Abstract:
The current economic crisis proves how deep the contradictions inherent in contemporary capitalism really are. At the same time it is evident that the financial crisis goes hand in hand with a social crisis, since an increasing number of people lost trust in governments, trade unions and other representative institutions.

A main reason why the European Left nevertheless faces severe challenges in attracting supporters seems to be an experienced loss of what has been called ‘working class identity’ in earlier times. This development has been fuelled by the continuing debate on “identity constructions” as proposed e.g. by post-modernist scholars referring to “fluid” and ambiguous concepts of identity and strictly denying any social categorization. So there is a gap between the loss of working class identity on one hand and the focus on merely social identities on the other hand. To bridge this gap the two trajectories have to be linked. Thus, it is proposed to reflect the whole discussion on “working class identity” in the light of exploitation referring to classical political economy, but additionally to integrate social identity constructions by reviving the concept of alienation.

Keywords: diversity, exploitation, identity, working class, alienation

1. Introduction:
The current economic crisis goes hand in hand with a social and political crisis since an increasing number of people lost their trust in government and established forms of representation such as trade unions. As a consequence more and more right wing parties gain increasing power all over Europe while the left wing parties are facing decreasing numbers of voters. In the last decade this phenomenon can be observed for example in France, Italy, Germany, Netherlands, Belgium, and in a rather extreme form in Hungary.

A main reason why the European Left faces severe challenges in attracting supporters seems to be an experienced loss of what has been called ‘working class identity’ in earlier times. This development has been fuelled by the continuing debate on “social identity constructions” that states the importance of alternatives to economic categorization systems and shifts the focus from the material development to self-expression of people. A rather extreme and even politically dangerous (in the sense of resulting in a self-hypnotic rather than political) position is proposed e.g. by post-modernist scholars referring to “fluid” and ambiguous concepts of identity and strictly denying any social categorization.

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1 John Roemer (2010) points to the fact that also in the US the economic crisis goes hand in hand with an upswing of right wing ideology.
This means that there are two fundamentally different, extreme positions on what is relevant for people nowadays: the traditional working class concept refers to the material existence (and the role of exploitation) and the social categorization concept highlights the role of diversity, a term discussed in more detail in the following sections.

As Fraser (1995) pointed out already, one has to distinguish between the different topics addressed by these concepts: While the topic of material existence is related to mal-distribution of income and wealth (leading to economic inequality), diversity and identity focus on misrecognition (stigmatizing non-conform groups). These two concepts refer to different manifestations of contemporary capitalism (see Hanappi-Egger 2011) – which clearly has to be kept in mind when discussing new forms of addressing social groups (see also Fraser and Honneth 2003). What links both phenomena is that they both are essential parts of the mental models that people use to determine their behavior. They are ingredients of consciousness which have evolved from the roots named class consciousness and alienation in the 19th century. With respect to misrecognition the paper will show that in particular postmodern identity concepts by reducing contradictions to interpretative arbitrariness serve as handyman of capitalist ideologies (see Zizek 2011). Thus, the whole discussion needs to be reflected in the light of exploitation (Hanappi and Hanappi-Egger 2003).

As this revitalizing of traditional arguments of political economy, namely exploitation (see Hanappi 2006), shows, the concept of working class is still useful. The new context of a global crisis – involving diversity in many dimensions - clearly highlights how important the discourse on ideology as a substantial part of the class concept itself is. Nevertheless diversity has to be incorporated, so a synthesis of both – working class identity and social categories – has to be developed to come up with more adequate and more sophisticated ideas of how to fight exploitation.

Thus our contribution will be structured as follows: First, a brief overview of the historically most relevant milestones in the development of the concept of “working class” will be given showing the influential political and economic streams responsible for defining it. Since the production process in the times of classical political economy was dominated by agriculture early attempts to specify a working class refer mainly to the material level of human existence.

As next step it will be discussed when and under which circumstances the ideological framework of capitalism subtly transformed the idea of working class identity to the social and socio-psychological level. This finally led to the distinction between the economic living circumstances of workers (now called employees) and the social self-understanding of people as citizens, as men or women, as white or colored people, as conformists or non-conformists etc. The constantly occurring mixture of the material living circumstances in society and the belonging to groups of specific social categories finally resulted in postmodern concepts of “fluid” identities denying any categorization and thus neglecting the naming of groups. Hence, in a fourth chapter the ideological kernel of the scholarly work on diversity will be discussed. Finally, the paper will outline an updated concept of working class identity – called (again) social class – bridging the topic of economic background and the social hierarchization of people in modern societies.

2. The classical class concept of political economy

Since the French enlightenment social science has aimed to explain the evolution of society by the dynamics inherent in its structure. Instead of a given destiny determined by a supernatural being, history was assumed to be man-made. Moreover the classical authors of the 18th and 19th
century thought that the driving elements of this process were the forces of interaction between classes of people. They rather innocently assumed that each physical person could easily be assigned to one of a handful of classes constituting a certain society during a certain period of time. Indeed the respective legal superstructure of the respective era under consideration made its class structure rather obvious. From the feudal class down to the class of slaves political, economic, and cultural conditions followed a strictly hierarchical sequence. The classics saw society’s progress not only as a process of reshuffling of class relations but took into account disappearance and emergence of classes. To understand mid- and long-run developments not only class struggle has to be analyzed, there also has to be taken care of the possibility of extinction and birth of new classes.

The focus of classical political economy obviously was on the emergence of a bourgeois class and a working class, which were thought to overcome the fading feudal class. Some theoretical effort was spent to explain on how classes constitute themselves. A straight forward proposition was to assume that class emergence proceeds in two subsequent stages: First the primary social reproduction process (primary metabolism) experiences a break, second the newly emerging classes become conscious of their role and strategically promote their rise to political and economic power (see also Hanappi 1989).

The classics distinguished four sub-processes of the primary metabolism: primary distribution (ownership structure determined by the political regime), production (generating output of services and commodities), secondary distribution (assigning output shares to classes), and consumption (inputs to immediate human reproduction). To theorize a break of an existing structure clearly needs the introduction of an internal dynamics of this primary metabolism, which necessarily leads to the idea of increasing contradictions. With intensifying contradictions their re-occurring temporary solutions become more systematic and new groups involved in these solutions can be identified as classes, though in this first stage the members of this new classes are not aware that this class exists and that they are part of it (see also Lukács 1971). The burden of explaining social evolution thus came down to a concise description of the contradictive forces at work. And it is in this context that the concept of exploitation started to play a central role for classical political economy. It is the mode of how the growth of plants and animals via a human class structure is transformed into the reproduction of this structure that has to be understood as the exploitation structure of an era. The pulsation of the primary metabolism thus is a repeated sequence of exploitation regimes, which first flourish and then - due to their own success – falter until they finally have produced so many and so deep contradictions that they have to give room to the emergence of a new exploitation regime.

