Capital, Competition, and Discrimination: 
A Reconsideration of Racial Earnings Inequality

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ABSTRACT: Whereas neoclassical economists have responded to the theoretical irrecognition of competition and discrimination by abandoning serious consideration of the latter, radical political economists have generally embraced the neoclassical formulation of competition while simultaneously arguing that capitalists benefit, and white workers lose from discrimination. This paper offers an alternative formulation. By deploying a specifically Marxist notion of competition, the author both restores a logical place for discrimination in competitive capitalist society and examines the material conditions conducive to the reproduction of racial conflict. In so doing, she challenges the notion that white workers unambiguously lose from discrimination and identifies the conditions under which racially dominant workers gain from the reproduction of racial inequality.

INTRODUCTION

It would thus appear that all models of discrimination agree on one thing: any persistence of labor market discrimination would be the result of forces or motivations that are blatantly noncompetitive or very slow to adjust to competitive forces.


For the contemporary neoclassical theorist, persistent labor market discrimination in a competitive capitalist economy has become all but unthinkable. In response to the demise of the “taste” model of earnings inequalities, mainstream economics has spawned several alternative explanations of black-white earnings differentials. The current literature privileges theories based on either statistical discrimination, the unequal distribution of human capital, or long-standing market imperfections. Because the profession remains reluctant to surrender the neoclassical notion of competition (wherein labor mobility equalizes inter-sectorial wage differentials), neoclassical theorists accord primacy to the options consistent with this competitive vision. Ehrenberg and Smith’s assessment must therefore be viewed somewhat skeptically.

Among radical political economists, the primary theoretical and empirical contributions on racial inequality (Reich 1981; Baron 1985) correctly direct our attention to the dialectical character of collective action and social transformation. However, Michael Reich’s model is both rooted in the aforementioned notion of competition and, of particular significance to this analysis, claims white workers suffer short-run economic losses from racial earnings inequality. Baron’s discussion of advanced and competitive capitalism suggests he too is wedded to neoclassical competition, its assumption of unfettered labor mobility notwithstanding.

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This paper proposes an alternative solution to the seeming irreconcilability of labor market discrimination and competition. In contrast to both the neoclassical tradition and current wisdom in political economy, I propose a path of reconciliation based on the deployment and development of an alternative and specifically Marxian notion of competition. In contradistinction to the human capital tradition, I seek to restore a logical place for earnings differentials between aspirively different groups without claiming that productivity resides in individuals independent of the nature, organization, and technical conditions of work. My approach differs from those which currently dominate political economic explanations of racial income inequality by challenging the notion that white workers unambiguously lose from racism. In keeping with the tradition embodied in the Marxist segmentation literature (Gordon, Edwards and Reich 1982), I emphasize the material conditions that foster the reproduction of a divided working class. Specifically, this essay explores the conditions conducive to the reproduction of a racially divided working class, i.e., it seeks to clarify the objective social relations under which entrenched white workers have an interest in and gain from restricting blacks to preferred spheres of production. In so doing, white workers contribute to the reproduction of racial earnings and unemployment differentials.

This preliminary effort explores racial earnings inequality among men, and therefore does not explicitly address the patriarchal dimension of capitalist social relations. However, a generation of feminist social theorists has convincingly demonstrated that both gender and racial domination are constitutive of political economic relations in capitalist society. Hence, a thorough theoretical formulation of labor market conflict must address the multidimensionality of worker competition. In other words, a truly comprehensive treatment of labor market conflict requires that we also investigate the extent to which the sexual division of labor and the gender wage gap are consequences of white male workers’ efforts to exclude women from specific occupations and industries. I believe the model developed herein can and should be extended and appropriately modified to incorporate gender-based labor market competition. The final section suggests directions for these much needed extensions and briefly explores inter-racial competition between women.

The paper begins with a critical review of both neoclassical and political economic efforts to resolve the aforementioned tension between competition and labor market discrimination. This review motivates both the subsequent discussion of alternative conceptualizations of competition and my examination of the extent to which a Marxian notion of competition restores a logical place for discrimination in a capitalist economy. I then explore concrete implications of this model by deploying it to better analyze several crucial moments in the evolution of United States racial formations. My objective is the theoretical clarification of the material conditions conducive to racial conflict within the working class.

