Differentiation within the United States Capitalist Class: Workforce Size and Income Differences

Howard E Aldrich, Professor, University of North Carolina at Chapel Hill

Available at: https://works.bepress.com/howard_aldrich/7/
Differentiation within the United States Capitalist Class: Workforce Size and Income Differences

Author(s): Howard Aldrich and Jane Weiss


Published by: American Sociological Association


Accessed: 11/04/2008 12:10

Your use of the JSTOR archive indicates your acceptance of JSTOR's Terms and Conditions of Use, available at [http://www.jstor.org/page/info/about/policies/terms.jsp](http://www.jstor.org/page/info/about/policies/terms.jsp). JSTOR's Terms and Conditions of Use provides, in part, that unless you have obtained prior permission, you may not download an entire issue of a journal or multiple copies of articles, and you may use content in the JSTOR archive only for your personal, non-commercial use.

Please contact the publisher regarding any further use of this work. Publisher contact information may be obtained at [http://www.jstor.org/action/showPublisher?publisherCode=asa](http://www.jstor.org/action/showPublisher?publisherCode=asa).

Each copy of any part of a JSTOR transmission must contain the same copyright notice that appears on the screen or printed page of such transmission.

JSTOR is a not-for-profit organization founded in 1995 to build trusted digital archives for scholarship. We enable the scholarly community to preserve their work and the materials they rely upon, and to build a common research platform that promotes the discovery and use of these resources. For more information about JSTOR, please contact support@jstor.org.
DIFFERENTIATION WITHIN THE UNITED STATES CAPITALIST CLASS: WORKFORCE SIZE AND INCOME DIFFERENCES*

HOWARD ALDRICH
Cornell University

JANE WEISS
The University of Iowa

A particularly important but neglected source of differentiation in the capitalist class in the United States is the amount of economic resources capitalists control, especially the number of workers they employ. Workforce size is a major dimension of stratification within the U.S. business population and in the capitalist class. Analysis of income determination among 468 small business owners demonstrates the usefulness of a continuous rather than a categorical conceptualization of fractions within the capitalist class. Workforce size is a more powerful predictor of income than other variables traditionally used in studies of economic inequality.

Theorists have implicitly recognized that the capitalist class in the United States is internally differentiated along economic, ideological, and political lines, but this recognition has had little effect on empirical research. A particularly important but neglected source of differentiation is the amount of economic resources controlled by a capitalist. Between 11% and 14% of the economically active population in the United States are self-employed. Those persons in this category who own their own means of production are eligible for inclusion in the capitalist class, but the category includes a wide range of persons, from those with only a few thousand dollars in assets and no employees to persons with millions of dollars in assets and thousands of employees (Aldrich, 1979: 40–4). Presenting evidence from a study of differences in workforce size and income within the capitalist class, we argue that the inclusion of an indicator of resources controlled—workforce size—is an essential factor in studies focusing on classes and class differences.

ORGANIZATIONS AND THE CONCEPT OF CLASS

We assumed for our study that an analysis of classes in advanced industrial societies must recognize that organizations are of central importance in shaping the context for class relations. Many theorists have described the transformation of organizational forms that occurred in the development of industrial capitalism, e.g. joint stock, limited-liability companies, the transition from the handicraft to the factory system, and the growth of monopoly power among firms in key industries (Aldrich and Mueller, 1981). These developments affected the relative power of classes and the possibilities for collective action. The increasing scale of the organization of production gave owners substantial resources (Chandler, 1977; Nelson, 1975), which could be used in resisting workers’ efforts at collective action; and the destruction of craft unions’ controls over techniques of production hindered labor’s attempts at united action (Montgomery, 1979; Brody, 1980). Relations between owners and workers were

* Direct all correspondence to: Howard Aldrich, New York State School of Industrial and Labor Relations, Department of Organizational Behavior, Box 387, Ives Hall, Cornell University, Ithaca, NY 14853.