The four sub-systems mentioned above are just the ensemble necessary to maintain a certain exploitation regime. Note also that in the time of classical political economy, agriculture was the

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2 The major authors of classical political economy considered here are Adam Smith, Thomas Malthus, David Ricardo, and to some extent Karl Marx. They mostly were writing their theoretical works having in mind the development of the English economy between 1750 and 1848, a period labeled industrial revolution by economic historians (compare Landes 1969).

3 With respect to progress the classics differed from the earlier group of economists, the physiocrats (e.g. Francois Quesnais), which laid emphasis on the regularities of the circular flow of commodities in a country. For the latter the understanding of reproduction of society and its class structure was the object of study (they were part of the feudal class), while the classics were about to study change. It is interesting to see how John-Maynard Keynes in troubled times updated physiocratic flow analysis to understand how to maintain capitalist class structure by state intervention (Keynes 1973 (1937)).

4 An appraisal and some critique of this structure of classical political economy can be found in Marx (1964).

5 The idea that contradictions are the productive force behind evolution can be traced back at least to the scientific revolutions of the 17th century, e.g. Descartes, and later was brought to German-speaking scholars by Hegel.
central economic activity, the political entity under consideration coincided with the territory under the control of a given feudal class. Exploitation could be stylized as the appropriation of corn and cattle on this territory by the ruling classes.

Certain theoretical shortcomings with respect to global economics and monetary evolution can be traced back to these perception constraints. Only with Marx, arguably the latest representative of classical political economy, the importance of the latter became more prominent. In his account of the capitalist mode of production (Marx 1964) he carefully distinguishes between the world of the primary metabolism - where use values, the labor theory of value and the emergence of the social net product are discussed – and the world of monetary appearances (prices of production, market prices, and social net value)\(^6\).

Nevertheless at the time when the classical economists Malthus, Smith, Ricardo, and Marx tried to grasp the core of the break in the primary metabolism of a feudal society to a capitalist society the second stage of the transformation was already well on its way: the new classes were actively building up their self-consciousness. Immediately after the French revolution the importance of this field was recognized and a specialized task force of intellectuals, called ‘ideologues’, was assigned to work on it\(^7\). For the working-class Marx and his followers thought it necessary to form an international group of revolutionary intellectuals (the 1\(^{st}\) International) to act as a catalyst for the transformation of the ‘Klasse an sich’ (materially existing class) to the ‘Klasse für sich’ (self-conscious class)\(^8\). But the 19\(^{th}\) century turned out to be the heroic period of the capitalist class in its economic triumph over feudalism, which finally manifested itself in the breakdown of the feudal political state system in World War I. While some coalition building between bourgeoisie and working class against the feudal class occurred around the 1848 revolution, the second ideological front of capitalist ideology fighting the communist ideas of revolutionary intellectuals gained momentum in the last decades of the 19\(^{th}\) century. Most of the conservative ‘peoples parties’ still existing today have their roots in these early ideological battles. Interesting enough the major theoretical thrust of bourgeois ideology was to fight the concept of exploitation by the destruction of the concept of class: Society was conceptualized as a homogeneous set of human atoms, of physical individuals. In stark contrast to classical political economy the newly founded marginalist economic theory\(^9\) propagated that its final goal is to discover the innate economic properties of ‘economic man’ (see Persky 1995, for a feminist critique see Cohan 1982, Nelson 1995, England 2002, Hanappi-Egger 2011). Aggregating these individuals via free markets would lead to optimal welfare. This ideological project could be used on both class frontiers:

- Vis-à-vis the feudal class it emphasized markets and market participants, which all only had to be distinguished by their endowments (given primary and secondary distribution),

\(^6\) A concise treatment of Marx’ approach from the point of view of modern mathematical economics can be found in Morishima (1973). It shows how a consistent framework for his view could look like, and it also contains a precise definition of the rate of exploitation. In Hanappi and Hanappi-Egger (2003) Morishima’s framework is extended to include gender exploitation and exploitation of the 3\(^{rd}\) world. Nevertheless it must immediately be noted that Morishima - as well as Roemer (1981) generalizing this approach – only grasp what Marx took from English political economists, and completely neglect his ability to combine it with Hegelian dialectics.

\(^7\) The feudal class, of course, already had a long-standing and well organized ideological task force: the catholic church.

\(^8\) In this respect Marx still is a proponent of French Enlightenment. ‘All you have to do to make petrified circumstances dance is to confront them with their own tune’, he wrote. For further discussion see also Vester (2008).

\(^9\) The three major proponents of this school in 1874 were spread all over Europe: Jevons in England, Menger in Austria, and Walras in France and Switzerland.
and not by nobility. The nobility was invited to join the bourgeoisie if it only would give up any special status derived from feudal ancestors.

- Vis-à-vis the working class it stipulated the idea that membership in classes does not exist since classes do not exist. If the endowment of a worker consisted only of its labor power, then this state of affairs was a mix of bad luck at the moment of birth and personal inability to make a career. Note that this argument is not only a manipulative statement directed at workers but at the same time could serve as a self-conscious appreciation of the wealth of members of the bourgeoisie.

In this ideological framework the classical notion of exploitation simply vanished. On an individual basis it makes no sense to measure how much you exploit yourself – it needs the growth of two entities to arrive at a useful concept of exploitation. Working harder reduces the utility of the same individual for which this increased exploitation should increase utility. A quantitative comparison between decrease and increase of utility (e.g. by commodities consumed with higher wages for harder work) becomes only possible if the overall process of social production (determining wages and prices) is taken into consideration – and this is exactly what gets out of sight in this individualized perspective. The advice to the necessarily blind worker thus collapses to: Work harder and hope for higher consumption.

