the labour-aristocracy:

...significant numbers of US industrial workers have stood in a position of relative privilege vis-à-vis large numbers of other workers in other countries, but also to many workers in this country. In terms of stability of employment, wage levels, access to pensions and health care, etc., the general condition of industrial workers, especially those in monopoly industries, has been much better than the condition of workers in the marginal industries, in the retail trades and service sectors, the agricultural proletariat, and among the growing numbers of permanently unemployed and underemployed.<sup>30</sup>

Elbaum and Seltzer argue that, prior to the rise of large corporations in the late-nineteenth and early-twentieth centuries, capitalism was in its competitive stage. Under competitive capitalism, most branches of industry saw a large number of relatively small firms competing with one another through price-cutting. If any particular firm or industry began to experience higher-than-average profits because of the introduction of new machinery, it was relatively easy for its competitors to either adopt the new technology or shift investment from industries with lower profits to industries with higher profits. Through this process of competition within and between branches of production, new technology was rapidly diffused and capital easily moved between different sectors of the economy, resulting in uniform technical conditions within an industry, and equal profit-rates within and between industries. According to Elbaum and Seltzer, Marx's analysis of the equalisation of the rate of profit<sup>31</sup> applied to the competitive stage of capitalism:

In the era of competitive capitalism, profits above the average rate, i.e., surplus profits, were generally spasmodic and temporary. They were usually derived as a result of technological advances that enabled a capitalist to reduce costs below the industry average, or entrepreneurial skills that opened new markets. However, an abnormally high rate of profit by an individual firm, or in a particular branch of industry, was soon undermined by an inflow of capital seeking the higher rate of profit or by the relatively rapid adoption of cost-cutting innovations by competitors.<sup>32</sup>

The rise of large-scale corporations in the twentieth century created obstacles to the equalisation of profit-rates. Oligopoly – where a small number of firms dominate a given industry – replaced competition. Specifically, the enormous

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30. Elbaum and Seltzer 1982, p. 85.

31. Marx 1981, Part Two: 'The Transformation of Profit into Average Profit'.

32. Elbaum and Seltzer 2004, p. 27, n. §.

cost of new capital's entering these industries (automobile-manufacture, steel, etc.) – the *barriers to entry* – allow these firms to limit competition and sustain above-average profits in several ways. These barriers to entry prevent the rapid diffusion of new methods of production within an industry and block the movement of capital from lower- to higher-profit industries, creating super-profits for the monopoly-corporations. Finally, barriers to entry and restricted competition allow corporations to raise prices above their prices of production, securing super-profits for the largest firms in the economy.

Competition does not disappear under monopoly-capitalism, but tends to operate primarily in those sectors of the economy where large numbers of relatively small firms continue to predominate. Cut-throat competition and the rapid depression of above-average profits to the average rate persist in the competitive sectors (garment, electronics, etc.) of the economy. There, the small scale of investment necessary to start a competitive firm lowers barriers to entry and allows a large number of small firms to survive. The result is a 'dual economy', with two distinct profit-rates:

In the monopoly stage of capitalism, the tendency to form an average rate of profit still exists, since monopoly doesn't obliterate competition in the system as a whole. But it is modified by monopoly power. Therefore, the surplus value of society is distributed both according to size of capital through inter-industry competition (which yields equal profit on equal capital as in competitive capitalism); and according to the level of monopolization (which yields monopoly super-profits). Monopolies receive both the average profit and monopoly super-profit. Consequently, there arise the phenomena of a relatively permanent hierarchy of profit rates ranging from the highest in the strategic industries with large-scale production and the strongest monopolies, to the lowest in weaker industries with small-scale production, intense competition and market instability.<sup>33</sup>

The monopoly-industries' higher than average profit-rates allow these firms to provide higher-than-average wages and benefits and secure employment for their workers. By contrast, competitive industries earn average (or below-average) profit-rates and doom workers in these industries to below-average wages and benefits, and insecure employment.

According to Elbaum and Seltzer, unions in the monopoly-sector of the economy, where the absence of competition creates super-profits, negotiate a 'bribe' in the form of higher wages, more-secure employment, pensions, and

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33. Elbaum and Seltzer 2004, p. 27, n. §. While Elbaum and Seltzer do not acknowledge the source of their theory of monopoly-capitalism, their arguments bear a close relationship to the theories found in Baran and Sweezy 1966, and Gordon, Edwards and Reich 1982.

health-insurance. Given the realities of racism and national oppression, white workers tend to be over-represented in the monopoly-sector of the economy, while workers of colour tend to be over-represented in the competitive sector. The labour-aristocracy is no longer made up primarily of skilled industrial workers, as was the case in the early-twentieth century. For Elbaum and Seltzer, the more highly-paid workers in the unionised monopoly- and public-sector constitute a contemporary labour-aristocracy, whose higher wages derive from a sharing of higher-than-average profits with their own capitalists.<sup>34</sup>

### **British capital's global 'monopoly' and craft-unionism**

One of the difficulties in evaluating the labour-aristocracy theory is the various forms the relative privileges of this stratum of the working class take historically. Engels, Hobsbawm, Foster, Lenin, Zinoviev, Elbaum and Seltzer are very clear that the 'bribe' – the sharing of super-profits between capitalists and the labour-aristocracy – does not merely take the form of higher wages, but greater job-security and access to pensions, health-care and the like. With the exception of wage-differentials, it is difficult to quantify these other forms of relative material privilege. Thus, our evaluation of all three variants of the labour-aristocracy theory will focus on whether or not *wage-differentials* among workers in the advanced capitalist countries can be explained either by Britain's dominance of key-branches of global production in the late-nineteenth century, by profits from investments in the global South, or by the degree of industrial concentration.

The first problem with the claims that Britain's dominance of global industrial production created a conservative labour-aristocracy after 1850 is the difficulty in establishing the forms of their relative privilege. Foster argues that a key-element of the labour-aristocracy's relative privilege and conservatism was its rôle in production – that skilled workers in cotton-textiles, metal-working and mining collaborated with capital in setting the pace of labour for unskilled workers. Unfortunately, there is no evidence that the rôle of skilled workers as supervisors was a new development that could explain the emergence of a labour-aristocracy after 1850. Prior to 1830, skilled workers were supervisors and pace-makers in mining, pottery, iron-working, textiles and

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34. Elbaum and Seltzer 1982 presents a fairly detailed discussion of the composition of the 'labour-aristocracy' in the US since the Second World-War, which is essentially the same as what Gordon, Edwards and Reich 1982 labels as the 'primary labor market' under monopoly-capitalism.

construction.<sup>35</sup> While engineering workers in machine-building and metal-working acted as ‘pace-making’ supervisors of unskilled workers before the 1880s, the evidence for skilled textile-workers or miners acting as task-masters is much weaker.<sup>36</sup> In mining, the ‘check-weight man’ position – a union-miner who, independently of management, determined the amount of coal that miners produced – was in no sense a supervisory position. In cotton-textiles, employers often hired entire households, assigning skilled adult men to supervise unskilled women and children from their household. After 1850, management sought to undermine the supervisory rôle of skilled workers and consolidate the power to direct workers in their own hands in both metal-working and cotton-textiles.