We are in debt to many people for their criticisms and encouragement, including Nancy Di Tomaso, Mark Granovetter, Larry Griffin, Arne Kalleberg, Olivia Mitchell, Robert Robinson, Erik Wright, and the anonymous ASR reviewers. Preparation of the paper was facilitated by the assistance of Sally Day, Udo Staber, and the ubiquitous W. Claude Fields.
no longer mediated primarily by task-related processes, as the growth of new organizational forms interposed organizational structures between the contending parties.

Joint stock, limited-liability laws facilitate centralized control of the means of production, as legal title to corporate resources is vested in organizations, not individual capitalists. The concentration and centralization of economic power in advanced industrial societies has led some theorists to assert that we must now recognize the significance of the intersection of class positions with organizational positions (Wright, 1979b; Edwards, 1979). Considerable heterogeneity in the life chances and life styles of particular classes results from differences in organizational affiliations.

Classes are defined by their relationship to the means of production, with the central distinction that of ownership versus nonownership. Those who do not possess enough capital to permit ownership must sell their labor power. However, not all those who own the means of production purchase others' labor, and owners may delegate control over labor to managers and supervisors. This delegation of authority has led some theorists to label managers a third class alongside owners and workers (Wright and Perrone, 1977:33–4). Because of the unequal power available to the three classes, individual income within organizations is critically affected by class position (Wright, 1979a).

However, substantial income variation within classes is produced by differences in workforce size between organizations. The more capital owners control, the greater their income potential through expansion of their workforce. Managers benefit from increasing workforce size to the extent that owners design compensation systems rewarding managers for the number of subordinates they control. Workers gain from workforce expansion to the extent that labor force differentiation increases and businesses buy labor peace by increasing the size of the surplus returned to workers (Edwards, 1979).¹

¹ Relations between the three central classes are mediated directly through organizations, which are

**DIFFERENTIATION WITHIN THE CAPITALIST CLASS**

Our discussion of differentiation within the capitalist class emphasizes an organizational factor: workforce size. Attempts to differentiate among capitalists, as well as to define the bounds of that class, have usually done so with reference to the ownership of capital and the employment of labor. No one has questioned capital ownership as a precondition for classifying persons as capitalists, whereas the employment of labor has been a more problematic criterion for distinguishing between fractions within the "owner" group. Generally, the bourgeoisie have been identified as large employers with substantial assets. The petite bourgeoisie have been identified as nonemployers, and attempts have been made to identify other meaningful divisions according to the size of the workforce involved. Following this logic, "small employers" stand between the bourgeoisie and the petite bourgeoisie. We propose considering the petite bourgeoisie as employers of a workforce of one, creating a merged continuum of owner-employers. Thus, as defined in this essay, "small employer" and "small capitalist" become synonymous insofar as the study of income differences within the capitalist class is concerned.

Our analysis of the determinants of capitalists' incomes began with three social locations Wright (1976) identified as falling within the category of owners of capital, with distinctions between the locations based on the extent to which owners employ labor. The three locations are identified as two classes—the bourgeoisie and the petite bourgeoisie—and one contradictory location within class relations—small employers. Our analysis departs from Wright's in that we argue that the distinction between small employers and the petite bourgeoisie, the key producing and distributing units in industrial societies. However, the relations of production are not autonomous at the organizational level, but instead are shaped by external constraints imposed by a capitalist economic system. All owners possess capital, but economic returns to capital vary greatly across organizations and industries, depending upon an individual business's market power and the degree of concentration in an industry (Scherer, 1970).
based on the employment of labor, is arbitrary and unnecessary for an analysis of income differences.

The bourgeoisie "own their own means of production, purchase the labor power of others, and do not sell their labor power" (Wright and Perrone, 1977:31). Wright (1976:31) argued that the bourgeoisie occupy an unambiguous location within class relations in the capitalist mode of production because of their control over production and investment. In Wright's scheme, the petite bourgeoisie are defined as those who own their own means of production but do not purchase the labor power of others, "except perhaps in a very limited way" (Wright and Perrone, 1977:33).