After Marx death in 1883 ideological warfare on the side of the working class took on a much more modest form. On the one hand reforms in England had somewhat improved the lot of the working class calling into question Marx’s predictions. On the other hand membership in unions sharply increased in the last decades before World War 1; class consciousness expressed as union membership visibly paid off by reducing exploitation rates. Leaders of socialist parties and unions had to pay a price for the increasing popularity: Marx’s theory was too complicated to be easily understood by uneducated workers, ideological short-cuts had to be used. Genuine communist ideas were mixed with religious topics, with nationalist aspirations, and the like. And to achieve improvements in social policy in some countries socialist leaders were ready to partially cooperate with the representatives of capitalist firms on state level. Despite a certain variety of working class consciousness across countries due to these diverse feedbacks from ideological leaders on their class members the tragedy of ideological confusions only became visible in the world wars of the 20th century.

In a more general perspective class consciousness proved to be not just as being derived from the (‘objective’) position of the class in a society’s primary metabolism, it turned out to be co-determined by the strategically chosen ideological trajectories of the leaders of working class movements. Several important Marxist thinkers reacted by the introduction of new concepts: Hilferding (1910) envisaged a new type of capitalist process, i.e. ‘finance capital’, Gramsci (1930) saw how evermore important the bridge-building between economic base and ideological superstructure is becoming and launched the discourse ‘hegemony’ and the ‘organic intellectual’. His analysis proves to be of particular importance for contemporary political economy, and will be touched upon later in this paper.

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10 Note also that from a feminist point of view this also marked the division of production and reproduction field assigning men to the former and women to the latter. The bourgeois family model became the norm after WW II including unpaid work of wives and the breadwinner model (see Thompson 1964).

11 Marx work not only is complicated and hard to understand without an appropriate intellectual background, it also is incomplete with respect to many of the most pressing questions concerning the implementation of communist institutions (see Foley 2006, pp.86-154).
3. Meanders of class consciousness

In the 20th century the first disaster that made the lack of class consciousness of the working class visible was the fact that in World War I national capitalist classes of France and Germany were able to organize their respective workers around national goals. Class consciousness in general was less binding than the well-organized surge of national identity (compare Gellner 1983).

The next, even more disastrous ideological defeat of the working class came with the rise of Fascism in Italy and Germany. One secret behind Fascist demagogical success was the aggressive de-coupling of the individuals’ roles in political economy and their identity. The newly invented link, organizing the so-called Arian part of the population to form a ‘movement’, was a reference to an imagined biological trait – independent of any economic basis. The ingredients for the construction of this most dangerous collective identity are now well known:

(i) Use some visible biological traits of human individuals (e.g. color of skin) to replace the categories of political economy;
(ii) convince your target group that the self-esteem of its members currently is unduly hurt, that they do not occupy the superior social position, which history has reserved for them;
(iii) propose and implement drastic measures to fight the group of (seemingly biological) enemies that wickedly undermine the rise to glory of the biologically superior;
(iv) use modern information technology to broaden and to cement your ideological credo.

Though the historic example of the plan of an Arian race to extinct the Jews is instructive, the general recipe of Fascist ideology is still much more generally applicable than this single case would suggest. In particular the tremendous increase in the capabilities of modern information technology - as compared to Adolf Hitler’s first broadcasting device, the ‘Volksmpfänger’ – has freed the fourth point of the list above, electronic manipulation, from many technical limits.

So with World War II not only the immediate destruction of working class institutions took place, also a long-lasting damage to class-consciousness of the working class could be observed. As the atrocities of Fascist regimes became publicly known to everybody after the war large parts of the working population shied away from anything looking like political ideology; pragmatism was the name of the game. Even more so as Western leaders put a spotlight on Stalin’s terrible policy in the 30-ties as revealed by Khrushchev in 1956. Workers in the Western hemisphere became disillusioned, instead of sticking to a communist vision of a radically different, better world they were content to subscribe to small improvements institutionally conquered by social democratic parties – typically following the slow pendulum of governance in democratic two-party systems. Working-class consciousness was transformed into voting behavior.

All these ideological battles, of course, took place in front of the primary metabolism of society, which still was based on exploitation. It was just the link between material developments and the

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12 The interpretation of these historical facts, of course, has led to a wider range of theories; see e.g. (Wippermann, 1997). Some more formal treatments of fascist mechanisms can be found in Eatwell (1993) or Hanappi and Horak (2000).

13 From this time onwards Western leaders could always point at the Russian example to show where a communist revolution could lead to. As long as there seemed to be a need for a mild version of socialism to pacify Western workers, this became the raison-d’être of social democratic parties in Europe.
worlds of interpretation which became less and less visible. This not only concerned the working class, at least in Europe the capitalist class till the end of the 70-ties lost a considerable part of its ‘animal class instincts’ to the compromising style of bureaucratic capital interest management. Institutionalized state-managed exploitation in Europe had become possible not only because of the advancements on the ideological battlefield; there also was the fact that the war had destroyed almost half of the capital stock in continental Europe and investment demand for reconstruction created a growth environment that allowed for simultaneous (stronger) profit and (weaker) wage growth\textsuperscript{14}. The loss of class consciousness, of course, could not be consciously observed by class members, it was simply experienced emotionally as a feeling of ‘modernity’, an expression on which ‘modern’ sociology quickly jumped to spin a theoretical apparatus\textsuperscript{15}. When exploitation rates in the USA finally where threatened by competition from again rapidly growing Europe (Germany) and Japan, the economic war on global export shares was opened by a sudden switch to flexible exchange rates in 1971. Two oil crisis and a synchronous recession in all OECD countries were the consequence. And there it was again: Economic crisis induced the political leaders of the capitalist class to re-enter the ideological battlefield again in the early 80-ties. Margaret Thatcher, Ronald Reagan, and Helmut Kohl started a large scale ideological initiative to destroy the institutionalized results of class compromise of the last 30 years. With respect to the European working class it aimed at the implantation of capitalist firm logic in each single brain of each single employee\textsuperscript{16}. Social democratic parties, having lost their mission after the breakdown of the SU, only could survive by adapting to the distorted perceptions of their clients. And they did so with enthusiasm as their leaders were ideologically as disarmed as their voters. This state of affairs still characterizes the situation of working class consciousness in Europe today.