For Engels and Hobsbawm, the ability of craft-unions to enforce apprenticeship was decisive to winning higher-than-average wages and greater employment-security.<sup>37</sup> However, there is considerable evidence that even the strongest unions of skilled workers in cotton-textiles and metal-working were unable to maintain control over the training and supply of skilled labour in the second half of the nineteenth century. The technological transformation of the labour-process – the introduction of new and more complex machinery – and the resultant deskilling of labour, combined with employer-hostility to the craft-union’s ‘restrictive practices’, led to a radical decline in the portion of unions that maintained apprenticeships.<sup>38</sup> By 1900, less than one per cent of all British unions maintained apprenticeship-programmes.<sup>39</sup>

Nor is there clear evidence that skilled workers’ higher-than-average wages translated into higher annual household-incomes and a stable place in the labour-aristocracy. Numerous authors point out that, while skilled workers in craft-unions did earn higher-than-average wages, craft-unions were unable to secure stable, year-round employment for all of their members.<sup>40</sup> Nor were these unions able to preserve working conditions and pensions for their members, many of whom were ‘as much... as... the unskilled worker, at the

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35. Corr and Brown 1993, pp. 64–5; Thompson 1964, pp. 243ff.

36. Stedman-Jones 1975, pp. 61–9; Moorehouse 1978, pp. 69–70, 72–3.

37. Moorehouse argues that the strength of apprenticeship-programmes was not a central element of Hobsbawm’s analysis (Moorehouse 1978, p. 67). However, Hobsbawm is very clear that apprenticeship was central to the higher wages and more secure employment enjoyed by the labour-aristocracy (Hobsbawm 1964, pp. 290ff.).

38. Linder 1985, pp. 48–56, 89–91; Pelling 1968.

39. Linder 1985, p. 53. Matsumura’s 1983 study of lead-crystal (‘flint’) glassmakers in the mid-nineteenth century demonstrates that the successful defence of apprenticeship relied on employers’ inability to introduce new machinery that effectively deskilled labour.

40. Linder 1985, pp. 93–8; Moorehouse 1978, pp. 67–8; Pelling 1968.

mercy of injury, unemployment and old age'.<sup>41</sup> Studies of late-nineteenth and early twentieth-century working-class family-structure in Britain conclude that periodic unemployment and frequent short-range social mobility in and out of skilled employment make it impossible to identify a durable layer of labour-aristocrats.<sup>42</sup>

There is also considerable evidence that the wage-differentials enjoyed by skilled workers were declining in the 1870s and 1880s. Firstly, wages for all workers in British industry, skilled and unskilled, fell throughout the 1870s and 1880s. Secondly, wage-differentials between and within industries were also declining in this period. On the one hand, wage-differentials between industries declined as large numbers of workers shifted from 'sweated' non-mechanised trades to mechanised industries. On the other hand, wage-differentials within industries also abated, as the numbers of female and juvenile workers employed in less-skilled work shrank. In sum, there is little evidence of a relatively permanent layer of workers in Britain in the late-nineteenth century who enjoyed durable higher wages and employment-security.<sup>43</sup>

Finally, there is little empirical evidence that British capital's dominance of global industrial production explains the wage-differentials – no matter how fleeting and temporary – skilled workers enjoyed in the cotton-textiles and metal-working industries.<sup>44</sup> Britain's relative domination of the world-market ends in 1870 – at the very height of the purported political and ideological influence of the British labour-aristocracy over the British working class. After 1870, US- and German producers successfully challenged British domination in consumer-goods, iron- and steel-production, machine-making, and ship- and railroad-building. More importantly, British industry's profits from exports cannot account for the average wage-differentials of skilled metal-workers. The profits earned through the export of British machinery divided by the number of skilled metal-workers 'would not have amounted to the average weekly wage of an engineer in Manchester in 1871'.<sup>45</sup> Looking at the total profits from British foreign investment in 1867, Linder concludes:

If the assumption is once again made that one-quarter of this amount would have been available for redistribution to a labor aristocracy, little more than eight pounds sterling would have accrued to each labor aristocrat in England and

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41. Moorehouse 1978, p. 67.

42. Thompson 1978, pp. 125–34.

43. Linder 1985, pp. 61–2, 89–93.

44. Linder 1985, pp. 70–5, 78–80.

45. Linder 1985, p. 80.

Wales. This sum would have represented approximately one-eighth of such a worker's annual income and even less of total family income.<sup>46</sup>

The wage-differentials that did exist, on the basis of skill and between different branches of industry, were not unique to nineteenth-century British capitalism and can be explained without reference to a purported 'industrial monopoly'. Wage-differentials between skilled and unskilled labour is a 'permanent feature of the labor market under capitalism'.<sup>47</sup> The value of the production and reproduction of skilled labour-power is greater than that of unskilled labour-power, due to the greater time and human labour required to train skilled workers. Thus, wage-differentials between skilled and unskilled workers are a feature of all capitalist industries and societies, no matter what the relative competitive position of an individual capitalist or a group of national capitalists. Similarly, different levels of labour-productivity explain intra-industry wage-differentials – in particular between industries with different levels of mechanisation. As Linder argues, 'rising productivity and hence profits appear to offer a much more plausible interpretation of branch-specific higher wages'.<sup>48</sup> In fact, most profit and wage-differentials that are attributed to 'monopoly' in the twentieth and twenty-first centuries are the product of capitalist competition creating different levels of mechanisation within and between industries.

### **Imperialist investment, wages, and profits**

Over thirty years ago, Ernest Mandel rejected the Lenin-Zinoviev variant of the labour-aristocracy theory.<sup>49</sup> He noted that profits earned by US-based transnational corporations in the global South 'constitutes a negligible sum compared to the total wage bill of the American working class'. Has 'globalisation' and the growth of direct transnational investment in the global South changed the volume of profits from these investments? Do higher-than-average profits from investments in Africa, Asia and Latin America account for wage-differentials among workers in the industrialised countries today?