Using Wright's definitions leaves a sizeable group of capitalists who fall neither in the bourgeoisie nor the petite bourgeoisie. These small employers occupy a "contradictory location" between the bourgeoisie and the petite bourgeoisie. According to Wright (1976), the transition from petit bourgeois to small employer occurs when an owner takes on one non-family employee; the transition from small employer to small capitalist occurs when the proportion of the total surplus product generated by nonfamily labor is more than half of the total surplus product. The boundary between the petite bourgeoisie, those with no paid employees, and the small employer category is straightforward. The boundary between small employers and small capitalists is not. In addition, there is no conceptual or empirical justification for choosing any particular number of employees, e.g., ten or fifty, as a cut-off point (Aldrich and Weiss, 1980).²

Before presenting our argument for dropping the distinction between the petite bourgeoisie, small employers, and small capitalists (in the context of analyzing income differences), let us examine how other investigators have dealt with this issue. Recently, investigators includ-

² In his subsequent empirical work (Wright and Perrone, 1977), Wright dropped the distinction between small employers and small capitalists and simply wrote about the boundary between the capitalist and petite bourgeoisie classes, as few true bourgeoisie are interviewed in national survey samples.

ing the capitalist class in their analyses of survey data have chosen one of two paths: to treat the "capitalist class" as a homogeneous group, ignoring within-group differences, or to differentiate the petit bourgeoisie from other capitalists. Some investigators have analyzed the petite bourgeoisie separately, some have lumped them with other classes, and others have dropped them completely. Sociologists working with survey data have not treated workforce size as a dimension that reflects differences within the capitalist class.

In his research with Perrone (1977) on income inequality, Wright dropped his earlier concern for within-class differences and used the label "employers" to refer to the capitalists in his sample. Because only 8% of the owners in the sample employed more than 50 workers, Wright did not wish to label these owners as "capitalists." Owners with no employees were excluded from the analysis. The only analysis conducted by Wright and Perrone that took account of differences in workforce size was an examination of the relation between income and education for employers with more than 10 versus less than 10 workers. Wright (1979a:159) later used a seven-point index of workforce size in two fairly simple regressions predicting income, but otherwise he did not treat workforce size as a major variable.

Robinson and Kelley (1979), in their comparison of Marx's and Dahrendorf's class theories, identified a group they labeled the "petite bourgeoisie" but then grouped them with the "obey class" in subsequent analyses. Apart from excluding the petite bourgeoisie from the capitalist class, Robinson and Kelley made no other attempt to differentiate members of this group on the basis of their control over resources. Kohn (1976) and Kohn and Schooler (1973) analyzed the effect of class on alienation and psychological functioning, but dealt with class only as a distinction between owners and nonowners.³ Kalleberg and Griffin (1978),

³ Kohn (1981) has recently noted that the results of these analyses should be qualified in recognition of the fact that his sample of owners was essentially of persons in the petite bourgeoisie, plus small capitalists.
in their study of job satisfaction, treated small employers and owners without employees as distinct class categories. In a subsequent paper (1980), they excluded owners without employees from their analysis, focusing instead only on a capitalist class composed of small employers. In neither study did they make use of indicators of workforce size. Kluegel (1978) grouped owners without employees with other persons who exercise no job authority. Self-employment was treated as a dichotomous variable, with workforce size used in the analysis as a set of four categorical variables characterizing the organizational context of all economically active persons. Many of the choices made by investigators have been forced upon them due to the limitations inherent in using secondary data sources.

**CONSEQUENCES OF WITHIN-CLASS DIFFERENCES**

The capitalist class is internally differentiated, with much of this differentiation reflecting organizational constraints and resources. Differentiation by workforce size has decisive consequences for income attainment, in addition to its other economic and political consequences for owners that are not examined in this paper: dealings with workers and unions, relations with the state, relations to other business owners, and so forth. Concerning relations with workers, the petit bourgeoisie owner, with no paid employees, does not face the problem of domination of labor power. With the addition of paid employees, owners must cope with new social relations: conflicts within the workplace and interactions with the labor market and the state. Employers must deal with the state in making social security payments, withholding employees' income taxes, meeting occupational safety and health regulations (if they have more than a particular number of workers), and so on. Differences between smaller and larger businesses lead employers to join different trade associations, or to not join at all (Schmitter and Streeck, 1980).

