Do Managers Rule?

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The struggle against capitalism is as old as capitalism itself. The battles have been bitter and bloody, with triumphant highs and painful, lasting lows. But the Left is nothing if not tenacious. We keep the red flag flying, doggedly struggling for a better world, for socialism. Despite the odds, we never give up.

Gérard Duménil and Dominque Lévy, two highly regarded heterodox economists, want us to give up. They've had enough of our flailing and failing. To convince us, they've written a new book, *Managerial Capitalism: Ownership, Management and the Coming New Mode of Production*.[1] The book argues that our quest has been in vain: The working class won't rise up and bring socialism. If anyone is going to save us it will be the doctors, lawyers, bankers, consultants, and other members of the 1 percent.

This may seem like a surprising message coming from Marxists, but Duménil and Lévy (D-L) have been developing this argument for a long time. *Managerial Capitalism* reads like an opus, consolidating and honing their empirical and theoretical case for the end of capitalism and the triumph of managerialism — a "new antagonistic mode of production."

To be sure, D-L haven't written off the "popular" classes (the 99 percent) who they argue still have a role to play. Instead, they argue that the Left has made a mistake in locating them at the center of history — a mistake they place at the door of Marx and Engels. D-L say that Marx's theory of history was wrong — well, partly wrong.

The correct part of Marx's historical model, according to D-L, was that capitalism has brought increasing socialization — expanding and deepening rationalization and bureaucratization — which they see as a good thing. Marx's model went south, according to the authors, when it assumed that this background process of advancing sociality would eventually combine with the increasing contradictions of capitalism (stemming from class divides and competition) to empower the working class to rise up and overthrow capitalism, bringing socialism. Marx and Engels were wrong, D-L argue, to believe that capitalism would be replaced with socialism via ordinary folks.

D-L consider the weakness of Marx's historical framework, combined with his under-specification of class, to be a serious analytical barrier, blinding us to big shifts that began as far back as the nineteenth century: namely, the start of a slow transition from capitalism, which values private ownership and hereditary transfers of wealth, to managerialism, which empowers high-wage workers and rests on the values of meritocracy. In short, we've vastly underestimated the importance of managers in the process of accumulation.

If we took the role of managers seriously, the authors contend, we would realize that already by the New Deal, the managerial class — "the wage earners belonging to the upper fractiles of income hierarchies"[2] — had taken the reins in a hybrid mode of accumulation called managerial capitalism. In the years encompassing the post-WWII compromise, these managers were actively transitioning society to a new mode of production beyond capitalism. D-L say economists at the time — Burnham, Schumpeter, Galbraith, Chandler — saw the writing on the wall: market mechanisms were constrained and the profit motive dampened, both "expressions of the growing distance from the economics of capitalism." [3]

This transition was disrupted by the neoliberal counterrevolution which seemed to herald a return to the old ways (wages and bonuses tied to stock prices, for example). In the melee the growing power of managers was forgotten, while the postcapitalist musings of Galbraith and Schumpeter were consigned to the dustbin. D-L argue that this forgetting was a mistake. They say that over the past few decades managers have retained and increased their control, this time in a compromise with the bosses instead of the workers. When the crisis of 2007–8 hit, the managers used their dual power in the markets and in government to steady the ship.

Today, D-L say the managers are more powerful than ever — they've become a new ruling class that, unlike elites of old, lives primarily on wages rather than capital. It is the managers, not the owners, D-L contend, who run the global economy, and if we look at the twentieth century overall, it is these high-wage earners, rather than owners of capital, who've seen the strongest gains.[4]

Ten years after the crisis we've reached a turning point. Neoliberalism seems to have run its course, morphing into what the authors call "administered neoliberalism" — an unstable system that is one step closer to "the gradual establishment of relations of production beyond capitalism."[5] But in this moment they also see an opening … of sorts. Divisions within the upper class are growing and the very top — the .01 percent — has accumulated such unimaginable wealth that it is floating away. D-L argue that this elite polarization creates a space for the popular classes to make an alliance with the lower-upper class — those who take home a shade under half a million dollars a year. We just need to convince them to side with ordinary folks instead of capital — like we did in the 1930s. In doing so we can develop a new compromise that someday, maybe, will bring us something that we can still call socialism, "as the mark of a reclaimed affiliation with earlier endeavors."[6]