Imperialist investment, particularly in the global South, represents a tiny portion of global capitalist investment even today, in the era of globalisation.<sup>50</sup> Foreign direct investment made up only 5% of total world-investment prior to 2000 – 95% of total capitalist investment took place within the boundaries

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46. Linder 1985, p. 81.

47. Field 1978–9, p. 70.

48. Linder 1985, p. 80.

49. Mandel 1984, p. 19.

50. Moody 1997, Part I; Moody 2002; Moody 2004.



of each industrialised country. Nearly three-quarters of total foreign direct investment flowed from one industrialised country – one part of the global North – to another. Less than 2% of total world-investment flowed from the global North to the global South. It is not surprising that the global South accounted for only 20% of global manufacturing output, mostly in labour-intensive industries such as clothing, shoes, automobile-parts, and simple electronics.

The rapid growth of transnational corporate investment in China in the last decade has changed this picture, but only slightly. Foreign direct investment as a percentage of global gross fixed-capital formation jumped from 2.5% in 1982, to 4.1% in 1990 to 9.7% in 2005. The percentage of foreign direct investment flowing to the global North fell from 82.5% in 1990 to 59.4% in 2005. However, the global South still only accounts for less than 4% of global fixed-capital formation.<sup>51</sup> While China has led the growth of transnational capital-accumulation, the bulk of the capital invested in China remains in labour-intensive manufacturing – the low and medium end of transnational-corporate organised global-production chains.<sup>52</sup>

Data for profits earned by US-companies overseas do not distinguish between investments in the global North and global South. For purposes of approximation, we will assume that the 25% of US-foreign direct investment in labour-intensive manufacturing in Africa, Asia and Latin America prior to 2005 earned profit-rates above those earned on the 75% of US-foreign direct investment in more capital-intensive production in Western Europe, Canada and Japan. However, it is unlikely that the profit-rate on investments in the global South is more than double that in the global North. If that were the case, much more of foreign direct investment would flow consistently to the global South. It is not unreasonable to assume that no more than half of the profits earned abroad by US-companies are earned in the global South. Assigning 50% of foreign profits of US-companies to their investments in the global South probably biases the data in favour of claims that these profits constitute a significant source of total US-wages.

Even accepting such a biased estimate, the data in Table I and Graph I indicate that Mandel's assertion that profits earned from investment in the global South make up a tiny fraction of the total wages of workers in the global North continues to be true. Total profits earned by US-companies abroad exceeded 4% of total US-wages only once before 1995 – in 1979. Foreign profits as a percentage of total US-wages rose above 5% only in 1997,

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51. World Bank 2006, pp. 296–99.

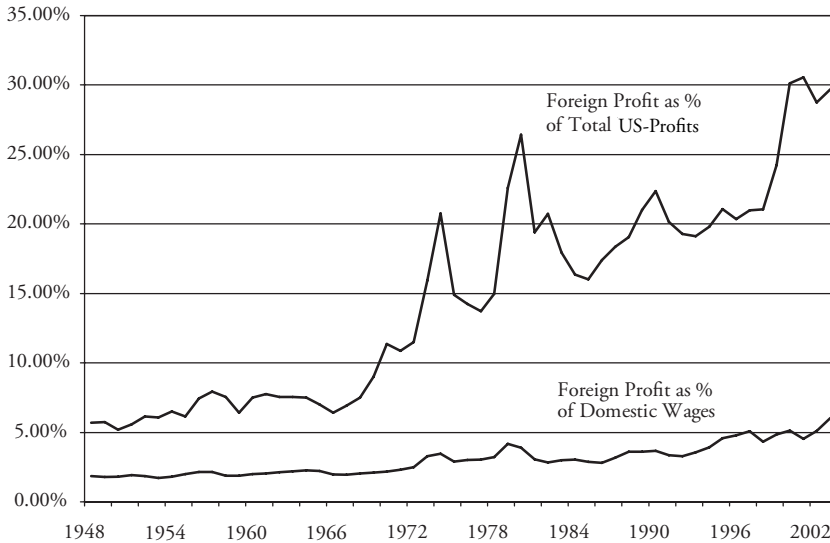
52. Hart-Landsberg and Burkett 2006.

**Table I: Foreign profits as percentage of total US-profits and domestic US-wages, 1948–2003**

<b>Year</b>	<b>Foreign Profits as % of Total US-profits</b>	<b>Foreign Profits as % of US-wages</b>	<b>Year</b>	<b>Foreign Profits as % of Total US-profits</b>	<b>Foreign Profits as % of US-wages</b>
<b>1948</b>	5.69%	1.87%	<b>1976</b>	14.24%	3.01%
<b>1949</b>	5.73%	1.80%	<b>1977</b>	13.73%	3.03%
<b>1950</b>	5.19%	1.82%	<b>1978</b>	14.96%	3.22%
<b>1951</b>	5.57%	1.92%	<b>1979</b>	22.59%	4.16%
<b>1952</b>	6.15%	1.87%	<b>1980</b>	26.43%	3.90%
<b>1953</b>	6.07%	1.72%	<b>1981</b>	19.40%	3.06%
<b>1954</b>	6.50%	1.82%	<b>1982</b>	20.72%	2.83%
<b>1955</b>	6.14%	2.01%	<b>1983</b>	17.93%	3.00%
<b>1956</b>	7.44%	2.15%	<b>1984</b>	16.35%	3.03%
<b>1957</b>	7.95%	2.16%	<b>1985</b>	16.02%	2.87%
<b>1958</b>	7.56%	1.89%	<b>1986</b>	17.39%	2.82%
<b>1959</b>	6.42%	1.89%	<b>1987</b>	18.36%	3.18%
<b>1960</b>	7.51%	1.99%	<b>1988</b>	19.06%	3.60%
<b>1961</b>	7.77%	2.04%	<b>1989</b>	21.00%	3.60%
<b>1962</b>	7.56%	2.13%	<b>1990</b>	22.37%	3.66%
<b>1963</b>	7.55%	2.20%	<b>1991</b>	20.15%	3.35%
<b>1964</b>	7.50%	2.26%	<b>1992</b>	19.28%	3.29%
<b>1965</b>	7.00%	2.23%	<b>1993</b>	19.12%	3.57%
<b>1966</b>	6.43%	1.98%	<b>1994</b>	19.80%	3.93%
<b>1967</b>	6.93%	1.95%	<b>1995</b>	21.06%	4.59%
<b>1968</b>	7.51%	2.05%	<b>1996</b>	20.36%	4.78%
<b>1969</b>	9.01%	2.11%	<b>1997</b>	20.98%	5.08%
<b>1970</b>	11.37%	2.17%	<b>1998</b>	21.04%	4.33%
<b>1971</b>	10.86%	2.30%	<b>1999</b>	24.23%	4.85%
<b>1972</b>	11.50%	2.50%	<b>2000</b>	30.12%	5.12%
<b>1973</b>	15.91%	3.30%	<b>2001</b>	30.56%	4.55%
<b>1974</b>	20.75%	3.47%	<b>2002</b>	28.74%	5.11%
<b>1975</b>	14.89%	2.91%	<b>2003</b>	29.70%	6.04%