**COMPETITION AND DISCRIMINATION: A THEORETICAL CONUNDRUM**

**Neoclassical Theory**

The long-run instability of the discrimination model premised on employers' discriminatory tastes has been well-established (Arrow 1972a; Reich 1981; Darity 1982). The neoclassical discrimination model provided neither insight into the systemic origins of racial earnings inequalities nor explanations of persistent black-white unemployment differentials. Most importantly, it was the invocation of an essentially Austrian ‘process view’ of competition (Kirzner 1973) — a framework which presumed the existence of a latent reservoir of alert and non-discriminatory entrepreneurs willing to exploit the profit opportunities made possible by the racial wage gap — which proved fatal to this model.

In the wake of the above theoretical problems, the mid-1970s witnessed the emergence of a new breed of models designed to reconcile competition and discrimination. Arrow (1972a, 1972b, 1973, 1976), Phelps (1972), and Aigner and Cain (1977) retained the market structure notion of competition but relaxed the assumption of perfect information. In so doing, they explored the consequences of this state of affairs wherein (1) employers lack perfect knowledge of workers’ productivity, (2) acquisition of such information is costly, and (3) a worker’s race provides additional information about his/her productivity beyond that obtained during recruitment and screening.

In the simplest case, risk-averse employers believe and act as if black workers are on average less productive than their white counterparts; employers thus hire blacks at a wage discount or not at all. Although logically consistent, this framework suffers from at least two serious problems. First, the perception of racial differences in average productivity would only persist if the marginal cost of determining a given individual’s productivity exceeds the marginal revenue of so doing. Probationary periods, the availability of work histories, and the existence of sophisticated personnel departments render this scenario rather implausible. Second, employers differ in their risk-aversion; such variation among employers should, in the long run, shatter any perceptual equilibrium based on erroneous notions.

A second case presumes blacks and white are equally productive on average, but blacks display a greater variance in ability; hence risk-averse employers’ hiring decisions could precipitate a racial wage gap. Again, not all employers are equally risk-averse, and this dispersion should lead to an erosion of the wage gap. And, as Darity (1982:76) has observed, the aforementioned marginal cost-marginal benefit considerations are relevant here as well:

... it must be demonstrated that it costs employers more to seek to determine where a particular black lies along the black distribution of abilities than to engage in 'statistical discrimination' — using race as a proxy for capacity to perform on the job.

Given the tenets of neoclassical theory, statistical discrimination is unsustainable in the long run. Though highly problematic, these models ironically anticipate the basic thrust of human capital theory, which assumes black men are in reality less productive than white men. Because human capital theory precludes the possibility that blacks and whites of equal ability receive unequal earnings, empirical researchers have defined their task as the determination of the sources of the presumed productivity differences. Human capital theorists couch their analysis in the competitive scenario, thus ostensibly re-uniting discrimination and competition.
Despite its dominance in the profession, the human capital approach to racial earnings inequality continues to suffer from serious theoretical and empirical limitations. Darity (1982) correctly noted that if the world is indeed one of subjective uncertainty ("...in the Keynes-Shackle sense of people not knowing the probability distributions for the rates of return associated with various actions they can take today..."), the self-investment model of human behavior is a grossly inaccurate caricature of the processes at work. On an empirical level, we still confront the harsh reality (revealed by numerous studies) that convergence in human capital characteristics (particularly schooling and family background) has led to convergence in neither racial earnings nor unemployment rates.4

These conundrums have generated yet another shift in the neoclassical discourse on racial earnings inequality. We are now awash in a growing literature (Chiswick 1983a, 1983b; Sowell 1983, 1984; Loury 1984) that alleges unobserved cultural differences between blacks and whites account for heretofore unexamined differences in human capital and therefore account for black-white earnings inequality. Although currently in the ascendant among both academics and contributors to the popular press (and despite constituting a not-so-veiled attack on the predominantly black "underclass"), neoconservative economists' accounts of "values" and "culture" remain disturbingly flawed by serious logical and historical inconsistencies. Darity and Williams's (1985:258) earlier discussion of culture, competition, and discrimination argues that the very entrepreneurial spirit presumed effective in eliminating market discrimination should successfully complete the transfer of success-producing cultural norms from high-achieving whites to low-achieving blacks:

...if one accepts the position that cultural differences are significant determinants of ethnic and racial economic inequality, then one must explain why cultural differences salient for success are persistent. This persistence is impossible to maintain if one believes the market system is imbued with an Austrian process of competition.

