Organizational Revolution

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The emergence of the managerial class began at the beginning of the 20th century, when a new historical factor, the Organizational Revolution, marked the shift of the basic unit of production from families and family businesses to large private corporations. Or, in Harry Magdoff's terms, when capitalism that was characterized by small, dispersed competitive units came to be characterized by large concentrations of economic power on the industrial and financial scene.[1] Capitalism, however, would only become managerial in the 1940s, after the Great Depression. In liberal capitalism, entrepreneurs were at the centre of the stage, but from the turn of the 20th century capitalism ceases to be competitive and becomes monopolistic. It was the time of the steel industry, the oil industry and the chemical industry. In the United States, it was the time of the "robber barons" who created monopolies, innovated, and commanded the country's economic development from the Civil War to the Great Depression. I am referring to businessmen such as Andrew Mellon (oil and finance), Andrew Carnegie (steel), John D. Rockefeller (oil) and Cornelius Vanderbilt (railways, water transport), who engaged in unethical and illegal business practices but promoted the development of their country.

In the first three decades of the 20th century, Henry Ford became an emblematic figure with his proposal for mass consumer capitalism, while a first top manager, Alfred P. Sloan, entered the economic history of the United States by directing General Motors (GM) and conceiving the matrix model of business organization. Later, during the epoch of managerial capitalism, other managers also became key figures of their time. I am referring, for example, to Charlie Wilson, the former CEO of GM who famously said, "What's good for GM is good for America," and later became President Eisenhower's Secretary of Défense. I am also referring to John F. Welch Jr, who was the prestigious chairman and CEO of General Electric between 1981 and 2001.

The Organizational Revolution unleashed in the rich world the emergence of a third great social class alongside the capitalist and popular classes: the managerial class. The public techno-bureaucracy was already important before this time, but the discussion of a third class only began with the rise of this class in private corporations. Half a century later, with the crash of the New York Stock Exchange in 1929 and the Great Depression of the 1930s, the capitalist class lost some power, while economic liberalism lost legitimacy, making room for the rise of the managerial class to the status of minor partner of the ruling class.

In 1932, Adolphe Berle and Gardner Means published the results of their research on the separation of ownership from control of corporations in the book *The Modern*

Corporation and Private Property, which grounded studies on the rise of the new social class.[2] The separation of control and ownership made room for the new managerial class to become part of the ruling class, an emerging class sharing power and privilege with the bourgeoisie while competing with it. It was a kind of repetition of the secular rise of the bourgeoisie in which it became both an associate and an adversary of the ruling aristocracy.

In the 1970s, I published two articles on the rise of this new class.[3] In the 1972 essay on the rise of the managerial class, I used the Marxist concept of social class rather than the functionalist concept of social strata, but I did not discuss the respective new relation to production. I would only do this in my second essay on the techno-bureaucratic or managerial mode of production, which only became dominant in countries like the Soviet Union and China, which carried out a socialist revolution but soon became statist, as we will see in Chapter 10.

The rise of a new class

The rise of the managerial class was a gradual process in the capitalist countries, but sudden in Russia, with the Soviet Revolution of 1917, and in China, with the conclusion in 1949 of the Independence War or the Chinese Revolution. In the advanced capitalist countries, the managerial class rose in the private corporations, but it also thrived in the state, for, after the Great Depression, the state grew to become a welfare state. Before 1980, it seemed that the managerial class would become the main ruling class alongside the capitalist class, but the Neoliberal Turn interrupted this historic transition for some time. The rentier-financier coalition and the neoliberal ideology that became dominant at that time aimed not only to reduce the wages of workers and employees, but also of managers.

Some new historical factors explain the rise of the managerial class and the turn from liberalism to developmentalism and social democracy that occurs at this time – the Golden Age of Capitalism. Four of these historical factors deserve to be highlighted. First, the Organizational Revolution that occurred and was consolidated due to a series of technical and administrative developments that made large-scale production more efficient, such as (a) the assembly line: automated production by a continuous process, automated production controlled by computers, as in the Japanese "just-in-time" system, and[4] robotic production; (b) the introduction of specific technologies, such as blast furnaces, into modern steel production, which require very high minimum investments; (c) the development of organizational techniques such as the model of functional-decentralized or matrix organizations created by Alfred Sloan in the early 20th century and classically described by Alfred Chandler (1962); (d) the development of additional administrative techniques, such as management by objectives, administrative competition between divisions of the same corporation, integration between assembly companies and suppliers using the just-in-time technique, and (e) the development of digital information systems and the establishment of internationally known brands through advertising.