*Sources:* Corporate Profits from NIPA Tables 6–16 B-D: line 2, Domestic Industries; line 6, Receipts from Rest of the World; Employee Compensation from NIA Table 1.13, line 6, Compensation of Employees.

Graph I: Foreign Profits as Percentage of Total US-Profits and Domestic US-Wages, 1948–2003



Sources: Corporate Profits from NIPA Tables 6–16 B-D: line 2, Domestic Industries; line 6, Receipts from Rest of the World; Employee Compensation from NIA Table 1.13, line 6, Compensation of Employees.

2000 and 2002, and rose slightly over 6% in 2003. If we hold to our estimate that half of total foreign profits are earned from investment in the global South, only 1–2% of total US-wages for most of the nearly fifty years prior to 1995 – and only 2–3% of total US-wages in the 1990s – came from profits earned in Africa, Asia and Latin America. Such proportions are hardly sufficient to explain the 37% wage-differential between secretaries in advertising agencies and machinists working on oil-pipelines, or the 64% wage-differential between janitors in restaurants and bars and automobile-workers.<sup>53</sup>

What is the impact of imperialist investment in the global South on profits and wages in the global North? In the third volume of *Capital*, Marx recognised that foreign investment was one of a number of ‘countervailing’ tendencies to the decline of the rate of profit.<sup>54</sup> Put simply, the export of capital from the global North to the global South, especially when invested in production-processes that are more labour-intensive than those found in the advanced capitalist countries, tends to raise the mass and rate of profit in the North.

53. Osburn 2000, p. 36, Table I.

54. Marx 1981, Chapter 14, Section 5.

**Table II: Annual percentage change domestic and foreign US-profits, 1949–2003**

<b>Year</b>	<b>Change Domestic Profits</b>	<b>Change Foreign Profits</b>	<b>Year</b>	<b>Change Domestic Profits</b>	<b>Change Foreign Profits</b>
<b>1949</b>	–7%	–6%	<b>1977</b>	16%	12%
<b>1950</b>	20%	11%	<b>1978</b>	9%	18%
<b>1951</b>	12%	18%	<b>1979</b>	–13%	32%
<b>1952</b>	–6%	4%	<b>1980</b>	–20%	3%
<b>1953</b>	1%	0%	<b>1981</b>	23%	–15%
<b>1954</b>	–3%	4%	<b>1982</b>	–13%	–4%
<b>1955</b>	22%	17%	<b>1983</b>	25%	11%
<b>1956</b>	–5%	15%	<b>1984</b>	20%	11%
<b>1957</b>	–1%	6%	<b>1985</b>	4%	1%
<b>1958</b>	–10%	–16%	<b>1986</b>	–6%	4%
<b>1959</b>	24%	9%	<b>1987</b>	12%	17%
<b>1960</b>	–6%	11%	<b>1988</b>	14%	18%
<b>1961</b>	1%	5%	<b>1989</b>	–7%	5%
<b>1962</b>	14%	11%	<b>1990</b>	–1%	7%
<b>1963</b>	8%	8%	<b>1991</b>	6%	–7%
<b>1964</b>	10%	9%	<b>1992</b>	9%	4%
<b>1965</b>	14%	7%	<b>1993</b>	13%	12%
<b>1966</b>	7%	–2%	<b>1994</b>	10%	14%
<b>1967</b>	–3%	5%	<b>1995</b>	12%	19%
<b>1968</b>	6%	14%	<b>1996</b>	13%	9%
<b>1969</b>	–7%	13%	<b>1997</b>	9%	12%
<b>1970</b>	–19%	8%	<b>1998</b>	–9%	–8%
<b>1971</b>	16%	11%	<b>1999</b>	0%	17%
<b>1972</b>	11%	17%	<b>2000</b>	–18%	13%
<b>1973</b>	2%	33%	<b>2001</b>	–13%	–11%
<b>1974</b>	–19%	14%	<b>2002</b>	19%	11%
<b>1975</b>	24%	–14%	<b>2003</b>	14%	18%
<b>1976</b>	19%	14%			

*Source:* Corporate Profits from NIPA Tables 6–16 B-D: line 2, Domestic Industries; line 6, Receipts from Rest of the World.

There is some evidence that foreign profits – from investments in both the global North and global South – constitute an important counter-tendency to declining profits in the US. Profits earned abroad by US-companies as a percentage of total US-profits (Table I and Graph I) have risen fairly steadily since 1948, rising from a low of 5.19% in 1950 to a high of 30.56% in 2000.<sup>55</sup> The proportion of US-profits earned abroad jumped sharply after the onset of the long-wave of stagnation in 1966, jumping from 6.43% in 1966 to 18.36% in 1986. Even more indicative is the relationship between annual percentage-changes in domestic and foreign US-profits (Table II). In a number of years (1967–70, 1972–4, 1978–80, 1986–90, 1994–5, 1997–2001, 2003), the annual percentage-change for foreign profits was higher than the annual percentage-change for domestic profits. In some of these years (1967, 1969–70, 1974, 1979–80, 1989, 1998, 2000–1), total profits earned in the US declined while total profits earned abroad increased.