Furthermore, simple cultural explanations fail in a historical context because they systematically exclude considerations of class. Consider, for example, the different occupational and income status of (poverty stricken) West Indians in Jamaica and/or London and their often cited, more prosperous brethren in New York City. Though they share the same national culture, they do not share the same prior class position (Foner 1978).

These criticisms do not, of course, amount to the claim that matters of culture are irrelevant. Rather, a more systematic treatment of culture seems warranted. Neoconservative economists seem too content to reduce culture to either a stochastic residual or exogenous "tastes." Their analyses reveal absolutely no effort to fathom culture in all its complexity — as a dynamically constituted web of intersubjective meanings which condition and are conditioned by the material conditions of the world. I continue to be much disturbed by the casual and ahistorical treatment of culture among social theorists for whom it has come to assume such a powerful explanatory role and now serves as the foundation for policy recommendations.5

Political Economy: Toward Theoretical Alternatives

Among those who accord primacy to social relations (rather than ahistoric individuals) in their analyses of racial domination and racist ideologies, Michael Reich's work (1981) has rightly gained preeminence. Because this essay grapples with the reconciliability of competition and discrimination, Reich's finding that racial earnings inequality is stable in a world of neoclassical competition is particularly compelling and warrants close scrutiny.

All present and future toilers in the policial economy of race and class benefit from Reich's clearly formulated discussion of the limitations of both Walrasian and Marshallian theory for the task of explaining the reproduction of racial income inequality in capitalist society. Whereas the former's identification of necessary and sufficient conditions for the attainment of general equilibrium says nothing about the distribution of income over time, the latter still reels (or at least should, if one cares about logical completeness) from the Cantabrigian-inspired revelation that capital's price is a limited indicator of its scarcity. Reich (1981:182) further abetted our rescue from the myth that neoclassical theory constitutes the generalized analysis of exchange economies, social relations of production notwithstanding:

Neoclassical theory incorrectly suggests that any distribution of endowments and income can be achieved in a capitalist economy. But capitalists can appropriate a share of total product only if the conditions of existence for the mass of households require them to sell their labor power to a capitalist at less than the average product per worker.

Reich constructs a model of black-white earnings inequality rooted in the Marxian tradition's premise that the conditions and remuneration of work in capitalist society create and arise from conflict over the imposition of surplus labor time. His class conflict model of the firm derives its explanatory power from an examination of the costs and benefits generated by racial earnings inequality. Reich's theoretical argument is straightforward: capitalists benefit from (although they needn't be the creators of) racial earnings inequality because workers divided by a racial wage hierarchy are less likely to form and sustain the coalitions necessary for effective wage maximization and wage maximization. Employers thus maintain earnings differentials between equally productive, yet ascriptive different, workers in hopes of thwarting workers' collective strength. However, intra-working class divisions increase (white) capitalists relative income share. Though high-wage white workers may benefit, white workers as a group suffer income loss from the black-white (and presumably other) racial wage gaps.

Reich amasses significant historical and econometric evidence in support of the comparative statics derived from his bargaining power model. He persuasively challenges the traditional wisdom that late nineteenth-century southern white farmers with reminders of the powerful role of ruling white elites in fashioning post-Reconstruction racial formations, including their relentless campaign against inter-racial unions. On the econometric front, Reich's cross-section regressions robustly reveal that greater inequality between the races is associated with greater income inequality among whites.

Although his contributions are impressive, Reich's work is not without important limitations. First, he tests his hypothesis about the relation between black-white income inequality and various white Gini coefficients in a single dataset, making it impossible to isolate causal from spurious relationships. Second, by focusing on the wages of native-born white workers, Reich's analysis fails to account for the potential influence of racial discrimination on the earnings of native-born non-white workers, who may be more likely to experience adverse selection in the labor market. Finally, Reich's model does not explicitly consider the role of government policy in shaping racial earnings inequality, which is a significant factor in understanding the persistence of this inequality.
A Reconsideration of Racial Earnings Inequality

unemployed." Whereas there might exist several reserve labor forces for a given job, there is only one (albeit differentiated) reserve army. The building up and deployment of labor reserves thus becomes a source of intense social conflict insofar as employers in search of cheaper labor power seek to create and/or draw from existing labor reserves during periods of conflict with established workers. Workers seeking protection from labor market competition thus have reason to develop shelters (Friedman 1976) so as to limit the creation and deployment of low cost replacements. Effective shelter building — whether through unions, licensing practices, credentialism, or naked coercion — contributes to the reproduction of divisions in the working class over the definition of and access to paid employment.