On the background of these developments it is interesting to take a closer look at the more recent fashion of social identity theories and in particular at its extreme generalized form, at postmodernism. First, occurring in the 80-ties, as a reaction of some leftist French philosophers on the apparent loss of a revolutionary subject, postmodernism some 20 years ago became a full-fledged non-paradigm for some sociology departments. It is interesting because it indicates how an almost total loss of any materialism, in Marx’ view ‘dialectical materialism’, leads to an almost total loss of theoretical orientation\textsuperscript{17} – to an abandonment of science, which is disguised as the ultimate latest fashion of science.

But the latest deep world economic crisis in a dramatic way has brought this old question on the table again: Is it possible to construct the link, better the ‘interplay’, between the primary metabolism of a global human society and the way in which classes of people perceive it, in such

\textsuperscript{14} A whole set of other economic policy measures - including a boost in trade integration, an extension of the credit-system, and the acceleration of exchange rate exploitation of 3\textsuperscript{rd} world countries – fostered this ‘growth miracle’. At its beginning the politically induced support of the Marshall plan aid from the USA played a pivotal role too (see also e.g. Kolko and Kolko 1972).

\textsuperscript{15} In economic theory the correlating strand of theory has been called the ‘neo-classical syntheses’. It chose John Maynard Keynes as its originator (it still is the question if this does justice to Keynes) and was accepted by workers and capitalists as the doctrine allowing state intervention to guarantee a smooth growth of capitalism. Despite its weak theoretical basis it appeared to be a quite useful and adaptive rule set, making it easy for the social democratic leaders to substitute it for any kind of non-modern Marxist class analysis.

\textsuperscript{16} The force of visions in political economy has been treated more detailed in Hanappi (2011).

\textsuperscript{17} In Marx’s language postmodern thought would be an example of complete theoretical alienation.
a manner that progress (global welfare enhancement) as class action becomes visible again? And how could social identity contribute to such an elaborated concept? Postmodernist thought as well as mainstream economics necessarily remain mute in face of the looming depression, at best they can serve as daunting example for what theory building has to avoid. The next chapter will explore this question.

4. Diversity: A tool fostering exploitation?

After having discussed how the concept of working class has vanished in neo-classical economic theory, this section will highlight a rather new approach subtly contributing to the exploitation of people, namely a certain interpretation of the concept of diversity and (on the organizational level) diversity management.

As already mentioned in the last decades there is a shift in scientific attention away from investigating the material living circumstances and exploitation relations of people and towards the study of psycho-social identity constructions. Tajfel and Turner (1986) developed a Social Identity Theory (SIT) – closely related to social categorization theory – stating that human beings tend to discriminate against out-group members not sharing their characteristics. According to SIT a person has several “selves”, each activated only in a specific context. Thus, an individual has multiple social identities derived from its membership in different social groups. Hence, the starting point for the determination of a social group is the human individual and the rather dubious general set of characteristics it is assumed to possess. Instead of classes derived from the political economy of a certain historical era, SIT constructs ahistorical – usually overlapping – groups of individuals sharing the same characteristics. The trend from the study of class dynamics towards investigating groupings of individuals was then further carried on by a variety of scholars in different fields. From the point of view of methodological individualism, which still was the common denominator of all of these approaches, the fact of overlapping groups appears as a problem of multiple selves of an individual. Political economy problems are drowned in a sea of psychological introspection.

With respect to economic performance a new concept based on SIT emerged in the era of Ronald Reagan, namely a certain concept of “diversity”, which on the firm level called for “diversity management”: Based on the human rights movement in the US fighting for equal opportunities in the labor market and against discrimination due to gender, sexual orientation, race and ethnicity, affirmative action programs were negotiated guaranteeing employment-quotas for minorities. These progressive political achievements were devaluated during the economic era of Ronald Reagan. Contrary to the idea of (political and economic) empowerment of historically disadvantaged groups, this type of diversity management focused on the economic performance of firms and on how the contributions of individuals from diverse groups (determined by SIT) could add to it. Given the unavoidable overlaps the role of group differences was down-played and the role of individuals was emphasized (see Kelly and Dobbin 1998). The basic idea of diversity referring to differences of persons and diversity management as a prescription to handle individuals was to achieve productivity gains (for a general discussion see, e.g. Prasad et al (1997), or Kersten (2000)).

The underlying concept of diversity therefore referred to a variety of social categories grouped along different dimensions. Gardenswartz and Rowe (1994) further structured diversity as a four layer model – including the inner kernel of personality, the set of so-called internal dimensions
(i.e. gender, ethnicity, race, age, disability, sexual orientation), the set of external dimensions (e.g. geographic location, education, religion, marital status, …) and work-related diversity (e.g. work content, seniority, management status, division/work field belonging,….). The internal dimensions were also termed “unchangeable” and thus should not serve as reasons for discrimination in particular from a legal perspective. Furthermore religion and marital status should also not be reasons for not hiring or promoting people since these criteria might be independent from their fitness for a certain job. The concept of *discrimination* in this discourse usually is not referring to the general ability to distinguish but is reduced to the legal right to use certain characteristics of a potential worker as a criterion for the employment decision of a firm owner. Anti-discrimination measures then do not call into question the right of the owner of the firm to employ whoever she or he wants, they only limit the range of causes, which are eventually put forward to underpin a decision. This narrowing down of the concept of discrimination implies a reduced meaning of ‘diversity’. In this context diversity evidently only refers to a set of traits of individual potential workers. If a firm owner employs workers, which in total have a broader range of traits, then she or he has achieved greater diversity. Diversity management consequently refers to those parts of management activity that try to achieve an optimal match between this level of diversity, the legal framework the firm is embedded in, and the core tenet of profit maximization.

Several other concepts are defining diversity in a similar way (see Cox 1993; Thomas 2001) sometimes more or less sophisticated, but all of them emphasizing the role of social identity aspects (for an overview see also Hanappi-Egger 2004; 2011) and the need of “celebrating diversity” (see Cox 1993). Acknowledged ‘social identity’ in the mind of the worker, sometimes experienced as ‘respect’, is seen as a possible link to voluntary higher labor intensity fuelling firm profits. As long as the cost for producing this ideological effect is lower than the effect on additional profits diversity management has its place in firm management. Note that both, marginal cost and marginal profits, are expected values and thus the typical instruments for bargaining between proponents of diversity management and firm owners.