Secondly, following Adolphe Berle and Gardiner Means, the separation of control and ownership of corporations as a result of professionalization. Several studies followed that confirmed this view.[5] Other studies, such as those by Maurice Zeitlin, emphasized minority control, John Scott studied Scottish corporations, and Jorge Niosi studied Canadian companies. These three studies rejected the managerial thesis, but failed to prove the historical bias shown by Berle and Means to be false.[6] Today, the separation of ownership and management in large corporations is consensual.

Top executives have replaced businessmen in the management of corporations, but not in their ownership. This second separation would only happen within the framework of neoliberalism (1980-2020), when the rentier capitalists replaced the entrepreneurs in the ownership of the corporations, but did not take control of the corporations, which still fell to the top executives. However, as Scott and Zeitlin emphasize, control through a "constellation of interests" and through minority control, in which a group of shareholders retains effective control of the corporation, remains significant. Even when there is effective management control, managers are still the formal representatives of shareholders. Moreover, the logic of their actions does not change entirely, since corporations operate in a capitalist market and must make a satisfactory profit.

Thirdly, technical and organisational knowledge has become the new *strategic factor* of production, based on intellectual knowledge and not just on practical knowledge. According to John K. Galbraith, power belongs to whoever has control over the factors of production that are scarce at the margin. Given this definition, the new strategic factor of production is technical and organizational knowledge.[7] Daniel Bell, for his part, noted that technological innovation no longer has a dominant empirical basis.[8] Theoretical or scientific knowledge has now become more important for business decision-making. These two new historical factors are linked. On the one hand, new techniques save more and more capital and are more technologically sophisticated. As a result, the price of capital goods falls relative to their productive capacity, while the technical knowledge embodied in them becomes more sophisticated. In the computer industry, for example, hardware has become cheaper, while software has become more expensive. On the other hand, this technical development is beginning to cease to have only an empirical basis. Until the end of the 19th century, for example, decisive innovations such as electricity and the telephone had only an empirical basis. Today, it is almost impossible to have a major technological breakthrough without a solid scientific foundation.

Fourth, economic development has become an *explicit* goal of modern societies, and the state has assumed the primary responsibility for achieving this goal. Marx and Engels, in *The Communist Manifesto,* said that historically, people don’t set goals for themselves unless they have a chance to achieve them. This is particularly true in relation to economic development. It was only in the second part of the 20th century that economic growth became an explicit and larger goal of societies. This was possible when modern societies understood that through deliberate state action and long-term economic and social policies, it was possible to promote growth, raise living standards, and achieve some reduction in inequality.

In the third quarter of the 19th century, Germany and Japan demonstrated the important role of the state in promoting economic growth. Analysing the backward industrialization of Eastern Europe in this period, Gerschenkron developed a theory that the later industrialization was in relation to the industrial revolutions in England and the United States, the greater the role of the state. In the 1930s, Keynesian economics, and in the 1940s and 1950s, development economics, provided countries with practical policies to achieve economic stability and growth.[9]

These four historical factors explain the rise of the managerial class and the configuration of the social, democratic, and developmental Golden Age. In the words of Alfred Chandler, the "visible hand" of management has partially replaced the invisible hand of the market.[10]

Managerial or knowledge capitalism?

I don’t distinguish managerial capitalism from knowledge capitalism. This last expression came later, but in the definition of techno-bureaucrat that I use, he is the bearer of technical and organizational knowledge. Since World War II, the world has experienced an unprecedented technological development – the Information Revolution – that continues and gains momentum in the 21st century. I understand that managerial capitalism and knowledge capitalism are practically identical, but we can see knowledge capitalism as the second stage of the rise of managerial capitalism, because it supposes corporations in which professional managers are in charge, but where information specialists and other specialties are networked and have considerable power.

Knowledge capitalism originates from John Kenneth Galbraith’s (1967) identification of knowledge as a new strategic factor of production and Peter Drucker’s proposal to describe contemporary capitalist societies as the "knowledge society" (1978).[11] Knowledge has empowered its holders since the beginning of the 20th century, but the Information Revolution has produced an extraordinary increase in the amount of information available and has enabled new and significant advances in the automation process, including robotization and the development of artificial intelligence. With the Neoliberal Turn, the neoliberals attacked managers and organized capitalism, but not technologically savvy specialists. Making this distinction, we have a managerial phase, which was behind the rise of large corporations and the rise and complexity of business management literature, and a knowledge phase grounded in information technology.

