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The focus thus far has been on how the pieces of the lumpy economy fit together. This chapter looks at the ‘lumps’ themselves — specifically, at what the people who work in firms and public sector organisations actually do, and how this is related to what they earn.

The most striking feature of the work-pay relationship is its formal hierarchical structure. Most jobs are neatly pigeon-holed into categories, which are then rather rigidly ordered on the income scale.

There are two types of ordering systems, or hierarchies. A majority of the work-force is employed in organisations in which there is an internal hierarchy of control relationships. Each employee has a place on an ‘organisation chart’ which generally looks like a pyramid. The workers at each level of the pyramid are responsible for workers at all lower levels. At the top is the chief executive, who is in charge of everyone. This type of hierarchy is called a ‘bureaucracy’. Pay in bureaucracies is closely associated with one’s level on the pyramid.

The second sort of hierarchy is the ranking of occupations. In most cases, it is possible to make a quite accurate guess about someone’s income if their trade or profession is known. Doctors always earn more than nurses; carpenters more than labourers; cabinet ministers more than ordinary MPs.

These income hierarchies affect almost all of the labour force, including many people not employed in multi-level bureaucracies. Only a few loosely-structured occupations escape, such as artists, professional sportsmen, and criminals, whose incomes can vary from nothing at all to millions.

All this may be so well-known as to seem hardly worth writing about. Certainly, hierarchies are pervasive — they dominate both private and public sectors in our economies, and are common to both ‘capitalist’ and ‘socialist’ societies. But there is nothing trivial about their role. Hierarchies amount to a massive overriding of market forces: they supplant the actual productivity of a worker as a determinant of the worker’s income, and they allocate resources within organisations by means of administrative controls, rather than through the price mechanism.
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There are two sorts of reasons put forward to explain this interesting state of affairs. These can be called the 'economic' and the 'political' rationales for hierarchy.

From the economic perspective it is noted that the haggling and price-changing that goes on in markets is itself costly and time-consuming, so that it may be efficient to have some sequences of economic activities carried out in teams or organisations, within which market forces are suppressed in favour of routinisation and lines of authority. This is obviously reasonable, and would be accepted as such by anyone but an anarchist. But the economic argument does not necessarily justify all hierarchical structures, nor does it justify the income differentials associated with them. The process may have gone beyond economic sense. We will return to this below.

What about the 'political' function? Who gains from hierarchy? In his paper 'What do bosses do?', which generated a considerable controversy in radical circles a decade ago, Stephen Marglin argued that workers were bundled into factories, had their labour divided into simple repetitive tasks, and were ruled-over by a hierarchy of supervisors and their managers, all as part of the political process whereby capitalists gained control over the production and savings processes.

Marglin's may be a valid analysis of the rise of hierarchy. But, by now, capital income is not a large fraction of the total (about 5 per cent in the US, and is diffused largely among small investors and savings institutions, which play a small role in the actual running of businesses. We should probably look beyond the owners of firms for the interests served by hierarchy, especially since it is pervasive in both public and private sectors of the economy.

Part of the answer can be found in the previous chapter: men exploit women, and do so by imposing hierarchies upon them. But this is not all of it. The income distribution is not a simple two-level construct, with nearly all the men on one level, and nearly all the women on the other. Rather, the aggregation of all the occupational hierarchies and bureaucratic pyramids is itself a pyramid, with relatively large numbers in lower income classes. Although some of the imbalance in this distribution is due to male/female inequality, there is still a lot of male/male inequality to be explained. For example, the 1978 Current Population Survey in the US revealed that about 20 per cent of full-time workers earned between $20000 and $100000, totalling nearly half of total earned income. The great majority of this group, which I will call the economic middle class, were male, but males were also a majority in the class earning less than $20000.