We examine only the effect of workforce size on income attainment. Workforce size, in Marxist theory, is an indicator of the potential surplus value available to an owner from the exploitation of an ever greater number of employees (Marx, 1867:322–35; Wright, 1979a:91–6). The theory of the firm in microeconomics would also lead us to expect owners' incomes to increase with workforce size, as businesses reap gains from an increasing volume of business and economies of scale (Penrose, 1959). Scale economies include such factors as the efficiencies that arise with an increasing division of labor within the firm which lead to higher levels of productivity, and the ability of larger businesses to purchase larger quantities of goods at reduced prices (Mandel, 1970).

The petite bourgeoisie—owners without employees—must rely on their own labor power for any surplus they are able to eke out of their operations. In addition to the general skills that all producers learn the longer they remain in business, individual petit bourgeois may have special talents or put extra effort into their work. Their disadvantaged market position, however, makes attaining higher incomes quite difficult. Accordingly, such owners may attempt to add employees (in addition to unpaid family workers), thus moving into the contradictory class location of small employer. Many fall back into the petite bourgeoisie, and movement across the boundary between the "unambiguous class location" and the "contradictory class location" is fairly frequent.

For purposes of income determination, we suggest that the petite bourgeoisie should be treated as employees of their

---

4 Stolzenberg (1978) included workforce size in his examination of returns to education among workers, but did not actually examine the direct effects of workforce size on income differences.

5 Both Marxist and microeconomic theory posit a positive relationship between increasing scale and profits (which is not the same as personal income). We believe it is reasonable to assume that employers' incomes are closely tied to the profitability of their enterprises. Business owners whose operations are profitable can be expected to apply their profits to other wealth-generating activities (besides higher salaries) which lead, in time, to higher total incomes.
own businesses. The owner's effort, that is, is worth that of roughly one employee, except perhaps for professional occupations. Following this suggestion, investigators studying income determination could include the petite bourgeoisie with small employers and use a continuous measure of workforce size to assess differentiation within this fraction of the capitalist class. This procedure recognizes that the competitive pressures of capitalist economies subject small employers to the same external constraints as those confronting owners without employees, forcing returns on owners' capital down to very modest levels.

STUDY DESIGN

The data for our study were originally gathered during an interview study of small businesses in three cities. Although our sample is not a nationally representative one, it is a satisfactory one for suggesting the usefulness of our perspective. In 1966, a probability sample of businesses was surveyed in eight areas of Boston, Chicago, and Washington, D.C. The areas in our sample include virtually all of the south side of Boston, from just below the central business district to the city border; all of Washington, D.C., from S Street to the Maryland border; and much of the north and west side of Chicago. Given the large territory covered, we feel our conclusions certainly apply to the businesses in large urban areas, and thus have high external validity. For a more complete description of the sample, see Aldrich and Reiss (1976). Our present sample includes 468 owners, although the sample is reduced to 430 in analyses where variables with missing data are introduced.

Although ours is a sample of small businesses, the distribution of workforce size in our sample mirrors very well the size distribution of businesses in the United States. In the manufacturing sector, 51% of all businesses employ less than 10 workers and 19% employ more than 50. In our sample, the percentages are 56 and 12. In the wholesale sector at the national level, 70% of all businesses employ less than 10 workers and 3% employ more than 50. In our sample, the percentages are 60 and 4. In the retail sector, 85% of all establishments employ less than 10 workers, and 2% employ more than 50. In our sample, 90% employ less than 10 and 1% employ more than 50. Finally, in the service sector, at the national level, 93% employ less than 10 workers and 1% more than 50; in our sample, 90% employ less than 10 and 1% employ more than 50. We are fairly confident that our size distribution is typical of the business population in the United States. All the owners in our sample possess at least enough capital so that they operate from fixed business premises, and all are the principal owners of their businesses, although some have partners or minority stockholders.