Higher profits result in higher rates of investment across the economy in the industrialised countries. More investment eventually brings a growing demand for labour (within limits set by investment in newer, more capital-intensive technology), falling unemployment and rising wages for *all workers in the industrialised capitalist countries*. Put simply, imperialist investment in the global South benefits *all* workers in the global North – both ‘aristocratic’ steel, automobile, machine-making, trucking and construction-workers, and lowly-paid clerical, janitorial, garment- and food-processing workers as well. As Ernest Mandel put it, ‘the real “labor aristocracy” is no longer constituted inside the proletariat of an imperialist country but rather by the proletariat of the imperialist countries as a whole’.<sup>56</sup> The real labour-aristocracy includes poorly-paid immigrant-janitors and garment-workers, African-American and Latino poultry-workers, as well as the multi-racial workforce in automobile-manufacture and trucking.<sup>57</sup>

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55. Clearly, US-corporations earn above-average profits on these investments. However, these higher-than-average profits are the result of the combination of low wages and labour-intensive techniques common in the global South, rather than the transnationals’ monopolistic position in the world-market.

56. Mandel 1984, p. 19.

57. Some exponents of the labour-aristocracy thesis have argued that ‘unequal exchange’ – the ability of firms in the global North to obtain raw materials, components, consumer-goods (clothing, electronics, etc.) and foodstuffs from the global South below their value – is the basis of the ‘imperialist bribe’ to the ‘labour-aristocracy’ of the advanced capitalist countries. Specifically, they argue that ‘unequal exchange’ lowers the cost of inputs (raw materials, components), elevates profit-rates in the North by lowering the cost of inputs (raw materials, components), and reduces the cost of food and consumer-goods, increasing the living standard of some workers (Emmanuel 1972). The question of ‘unequal exchange’ in the capitalist world-economy involves a variety of theoretical and technical-measurement questions which are beyond

Clearly, these benefits accruing to the entire working class of the industrialised countries from imperialist investment are neither *automatic* nor *evenly distributed*. Rising profits and increased investment does not necessarily lead to higher wages for workers *in the absence of effective working-class organisation and struggle*. During the post-World-War II long wave of expansion, the industrial unions that emerged during the mass-strike wave of 1934–7 were able to secure rising real wages, both for their own members and the bulk of the unorganised working classes. However, since 1973, the labour-movement in the US and the rest of the industrial countries has been in retreat. In the US today, real wages for both union- and non-union workers have fallen, and are about 11% below their 1973 level, despite strong growth beginning in the mid 1980s.<sup>58</sup> Higher-than-average profits have accrued, first and foremost, to capital, allowing increased investment; and to the professional-managerial middle class in the form of higher salaries. Nor are the benefits of increased profitability and growth due to imperialist investment distributed equally to all portions of the working class. As we will see below, capitalist competition produces and reproduces wage-differentials within the working class in the global North. The racial-national and gender-structuring of the labour-market results in women and workers of colour being concentrated in the labour-intensive and low-wage sectors of the economy.

The benefits *all* workers in the global North reap from imperialist investment in the global South are clearly outweighed by the deleterious effects of the expansion of capitalist production on a world-scale. This is especially clear today, in the era of neoliberal globalisation. Contrary to the claims of Hardt and Negri,<sup>59</sup> industry is not ‘footloose and fancy-free’ – moving from one country to another in search of the cheapest labour.<sup>60</sup> However, the removal of various legal and judicial obstacles to the free movement of capital has sharpened competition among workers internationally, to the detriment of workers in both the global North and South. The mere threat of moving production ‘offshore’, even if the vast majority of industrial investment remains within the advanced capitalist societies, is often sufficient to force cuts in wages and benefits, the dismantling of work-rules, and the creation of multi-

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the scope of this essay (see Shaikh 1979 and 1980a). Granting the reality of ‘unequal exchange’, the notion that it produces benefits only for a minority of workers in the global North is not tenable. Again, *all workers in the global North* – from the most poorly to the best paid – would benefit from ‘unequal exchange’. They would benefit from elevated profit-rates and the resulting increase in accumulation and demand for *all labour-power*. Similarly, lower-cost consumer-goods and food ‘affects the standard of living not only of a minority “aristocracy of labor” but the whole of the working class of the industrial countries’ (Cliff 1957, p. 4).

58. Mishel, Bernstein and Allegretto 2005, Chapter 2.

59. Hardt and Negri 2000.

60. Post 2002.

tiered workforces in the US and other industrialised countries. Neoliberalism's deepening of the process of primitive accumulation of capital – the forcible expropriation of peasants from the land – in Africa, Asia, and Latin America, has created a growing global reserve-army of labour competing for dwindling numbers of full-time, secure and relatively well-paid jobs across the world. Put simply, the sharpening competition among workers internationally more than offsets the benefits of imperialism for workers in the global North.<sup>61</sup>

### **Monopoly, super-profits and wage-differentials**

Elbaum and Seltzer argue that the super-profits that account for the material privileges of the labour-aristocracy could not be 'reduced to excessive profit gains from "overseas investment"'.<sup>62</sup> Instead, super-profits resulting from monopoly – industrial concentration and the limitation of competition in key-sectors of the economy – produce higher-than-average wages and more-secure employment for a labour-aristocracy of unionised workers. This claim is also open to empirical challenge.

During the long boom of the 1940s, 1950s and 1960s, certain branches of production enjoyed stable, higher-than-average profits and wages apparently because of the rise of oligopolies. However, as the long boom turned into the long stagnation that began in the late 1960s, these same oligopolistic industries faced persistently lower-than-average profits and sharpened competition both at home and abroad. By 1980, the impact on wages, employment-security, and working conditions was apparent. According to Howard Botwinick:

the 'eternal' core ['monopoly'-industries – C.P.] was beginning to show more and more evidence of peripheral ['competitive' industries – C.P.] behavior. Industries like steel and auto were experiencing serious profitability crunches and were becoming more and more interested in lowering the wages and working conditions of their primary work force. In addition to relocating to low-wage areas, core firms were successfully extracting serious concessions in wages and working conditions from their work forces. Even more distressing, a 'secondary' labor market was developing *within* the factory gates of these core firms as two-tiered wage packages were increasingly introduced on a wide scale.<sup>63</sup>

As early as the mid-1970s, statistical studies of the relationship between industrial concentration and profit- and wage-differentials began to challenge the central empirical claims of the monopoly-capitalism thesis. In the early

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61. Bronfenbrenner and Luce 2004.

62. Elbaum and Seltzer 2004, p. 24. An acceptance of the notion of 'monopoly' mars the otherwise excellent critique of the labour-aristocracy thesis in Corr and Brown 1993, p. 49.