In Reich's world, racism is sustained by short-sighted white workers and the capitalists who benefit from a divided working class. Yet both labor history and the current contours of international class conflict reveal that employers also periodically act to overthrow and/or transform the existing composition of working class power. More specifically, capitalists confronting either pressures from competing entrepreneurs, the victories and rising demands of entrenched workers, or accessible, less costly labor power will have reason to challenge extant racial (as well as regional and national) wage hierarchies if the expected benefits from so doing outweigh the costs associated with the disruption of work relations. Hence, the contingencies of class conflict are such that we should expect periodic conflict between dominant workers and capitalists over the nature and deployment of labor reserves. The alternative sketched herein seeks to incorporate the aforementioned expectation. In other words, the concrete material condition of capitalist social relations — the struggle over wages and the conditions of work — are such that capitalists and racially dominant workers may be at odds over the reproduction of racial domination (and therefore earnings inequality) in labor markets.

Full elaboration of this model requires the delineation of the conditions which govern the ability of specific ethnic and racial groups to protect themselves from competitors from the reserve army and labor reserves and the means by which this is accomplished. This, in turn, requires a departure from the dominant research strategy — i.e., the econometric decomposition of discrimination's "effects" into two components, one attributable to differences in endowments and the other to differences in rates of return to social and human capital — employed in the economic analysis of racial earnings and employment inequality. That which is required is the case-by-case study of the specific mechanisms operating at points of entry (initial points of firm contact) which differentially filter blacks into distinct sectors within and between firms.

The absence of such research to date gives testimony to the prevalence of the aforementioned dominant research strategy. However, sociologist Beth Anne Shelton's examination of the processes conditioning initial labor market access to a public university (Shelton 1987) is an important indicator of what such research entails. Shelton (1987:107) discovers the operation of several allocation mechanisms at ETU (the university under investigation) which serve to determine who shall gain access to which jobs:

The most important mechanisms operating to determine who gains initial access to the organization include both formal and informal procedures. The key formal

equation model wherein the black-white wage ratio is an exogenous, non-random variable. Yet such a specification seems fundamentally at odds with his theoretical discussion which insists that the distribution of income — between and within classes — is determined by the form and content of class conflict. Reich's discussion suggests that the very market variables presumed determinant of regional variation in white income inequality should also condition interregional patterns of racial income inequality. Recall, for example, Reich's recognition of employers' willingness to use cheaper employed and unemployed black workers to discipline white workers; his own analysis suggests racial income inequality is itself affected by the state of class conflict among whites. His single equation specification and the parameter estimates derived therefrom are thus unfortunately suspect. That which is needed is a structural model which more fully captures the processes which simultaneously determine the distribution of income between and within classes.

Estimation techniques aside, I believe Reich's model suffers from a still more serious limitation. His is essentially a paternalistic discourse wherein deceived (with respects to the subtleties of class relations) white workers partake in their own subordination, although they have everything to gain from the eradication of black-white earnings inequality. Reich's analysis precludes the possibility that there exist material conditions under which white workers accrue short term benefits from the subordination of black workers and the resultant wage and employment disparities. If such conditions do exist, then our understanding of racial income inequality must expand to include white labor's role in the reproduction of the work relations and wage hierarchies which materially sustain racial subordination.

As an alternative to Reich's analysis, I suggest a model of racial earnings inequality which (1) borrows from and builds upon Friedman's (1984) conceptualization of the social relations of work and (2) suggests that white workers as a group may, like capitalists, benefit from discrimination. Friedman envisions labor market outcomes as the product of an ongoing dialectic between two processes — those that define jobs and those that define the potential labor force for jobs. The former processes (which generate the social and technical definitions of the job) condition the latter, and the job-shaping process incorporates conflicts over the composition of potential job-fillers. Friedman's framework (1984:200) synthesizes two crucial insights of Marxist analysis:

First, the conditions of work create [and result from] constant conflict. Second, the existence of potential job-holders disciplines and inhibits workers but also generalizes particular workplace struggles into a broader class conflict between the employing and working classes.

Friedman includes class location, productivity, exploitation rates, and the organic composition of capital among the determinants of job definition. He also calls our attention to the impact of market relations (concentration ratios and regulations) and political relationships (the form and content of employer and worker organizations) on job definition.