There are two interrelated elements of *Managerial Capitalism* that are timely and warrant further interrogation. The first is the authors' focus on the shifting material basis of the upper class and its significance for the future of capitalism. D-L present data showing how in the 1920s the top 1 percent derived only 40 percent of its income from wages (pensions, bonuses, stock option exercises, etc.); the rest was capital income (sum of dividends, interest, and rents). By the early 2000s the breakdown was skewed in the opposite direction; elites today make roughly 80 percent of their income from wages. D-L say this shift undermines our traditional understanding of capitalism as a "social structure based on the private ownership of the means of production. The capitalists, as owners of the means of production, are the upper class; they make decisions regarding the use of the means of production."[7] Today, the upper class is a bunch of wage earners.

The question of how to classify highly paid workers is an old one: do they fall in the capitalist camp or the worker camp? Generations of historians, development experts, sociologists, economists, and labor scholars, Marxist and non-Marxist alike, have wrestled with how to parse out who benefits from capitalism and actively or passively wants to see it continue and who could be convinced that they'd be better off with socialism. We've given these high-paid workers in "contradictory class locations" many names: salaried bourgeoisie, managerial bourgeoisie, and so on, but we've never come up with a pithy solution to the conundrum.[8]

However, most scholars, and not just radicals, agree that a deep, structural divide separates the ruling class and the working class. The ruling class privately owns the means by which ordinary people make their livelihood. They decide to create or not create jobs. The rich reproduce themselves and hoard opportunities and resources through closed networks and backdoors to power. The working class does not; the only way it gains power is by collectively refusing to reproduce the system.

D-L aren't satisfied with this understanding of class. They are frustrated that even though "the main social split is nowadays between lower and higher wage earners, and increasingly so in conformity with the rise of managers, the resistance to the development of a new analytical framework remains very strong in the left."[9] They see the skew in the income of the upper class towards wages rather than capital as fundamentally important: It's not capitalism if the richest people are getting rich primarily from wages instead of capital.

Setting aside the debate about whether we can neatly distinguish between wages and capital income in this era of financialization[10] (particularly given the post-2008 "recovery" policies of the US Fed), does the purported shift to wages as the lifeblood of the ruling class mean we're no longer in capitalism, or that we're transitioning to a new mode of accumulation? How much capital does one have to own to be a capitalist?

D-L joke about "circles of stricter or looser Marxist obedience"[11] but in morphing class and centile they've resuscitated old debates. It may very well be that the ruling class is now living on wages more than it did in the past but that doesn't mean the divide between the rich and poor has blurred or become more permeable. Class is not reducible to asset classes, income streams, or the skills one brings to the marketplace. Class is about the power of elites — elites who actively reproduce their class power through relationships, networks, and institutions.[12] The rich have prospered since the 1970s while the working class has seen its power reduced to pre-New Deal levels. The ever-widening gap between the rich and the rest (regardless of our Polanyian daydreams of a leftward swing) demonstrates this better than anything.

Capitalism, as an historical system, has evolved over time and by extension so has the makeup and networks of its ruling elite. D-L show this in fascinating detail in their chapter on class and imperial power structures. Drawing from the Orbis 2007 marketing database they diagram the global network of ownership and control, highlighting both the persistence of a dense Anglo-Saxon global network and how “the management of the ownership of the large economy is basically in the hands of top financial management.”[13]

But at the risk of beating a dead horse, we shouldn’t lose sight of the fact that, despite significant reorganization, the driving imperatives of capitalism to demand competition, to commodify new spheres of life, and to prioritize profit above all else have remained the same. How the ruling elite gets its succor has not changed these imperatives, at least not yet.

This is why many on the Left are resistant to a new framework, not because we cling to the idea that the ruling class must be solely or primarily owners of capital assets, but because the driving imperatives of capitalism haven’t changed. The ruling class is simply finding new ways to cement and reproduce its power as capitalism evolves.

D-L aren’t just concerned with fixing Marx’s theory of class to properly account for the role of managers in accumulation. They also want to show how managers could be central to building a better world. They do this by emphasizing the part of Marx’s theory of history that *was* right, in their opinion: the fact of increasing sociality — increasing bureaucratization and rationalization of governance and production. This is the second major thrust of the book.