63. Botwinick 1993, p. 45.

1980s, Willi Semmler reviewed the existing literature on industrial concentration and profit-rate differentials and carried out his own statistical analysis for the US- and West-German economies since the Second World-War.<sup>64</sup> He found a correlation between industrial concentration and profit-rate differentials before 1970. However, he also found sharp profit-rate differentials between and within concentrated industries in this period. In other words, profit-rate differentials had multiple causes before 1970 – not simply the absence or presence of competition. When Semmler examined profit-rate differentials in the 1970s and early 1980s, the correlation between industrial concentration and higher-than-average profit-rates all but disappeared. Instead, ‘differentials of profit rates are significantly related to the productivity, capital/output ratios, and unit wage costs of each industry’.<sup>65</sup>

Howard Botwinick’s study of wage- and profit-differentials reviewed the literature published since Semmler’s work was completed, and found similar patterns.<sup>66</sup> Industrial concentration, again, could not explain profit- and wage-rate differentials. Not only were factors like labour-productivity and capital-intensity of production more important in accounting for profit- and wage-differentials, but many of the highly concentrated industries that had experienced *higher*-than-average profits prior to 1970 were experiencing *lower*-than-average profits in the 1970s and 1980s. More recent studies have confirmed the absence of a strong correlation between industrial concentration and higher-than-average profits and wages. Instead, profit and wage-differentials were rooted in the differences in labour-productivity and capital-intensity of production.<sup>67</sup>

The empirical problems with the monopoly super-profits argument – so central to the Elbaum-Seltzer variant of the labour-aristocracy theory – are rooted in the very notions of monopoly and oligopoly.<sup>68</sup> The claim that the existence of a small number of large firms in an industry limits competition, allowing higher-than-average profits and wages, is derived from neoclassical economics’ vision of ‘perfect competition’. For neoclassical economists, perfect competition – which allows instantaneous mobility of capital between branches of production, uniform technology, equal profit-rates and wages – exists only when a large number of small firms exist in a market. Any deviation is oligopoly – a form of ‘imperfect competition’ that creates obstacles to

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64. Semmler 1984.

65. Semmler 1984, p. 127.

66. Botwinick 1993, pp. 155–70.

67. Blanchflower, Oswald and Sanfey 1996; Troske 1999; Osburn 2000; Lane, Salmon and Speltzer 2001.

68. Zeluck 1980; Botwinick 1993; Semmler 1984; Shaikh 1980b.



capital-mobility, different techniques, and higher-than-average profits and wages.

The notions of perfect competition and oligopoly/monopoly are both conceptually and empirically flawed. Perfect competition is an ideological construction – an *idealisation* of capitalist competition that makes the existing economic order appear efficient and just. Real capitalist competition – from the birth of capitalism in English agriculture in the sixteenth century, through the Industrial Revolution of the eighteenth and nineteenth centuries, to the emergence of the transnational corporations in the twentieth and twenty-first centuries – has never corresponded to the dream-world of perfect competition. Capitalist competition is fought through what Marx called the ‘heavy artillery of fixed capital’ – *constant technological innovation, taking the form of the increasing mechanisation of production*. Older investments in fixed capital, even if they no longer allow a particular firm to reduce unit-costs and raise its profit-margins and rates, cannot be abandoned immediately in favour of new and more efficient machinery. According to Botwinick:

Given the presence of fixed capital investment, however, new techniques cannot be immediately adopted by all firms in the industry. Because fixed capital generally requires prolonged turnover periods, new techniques will be adopted primarily by those capitals that are in the best position to do so. Thus, although new capitals will enter the industry with ‘state of the art’ equipment and other existing capitals will gradually begin to replenish and expand their productive facilities with the latest techniques, older, less efficient capitals will also tend to live on for many years. This is particularly true within prolonged periods of rapid growth. . . . *Rather than creating identical firms, competition therefore creates a continual redifferentiation of the conditions of production.*<sup>69</sup>

Put simply, competition – *not its absence* – explains the diversity of technical conditions of production and the resulting differentiations of profit- and wage-rates within and between industries *throughout the history of capitalism*. The higher wages that workers in unionised capital-intensive industries enjoy are not gained at the expense of lower-paid workers abroad or a sharing of monopoly super-profits. Instead, the lower unit-costs of these industries make it possible for these capitals to pay higher-than-average wages. However, as we have seen over the last thirty years, only effective worker-organisation – unions that are democratic, militant and practise class-solidarity – can secure and defend these higher-than-average wages.

Racial-national and gender-inequalities can also be understood in their relationship to the profit and wage-differentials created through capitalist

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69. Botwinick 1993, p. 131.

accumulation and competition. Race, nationality and gender structure the employment-queue – the order in which capitalists hire workers – in capitalist societies. White and male workers are at the front of the employment-queue, while women and workers of colour are at the rear. Different industries, with diverse technical conditions of production, profit-rates, and wages, thus recruit workers from these racially- and gender-defined sectors of the working class. In general, women and workers of colour tend to be over-represented in labour-intensive, low-wage sectors, while white and male workers tend to be over-represented in the more capital-intensive, higher-wage sectors. Thus, race, nationality and gender do create a stratified working class as workers are distributed into branches of production that competition and accumulation – not monopoly – continually differentiate in terms of technique, profitability, and wages and working conditions.

### **The labour-aristocracy and working-class struggles in the twentieth century**

Whatever the theoretical and empirical problems with the economics of the labour-aristocracy thesis, its defenders still claim that well-paid workers have generally been more conservative than lower-paid workers. A systematic review of the history of the workers' struggles in the global North in the past century does not bear out the claim that well-paid workers are generally conservative and poorly-paid workers are more radical. As John Kelly argued, '[h]istorically, the most class conscious and militant sections of the working class have often been those whose earnings, job security and status placed them in a position of relative privilege relative to many of their fellow workers'.<sup>70</sup> Lenin himself, in one of his polemics with the Russian 'economists', recognised:

The history of the working-class movement in all countries shows that the better-situated strata of the working class respond to the ideas of socialism, more rapidly and more easily. From among these come, in the main, the advanced workers that every working-class movement brings to the fore, those who can win the confidence of the laboring masses, who devote themselves entirely to the education and organization of the proletariat, who accept socialism consciously, and who even elaborate independent socialist theories.<sup>71</sup>

Even the original British labour-aristocrats – the skilled cotton-textile and engineering workers – demonstrated their capacity for industrial militancy.

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70. Kelly 1988, p. 165.