Diversity management was imported in Europe by affiliates of US-American companies (such as Ford, Microsoft, IBM,…), but it became clear that some local adaptations had to be made. In particular due to legal frameworks such as e.g. maternity protection law or general employment regulations, US practices had to be modified. Nevertheless more and more European companies were formulating diversity mission statements and were establishing measures and programs fostering the recognition of women, minorities, lesbian-gay-bi-inter-transgender people, elderly employees and the like.

In the meantime much critique concerning the concept of diversity respectively diversity management is formulated by various groups: The perspective of “describing” human beings by a

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18 Note that the term “race” cannot be translated in German as “Rasse” due to the Nazi connotation of this term preventing that human beings could be classified based on biological traits. Instead the according German meaning usually used is “ethnicity/skin color” – nevertheless being aware that no socio-psychological skills can be derived from this.

19 The EU anti-discrimination guideline e.g. forbids discrimination in the work context based on gender, sexual orientation, age, religion, ethnicity and disability.

20 This legal right to be given equal access to the pool of potential employees historically extended to a similar right to be given access to the pool of potential buyers of a commodity. E.g. black US citizens in southern US states have to be given the right to enter shops that white US citizens are allowed to enter.

21 A far more general framework for the concept of diversity has been proposed in Hanappi & Hanappi-Egger (2001).
disjunctive set of social categories does not represent the fact that many discriminatory practices do not relate to either the one or the other of these, but are rather intersectional (see also McCall 2005), overlapping. This for example leads to the emergence of black feminism and the need to focus on the discriminatory intersection of gender, race and class in particular in the US-context. Furthermore the mentioned classification systems refer to specific aspects of individuality but ignore others. So the question is who and why someone is getting a voice? Also the functionalist perspective that diversity can be managed is causing a lot of discussion. Or as Magala (2009, p. 30) put it: “[…] we realise that ‘diversity management’ has also been turned into a managerialist ideology of the second half of the first decade of the 21st century. […] This ideological turn also followed growing awareness of diversity’s entanglement with ideologically obscured (but very sensitive) links to inequalities. Celebrating differences, we are legitimising the inequalities inherent, implicitly included in ‘otherness’ and ‘difference’. Inequalities, which emerge as the raw energy resource of social dynamics and change (because they give rise to the powerful forces of upward social mobility reinventing and transforming societies), have to be managed and legitimised (so that the sans-culottes or anarchists or hippies or terrorists do not blow everything up). The socially acceptable price for managing and legitimizing them fluctuates as much as the price of a barrel of oil on stock exchanges.”

A completely different, but most general critique stems from post-modern scholars, who are generally questioning the value of “grand narratives” (see Rosenau 1992, Hanappi-Egger 2011). With respect to diversity and social categorization they argue that identities are fluid and context-specifically shaped and dynamically created. Hence, the “difference-oriented” approach aiming at internal homogeneity will reproduce stigmatization and thus is not adequate to the complexity and relativity of individual perceptions of the self and the world.

As a consequence even the naming of groups is denied, as well as identifying any other points of fixation. Distinction is seen as a purely linguistic construction; hence disadvantaged groups cannot – and should not - be addressed. The political implication of this standpoint is clear: at the end there are no groups anymore since a shared and inter-subjective understanding of group identity is not possible (for further critique on post modernism see also Codrescu 1986, Giddens 1987, Thompson 1993, Fraser and Nicholson 1989).

Besides this extreme standpoint which will not be followed further since it is not relevant for any political agenda, the astonishing phenomenon in the diversity discourse is that “class” is left out in most scholarly work in particular in Europe. Although class is a salient issue, Kirton and Green (2010, p. 6), authors of one of the most influential UK-textbooks on diversity management e.g. state that “we do not offer an explicit class analysis of inequalities, because of the intersection of class with other sources of labor market disadvantage we concentrate on. We start from the position that certain groups of people enter employment and organizations already disadvantaged by wider social inequalities as reflected in, for example, the education system.” Such a position clearly contributes to the ideological attempt to make class vanish as a relevant category.

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22 Hanappi-Egger and Ukur (2011) e.g. highlight the diversity context of Kenya and show the irrelevance of certain social categories such as sexual orientation - representing a highly tabooed topic. On the other side “tribes” – a category not at all considered in a “Western” context is a highly influential aspect in social life in Kenya.

23 Hanappi-Egger (2011) emphasizes the role of educational systems and textbooks in myth-building and in creating taken for granted knowledge to maintain the ideology of capitalism in particular in business education (see also Althusser 1997, Zizek 2011).
On the other hand the neglect of the concept of class – even in the somewhat critical works just mentioned – appears to be straight forward: Starting from a more or less arbitrarily chosen set of traits (of ‘dimensions’) of an abstract human individual, it cannot be expected that the dynamics of a particular era of political economy can be derived. Nevertheless ideological class struggle takes place; in this case by directing intellectual forces (including those of mild critics) towards a theoretical dead-end (methodological individualism) stating that class has seized to be an important concept.

Coming back to the topic of the paper a much broader view on diversity and social identity has to be investigated in detail to elaborate the interplay with the traditional “working class” concept. Nancy Fraser (1995) has made an interesting contribution to the discussion of social differentiation by outlining the distinction between the injustice of distribution and injustice of recognition: “Here, then, is a difficult dilemma. I shall henceforth call it the redistribution–recognition dilemma. People who are subject to both cultural injustice and economic injustice need both recognition and redistribution. They need both to claim and to deny their specificity. How, if at all, is this possible?”

She goes on to develop a sophisticated view of justice in society by distinguishing at one extreme collectivities exposed to exploitation, such as the working class in a Marxian sense, and on the other extreme collectivities exposed to marginalization by lack of recognition. As an example she mentions gays and lesbians who suffer from “the authoritative construction of norms that privilege heterosexuality. Along with this goes homophobia: the cultural devaluation of homosexuality. Their sexuality thus disparaged, homosexuals are subject to shaming, harassment, discrimination, and violence, while being denied legal rights and equal protections – all fundamentally denials of recognition. To be sure, gays and lesbians often also suffer serious economic injustices; they can be summarily dismissed from work and are denied family-based social welfare benefits. But far from being rooted directly in the economic structure, these derive instead from an unjust cultural-valuational structure.” (Fraser 1995, p. 77)

In between these two poles exist various overlapping collectivities which she calls bivalent: “Bivalent collectivities, in sum, may suffer both socioeconomic mal-distribution and cultural misrecognition in forms where neither of these injustices is an indirect effect of the other, but where both are primary and co-original. In that case, neither redistributive remedies alone nor recognition remedies alone will suffice. Bivalent collectivities need both.” (ibid, p. 78) Nancy Fraser intends this matrix to be used as an analytical tool to investigate both mentioned aspects of injustice, which entails knowing the various forms of discrimination which different social groups can face (see Fraser and Honneth 2003).