D-L pull together the threads of Marx and Engels that underscore a “tendency towards rising degrees of sociality, or equivalently, socialization, notably the socialization of production associated with the advancement of productive forces.”[14] They agree with Marx and Engels that capitalism is the “great architect of gradually more sophisticated and ‘efficient’ economic and, more generally, social relations.”[15] They characterize increasing sociality first by “the technical aspect of production and the corresponding division of tasks, within firms and among industries” and second by the increasing “organizational role of central statal or para-statal institutions both domestically and internationally.”[16]

This background process of socialization is central to the authors’ analysis. They say that over time capitalism has engendered increasing complexity in tasks, technology, and production processes, and the needs of governance have become more variegated and demanding (as the state has increased its reach and capacities), increasing the need for, and power of, managers. The old system, D-L contend, in which “ownership is transmitted within family relationships by inheritance or marriage” just doesn’t cut it any longer.[17]

Today "individuals are located within distinct positions depending on their skills. A variety of tasks has to be performed; there is a division of labor within firms, as well as among firms connected by markets or interacting through given forms of central coordination or organization."[18] Managers have become "the key agents in the progress of organization" and they get where they are through hard work and skills, not inheritance. As a result they value meritocracy.[19]

The ascension of meritocracy over inheritance, D-L argue, was already visible in the post-WWII period when "the advance of managerial traits, associated with the rise of the new relations of production, gradually dismantled the foundations of capitalist practices as well as the ideologies of the private ownership of the means of production, including its hereditary transmission, under the banner of meritocracy."[20]

Today, meritocratic ideals hold even more sway. Meritocracy is the guiding narrative of the knowledge economy, of the Information Age, of the Silicon Valley "disruptors." Advances in science, medicine, business, and finance have made higher education more important than ever. Good jobs require great credentials. All this feeds not only the growth of managers but also the "ideology of meritocracy" which D-L say increasingly "substitute[s] for the values of ownership."[21]

D-L place great emphasis on this background evolution of increasing sociality, both because they think it has made society better for everyone (a knowledge-based economy is assumed to be better) and because it imbues the emergent legitimating framework of managerialism with a skew toward meritocracy rather than heredity or a might-makes-right logic: "Given the enhancement of, notably, social interaction and education, the monopoly of social initiative on the part of minorities [elites] would become more and more difficult to sustain along the course of a managerialism sufficiently bent in a direction of social progress."[22]

D-L say the centrality of meritocracy in today's society holds the promise of "building a dignified future on the most progressive traits of managerial modernity."[23] Skilled, smart people will prosper in managerialism. With a bit of elbow grease, and a lot of studying, anyone can be anything. The American Dream might just come true after all.

While meritocracy instead of inheritance certainly sounds appealing, it doesn't quite fit reality. Most wealth, at least in the United States where D-L concentrate their analysis, continues to be transferred from elite parents to their elite children, and is highly skewed according to race, class, and gender. The United States might have the richest wage workers, but it has the least amount of intergenerational mobility.[24]

Perhaps a manager-led economy will evolve toward meritocracy in the future, given the knowledge and skill requirements of modern-day capitalism? It's possible, but it doesn't seem likely given the current trajectory. The world built and championed by the "boy kings" of Silicon Valley and Wall Street rainmakers is a world defined by exclusion and hyper-competition. The most "advanced" sectors create the fewest good jobs. Young people are more educated, more productive, more hard-working than ever, yet they are worse off than their parents or grandparents.[25] The knowledge economy is an economy that doesn't need or want most people's knowledge, particularly the knowledge of poor people and people of color.[26] Ordinary folks are increasingly consigned to tending to the wealthy and shopping. If they can't service or consume they are ignored, warehoused, or killed.

The meritocratic ideals of the managerial ruling class, to the extent that they exist at all, will not trickle down to spur a more equitable society.

Duménil and Lévy are no Pollyannas. They acknowledge that a world run by managers could be just as bad as capitalism. They say the trend of increasing sociality has created the potential for a more equitable society, and that, despite our losses during the neoliberal period, we're in a better place than many believe. All the hard work of the popular classes hasn't been in vain because "century after century gains accumulate."[27]

D-L are counting on ordinary people to, through "patient conquests" and "obstinate class struggle," sway our managerial overlords to our side — to "bend them to the left." They say "bifurcations" are moments of contingency. For example, in the 1970s crisis they argue that there was nothing "that required a transformation of the postwar compromise to the benefit of the alliance between upper classes in neoliberalism."[28] Following Marx, they contend that "circumstances were created, but the outcome, that is, the determination of one specific configuration of class alliances and domination, remained contingent and determined by political circumstances."[29] Today they see a similarly contingent moment. To seize the gains we want they implore us to look back to when things were the best for the American working class and to rebuild the Keynesian compromise.