MEASUREMENT OF VARIABLES

Annual income. Annual income is total personal income before taxes, including income from all sources. As with Wright and Perrone's (1977) study, we do not distinguish between income earned directly from the business and other sources of income. (Using the logarithm of income does not change our results, except for a

---

7 Readers concerned about the external validity of our results because of the sample's sex, race, and industry composition should note the following: about 9% of the owners are women, a percentage comparing favorably to the 14% in Wright and Perrone's (1977) national sample. About 22% of the owners are black, as would be expected in an urban sample, compared to a national average of about 4%. Dummy variables were used to take account of the main effects of sex, race, and industry. Possible subgroup differences in the slope for workforce size—the central independent variable in our analysis—were examined by introducing interaction terms into the regression equations. None of the differences were statistically significant.

8 In their response to Atwell and Fitzgerald's (1980) criticism of their use of a job-earnings as opposed to a total-income dependent variable, Robinson and Kelley (1980) noted that the correlation between job earnings and income is .931, and that mean annual income from all sources is only about 5% higher than mean annual job earnings. Regardless of which measure of income they used, their substantive conclusions were not altered.

---

6 One reviewer of our paper noted that the petite bourgeoisie are able to compete with small employers only by extending their working day and thus "pumping absolute surplus value" out of themselves (and their families).
serves as a crude indicator of the type of economic environment the business is facing.

RESULTS

In our empirical analysis of differentiation within the capitalist class, we examine both the empirical utility of making a categorical distinction between owners with no employees and all other owners and whether adding workforce size to equations for predicting income increases our ability to explain income differences within the capitalist class. In both analyses we use income as the dependent variable, since income inequality has been at the center of sociological studies of stratification, Marxist and otherwise.

Owners Without Employees. We hypothesized that, when analyzing income determination, we should include owners without employees in the fraction of the capitalist class also occupied by small employers. We hypothesized that including a continuous measure of workforce size in our analysis would adequately account for the disadvantages that owners without employees face and make it unnecessary to treat them as a separate class. We looked first at how owners without employees differ from owners with only a few employees (see Figure 1).

Figure 1 indicates that owners with no employees other than themselves are not qualitatively different from other small capitalists. While the income gap between those with one employee and those with two is larger than the next gap, it is smaller than five of the nine gaps between the size categories from two to eleven employees. There is a strong correlation between the logarithm of workforce size and income \((r = .52)\), and thus the low income of owners without employees is to be expected.

A more rigorous test of our hypothesis was conducted using regression analysis. Workforce size is measured by the logarithm of an owner's number of employees, with "1" added for all businesses to take into account the labor contributed by the owner. If we are correct in assuming that this coding of workforce size adequately captures the disadvantages of
owners without employees, then adding a unique variable for the petite bourgeoisie would be redundant. We first regressed income on the logarithms of workforce size and number of relatives for the 468 cases for which data were available on all three variables. The adjusted $R^2$ was .27, with coefficients for both variables statistically significant. We then added a dummy variable for the "petite bourgeoisie," coded "1" for owners without employees and "0" for everyone else. The increment to $R^2$ obtained by adding this to the regression equation already containing workforce size and number of relatives was not statistically significant: $R^2$ did not change; nor was the regression coefficient for the added variable significant ($F = 0.28$).\footnote{Standardized regression coefficients for the three independent variables in this test were workforce size, .56 ($p < .01$); number of relatives, .07 (N.S.); and the petite bourgeoisie dummy, .02 (N.S.). When the petite bourgeoisie term was added to the fully specified equation shown in Table 1, its coefficient was $-.03$ (N.S.), whereas that for workforce size was .38 ($p < .01$).} Using this rather simple test, we find no empirical justification for separating owners with no employees from other small capitalists.