In Marx’s time, capital – understood as machinery or fixed capital – was essentially and effectively the strategic factor of production, and the accumulation of fixed capital was the dynamic factor of development. In knowledge capitalism, this is no longer the case. The introduction of digital technology represented a qualitative leap forward from the old mechanical technology. The mastery of technology by a relatively small number of human beings has given increasing importance to their highly specialized work, while we now have to distinguish material from non-material or intangible capital – the latter being understood as human capital, research and development, and intellectual property. Following Abramovitz and David, who used the concept of “total factor productivity” as a tool to distinguish how much of the increase in productivity comes from capital and how much from technology, we can understand technology as knowledge capital, which accounts for about 70% of the increase in productivity in the United States.[12]

The concept of the "knowledge-based economy" or "intellectual capital" introduced by Galbraith and Peter Drucker received more contributions from economists and sociologists associated with the French school of regulation[13]. These studies show why knowledge has become even more strategic, meaning that the pace of scientific discovery applicable to production is increasing geometrically. El Mouhoub pointed out that knowledge capitalism followed Fordism and noted that it is associated with an increase in non-material consumption, and especially with a "productive cognitive logic" that would not have replaced Taylorist logic but would have added to it. This, in turn, would also have changed, becoming more flexible. And he concluded: "knowledge becomes the primordial input: its production and its control obey a cumulative logic that engenders growing inequalities between individuals and between territories."[14] El Mouhoud and Plihon argued that, despite the radical financial speculation with which financialization is associated, "financial systems have made it possible to value and finance the knowledge economy."[15] The exchanges funnelled the financiers’ capital to today’s leading companies and digital platforms – Google, Facebook, Amazon, Alibaba, Microsoft, Apple, Huawei, Netflix, Tencent – guaranteeing them capital while they were not making profits. However, the expected rate of profit and the expected appreciation of this capital were enormous.

Whereas at the beginning of the First Industrial Revolution, machines were simple imitations of manual production processes, and production techniques were greatly simplified so that workers with only elementary education could master them, after the Second Industrial Revolution – which coincided with the Organizational Revolution – the new machines required engineers to control them. With the Information Revolution, machines became so complex that not even engineers trained in institutions of higher learning could handle the tasks, tasks that often required highly specialized engineers and scientists from graduate programs who were supposed to work as a team of technical experts. In its first phase, the Information Revolution was the revolution of the computer, personal notebooks, and automation. In a second phase, the revolution was the internet, large digital platforms, Wikipedia, nanotechnology, quantum computing, the Internet of Things, autonomous vehicles and artificial intelligence.

In a 2005 report by the United Nations Department of Economic and Social Affairs, there is the idea of a knowledge society characterised by the "mass production of knowledge". But it is debatable whether the revolution in information and communication technology has produced much knowledge, because what has been massively produced is information and big data. The technological revolution represented by information technology, the internet and more recently artificial intelligence has been remarkable, but historically we know that, since capitalism was born, it has been characterized by accelerated technical progress. The fact that this progress has for some time been spectacular in relation to information and communication, and that the production of intangible goods or tradable "contents" has become a reality is impressive, but it has not changed the nature of capitalism.

With the Information Revolution, technologically sophisticated services have gained greater weight in the economy, but they have not changed the nature of capitalist-managerial corporations. These are capitalist-owned organizations that are entitled to dividends but are collectively managed and controlled by managers who are compensated with salaries and bonuses. They are corporations focused on capitalist profit and the managerial expansion of bureaucratic positions. The accumulation of capital incorporating technical progress is the condition for the survival of enterprises in any historical form of capitalism, liberal, managerial or knowledge. In Chapter 3 in which I discussed the phases of capitalism, I did not distinguish two phases, one managerial, the other knowledge. Instead, I defined a capitalist-managerial phase and a managerial-capitalist phase, both of which have the neoliberal phase in the middle.

The Information Revolution is far from over. It continues to change everything and drive the rise of the managerial class. The works of Randall Collins and Paul Mason, among others, emphasize this fact.[16] The Neoliberal Turn reduced the political influence of managers, but not their economic and social relevance. This is one of the explanations for the rise of Managerial Democratic Capitalism that I will discuss in Part V of this book.