For my purposes, Friedman's most significant insight is his understanding of the dynamics of the creation of a pool of job-specific, potential job-fillers and the conflicts arising therefrom. He appropriately distinguishes between the "reserve labor force for a given set of jobs" and the "reserve army of the
control mechanism is the practice of posting notices only at ETU's personnel office so as to invite the use of racially homogeneous friendship networks to disseminate information about job openings. Informal mechanisms include the use of unofficial job descriptions, the use of subjective job requirements, the [racial] identification of job incumbents being replaced and the use of unofficial channels for recruitment.

Even though Shelton's case study focuses on only one institution (and a non-profit agency, at that) and does not always distinguish management from worker-initiated and supported practices, her research is significant in its departure from the empirical norm and in its provision of a much needed norm for the kind of investigation necessary to explore the implications of the model sketched herein.

Returning to the specifics of racial earnings inequality, we are now better positioned to apprehend the material conditions of capitalist social relations which reinforce racial conflict and its accompanying ideologies. Insofar as dominant white labor's objective struggle is maintenance of the wage, employment, and control over work conditions, white workers' complicity in the creation and maintenance of racial divisions reflects the real gains derived from the temporary exclusion of blacks from preferred spheres of production. White workers resist the introduction of black reserves for the same reason employers periodically seek their deployment — because they can be paid less for the same amount of labor time. My claim is straightforward: our understanding of racial income inequality must be expanded to include those processes whereby blacks are confined to sectors and jobs which accommodate the differential strength of entrenched (or encroaching) white workers.

Recalling the discussion of competition and discrimination which motivated this essay, I suggest in the following section that Marxian competition provides a plausible theoretical grounding for my suggested reformulation of the dynamics of racial earnings inequality. It potentially reconciles discrimination and competition and provides a firmer grounding for our effort to understand the reproduction of racially divided capitalist society.

MARXIAN COMPETITION AND DISCRIMINATION:
THE Phoenix RESTORED?

This essay began with the premise that economic theorists have been stymied by the irreconcilability of market discrimination and competitive capitalism. Among neoclassicals, the prevailing orthodoxy insists that ongoing wage differentials between equally productive black and white workers is unstable. Hence, the emergence and triumph in the dominant literature of the human capital framework, wherein these differentials are assumed attributable to productivity differences between blacks and whites.

In this section I suggest that there exists at least one conceptualization of competition that rescues market discrimination from a premature grave. Implicit in my discussion is the possibility that the neoclassical conundrum derives from inadequacies inherent in its "market structure" notion of competition. For neoclassical theorists, competition is non-cooperative and individualistic; collaborative behavior (the type which might impede unfettered factor mobil-

ity) is the exception rather than the norm. Yet for those disturbed by the abandonment of serious discussion of market discrimination's logical and historical possibility in the daily life of capitalist society, alternative formulations — particularly those which explicitly recognize the political nature of production and exchange and the existence therein of cooperative behavior — must be considered.

Competition Reconsidered

I begin with the recollection that Marx's conceptualization of capital's valorization and accumulation preceded his discussion of competition among capitals. This was possible because accumulation is merely the progressive expansion of the general circuit of capital, M–C–M'. It was his analysis of the process of surplus value realization and distribution (Volume 3, Capital) that gave rise to Marx's investigation of competition among capitalists. Essential to Marx's formulation is the constitution of competition's material base. For Marx, it is the subsumption of "free" labor to capital which forms the basis for competition between capitals. Thus, competition does not arise because of the existence of many capitals; rather, it presupposes the existence of a market for labor power composed of the mass of workers deprived of the means of subsistence. As a social relation, capital represents the integration of production and exchange in an ever-expanding circuit, and competition between capitals emerges from this integration (Weeks 1981:160). Competition between capitals compels them to cheapen their commodities; less efficient capitals must emulate their more successful rivals or face eventual elimination, and socially necessary abstract labor time is thereby established in each sector. The market for free labor is the necessary condition for competition; its very existence thus implies competition.

Because Marxian competition both subsumes and extends beyond the Classical notion of competition, a brief consideration of its tenents provides a sensible starting point. Classical competition finds its roots in the notion that there exists a tendency toward the equalization of rates of profit; neither barriers to entry, price rigidities, nor the number of producers in a given product market occupy a central role in the theory, so long as finance is mobile (Sraffa 1960). Central to the Classical vision is the assumption that all areas of capital are equally productive; sectors therefore vary in the maximum wage they can offer and still earn the socially determined "normal" rate of return. Higher wages predominate in high productivity sectors, low wages in low productivity sectors. Competition merely involves the free movement of finance to earn the same return everywhere.

