

Managerial Capitalism

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Ownership, Management and the
Coming New Mode of Production

Gérard Duménil and Dominique Lévy

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Introduction

Seizing the opportunity created by the two-hundredth anniversary of Marx's birth on May 5, 1818, this book defends a two-sided thesis. First, as analytical framework, Marx's theory of history remains unchallenged; second, despite the failure of the expectations regarding the ability of the proletarian class to supersede capitalist relations of production, the struggle of popular classes is the single force capable of impacting the course of history in the direction of social progress.

There is, however, a "but." Marx's analysis of history requires a thorough revision in one key respect: Rather than straightforwardly paving the way to the implementation of a classless society, current relations of production undergo a process of transition toward a new mode of production, "managerialism," whose upper class is the class of managers.

In the available literature, managerial traits are typically treated as an odd feature of contemporary capitalism, quite adequately denoted as "managerial capitalism" on such grounds, but the hybrid character of relations of production in the full Marxian sense of the phrase is overlooked. The consequences of this misreading of historical dynamics are severe. In our opinion, the revision of Marx's analytical framework—the single alternative to its outright abandonment—is the precondition to the interpretation of past and current economic, social, and political trends.

Major political consequences are implied. One cannot change the world with ideas but, as Marx did, we believe they can help. To contribute to this analytical revolution is the main ambition of the present endeavor.

1

An overview

This book combines a broad variety of distinct approaches in a rather unusual and dense fashion. A number of chapters make an extensive use of data sets regarding income distribution and technical change; others attend to theoretical frameworks, first of all Marx's theory of history; a third field is the examination of sequences of economic and political events since World War I. Wide use is also made of the work of historians in the analysis of secular social transformations and ideologies.

As suggested in the Introduction, the relationship between our thesis and Marx's analytical framework is an uncommon mix of fundamentalism and revisionism. On the one hand, the analysis is grounded in the principles of Marx's theory of productive forces and production relations, classes, and class struggle; on the other hand, the approach to class patterns is extended to the consideration of managers as forming a new class.

This first revision is prolonged by the thesis that capitalism is not the last mode of production in the chain of modes based on class antagonisms. In the same way that capitalism is the mode of production whose upper class is the class of capitalists, managerialism is a new mode of production whose upper class is the class of managers. While in capitalism the main channel of extraction of surplus-labor is surplus-value, the extraction of surplus-labor within managerialism follows from the hierarchy of wage inequality. Within contemporary societies, the transition between capitalism and managerialism is still underway; well advanced though not completed. The resulting hybrid social formation is known as managerial capitalism.

The first part of this book harks back to fundamental principles. A close examination reveals the dual nature of Marx's theory of historical dynamics. The most familiar facet is the "theory of class societies," attending to the stubborn reproduction of class dominations as successive links in the chain of modes of production: Along such lines, the contradictions of the last such phase, in capitalism, were expected

to lead to the destruction of antagonistic patterns of any forms, and the establishment of what Marx and Engels called socialism or communism (in the terminology used in the middle of the nineteenth century). A second, less familiar, facet of Marx's and Engels' analysis is, however, the acknowledgement of the march forward of mankind in the conquest of rising degrees of what we call "sociality," that is, the increasing sophistication of social interactions. Production is realized within large firms, including broad national and international networks of affiliates; the division of labor among firms is dramatically increased; central authorities, specifically states, are at the head of vast networks regarding transportation, education, welfare, etc. In Marx's and Engels' view of history, the process of socialization was conducive to dignified forms of social organization in socialism, provided that the appropriate political inflection were imparted. The theory of sociality without the theory of class societies would amount to sheer ideology, and the demonstration that the historical progress of sociality is embedded within the sequence of classes and dominations along the chaotic course of capitalism was Marx's and Engels' key concern.

Managers play a central role in managerialism in the above two respects, class dominations and sociality: simultaneously as a social class and for being the main agents of socialization. Managers will be the upper class of managerialism as a new mode of production; new degrees will be reached in the historical process of socialization thanks to the organizational capacity of managers, thus overstepping the potential inherent in capitalist relations of production.

The study of the interaction between the historical dynamics of socialization and class societies—the object of this book—defines a broad field of analysis, but in our investigation not all aspects of social relations are considered, only aspects lying at the intersect of the two theories, that is, fundamentally, economic and state relationships. For example, the "production of material life," as Marx and Engels put it in *The German Ideology*, is conferred a central role, as are the functions of states in the management of class relationships or the conduct of the economy. Many other components of life in society—including important sources of dominations and alienation such as gender dominations—are not directly subject to class dynamics, only secondarily. They do not belong to the field here outlined.