An additional argument for not making a categorical distinction between owners with no employees and other small capitalists is based on frequency of movement between these two categories. In a follow-up survey in 1968, interviews were obtained at 432 business sites of which 364 had the same ownership as in 1966. We have size information on 360 of these 364 businesses. Of the 28 businesses with no employees in 1966, 21% had hired one or two employees by 1968. Of the 39 businesses in 1968 with no employees, 44% had one or more employees in 1966. About 25% of all businesses employed fewer persons in 1968 than in 1966, while only 14% employed more persons. Growth and decline in the workforce of these small businesses emphasizes the
vulnerability of small capitalists to national economic events.

AN ELABORATED MODEL OF INCOME DIFFERENCES

Of all variables in Table 1, workforce size is the strongest predictor of income differences, with a standardized regression coefficient of .41. The unstandardized coefficient of $6861 indicates that, in our sample, an owner whose workforce size is larger than another owner’s by a factor of 10 earns approximately $7000 more than the owner of the smaller operation (see Figure 1). While it is tempting to make dynamic inferences about the potential gains from workforce size growth, we have resisted that temptation because of the cross-sectional nature of our study design. Given the competitive environment facing most businesses in our sample, marginal productivity theory from industrial economics would suggest that most owners are, in the short term, employing about as many workers as they profitably can. Drastic increases in workforce size, especially by a factor of 10, would require changes in the organization of the business and in its technology. Thus, a more cautious interpretation of the unstandardized coefficient is simply that capitalists with larger workforces enjoy appreciably greater incomes than owners with smaller workforces.

Precise specification of the reasons why workforce size is positively associated with owners’ incomes would require an examination of variables not available to us, such as level of capitalization of the business, technology used, and labor control practices (cf. Keyfitz, 1980). The best we could do to control for such omitted variables was to introduce six dummy variables for industry into the equation, with manufacturing industry omitted as the implicit contrast category. Only one significant effect was found, and because the number of cases in all but the retail and service industries is fairly small, we will not attempt to interpret these coefficients.

We investigated the possibility of different patterns of association between workforce size and income across the various industries by adding interaction terms to the equation used for Table 1. None of the workforce size by industry interaction terms was significant, indicating that, at least in our sample, industry and workforce size exert independent effects on owners’ incomes.

As would be expected, the coefficient for the logarithm of number of relatives is negative, although it is not statistically significant. This coefficient can be interpreted in at least two ways: owners employing large numbers of relatives are probably operating more marginal businesses, and they are probably also diluting their own income by sharing it with relatives contributing little to the productivity of the business. Without information on the wages of employed relatives, we are reluctant to speculate further about the meaning of this coefficient.

Education has a significant positive effect on income, but net of other variables in the equation, its impact is less than 1/5 that of workforce size. We are unable to compare the unstandardized coefficient for education to that for other studies be-

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized</th>
<th>Standardized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log. workforce size</td>
<td>6861</td>
<td>.41**</td>
</tr>
<tr>
<td>Log. number of relatives</td>
<td>-2145</td>
<td>-.07</td>
</tr>
<tr>
<td>Education (years)</td>
<td>342</td>
<td>.18**</td>
</tr>
<tr>
<td>Sex: female</td>
<td>-2615</td>
<td>-.11**</td>
</tr>
<tr>
<td>Race: black</td>
<td>-825</td>
<td>-.05</td>
</tr>
<tr>
<td>Age (years)</td>
<td>-33</td>
<td>-.06</td>
</tr>
<tr>
<td>Job tenure (years)</td>
<td>74</td>
<td>.12*</td>
</tr>
<tr>
<td>Median income, CT</td>
<td>0.30</td>
<td>.10*</td>
</tr>
<tr>
<td>Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>-2960</td>
<td>-.07</td>
</tr>
<tr>
<td>Transportation</td>
<td>-2195</td>
<td>-.05</td>
</tr>
<tr>
<td>Wholesale</td>
<td>4324</td>
<td>.13**</td>
</tr>
<tr>
<td>Retail</td>
<td>-1292</td>
<td>-.09</td>
</tr>
<tr>
<td>Financial</td>
<td>1464</td>
<td>.03</td>
</tr>
<tr>
<td>Service</td>
<td>-599</td>
<td>-.04</td>
</tr>
<tr>
<td>Constant</td>
<td>1799</td>
<td></td>
</tr>
</tbody>
</table>

** NOTE: Adjusted R² = .36, N = 430.

* Significant at p < .05.