The next ruling class is always a third class

The fact that the managerial class, not the working-class, is replacing the bourgeoisie at the helm of societies is not so surprising if we consider that, historically, the dominated class does not become the ruling class in the next mode of production. Slaves did not become masters after the collapse of slave empires, nor did serfs become rulers after capitalism replaced feudalism. The new dominant group usually arises from a separate class: a third group that differentiates itself from the rest of the dominated classes. If this third group takes control of the new strategic factor of production that is emerging, it will become the new ruling class in the new form of social organization.

In the transition from feudalism to capitalism, the bourgeoisie was a third class that originated from the serfs of the feudal system. By the 10th century, when France, England, and Belgium developed a technology that transformed economic agriculture into uplands (essentially ploughs with metal blades), these countries created economic surpluses that allowed for the construction of medieval cathedrals, the development of trade, and the rise of the bourgeoisie. The bourgeoisie then differentiated itself from the serfs, defining its own space within the structure of production, creating a differentiated socioeconomic group, and adopting its own values, beliefs, customs, and standards. This bourgeoisie was far from being the dominated class. It served the aristocracy while strengthening itself politically and economically. Economic interests prevailed over political ones, but both eventually converged. There was a class struggle between the emerging bourgeoisie and the decaying aristocracy, but this struggle was not always clear or well-defined. On many occasions, the bourgeoisie actively cooperated with the aristocracy, insofar as this cooperation even served the interests of the aristocracy. For the formation of nation-states, the absolute state was, essentially, the materialization of a coalition of classes associating the monarch, the patrimonialist courtesans and the upper bourgeoisie.

Since the capitalist-managerial phase, it has not only been the businessmen who have lost relative power, it has also been the working class. As the process of mechanization and automation has advanced, the number of unskilled workers in the manufacturing industry has decreased in both relative and absolute terms. This is one of the reasons why, since the 1970s, we have witnessed the decline of the working class, while managers have replaced entrepreneurs in the management of corporations.

Managerialism was never a utopia and therefore did not appeal to progressive intellectuals. Liberals also rejected it because they were identified with businessmen and opposed developmentalism, that is, moderate state intervention in the economy. The socialists rejected it because they hoped and worked for the socialist revolution. Over the past 150 years, the most generous and morally legitimate aspirations of many intellectuals have been devoted to the cause of socialism. Eventually, many socialists supported the creation of the welfare state and the managerialism that came with it, although they did not expressly admit it.

The century of the new middle class

According to the Marxist tradition, the relations of production (in capitalism, the ownership of capital) define social classes. Thus, we would have only two fundamental social classes – the bourgeoisie and the working class – and the class struggle, together with technical progress, would be the dynamic factor behind it. Things became more complex as the managerial class emerged. The answer given by the American functionalist sociology of Talcott Parsons and Lloyd Warner was a class theory in which social strata were identified as social classes. These sociologists were based on a supposed Max Weber's "functionalism," which never existed.[17] Weber just had a class theory different from Marx. Social classes would also be strata or social strata, not defined by the relations of production, but by income, education, and social prestige.

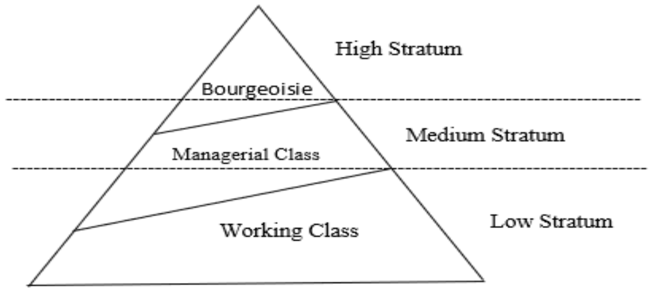

Figure 7.1: Strata and classes under capitalism

To understand contemporary capitalism, we must consider the *new middle class*. Using the concepts of classes and social strata, we can see in Graph 7.1 how the two concepts can be summarized in a graph. The lower stratum is occupied almost exclusively by the working class, where the employees are also employed. In the middle stratum, in addition to the middle class of property owners, we have most of the managerial class or the new middle class. The upper stratum, on the other hand, is formed mainly by capitalists, entrepreneurs or rentiers.