A first expected outcome of this analytical revolution is the recovery of the capability to interpret the course of managerial capitalism.

Abstracting from intermediate groups, the class pattern is the three-polar structure of capitalists, managers, and popular classes (production workers and other categories of subaltern employees). The first steps of managerial capitalism were accomplished at the end of the nineteenth century. The ensuing twelve decades were punctuated by large crises, delineating three periods of a few decades, which we denote as social orders. A social order is a configuration of social powers defined by the hegemony of a class, the corresponding class dominations, and the potential alliances between classes. One can notably contrast the alliance between popular classes and managers after the Great Depression within the post-depression/postwar compromise or “social-democratic compromise” and the alliance at the top between managers and capitalist classes in neoliberalism after the crisis of the 1970s. These politics of managerial capitalism, as expressed within social orders, must be understood in relation to the historical trends of technology and distribution, and the secular rise of the class of managers, thus harking back to Marx’s analyses of the dynamics of productive forces and relations of production, and historical tendencies. This renewed Marxian interpretation of managerial capitalism is the object of the second part of the book.

The third part attends to the long-term aspect of Marx’s analysis regarding the capability of popular classes to inflect the course of history. Looking backward, the stubborn and frustrating character of the historical dynamics of class societies is all too obvious. In the early stages of the development of capitalist relations of production, as during the revolutions of the seventeenth century in England and eighteenth century in France, the attempts at the establishment of advanced forms of democracy in line with the ideology of modernity were discouraged by the implacable course of the concentration of capital. The radical attempts at the inflection of the course of history in the direction of social progress—were they utopian or “scientific,” in Marx’s and Engels’ parlance—failed. Utopian attempts at the alteration of the course of history were undermined either by the outright negation of authority, in total contradiction with the course of socialization, or by the authoritarian concentration of power in the hands of a small minority or a single leader. Notably, new paths toward advanced forms of managerialism were opened within the countries of self-proclaimed socialism. But these endeavors ended up in sudden switches toward the structures of managerial capitalism at the end of the twentieth century. Seen from the

early twenty-first century, no alternative trajectories seem in sight. This is the dark side of the history of mankind.

There is a brighter side, discussed in the fourth part of this book, but the road toward class emancipation is long and winding:

1. For economic and political reasons, there will be no outright leap from managerialism, as a new mode of production, to a classless society. For a considerable period of time, the main class contradiction will oppose popular classes and managers, and the forms of interaction—more or less acute or compromising—between the two classes will define basic political circumstances.
2. All managerialisms are expressions of the domination of managers as upper class, but a broad variety of such economic and political configurations may exist along the spectrum of historical social progression—regression.
3. Periods of strong social regression, such as the decades of the industrial revolution or neoliberalism, temporarily obstruct the road of social progress. They are the main hurdles on the route toward class emancipation.
4. These periods are finally superseded as an effect of their internal economic and political contradictions and the struggle of popular classes, historical trajectories being “bent to the left” under the pressure of popular classes.
5. A key political factor governing such favorable resolutions is the weakening of the cohesiveness of the various fractions of upper classes and forms of interclass alliances between popular classes and fractions of upper classes, as during the post-depression/postwar compromise.

Despite the occurrence of episodes of devastation lasting several decades, layers of social conquests accumulate. Going back at least as far as feudalism, each step in the course of historical societies from one mode of production to the next opened new opportunities for popular classes. The ideology of modernity (the declaration of liberty and equality) concomitant with the emergence of capitalist relations of production, in the context of the old aristocratic values on the wane during the bourgeois revolutions, opened new perspectives. The same is presently true under the circumstances created by the rise of managerialism from within capitalism. The substitution of the new ideology of meritocracy for the

old values of the private ownership of the means of production (and their reproduction by inheritance) open new territories to be conquered by popular classes. Under such circumstances, the advance of managerialism itself, given the enhancement of social interaction and the progress of education, would be subject to continuing internal contradictions, and the monopoly of decision-making would become harder to preserve. A new stage would be reached in the march toward class emancipation, in what one might decide to call “socialism” despite the current abuse of the term.

PART I

Modes of Production and Classes

This first part is devoted to historical dynamics. The main notions are productive forces, relations of production, class patterns, and class struggle.

Chapter 2 uses data on income distribution in the United States during the recent decades and since World War I as a starting point in the double aim of the illustration of: (i) the permanence of class divides; and (ii) the rising importance of wages within the income of upper classes underlying our thesis regarding managerialism.

Chapters 3 and 4 hark back to Marx's analytical framework, emphasizing the unquestionable explanatory power of basic principles but also the limitations inherent in Marx's theory with respect to the emergence of the managerial class.