This line of argument thus touches upon the phenomenon of alienation as discussed in Marx’ political economy and implicitly described in chapter3 above. Alienated global working classes are confronted with legal and cultural superstructures that restrict not just their economic income but indeed deny their very existence as relevant participants in political-economic evolution. Hence the wish for recognition, for some diffuse ‘justice’ and ‘equality’ to be restored. The latter terms were borrowed from early capitalism’s ideology in its fight against feudalism. Ruling ideology today still uses these terms in its legal and cultural superstructures, despite – or better: because of – the fact that they are void with respect to economics. To reclaim their importance therefore is an unconscious cry for a reversal of alienation. It addresses epiphenomena in the

Note that Fraser’s notion of distribution has to be enlarged: While Fraser is referring to secondary distribution in the discourse on mal-distribution from the point of view of classical political economy this covers just one of four aspects of the primary metabolism.
superstructure, and might well indicate unrest. But this potential for a change can only be organized into a valid political force by establishing links to the actual economic processes. It is only the interaction between superstructure and economic base, which can overcome alienation.25

As we assume that the class dynamics – representing exploitation and the material existence of people – as well as the dimensions of individual alienation – referring to individually experienced elements like exclusion and lack of recognition - still play a crucial role, a more systematic system of links between political economy and recognition can be developed. Hence, in the following we will sketch the interplay of both trajectories – a horizontal axis along which the dynamics of political economy are shown and, a vertical axis along which individually experienced alienation according to individual characteristics is shown.

Before doing so a possible specification of the dimension of recognition, the set of traits of a human individual, is depicted in figure 1.

![Figure 1: Axis of individual dynamics](image)

The first part of the sequence of traits of human individuals starts with some randomly distributed properties given at birth of the individual. At birth each of the traits can assume one value out of a finite set of possible values (e.g. the geographical location of birth, color of the skin, etc). Some coincidences of values of certain traits have a higher probability than others (e.g. geographical location in Africa and black skin has higher probability than location in Finland and black skin).

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25 This question is elaborated in more detail in (Hanappi and Hanappi-Egger, 2012b).
The next part of the sequence contains traits, which change to some extent during lifetime. In particular changes in this multi-dimensionless space are induced by socialization, education, and work. Where these trajectories start depends crucially on the random event at birth.

Finally there are two individual characteristics that accompany each human individual longer than just till retirement: age and health finish only with death. They constitute the third set in the sequence.

The three parts therefore distinguish crudely between random one-shot traits, partially controlled, changing traits, and continuous lifetime traits. The vertical axis therefore not only is a list but also leads from the random seed of births via individual development to some measurable lifelong companion variables.

The life of an individual can be described as a trajectory starting with the values of some traits being set randomly. Values of traits in this context can be data, or data interpreted as instruction set (e.g. genes)\(^\text{26}\). In the sequel a path-dependent process sets in that changes these values and adds new traits with changing values. Some traits are just reporting values; that is they summarize a state at a certain point in time (e.g. age and health). At death all traits cease to exist\(^\text{27}\).

It is straightforward to define social groups along this sequence of traits of an individual as sets of individual humans with the same value in some traits. If more than one trait is equal for some members then subgroups emerge. The already mentioned dependence between the values of different traits then provides a rich field for empirical research of sociologists.

But the concept of a social group has to be distinguished from the concept of a class. The social group is built as a collection of individuals with the same values in some (more or less arbitrarily chosen) traits – the whole procedure still is based on methodological individualism. In contrast to that the concept of a class starts with an analysis of the overall metabolism of the organic unity of a total society; and to do that – for a specified era in history – tries to understand the dynamic evolution of this total by introducing the theoretical concept of class and class relations. This is the archetypical research program of political economy.

As a consequence, along this second (horizontal) axis of political economy (compare figure 2) the four typical stages of a society’s metabolism are depicted: (i) primary distribution, (ii) production, (iii) secondary distribution, (iv) consumption. Classical English and French political economy characterized feudalism along these lines as a rule set that assigned land ownership to the class of members of high nobility (primary distribution), assigned production activities to farmers, and had another part of the ruling class - low nobility - to control the distribution of products (secondary distribution) in a way that ensured the reproduction of this class structure\(^\text{28}\).

With the transition to a new mode of production, to capitalism, new classes emerged.

\(^{26}\) It is tempting to consider an analogy between data and processes in the social sciences and space and time – and its unification – in modern physics. But this is an issue that goes far beyond the scope of this paper.

\(^{27}\) Pierre Bourdieu also considers these trajectories of individuals in an n-dimensional space of directions (here called traits), and proposes to summarize certain sets of values at a certain point of time as something he names ‘capital’ (economic capital, social capital, …). Though, like political economists, he also uses this term for certain stock variables it would be confusing to adopt this usage in the current context.

\(^{28}\) Consumption only entered this picture when Thorstein Veblen explored the direct links between the consumption behavior of a ruling class (conspicuous consumption of the leisure class) and consumption of the exploited classes (subsistence consumption): ‘As seen from the economic point of view, leisure, considered as an employment, is
In figure 2 both dimensions are coupled. On the vertical axis traits of individuals are shown while on the horizontal axis the class inducing phases of political economy are depicted.

Figure 2: Social versus individual dynamics - alienation

All elements $A_i^j$ in the emerging table constitute fields of potential alienation, and the higher the alienation, the larger the latent force calling for a revolution in political economy. The contradictions experienced by an individual with respect to its trait $i$ in the context of stage $j$ of the social metabolism build up, but need a trigger event to unload their energy. For every mode of production the stages along the horizontal axis need to be supplemented by the dynamics of class relations, i.e. a second, historically specified structure. The classical proposition of Marx in the 19th century – after he specified his proposition of class dynamics - then was that latent force becomes manifest force if only class members of a revolutionary class become conscious of their class status. Almost a hundred years later the fascist movement showed that the potential energy closely allied in kind with the life of exploit; and achievements which characterize a life of leisure, and which remain as its decorous criteria, have much in common with the trophies of exploit.’ (Veblen, 1899, p. 44).
of an alienated and impoverished population not necessarily will only flow into the formation of a progressive, revolutionary class. One of the most important tasks for current social scientists following the research program of classical political economy thus is to formulate an adequate model of contemporary class dynamics.\(^\text{29}\)

Note that the earlier mentioned narrow view of diversity management sets out to channel the latent energy present in the alienation of individual employees into the consolidation of existing class structures, i.e. maintaining productivity gains. Working only along the vertical dimension to support the maintenance of existing horizontal dynamics can be considered to be the background agenda of social identity theory. To better understand this agenda a brief recapitulation in the perspective of the just re-introduced concept of alienation is necessary.