White numerical dominance of high productivity sectors and black concentration in low productivity sectors thus becomes a sufficient condition for the existence of racial earnings inequality. Wage differentials persist between equally able, yet racially distinct, workers because productivity is determined by sectoral social relations and techniques of production. Whereas neoclassical competition presumes labor mobility will equalize wages across sectors, Classical competition reconciles long-term market discrimination and competition because it definitionally permits longstanding impediments to inter-sectoral mobility which are anathema to neoclassical competition.
Marxian competition subsumes the Classical vision, but adds an evolu-
tory view (Marx 1981; Weeks 1981: Chap. 6). What is evolutionary about
Marx's understanding is that the competitive process gives rise to monopolies,
generates a tendency for capital to concentrate and centralize—a tendency
between sectors. Marx's competitive winners can consolidate their winnings
for extended periods of time.

It is the extension of Marxist competition to the owners of labor power which
restores discrimination's logical place in capitalist development. Workers, too,
can consolidate according to ethnicity and race. Like capitalists, workers can
concentrate their winnings and insulate themselves from the encroachments of
recruits from the relative surplus population and/or job-specific labor reserves.
Established workers derive their strength from control of job definition, train-
ing, information, and credentials. If entrenched "early risers" in the free labor
market can protect their positions, at least three possible fates await the newly
emerging competitors: (1) they will be cast back into the labor reserve/reserve
army; (2) they will be integrated into production as a lower waged, non-
competing group, thereby generating intra-sectoral racial earnings inequality,
or (3) they will find employment in spheres of production not dominated by
more established groups. Herein lies the basis for Cox's (1970) analysis of
racial divisions in class-based societies. Bonacich's (1976) "split labor mar-
ket" in which employers face a labor force differentiated by price, and
Lieberson's (1980) queuing model in which dominance perpetuates

To the extent that their competitors are ethnically or racially distinct, estab-
lished workers can deploy racist ideologies as justification for protecting their
as we know them emerged with the development and evolution of bourgeois
society; the reification process which miraculously transformed black proletar-
natural law appears with the reduction of blacks to objects of trade (Cox 1970):
domination in capitalist society occurred strictly as a consequence of "Black-
ness," per se. Rather, as Chang (1985:43-44) suggests:

... the possibility is much greater that the need for slavery was the premise, and
"enslaviability" in the capitalist setting had to be objectified in some non-economic
object like physiognomy... the abstract need of class relations (e.g., there shall be
slaves) demands some concrete demographic solution (e.g., Blacks as 'candidates'
for slavery).

All of which is to suggest that the flourishing of Western doctrines of racial
inferiority requires the reproduction of discernible conflict. Racism draws life
from the fact that entrenched workers perceived new workers as a threat to be
used against them; my claim is that perception is correct.

Implications

The framework developed here potentially illuminates several recurrent
tendencies in the evolution of racial formations and can further focus the
research lens through which we examine racial conflict and devise strategies for
its demise. Marxian competition provides a theoretical framework within
which to situate the socio-political dynamics contributing to the reproduction
of a racially divided working class. That which requires further exploration and
should be the object of subsequent research are the conditions which intensify
racial competition, govern the relative strength of already entrenched workers,
and facilitate the emergence of successive waves of workers from both the
relative surplus population and job-specific labor reserves. By way of conclu-
sion, I offer examples of episodes in the evolution of racial stratification whose
dynamics lend themselves to the application of the framework developed here.

Consider, first, the extensive use of racial ethnic labor for infrastructure
building. As workers in extractive industries and cash crop agriculture in the
United States, black, Chinese-American and Mexican-American men have
been employed in distinct and separate spheres of production. Whereas Morgan
(1981) illuminates the extent to which state activity has proved essential in
reproducing unfree pools of racial ethnic labor, Glenn (1985) recalls the
relationship between state-imposed legal and administrative restrictions on
racial ethnic and their vulnerability to coercion, intimidation, and restriction in
the labor market. However, neither scholar explicitly explores the extent to
which dominant white labor contributed to the construction of elaborate sys-
tems of racial stratification which provided them almost exclusive access to the
more highly capitalized, year-round, and potentially better paying jobs. 7

Second, a re-examination of nineteenth-century racial conflict within the
context developed here could provide clearer understanding of the considerable
variation in the relations between black and white workers in southern industry.
On the New Orleans docks and in the coal mines of Alabama, an abundance of
unskilled workers limited the extent to which white workers could exclude
blacks and thus provided a compelling logic for whites to organize and form
alliances with actual or potential black strikebreakers (Reich 1981: Chap. 6).
However, these alliances weakened during economic downturns and rising
unemployment. Racial conflict among dock workers thus intensified during the
Great Depression of 1893 as white workers tried to shift the burden of wage and
employment cuts onto blacks.