Erik Olin Wright, who has extensively studied social classes from the point of view of Marxist political economy, observed that class analysis should include the structural complexity of modern societies, especially the middle classes.[18] John E. Goldthorpe has previously made a similar contribution from a Weberian perspective.[19] My answer to this is that a pragmatic combination of social classes and social strata allows for a better understanding of the social structure of modern societies. Figure 7.1 illustrates this. We have three strata (low, middle, and high) separated by horizontal lines, and three social classes (working class, middle class, and bourgeoisie) separated by diagonal lines, which allow each social class to be in two social strata. To make things more complex, in the capitalist class we have the top businessmen and the middle ones and the top rentiers and the middle rentiers; in the managerial class, the upper and middle managers, and in the working class, the middle and low-skilled working class. College-educated managers and middle entrepreneurs make up the upper middle class, or the traditional middle class, which tends to be associated with the upper capitalist class. This, however, is not the only truth. In France, middle-class civil servants and intellectuals who are part of the managerial class show a greater commitment than the popular classes to the demand for equality and to the centre-left tradition.[20]

We can say that the 19th century was the century of the working class and the idea of socialism, while the 20th century was the century of the middle class and the reality of managerialism. Göran Therborn recently suggested that the 20th century was the century of the "middle-class dream" – of a social class defined by its consumption, not by its relations of production, which would be a guarantee of democracy and political moderation. The 19th century, in addition to being the century of the working class, was also the century of a small upper middle class, of the university-educated middle bourgeoisie which, in 1829, James Mill defined as "the wisest and most virtuous part of the community."[21] The 20th century was the time of the new middle class: the managerial class.

Considering the growing complexity of the social structure, Klaus Eder understands that we see “the increasing decoupling of class and collective action”. He does not mean that social classes have become politically irrelevant in modern capitalism, nor that collective action has become independent of class structure. He argues that "culture" (which he defines as "any kind of symbolic expression that gives meaning to the world, to society and to oneself") is the intervening variable between class action and political action.[22] Eder does not add anything new to class theory. His definition of culture corresponds to the definition of ideology, as we well know from the definitive contribution of Marx and Engels in *The German Ideology* and of Gramsci in *the Prison Notebooks*. Eder brings Pierre Bourdieu and his theory of social classes to the fore. Bourdieu defines the ruling class by the ownership of cultural and economic capital and by a refined aesthetic taste that expresses itself in the capacity of each individual and family – given their cultural capital and education – to conceive of the world in terms of their distance from a lower and less prestigious social class. It is an approach that combines the Marxist approach and a functionalist approach to social class. [23]

Jean Lojkine criticises Bourdieu in this matter. For him, the notion of the term "cultural capital" that Bourdieu uses reduces the working class to consumers and a question of income distribution. And it adds that:

> the old class frameworks of social representation do not hold anymore; 'working class', 'managers', 'middle-class' – these categories don't explain satisfactorily the imbrications of the working class and the rest of the salaried classes with the information technology and the process of precarization of labour. [24]

In fact, technological change, class struggle, as well as identity struggles and the demand for recognition are permanently changing the arrangement of social classes. The emigration of the poor to advanced countries, for example, which accelerated in the 1990s, had this transformative character.[25] Immigration has involved the crisis of social democratic political parties, because white middle-class workers switch to conservative parties for fear of losing their jobs to immigrants. Considering the United States, Matthew Karpp recently observed that "the movement of poorer, less educated voters toward the Republican Party, and the parallel migration of wealthier, more educated voters toward the Democrats—political scientists call these 'class misalignments.'"[26]

The social structure of contemporary capitalism is not only economic; There are also hierarchies of prestige, different lifestyles, and the position held by each individual in public and private organizations. Leading sociologists have sought to include these additional dimensions in their analyses of classes. Norbert Elias worked with the concept of 'etiquette', and Bourdieu worked with the concept of 'habitus', which enriched sociology. They showed how the elites distinguish themselves from the rest.[27] A major research on the British social structure that Mike Savage conducted in 2011 reflected this complexity.[28] Seven social classes emerged from the survey. He used income, economic capital, social contacts, or social capital and cultural capital as criteria for distinguishing social strata. tag.