** Significant at p < .01.
cause we have been unable to find studies which reported such figures for owners.\textsuperscript{12}

Education's effect on income can be interpreted in at least three ways. First, the class origins of owners may produce a spurious association between education and income if wealthy families fund their children's educational attainment and help capitalize a business. Available evidence, however, indicates that only a small minority of owners inherit their businesses or make use of family funds (Al- drich et al., 1981), and most owners use their own funds (Light, 1972). Second, successful managers, having passed an education-credentials test, often go on to become successful owners, having accumulated substantial capital on the job and having made valuable interpersonal connections (Granovetter, 1974). Third, differential recruitment by education into business niches may be on the basis of owners' preparation for the niche. Specific skills may be required for the more technically demanding niches, and owners may be rewarded accordingly.\textsuperscript{13}

As expected, before other variables are introduced, women and blacks earn less than men and whites. Introducing controls, however, reduces the income deficit for blacks to insignificance, primarily because most black owners own businesses in low-income census tracts and many have been in business only a few years. Blacks also tend to own smaller businesses and to be concentrated in the services sector. Consequently, although white owners net about $825 more than black owners, the difference is not statistically significant.\textsuperscript{14}

Women owners experience a substantial income deficit, relative to men, even after controls are introduced. Women are hampered by their inability to obtain credit as readily as men, and by their concentration in more marginal lines of business. Many of the women in our sample are in marginal sub-industry categories such as beauty parlors and limited-price variety stores. Competition is intense in such niches, returns to scale are almost nonexistent, and failure rates are quite high.

Two of the three control variables used have small but significant effects on income differences. The higher the median family income of the census tract in which the business is operated, the higher the owner's income. Job tenure is positively related to income, indicating that the longer owners have held on to their businesses, the higher their incomes. This is what we would expect if differential business mortality has selected out the less successful owners. Finally, age is negatively but insignificantly associated with income.

Based on the model of income determination specified in Table 1, workforce size is clearly the most important predictor of income differences among small capitalists. The effect of workforce size substantially overshadows that of education, one of the most important determinants of occupational status and income in the status attainment model (Blau and Duncan, 1967). The class of small capitalists is differentiated not only by workforce size and years of education but also by sex, as women owners are substantially disadvantaged relative to men. Race is also a differentiating factor, but this effect is indirect, through the concentration of black owners in low-income areas and in smaller businesses.

CONCLUSIONS

Sociologists now recognize the importance of class structure, and Marxist scholarship has generated a lively research concern for a positional or class approach to social inequality. Data limitations and conceptual ambiguities have hampered investigators' treatments of the

\textsuperscript{12} Although it is generally not good practice to compare standardized coefficients across samples, we note that our education coefficient of .18 is quite similar to the coefficient of .17 that Robinson and Kelley (1980:332) obtained in their "ownership model" predicting income.

\textsuperscript{13} This reasoning implies that controlling for industry should substantially reduce the size of the education coefficient. In our sample, education is only weakly related to industry, and we have no more specific indicator of the skills required by a particular kind of business. Following Stolzenberg (1978), we tested for possible interaction between workforce size and education's effect on income, but found no such effect.

\textsuperscript{14} There is no significant interaction effect of race and workforce size on income attainment.
capitalist class. Our paper focused on the need to take account of differences within the capitalist class. One fraction of the capitalist class—the bourgeoisie—is simply not numerous enough to permit us to study it with typical survey methods. Other methods, such as those used by Domhoff (1980), Atkinson (1972), Useem (1980), or Zeitlin (1974), are more appropriate. The petite bourgeoisie and small employers, by contrast, can be studied with normal survey methods. For some purposes, such as studying owners' relations with the state, investigators will want to maintain the analytical distinction between the petite bourgeoisie and small employers. In studying income determination, however, the distinction is apparently not necessary.