Constructing social identity is to display certain traits along the vertical axis as being important traits in a kind of mirror (a carrier medium), important for potential members of this social identity group. To possess social identity changes the behavior of an entity, since it fills a gap in its consciousness: the individual insignificance produced by alienation.\(^\text{30}\)

With modern media technology the intended change of behavior (by providing social identity) can to some extent be engineered by those controlling the media. This is exactly the point of ‘diversity management’ described above, in particular when combined with ‘corporate identity’ measures. The latter example shows that it might be promising to invent new traits along the vertical axis (e.g. ‘corporate identity’) to steer a target group towards a set of intended behavior. This idea, of course, is not new at all, religious groups (e.g. Christians), military organizations (e.g. the Marines), and fascist movement (e.g. Arians) all have used it. In the beginning it usually works best with a core group of most alienated individuals.

And though several examples are pointing in that direction, this type of manipulation is not directly connected to malicious goals: Consider the notion of a pure ‘human individual’ stripped from all qualifying special traits – certainly a theoretical construct with a profound appeal of social identity. The praise of the rights of this human individual (embracing all possible traits randomly chosen at birth) was certainly a progressive idea in the first half of the 19th century, when it helped to overcome feudalism (which insisted on the family trait as sole quality criterion).\(^\text{31}\) This ambivalence in face of the progressive role for social identity construction can only be overcome by a closer look at the specific historical case, at the dynamics of political economy. This reminds on the two aspects of alienation mentioned above. Some amount of increasing alienation stems from additional division of labor on a global scale and can hardly be avoided. But another part of alienation is specific to the capitalist mode of production and can be overcome by changes in the political power and decision structures.

The fight for recognition thus could be channeled into different streams. The predominant (narrow) diversity and recognition discourse would typically propose to use a rise in individual

\(^{29}\) In (Hanappi & Hanappi-Egger, 2012a) we intend to provide an important piece for the mosaic of contemporary class analysis.

\(^{30}\) Alienation on the one hand is a necessary consequence of increasing division of labor in all commodity producing societies: the world of commodities encounters its own individual producers in their consumption process as an alien set of products and services – the set of production processes is too complicated to be understood by a single producer. On the other hand a more specific experience of alienation takes place in a capitalist mode of production, where workers experience that part of their life time, transmitted as labor time, is taken away by an alien force (capital) and materializes as profit, as social value that is at the disposal of an alien group, a ruling class.

\(^{31}\) This progressive character can even be revived many decades later – as the human rights movement in the USA did show.
self-esteem for a coupling with labor intensity. Such a self-amplifying feedback loop would provide not only competitive advantage for the firm but would also conform to the social aspirations of (19th century) capitalist humanism. Moreover, these measures would not exhaust themselves by removing alienation of the workforce. They remain under the spell of capitalist firm organization, the abstract humanist agenda does not interfere with the old managerial dogma ‘stay hungry’ (for less alienation). The discussion on diversity management today in particular applies a kind of “divide and conquer” strategy: Splitting the disadvantaged groups in smaller and smaller units and exposing them to competition is a tricky way to a) shift the focus from economic topics to recognition and b) to eliminate solidarity and therefore the chance to build critical masses.

Looking out for channels which indeed could reduce alienation, it is clear that they coincide with a political change removing capitalist accumulation mechanisms. Since World War 1 such actions typically materialized as specific labor laws implemented by states with labor movement representatives in their governments. At least since the early eighties the room for this channel is diminishing, a long-run conservative political roll-back could be observed. Alienation as an omnipresent phenomenon is surging. At the same time the role of nation states as mediators for changes in class dynamics has been dwindling away during the last three decades. There is strong empirical evidence that the most powerful agents in global political economy now are some large transnational corporations, which are able to influence national governments of the strongest countries. Governance – including military intervention - is coming under direct control of capitalism’s ruling class again. There even would not be an opposing class, which is global and consistent enough to bargain on compromises, not to speak of the lack of global political institutions serving as platforms for such bargaining procedures.

Given this state of affairs a return to theory, to an update of the class dynamics of political economy seems to be extremely important. Indeed there have been some theoretical efforts to modernize and to modify the class concept to improve the understanding of the elements along the vertical axis32. It is as well possible, and perhaps more promising to try to continue to trace the evolution of classes along the recent history of political economy, providing an updated version of the specification of the horizontal axis. This is what is proposed next.

**Conclusions: Updating working class concepts**

Exploitation of nature and exploitation of man by man is the common denominator of all forms of primary metabolism of the human species. For feudalism classical political economy has structured this process as briefly sketched in the previous chapter. But how can class analysis of classical political economy serve as a starting point for the analysis of today’s political economy? Which changes have occurred and which enhancements would be

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32 Notably Pierre Bourdieu (1985) developed a new class concept, which promised to provide more adequate descriptions of actual behavior. Unfortunately it concentrated on sets of behavioral rules (practices), and did not link up to economic processes proper. An interesting survey of this and other concepts of class can be found in (Wright 2005).
necessary to grasp the essential new features, which now – after 200 years of turbulent development – characterize capitalism?