But when inequality rises dramatically, as it did in advanced countries and particularly in the United States during the neoliberal years of capitalism, the middle class shrinks, discontent rises, society is divided and suffers an endemic crisis. Peter Temin, who authored a book with a significant title, *The Vanishing Middle Class,* shows that "the middle-class defined as the households earning from two-thirds to double of the median American household income, went from earning over three-fifths of total national income in 1970 to earning only just two-fifths in 2014"[29] He uses this data to conclude that American society has become a "dual" or highly polarized society. At the end of the book, he adds information about other countries where the same phenomenon can be seen, although less pronounced than in the United States.

Robert Perrucci and Earl Wyson, who authored an excellent book on social class in the United States, decided to divide American society into just two social classes: the privileged class, made up of the richest 20 percent of families who owned 91 percent of the country's financial wealth, and the working class, made up of 80 percent of Americans but who owned only 9 percent of financial wealth. In doing so, they have gotten rid of the middle class, which can convey the idea of a well-ordered society in which the middle class is a large stratum that "encourages the acceptance of the enormous material inequality existing in American society", while searches to maintain alive the false "American dream" of a society endowed of high social mobility in which "everyone may become rich and famous."[30] Recently, Göran Therborn confirmed critically this view and added: "in today's discussion, the middle-classes are overwhelming defined in terms of consumption." [31]

Capital and Organization

The rise of the managerial class was the subject of much debate in the 1970s. Marxists originally rejected the idea of a new class not foreseen by Marx, either because they did not accept that communist countries had become statist, or because they were reluctant to admit that a new class had come between the capitalist class and the working class. In practice, Soviet statism collapsed, while within capitalism, the new class became an undeniable reality.

Paul Sweezy rejected "the illusion of the managerial revolution", but in *The Post-Revolutionary Society* he adopted a more realistic position. In this book, in which he acknowledges the existence of a new ruling class in the Soviet Union based on the control of state organizations, Sweezy does not make the theoretical link with a corresponding new managerial middle class in the capitalist countries. However, once the emergence of a new class in communist societies was recognized, it made no sense to deny the existence of a new managerial middle class in capitalist societies, both in public and private bureaucratic organizations. [32]

Eventually, the Marxist position against the rise of a third social class was overcome. The weight of evidence has prevailed over the orthodox belief that the alternative to the bourgeoisie is necessarily the proletariat. An expression of this fact is Val Burris's assertion that, "unlike intermediate groups, such as the petty bourgeoisie, this new middle-class does not exist as the receding periphery of capitalist production but emerges within the very centre of capitalist economic relations"[33] In the same vein, Harry Braverman recognized the existence of a new middle class that occupies an intermediate position between the bourgeoisie and the workers in the process of capital accumulation.[34]

With the rise of the managerial class, the bourgeoisie first rejected and finally associated itself with the new class. The replacement of businessmen by top executives in the management of corporations began in the late nineteenth and early 20th centuries, but the capitalist class still remained strong for a century. According to Maurice Zeitlin, "bureaucratic management does not mean bureaucratic control; it is necessary to consider the control centres at the top of the system or outside the bureaucracy itself."[35]

In managerial capitalism, capitalists and managers share power, privilege, and consumption habits, and at the same time compete with each other to obtain a larger share of that power and privilege. They are two distinct classes and not, as Zeitlin suggests, "members of the same social class." For this statement to make sense, it would be necessary to ignore the historical roots of these two social classes, the different relations of production that gave rise to them and the different logics that animated them. For the capitalists, this logic was the logic of capital, innovation, and profits, and for the managerial or techno-bureaucratic class, it was the logic of organization, of expanding the number of managerial positions and of salaries against salaries and bonuses. [36]

Today, the discussion about the new class is over. It is impossible to ignore or reject the emergence of the managerial class and the corresponding relations of production. Under capitalism, capital – the private ownership of the means of production – is the specific relation of production. In managerialism, the specific relation of production is "organization"—the collective ownership of the means of production by techno-bureaucrats. Whereas in capitalism the bourgeoisie is the ruling class, in managerialism the respective ruling class is the managerial class. When a social formation is 'purely' managerial, it is 'statist'. The Soviet Union and the other "communist" countries were examples of statism, because the bourgeoisie had been expropriated and the only ruling class was the managerial class. When we have the two ruling classes together in the same social formation, but the capitalist class is the ruling class, we have managerial capitalism – the Golden Age of Capitalism. When the managerial class becomes the dominant social class, although the bourgeoisie continues to exist, we have managerial developmentalism – a transition from capitalism to managerialism – which prevailed in the Golden Age and, after the collapse of neoliberalism, is now back as we will see in Chapter 25.