The Keynesian era, D-L contend, represented a "new hierarchy of class powers" and a "new social order" that "was the expression of a political compromise between popular classes and the rising classes of private and public managers." Under this social order, "based on an alliance between managers and popular classes, exceptional degrees of 'democracy' were … reached." [30]

D-L are right that there is an opening today. But looking back is not the answer. The postwar compromise was shaky, exclusionary, and riddled with contradictions at its peak. The bosses never gave in. They fought the whole time. The only thing that kept the compromise alive was the threat posed by the Soviet Union, the space for profitable economic growth after the devastation of WWII, and the power of organized labor and mass social movements — a power so great it made ruling elites quake.[31]

The 1970s was a crossroads. In that moment of profound crisis workers and social movements demanded deeper, more radical change to push beyond the contradictions of Keynesianism. The ruling class was faced with a choice. It could have gone with the workers, instituting real industrial democracy and meaningful redistribution. It didn't. Elites opted to side with capital, to circle the wagons rather than manage away capitalism.

In doing so elites left us with a powerful lesson — a takeaway that is the opposite lesson from *Managerial Capitalism*. Beyond a certain point the rich will never vote away their wealth and power. When push came to shove in the seventies, highly paid professionals knew which side their bread was buttered on. There is no reason to believe that this time around will be different, that the managers will be able to, or choose to, use their position to manage away capitalism. Why would someone making half a million dollars a year side with someone making thirty thousand? A shared belief in meritocracy?

None of this is to say that D-L's analysis isn't valuable. They expertly demonstrate how global capitalism has evolved as a historical system. It has become more rationalized and bureaucratized. The pathways through which the capitalist class accumulates wealth and reproduces itself have shifted. But the fundamental drives of accumulation, of gaining and reproducing power, have not changed.

Correspondingly, the role of the working class has not changed. If we want a better world, it's up to us to make it. Duménil and Lévy are right that there will be no natural progression to socialism, but the Left has known this for a long time. We keep the red flag flying anyway — to rein in our bosses, to fight injustice, to build a better world here and now.

Notes

1. Gérard Duménil and Dominique Lévy, *Managerial Capitalism: Ownership Management and the Coming New Mode of Production* (London: Pluto Press, 2018).

2. d-l, 11, 15.

3. d-l, 14.

4. d-l, 91.

5. d-l 11.

6. d-l, 224.

7. d-l 53.

8. Some examples: Erik Olin Wright, *Classes* (London: Verso, 1997); Slavov Zizek, *The Year of Dreaming Dangerously* (London: Verso, 2012); Richard Sklar, "The Nature of Class Domination in Africa," *Journal of Modern African Studies* 17, no. 4 (1979) 531-552.

9. d-l, 84.

10. Michael Roberts addressed this in his review of the book, "Managers rule, not capitalists?" *Next Recession Blog*, April 29, 2018.

11. d-l, 29.

12. Sam Gindin and Leo Panitch, "Marxist Theory and Strategy: Getting Somewhere Better," *Historical Materialism* 23, no. 2 (2015) 3–22.

13. d-l, 122, 125.

14. d-l, 41–2.

15. d-l, 41–2.

16. d-l, 48.

17. d-l, 53.

18. d-l, 43.

19. d-l, 44.

20. d-l, 215.

21. d-l, 54.

22. d-l, 216.

23. d-l, 212.

24. Miles Corak, "Income Inequality, Equality of Opportunity, and Intergenerational Mobility," Discussion Paper No. 7520, Bonn: Forschungsinstitut zur Zukunft der Arbeit (July 2013).

25. Malcolm Harris, *Kids These Days: Human Capital and the Making of Millennials* (Boston: Little Brown and Company, 2017).

26. William Darity, "The Undesirables, America's Underclass in the Managerial Age: Beyond the Myrdal Theory of Racial Inequality," *Daedalus*, 124, no. 1 (Winter 1995): 145-165.

27. d-l, 214.

28. d-l, 154.

29. d-l, 154.

30. d-l, 99–100.

31. See for example, Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London: Verso, 1994).