One immediately evident shortcoming of classical analysis is that the scope of its models was always restricted to the dynamics of a typical European nation state. Though an extension to a larger territorial unit at first sight looks a bit trivial, the history of the two great waves of globalization – the first just before WWI, the second starting in the last decades of the 20th century – should teach the opposite. The first wave of ‘imperialism’ brought the final breakdown of the unhappy coalition of feudal political rule and capitalist economic rule in Europe’s nation states, giving birth to the purely capitalist national governance system still prevailing today. In each nation state political and economic power became united in the same bourgeois class, with a special part of this class – the state bureaucracy – managing national class compromises. From that point in time onwards class struggle was partially transferred to institutionalized conflicts in state institutions; with severe implications for class consciousness. The second wave of globalization taking off in the early 80-ties was characterized by an incredible increase of the power of transnational corporations reaching out for global advantages by the use of local nation states’ conditions. In the course of this process globally acting firms, including financial intermediaries, became more powerful than national working classes, national bureaucracies, and other nationally bound parts of the bourgeoisie. If one adds the above described blurring effect of the ideology of modernity and postmodernity in the advanced industrialized countries after WWII, then a dramatically changed situation for the possible emergence of global working class consciousness becomes visible (see also O’Rourke and Williamson 1999). In that respect the discourse on diversity sketched in the previous chapter is just the tip of an iceberg of an intricate ideological warfare. Alienation not just occurs, it now occurs in different forms in different parts of an economically extremely interconnected world. Therefore there emerged a kind of second order alienation between the different parts of the world experiencing different forms of first order alienation. It has become extremely complicated to communicate between these worlds, and thus a superficial pseudo-communication along the language of soap operas and media-corporation devices has been evolving. Second order alienation has become a so-called ‘cultural’ phenomenon.

The second shortcoming of received theory is even more difficult to remedy: The technical evolution and implementation of information and communication techniques has led to a marked shift in the interaction scheme between what the classics saw as ‘material base’ and the corresponding ‘ideological superstructure’. For the classics there has been some kind of balanced oscillation between the influences running from economic processes to the world of ideas about them, and currents running in the counter direction: from ideological constructs to material interventions in the economic process. Starting with Smith’s suggestion that the economic actions of a capitalist, which at first sight in the ideological world of moral philosophy looked like ‘private vices’, in the longer run via the intermediation of markets might turn out as welfare enhancements; and ending with Marx’s suggestion that class position first determines class consciousness, which then enables conscious class struggle that in turn changes class structures,

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33 Even when Ricardo compared relative cost structures of two states to argue for free trade, the assumed two states were typical European examples. Marx theory of exploitation was not extended to cover large scale exchange rate exploitation, his interest in the topic only reached to some remarks on an ‘Asiatic mode of production’.

34 Some of the most outstanding Marxist intellectuals of the 20th century – Lukasz, Benjamin, and Adorno – have been the prophets of this development.
and provokes new class consciousness. The 20th century proved that with the help of advancing information and communication technologies the self-consciousness of large masses of people can be severely manipulated and decoupled from their more and more alienated position in a (globally) divided production processes. But even along the exploitation process axes itself the evolution of money forms into ever more abstract information spheres proved to change the rules of the game. The Great Depression of the 30-ties as well as the still lingering global financial bubble of today show how pure expectations of future exploitation rates can keep abstract and material accumulation alive for some time. But as is the case for any phenomenon in the world of information, changes can come very fast and with little warning. The shift towards a highly interconnected world with tightly knit information networks thus has led to an enormously increased global fragility. Correcting feedbacks from material processes arrive relatively slow and usually occur in parts of the world not monitored in the location of the source of the disturbance. Consciousness tends to be split in small and local pieces. Compared to the 19th century the situation thus has changed dramatically. Classical political economy in fighting mistaken views of the world could point at the correcting power of direct interaction between a human observer and its natural environment. This fundamental procedure enabled enlightenment – bringing light into dark systems of belief – deriving its prestige from the successes of the natural sciences since the 17th century. The celebrated method of the controlled experiment was and is the icon of such scientific practice. Political economy and class analysis of the 20th and 21st century do not have this device at their disposal. Not only have the theorists in this field had to substitute experimental methods by the force of abstraction, also the rest of the population – the object of enlightenment – cannot derive the truth of a statement from observing the direct interplay between their actions and nature’s response. With respect to political economy the large majority of the population nowadays has to rely on predetermined interpretations delivered via modern ICT devices. In this sense enlightenment clearly seems to have lost the battle and the recent surge of mystic shortcuts and religions can be explained.

To enable a qualitative jump in the force of abstraction – the only way to master the current impasse – a new type of intellectual class might be needed. Second order alienation and the loss of first order alienation energy in the dead ends of electronic visions (e.g. computer gaming) still can be scientifically represented, and made part of a highly complicated model of the dynamics of political economy. But this new intellectual class must itself emerge out of the collapse of the current situation, it must emerge ‘organic’ - following Gramsci they might be called second order ‘organic intellectuals’. As any class emergence it will need two steps – actuality and consciousness. Thus, to enhance the classical scheme of political economy clearly a much more sophisticated framework will be needed. The contemporary global correlate of the classical national working class in a first step probably will be a coalition of consciously diverse communities all across the globe – organized by an international intellectual class (‘second order organic intellectuals’). The strongest force uniting these communities presumably will be a common enemy. In which respect

35 Contrary to his (implicit) scientific approach, in his role as revolutionary activist Marx propagated that in the near future the class structure will collapse into the fight between two classes (capitalists and workers), and that the latter as the only necessary class for the primary metabolism will thus in the end be the carriers of the unique and adequate, common consciousness – communism. This forecast, though useful as a political program of the 19th century, proved to be wrong.
36 One of the most dangerous viruses of this kind has been microeconomic theology, which indeed managed to seduce some of the brighter minds in academia – and to some extend has to be held responsible for the dispersion and endurance of the current global, economic crisis.
can an enemy of a diverse set appear as common? As far as capitalism is concerned the answer is straight forward: Groups in this coalition do not only feel exploited, they are exploited. They currently are exploited by the common ‘enemy’ of a global finance network backed up by military intervention. This ‘enemy’ first occurs immaterial as neutral cost minimizing imperative, not paying attention to the diverse specificities – completely unable to ‘recognize’ all those parts of global population, which do not promise future profit rates, vulgo ‘growth’ (of capital). This leads to a first slogan: reproduction instead of capital accumulation (‘growth’).

If the ‘enemy’ recognizes resistance from the coalition, then it changes tactics to ‘divide and conquer’; giving privileges to some members only to stir unrest in the coalition. At this point solidarity backed up by a theoretical blueprint that promises improvements for all becomes important. In other words inter-group recognition becomes mandatory, and a theory identifying exploiters is needed. This is the latest point in time when the new intellectual class has to be ready to present implementable visions. Needless to say that less civilized options are blossoming all around the world waiting for a chance to step in.

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