71. Lenin 1964, p. 283.

Skilled workers in nineteenth-century Britain were capable of both determined (though ultimately unsuccessful) resistance to their employers and broader class-wide action with unskilled workers in the 1850s and 1860s. In the 1860s, a minority of these workers also began to tentatively embrace a politics, although not explicitly socialist, independent of the Liberals.<sup>72</sup> Put simply, the British labour-aristocrats' relationship with their employers and the state was not as uniformly 'class-collaborationist' as many accounts assert.<sup>73</sup>

The restructuring of the capitalist labour-process that began in the 1880s radically altered the social and political position of well-paid, skilled industrial workers in North America and Europe. The requirements of capitalist competition and profitability compelled capitalists across the industrialising world in the late-nineteenth and early-twentieth century to attack skilled work through 'scientific management' and the introduction of new techniques:

unless the forms of capital accumulation assumed by any particular branch has been such as to render the retention of entrenched skills reconcilable with competitive branch profitability, firms have been forced to revolutionize the skill structure and, where necessary, to combat the unions resisting the transformation.<sup>74</sup>

In machine-making ('engineering') and other metal-working industries, skilled workers faced longer hours, falling wages and re-organisation of work that 'had given the skilled man some control over his work environment.'<sup>75</sup> The introduction of turret-lathes, the universal drilling machine and the grinding machine in machine-making, combined with time-motion studies and the subdivision of tasks, radically reduced the distance between the skilled 'labour-aristocrats' and the majority of the working class in the years preceding the First World-War.<sup>76</sup>

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72. Moorehouse 1978, pp. 67–8; Musson 1976, pp. 347–9. Musson 1976 goes as far as to argue that the decline of Chartism after 1848 did not mark as sharp a turning point in British labour-struggle and politics as Hobsbawm, Foster and others claim. See Foster's 1976 reply to Musson. Corr and Brown 1993 (pp. 67–70) argue that the long boom of the 1850s and 1860s promoted the emergence of reformism in the British working class in two ways. First, it allowed for rising wages and some level of craft-union stability without threatening profitability. Second, the post-1848 expansion of capitalism and the deepening of the *real* subsumption of labour to capital in the production-process undermined pre-Marxian working-class radicalism that envisioned an easy return to artisanal control of production.

73. There is also substantive evidence that the skilled workers maintained a cultural independence from *both* the unskilled workers and the Victorian middle classes. See Crossick 1976.

74. Linder 1985, p. 110.

75. Gluckstein 1985, p. 52.

76. Gluckstein 1985, pp. 51–5; Morris 1988, p. 4.

As the process of deskilling and reskilling continually restratified the working class in the late-nineteenth and early-twentieth centuries, skilled industrial workers often led militant struggles that included the unskilled mass-workers.<sup>77</sup> These struggles often put these skilled workers at odds with the more conservative leaders of their unions, who were committed to labour-management co-operation and willing to make concessions to their employers. The mainstream-leaders of the European labour- and socialist parties generally supported the trade-union leaders, facilitating the transformation of the skilled workers' industrial militancy into political radicalism. Mitchel describes the process in Germany before the First World-War:

Certainly we have evidence that on many crucial questions the working classes revealed that they were prepared to go further than the men who led them. As early as 1889, and as late as 1913, workers went on strike against the wishes of the unions, and in the interval between these two dates they had shown that they were as interested in political agitation as in promoting their economic welfare. Each time, however, both party and unions, convinced that the pursuit of Socialist aims by provocative action would be injurious and fatal, imposed restraints. On purely economic issues, workers in various industries in 1913 and 1914, including the powerful Metalworkers' Union, were expressing profound dissatisfaction with union leadership and demanded structural reforms to give the rank and file a greater voice in decisions.<sup>78</sup>

The radicalisation of skilled industrial workers went furthest in early twentieth-century Russia. The bulk of the membership of the Bolsheviks were the best-paid, most urbanised industrial workers in the Russian cities – the skilled metal-workers in the largest factories. Lower-paid workers, like the predominantly female textile-workers, were generally either unorganised or apolitical (until the beginnings of the revolution) or supported the reformist Mensheviks.<sup>79</sup>

In fact, the mass-base of the left, antiwar-wing of the pre-First World-War socialist parties and of the postwar revolutionary-communist parties was relatively well-paid workers in the large metal-working industries. These workers led militant struggles against speed-up and deskilling that, after 1914, became political struggles against conscription and the War. German Communism became a mass-movement when tens of thousands of well-paid metal-workers left the Independent Socialists and joined the Communists in

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77. Linder 1985, Part II; Geary (ed.) 1989.

78. Mitchel 1971, pp. 99–100.

79. Bonnell 1983, Chapters 9–10. See also David Mandel's two-volume work, Mandel 1983 and 1984.

1920. The French and Italian Communists also became mass-parties through the recruitment of thousands of well-paid machinists who led the mass-strikes of the postwar-period. These highly-paid workers were also over-represented in the smaller Communist parties of the US and Britain.<sup>80</sup> Put simply, the workers that Lenin and Zinoviev believed were the social foundation of reformism in the early twentieth-century socialist movement in fact dominated the ranks of the *revolutionary and internationalist* wing of the labour-movement.

Well-paid and often skilled workers in large-scale industry continued to play a leading rôle in mass-upsurges throughout the twentieth century. During the CIO-upsurge in the US during the 1930s, relatively well-paid, stably-employed workers in the automobile, steel, rubber and other mass-production industries spearheaded the creation of industrial unions that united skilled and unskilled, highly-paid and poorly-paid. Well-paid and skilled workers often led these organising drives and were, again, over-represented in radical and revolutionary organisations in the US during the 1930s.<sup>81</sup>

Well-paid and securely employed workers were also in the vanguard of proto-revolutionary mass-struggles in France (1968), Italy (1968–9), Britain (1967–75), and Portugal (1974–5).<sup>82</sup> In the US, relatively ‘aristocratic’ workers in trucking, automobile-manufacture, telecommunications, public education and the postal service were at the centre of the wildcat-strikes that shook US-industry between 1965 and 1975.<sup>83</sup> In France in 1995, workers in telecommunications, public transport, postal services, health-care and education led the public-sector strikes that mounted the first successful workers’ struggles against neoliberalism.<sup>84</sup> In the Autumn of 2004, automobile-workers, some of the best-paid in Germany, stood up to layoffs, defying their own union-leaders in an unofficial strike. In the US during the past decade, relatively poorly-paid workers (janitors, hotel-workers, and grocery-clerks) have engaged in strike-actions much more frequently than relatively well-paid workers. However, better-paid workers with secure employment – from UPS-workers in 1997 to New York City transit-workers in 2005 – have not been absent from militant workplace-struggles.