Whereas Reich chastises white workers for failing to maintain their interra-
cial alliances and opting for short-term gains, I suggest we should consider the
alternative possibility that whites' primary concerns are often short-term mate-
rial well-being in the context of existing capitalist social relations and an
uncertain future. Under these conditions, it may well be that whites as a group
believe they can more easily protect their economic interests by actively
eliminating black competition than by creation and/or maintenance of interra-
cial coalitions. Surely we should not, a priori, eliminate this hypothesis simply
because it implies a less than revolutionary white working class agenda.

We might also wish to consider anew the conventional wisdom that racism
did not benefit whites in the Carolina textile mills. This conclusion warrants
reconsideration in light of the model developed here. Reich persuasively argues
that mill owners effectively used the threat of black hires to elicit more work at
less pay from the bankrupt and desperate white cotton farmers of the Southeast.
Yet nowhere does he acknowledge that whites did indeed gain insofar as they
had jobs and were therefore spared the absolute destitution of unemployment!
Turning to the North, at least two widespread phenomena suggest the potency of the job competition model for explaining the nature of racial conflict and the limitations of racial cooperation. First, the fact that turn-of-the-century northern black painters, tailors, and brickmakers were unable to prevent the encroachments of immigrant white labor following successful unionization drives suggest the need for further investigation of the conditions which precipitated black displacement and white empowerment (Hill 1984). Second, the CIO’s unwillingness to eliminate discriminatory hiring and layoff practices in the 1930s (it’s success in raising black wages notwithstanding) suggests the distribution of employment opportunities remained an important focus of conflict even with industrial unions (Reich 1981:259).

As was noted in the introduction, the model developed here contains points to facilitate analysis of intra-class racial competition under capitalist social relations. However, a generation of Marxist-feminist literature on white and ethnic women workers suggests this framework may be useful in decomposing the complex interaction of gender, class, and race relations as determinants of the productive and reproductive experiences of both racial ethnic and white women. Specifically, white male workers as a group have deployed a variety of political, cultural, and economic strategies in their effort to secure sex-specific privilege in the domain of wage labor and to protect themselves from female labor reserves. To the extent that relations of patriarchal dominance have conditioned the socio-political practices of capitalist society, women’s political disenfranchisement has weakened their efforts to challenge occupational and industrial barriers to employment. Hence, we have been more easily intimidated and coerced into working for less than living wages and thereby rendered economically dependent on men. This essay presents the beginnings of a consistent economic framework within which to reconsider the gender wage gap as part and parcel of the daily reproduction of competitive capitalism. Future research should continue to explore (1) the strategies used by male workers to define and maintain male spheres of employment, (2) employers’ roles in reproducing gender domination in employment, and (3) the conditions which shatter existing patterns of gender relations and the varied responses to such disruptions.

Glenn (1985:105), in particular, cogently argues that Marxist-feminist theory must reach beyond the limitations of class and race bounded categories in order to successfully illuminate the experience of racial ethnic women:

"It would be a mistake...not to recognize the dialectical relation between white and racial ethnic women. Race, gender and class interact in such a way that the histories of white and racial ethnic women are intertwined. Whether one considers the split between public and private spheres, conflict within the family and between the family and outside institutions or productive and reproductive labor, the situation of white women has depended on the situation of women of color. White women have gained advantages from the exploitation of racial ethnic women, and the definition of white womanhood has to a large extent been cast in opposition to the definition of racial ethnic women."

Within the socially constituted domain of women’s work, white women have indeed benefitted from the intra- and inter-industry racial divisions of labor which guaranteed them all but exclusive access to less menial and arduous work. While black women labored as maids, cooks, and laundresses in the late nineteenth and twentieth centuries, white women all but monopolized operative, sales, and clerical positions. When the races worked together, as was the case in tobacco factories, black women most often labored under the most harsh and physically oppressive conditions for the lowest wages (Jones 1985: Chap. 4). By excluding black competitors, white women both protected their wages and guaranteed themselves and their families an ample supply of black domestics willing to work for a subsistence wage. And yet the triumphs of the ILGWU also serve as a reminder that interracial women’s unions are also an important part of United States history. The successful extension of Marxian labor market competition to women’s work must therefore explore the material conditions which tend to foster both competition and cooperation between black and white women.