We demonstrated that treating workforce size as a continuous variable obviates the need for a separate category of owners without employees. Owners without employees are simply the "poorest of the poor" among small capitalists. This group, which Robinson and Kelley (1979:40) labeled "classless," should be assigned to the owner class in future research on income inequality. We also showed that workforce size is a very powerful predictor of income differences within the capitalist class. Workforce size has a much stronger effect on income than does education, age, or job tenure. Our sample represents the typical capitalist: there are far more owners with fewer than ten employees than bourgeoisie with hundreds of employees.

Future research on income inequality which includes owners should include a control for workforce size. The concept of workforce size is only one among many concepts from organizational and industrial sociology that show promise of contributing to a more comprehensive understanding of social inequality (Baron and Bielby, 1980).
DIFFERENTIATION WITHIN THE U.S. CAPITALIST CLASS

REFERENCES

Aldrich, Howard
Aldrich, Howard, John C., and Trevor Jones, David McEvoy
Aldrich, Howard and Susan Mueller
Aldrich, Howard and Albert J. Reiss, Jr.
Aldrich, Howard and Jane Weiss
Atkinson, A. B.
Attewell, Paul and Robert Fitzgerald
Baron, James N. and William T. Bielby
Blau, Peter and Otis Dudley Duncan
Brody, David
Chandler, Alfred Dupont, Jr.
Domhoff, G. William
Edwards, Richard
Granovetter, Mark
Kalleberg, Arne L. and Larry Griffin
Keyfitz, Nathan
Kluegel, James
Kohn, Melvin L.
Kohn, Melvin L. and Carmi Schooher
Light, Ivan
Mandel, Ernest
Marx, Karl
Montgomery, David
Nelson, Daniel
Penrose, Edith
Robinson, Robert and Jonathan Kelley
Scherer, Frederick M.
Schmittle, Philippe and Wolfgang Streeck
Stolzenberg, Ross
Useem, Michael
Wright, Erik Olin
RACE AND THE WAR ON CRIME: THE SOCIOPOLITICAL DETERMINANTS OF MUNICIPAL POLICE EXPENDITURES IN 90 NON-SOUTHERN U.S. CITIES*

PAMELA IRVING JACKSON
Rhode Island College

LEO CARROLL
University of Rhode Island

Three variables suggested by conflict theory—the racial composition of the city, the level of black mobilization activity, and the frequency of riots in the 1960s—are used as independent predictors of municipal policing expenditures in 1971. A simultaneous model which recognizes the interdependence of the police expenditure function with the crime and total city revenue functions is tested using data for a sample of 90 U.S. cities. Racial composition and the level of black mobilization activity were significant predictors of municipal policing expenditures. Race-related variables appear to have had a greater effect on police capital expenditures than on expenditures for salaries and operations.

Theoretical and empirical evidence suggests that by the early 1970s several race-related variables played a significant role in determining the per capita outlay for municipal police expenditures. We present a model of municipal policing expenditures that differs from traditional expenditures models by including the racial composition of the city, the level of civil rights mobilization activity, and the number of riots during the 1960s as independent predictors of expenditures. Previous models for the most part have either ignored these variables or considered them to be related to expenditures only through crime.1

Theoretical Perspectives on Police Expenditures

Social theorists disagree about the nature of law and the role of the police in modern society. Structural functionalists such as Paul Bohannan (1973:310) argue that law is a body of binding obligations, accepted

1 Button (1978), in his analysis of the impact of the riots of the 1960s, considered the effect of the number and severity of riots on the allocation of LEAA funding. He found that these factors had no significant effect on the level of LEAA funding from 1969–1971 in his sample of cities. Button's sample, however, was limited to 40 cities that had riots before 1967. Our sample includes both riot and nonriot cities, and we are focusing on municipal policing expenditures while he focused on LEAA funding.