Chapter 5 introduces the basic notions of sociality and socialization. Elaborating on Marx's analysis of the labor process, these notions are extended to social relationships at a general level of analysis.

Chapter 6 attends to the relations of production typical of managerialism as a new mode of production and managerial capitalism as a hybrid social formation.

Chapters 7 and 8 supplement the above analysis in two quite distinct respects: (i) other interpretations of the class location of managers in contemporary societies; and (ii) lessons to be drawn from the emergence of capitalist relations of production from feudalism, regarding the deciphering of hybrid social formations. Chapter 8 is the first of a set of four (with Chapters 14, 15, and 16) addressing historical developments in a more "narrative" fashion and widely relying on the work of historians. The style of these chapters is correspondingly quite distinct from others in the book.

Patterns of income distribution

Assessed in light of the broad historical perspective in the overview given in Chapter 1, the empirical analysis of income hierarchies does not seem to measure up to the ambitious endeavor aiming at the identification of class patterns and their historical transformation. The present chapter is, however, much more than a technical introduction. It is the first component of a twofold inquiry into the nature of social relations: here with the empirical analysis, while the following chapters attend to the theory.

Two laws of income distribution

The empirical analysis is based on the work of a team of economists and physicists, called econophysicists, regarding income distribution in various countries (in particular the research conducted around Victor M. Yakovenko). The section explains the basic methodological principles and presents the main results. A more detailed account of the method is provided in the appendix to this chapter.

The object of investigation is less the now-familiar assessment of the degrees and trends of income inequality than the unveiling of the class pattern prevailing in the United States:¹ An upper social category is singled out. The implications of income inequalities with respect to social structures are so blatant that, independently of theoretical foundations, the reference to class patterns came spontaneously to the fore in the presentation of results by the authors.

In the United States, the Internal Revenue Service (IRS) publishes statistics of households' yearly taxable incomes (therefore, pretax incomes), in which households are classified by income levels.² In the pyramid of incomes, a fractile sets out a group of households whose income is located within a bracket defined in percentage terms. For example, the 90–100 fractile is formed of the 10 percent of all households receiving the highest incomes. Depending on the period, 15 to 30

fractiles of unequal size are distinguished with the specification of the average income of one household in each fractile. Fractiles and average income are the only variables considered in the studies, but what the presentation demonstrates is remarkable.

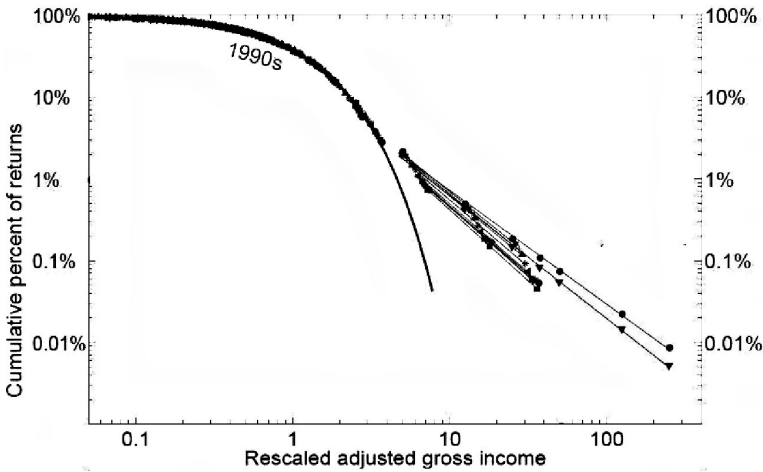


Figure 2.1 Two laws of income distribution for two classes, 1990s

Each dot accounts for one fractile in one year. The variable on the horizontal axis is the average income in each fractile (as a ratio to the average income of the lower class composed of the bulk of households, set to 1 on the axis). The variable on the vertical axis is the percentage of all households belonging to the fractile and to all fractiles with a larger income. Thus, 100 percent of households belong to a fractile with an average income larger than or equal to the average income of the lowest fractile. The percentage diminishes for fractiles with larger average income, up to an income equal to about 250 times the average income. (Only 0.01 percent, that is, 1 out of 10,000, of households belong to the upper fractile.)

Source: A. Silva and V. Yakovenko. "Temporal evolution of the 'thermal' and 'superthermal' income classes in the USA during 1983–2001." *Europhys. Lett.*, 69 (2): 304–10, 2005, Figure 2.

The results are presented in Figure 2.1, and the method is briefly described below and in the appendix to the chapter:

1. The main finding is the distinction between two separate groups, to which the authors refer as classes. (The blank in the line mirrors the deliberate absence of a trendline between the two groups.) The boundary coincides with the inflection in the profiles of the