In the capitalist-managerial phase, the managerial class is part of the ruling class, but the main ruling class remains the capitalist class. When this hierarchy is reversed and the ruling class is the managerial class, we have the managerial-capitalist phase that is happening today, in 2024, after the slow collapse of neoliberalism from 2008 to 2020, a phase that I will discuss in Chapter 23. Managerialism will never be "pure" managerialism, just as capitalism has never been "pure" capitalism; it always involves class coalitions. In the Soviet Union, the social formation was so close to the form of social organization that I call statism or managerialism without adjectives. In the phase managerial-capitalist and democratic in which we are in since the collapse of the neoliberal rentier-financier coalition, the managerial class is in the process of becoming the main *ruling* class, although the capitalist class remains the *dominant* social class.

In both capitalist and managerial social forms of organisation, the two relations of production are present: capital, the private ownership of the means of production by the capitalist class, and the organization, the collective ownership of the means of production by the managers. As the strategic factor of production shifts from capital to technical and administrative knowledge, the organization tends to become the main relation of production. Social formations involve class coalitions. In rentier-finance neoliberal capitalism, there was an attempt to expel the managerial class from this position, but this was unrealistic and failed. Now, in the managerial-capitalist phase, the managerial class has become the first class, while the capitalist class takes the second place.

The manager is a type of specialist who controls or "owns" the bureaucratic organization. Unlike in 19th century liberal capitalism, where the capitalist directly owned the means of production – i.e., capital – in managerialism, the manager only owns the means of production through organization. The organization has the means of production, raw materials, and working capital necessary to create jobs, manufacture goods, and provide services. The specific form of ownership of managers, i.e., their effective control over the organization, is not exercised individually, as in classical capitalism, it is exercised collectively by a group of managers. For some time, neoliberalism halted the rise of the managerial class, but since the financial crisis of 2008 and the Covid pandemic of 2020, managers and state intervention are back.

We can think of three logics in modern societies: the logic of capital (profit and accumulation of capital), the logic of organization (expansion of organization and the occupation of hierarchical positions) and the logic of democracy (recognition and equality). And we can think of the respective main actors: the bourgeoisie, the managerial class, and the popular classes. The two ruling classes are recurrently in conflict for power and the appropriation of the economic surplus, which in capitalism is profit itself, and in managerialism it is high wages and bonuses. They are in conflict, but they know that they are interdependent and therefore share power and profits, with the more power-oriented and broadening bureaucratic techno-bureaucrats, and the more profit-oriented and luxury-oriented capitalists. While the capitalist's raison d'être is to accumulate capital and extract surplus value, the manager's basic motivation is to expand the organization; both are objective economic phenomena which stem, one from the logic of accumulation of capital, the other from the logic of organisation – both dynamic logics that imply growth.

Organization, as an abstract-concrete reality, is a web of relations between people and things that is formally established according to the rational criterion of economic efficiency. It is an arena for work and a platform of power or authority for managers. Marx taught that the foundation on which the capitalist form of social organization rests is capital, and it is a reified and fetishized commodity, transformed into a phantasmagorical object. In the case of the managerial mode of production, its foundation lies in the organization, authority, and legal rationality of Max Weber. Bureaucratic authority, like the commodity, becomes a fetish, besides its supposed rationality.

Managerial alienation is fundamentally an alienation from formal authority. The worker in the capitalism is alienated from his instruments of labor, from his own labor, as well as from its fruits, because his labor has been transformed into a commodity. The workers and wage-earning classes in the managerialism are alienated from their own individual intelligence, creativity, and abilities, because their work is subject to bureaucratic and fetishized authority. Their labor is no longer a commodity, but a productive input to be used in production. Their alienation is based on the fetishist nature of authority, which, combined with a system of incentives and sanctions, leads subordinates to obey the rules even when they reject them, or even when the rules don't make sense. It is significant to note that this bureaucratic alienation involves not only the workers but also the wage-earning classes. They are also victims of the fetishist nature of authority, insofar as they obey without knowing why, accepting even irrational higher authority as long as it is legally and formally defined.