Nor is this pattern of militancy and radicalism among relatively well-paid workers limited to the global North. Contrary to claims that urbanised, securely employed industrial workers in the global South constituted a labour-aristocracy allied to transnational and domestic capital, these workers

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80. Broué 2005, Gluckstein 1985, Harman 1982, Hudson 2003.

81. Davis 1986.

82. Kelly 1998, pp. 97–102.

83. Brenner, Brenner and Winslow (eds.) 2010.

84. Singer 1999.

have often been in the lead of major anti-imperialist and anticapitalist struggles.<sup>85</sup> In Chile between 1970 and 1973, and Argentina between 1971 and 1974, well-paid metal-workers engaged in industrial struggles and took the lead in mass-mobilisations against the military and the Right. Metal-workers in San Paolo, the highest-paid and more securely employed workers in Brazil, led mass-strikes in the 1970s that created the United Workers' Confederation (CUT) and eventually the Workers' Party (PT) in the early 1980s. Similarly, it was the highest-paid workers in South Africa – in mining, automobile-manufacture, steel – whose struggles in the 1970s created the radical and militant Federation of South African Trade Unions (FOSATU), and its successor the Confederation of South African Trade Unions (COSATU). It was these workers who were able to build upon workplace-organisation and power in the political struggle against apartheid in the 1980s and 1990s.<sup>86</sup>

Clearly, the industrial militancy that skilled and better-paid workers displayed in the past century cannot be reduced to a defence of the relative privileges of a narrow segment of the working class, at the expense of other workers at home and abroad. While all working-class struggles under capitalism begin with a specific group of workers attempting to defend their position against specific employers, successful battles require a broadening of the struggle to include all workers in a firm, workers in the same industry and workers nationally and, at times, globally. The experience of widening and successful economic struggles has always been the basis for a minority of workers embracing radical, revolutionary and internationalist politics.<sup>87</sup> As Ellen Meiksins Wood argues:

... it is profoundly misleading to impose a rigid discontinuity between the 'lesser' forms of 'merely' economic struggle and more directly political assaults on the capitalist order, not only because the larger struggles have always grown organically out of the smaller oppositions, but, more fundamentally, because both are rooted in the essential antagonism of interest between capital and labor. There is, in other words, no clean caesura, either historically or structurally, between these forms of opposition.<sup>88</sup>

By contrast, the forces in the labour-movement, in particular its full-time officialdom, that defend 'sectionalism' – defense of one group of workers at the expense of others, at home and abroad – have also tended to defend labour-

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85. Arrighi and Saul 1968 first developed this analysis for Africa. See Peace 1975 for an excellent critique and Saul's 1975 response.

86. Seidman 1994.

87. Luxemburg 1971.

88. Wood 1986, p. 185.

management co-operation – class-collaboration – in both the workplace and politics.<sup>89</sup>

It is not surprising that relatively well-paid and securely employed workers have been at the centre of the most militant and radical workers' struggles of the last century. These workers tend to be concentrated in large, capital-intensive workplaces that are often central to the capitalist economy. These workers have considerable social power *when they act collectively*. Strikes in these industries have a much greater impact on the economy than workers in smaller, less capital-intensive workplaces (garment, office-cleaning, etc.) Workers in such industries are also often the first targets of capitalist restructuring in periods of falling profits and sharpened competition. Finally, these workers often have a greater commitment to the *collective* defence and improvement of their jobs than the lower-paid. While lower-paid and less-securely employed workers have and do organise and struggle with their employers, they are more likely than better-paid and more securely employed workers to attempt to improve their conditions of life by *individually* seeking better jobs.

## Conclusion

The theory of the labour-aristocracy fails as an explanation of working-class reformism and conservatism. Firstly, the absence of competition – resulting from Britain's global-industrial dominance in the nineteenth century, imperial-colonial investment in the global South, or industrial concentration in the twentieth and twenty-first centuries – cannot explain wage-differentials among workers nationally or internationally. Wage-differentials are the results of capitalist competition and accumulation, and reflect either real skill-differences, or, most commonly, different conditions of production – relative mechanisation. Secondly, wage-differentials cannot explain working-class consciousness and action. Attempts to read working-class consciousness from objective structures and conditions are a form of vulgar materialism:

The materialist doctrine that men are products of circumstances and upbringing and that, therefore, changed men are products of other circumstances and changed upbringing forgets that circumstances are changed precisely by men and that the educator must himself be educated. . . . The coincidence of the changing of circumstances and of human activity can only be conceived and rationally understood as revolutionizing practice.<sup>90</sup>

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89. Moody 1997 and 2007.

90. Marx 1941, p. 83.

Put another way, the labour-aristocracy thesis not only misidentifies the source of wage-differentials among workers (imperialist or monopoly ‘super-profits’), it attempts erroneously to derive working-class reformism and conservatism from these wage-differentials.

The elaboration of an alternative explanation of working-class reformism and conservatism will be the topic of a forthcoming essay. Briefly, the objective structure of capitalist social-property relations *make possible varied forms of working-class conscious praxis – working-class conscious behaviour and action*.<sup>91</sup> While collective mass-struggle against capital is the basis for working-class political radicalisation, the roots of reformism can be located in the separation of workers under capitalism from the means of production. Working-class collective organisation and activity is necessarily episodic, for the simple reason that workers must sell their labour-power in order to survive, and thus cannot continually engage in struggle. The episodic character of the class-struggle produces both a layer of full-time officials within the labour-movement and prolonged periods of working-class passivity – the social foundation for reformism. The roots of working-class conservatism are found in the constant competition among workers as individual sellers of labour-power. In the absence of effective, collective class-organisation, workers are pitted one against another – on the basis of race, gender, nationality – for jobs, promotions, education and housing. This competition among workers provides the social environment for the development of racism, sexism, nativism and other conservative ideas among workers.

Whether workers radicalise, accept reformism or embrace conservatism is not determined in ‘a sphere of mere contingency and subjectivity set apart from the sphere of “objective” material determinations’, but shaped by ‘the complex and often contradictory historical processes by which, in determinant historical conditions, class *situations* give rise to class *formations*’.<sup>92</sup> In other words, which form of consciousness develops in what sections of the working class historically depends upon *forms of social practice*.

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91. Fantasia 1995.

92. Wood 1995, pp. 81, 83.



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