CONCLUSION

Political economy is no stranger to the notion that capitalism’s uneven development creates bad jobs, good jobs, and no jobs. That which has been lacking is an understanding of competition unencumbered by the limitations of neoclassical competition which also accommodates the reproduction of wage differentials and the racial distribution of employment. I have argued that Marx’s conceptualization of competition between capitals, when combined with a Marxian notion of competition between labor power, accomplishes exactly this objective. Furthermore, by offering an alternative vision of white male workers’ objectives, I have (1) challenged the notion that the majority loses unequivocably from racial earnings inequality, (2) identified the material conditions which support racial conflict and racist ideologies, and (3) offered a less paternalistic reading of racial strife within the working class. Finally, I have suggested possible directions for the much needed research to better clarify the circumstances that increase the likelihood of our formings sustained and successful inter-racial worker coalitions.

NOTES

1. Historians of economic thought will recall that Piero Sraffa (1926) convincingly demonstrated the incompatibility of market structure conceptualizations of competition — wherein competition consists of a specific “state of affairs,” including factor mobility — and the existence of scale economies.

2. Albelda (1985) and Glenn (1985) offer recent and persuasive discussions of gender, race, and labor market segmentation.

3. Baron (1985) demonstrates the importance of locating the discussion of the dynamics of working class racial conflict in a context which privileges the dynamic evolution of social and racial formations. The theoretical/historical categories deployed in this essay are intended to facilitate comprehension of racial formation during which Baron has labelled as the era of agrarian ascendency and industrial capitalism.


5. For example, Loury (1984) exhorts middle class blacks to revitalize and/or create anew social institutions wherein they can transmit to the so-called “black underclass” the constellation of values presumed lacking among the black poor. Loury presumes, but never demonstrates, that the poor are “value deficient.” His work is but one branch of the growing neocorporatist or race relations which dominates academic and popular discourse. See the (July 1987) special issue of Praxis International for a collection of critical responses to this literature.
6. Darity and Williams (1985) offer a preliminary version of what is more thoroughly developed herein. What follows is the simple two-sector algebraic formalization of the Classical competitive formulation developed during that collaborative effort. Recall (1) blacks are assumed to work in the low productivity sector and whites in the high productivity sector, and (2) competition involves the free movement of finance to "earn" the same return everywhere regardless of other conditions. (1) and (2) are price equations,

\[(1) P_H = (1 + t_H) w_H I_H \]
\[(2) P_L = (1 + t_L) w_L I_L \]

where

\[P_H = \text{unit price of output in the high productivity sector}\]
\[P_L = \text{unit price of output in the low productivity sector}\]
\[t_H = \text{rate of profit in the high productivity sector}\]
\[t_L = \text{rate of profit in the low productivity sector}\]
\[w_H = \text{wage rate in the high productivity sector}\]
\[w_L = \text{wage rate in the low productivity sector}\]
\[I_H = \text{labour-output ratio in the high productivity sector}\]
\[I_L = \text{labour-output ratio in the productivity sector}\],

and \(w_H > w_L, I_H < I_L\). Under Classical competition, in the limit \(t_H \rightarrow t_L\), which implies,

\[(3) \frac{w_H}{P_H} - \frac{w_L}{P_L} = \frac{w_H}{P_H} - \frac{w_L}{P_H}\]

Neoclassical competition presumes labor mobility will equalize \(w_H\) and \(w_L\) for equally able workers. If rates of return equalize, then,

\[(4) \frac{P_H}{P_L} = I_H/I_L\]

However, neither Classical nor Marxian competition requires labor mobility; hence inter-sectoral wage differentials are sustainable for long stretches of time. 7. Gunnar Myrdal (1962:1080–81) is among the few social historians to have noted the racial distribution of employment in early nineteenth-century southern industry. Black dominated industries characterized by highly seasonal or cyclical labor demand. Specifically, in 1930, blacks comprised 75.2 percent of the nation’s turpentine farmers and distillers, 60.4 percent of the fertilizer work force, and 25.1 percent of the workers in the saw and planing mills. As Myrdal notes, these industries displayed high variation in labor demand. Southern whites avoided those sectors characterized by unstable employment, thereby guaranteeing blacks would be over-represented among the floating surplus population.

REFERENCES