In the 1977 article already referred to, I needed a name for the new relation of production appropriate to the new form of social organization that was emerging with the new managerial social class, and I called it "organization": the collective ownership of the means of production. Forty years later, in 2007, I was surprised and happy when I saw two illustrious French Marxists, Jacques Bidet and Gérard Duménil, use the word "organization" as the specific means of regulation of managerialism, while the market is the specific institution that regulates capitalism. After Marx, capitalism experienced a revitalization that "was supported by organizational devices" that were able to overcome the anarchy of capitalism and create organized or managerial capitalism. Our two authors continue:

> with the managerial revolution in the US, the ownership of capital under the form of financial capital was separated from its management" which was delegated to the professional managers. Thus, organisation is for the managerial class what capital is for the bourgeoisie. Yet, they understand that "the organisation is an ambiguous reality,

> and, so, they propose that the social relation or production parallel to capital is called "managerial relation".[37]

In the 1970s, when I adopted the claim that managers constitute a social class and the corresponding mode of production that was emerging was managerial or statist mode of production, Marxists rejected the ideal. Now many Marxist are adopting it. In a 2018 book, Duménil – now together Dominique Lévy, his permanent associate – deepen their idea of a mode of production, managerialism, and the respective social class, the "managerial class." They say:

> In the same way that capitalism is the mode of production whose upper class is the capitalist class, managerialism is a new mode of production whose upper class is the class of a mangers. While in capitalism the main channel of extraction of surplus-labour within capitalism follows from the hierarchy of wage inequality [38]

Today, it is clear that statism (or managerialism) is not a real alternative to capitalism, because it is inefficient. Managerialism implies a developmentalist form of economic organization of capitalism that, if competently adopted, will be efficient. The liberal form may be effective in making macroeconomic adjustments in the short run, but in the long run it is incapable of ensuring satisfactory rates of growth and human progress. In a predominantly managerial social formation, towards which capitalism is heading, I will argue that the capitalist class will still be present, and the market will still coordinate the competitive sectors of the economy, while the state will coordinate the non-competitive sectors. The political regime in the West will be democratic, because democracy has shown itself to be alive and strong when it has faced the internal authoritarian challenge of neoliberalism and right-wing national populism, and when it has faced China's external authoritarian alternative.

The legitimacy of managers is based on their technical competence and their ability to manage organizations efficiently. It is assumed that managers are able to continuously increase the efficiency of the organizations they manage. The assumption is that they have a monopoly on technical, organizational, and communication skills. In a world where the compensation of capitalists, managers, and workers depends on the overall productivity of the economy, those who demonstrate the ability to manage or advise bureaucratic organizations and to command the process of capital accumulation and innovation will control a substantial share of the national income. Thus, during the twentieth and twenty-first centuries, organizations, together with capital, become the central factor in capitalist societies. In modern societies, power and income depend on the control of capital and its management in organizations.

Change in the measure of capital

Ever since Marx defined capital, it has been clear that capital is not to be confused with the means of production or capital goods. Capital is the ownership of the means of production. But for Marx, it's more than that; it is the value in the process of valorisation. The new value created is wages to which surplus-value is added – the same concept of added value. The form of property guarantees the appropriation of surplus value by the capitalist.[39] Within this broad definition, however, the *measure* of capital has changed over time. I am not referring to the complex and inconclusive discussion of the 1960s between the two Cambridges about capital. Economics, in these debates, has moved closer to metaphysics—an approach that does not fit with my more historical and pragmatic concerns. I'm referring to the financial value of capital, the market value of companies on the stock exchanges. It is this measure of capital that financiers and rentiers are constantly evaluating. In the days of liberal-industrial capitalism, until the middle of the 20th century, a company's capital was measured by its net worth as it appeared on the balance sheet. Some corrections could be made, the value of intangible assets could be considered, the accounting valuation of certain capital goods could be adjusted, but eventually the value of the company was the sum of its total assets minus its liabilities.

For the early classical economists, capital was *circulating* capital and was essentially the ability to hire workers and paying them before the result of their labor could be sold on the market. For Marx, as well as for the neoclassical and Keynesian economists who lived in a time when fixed capital had become the dominant factor, while prepaid wages were no longer required due to rising living standards, and capital was primarily the ownership of plant and equipment. In recent times, when software prevails over hardware, and when operational knowledge becomes the strategic factor of production in corporations that reduce their fixed capital, capital is measured by the firm's ability to achieve profits in the present and near future. It is the expected profits in the coming years discounted that determines the market value on the stock exchanges.

The definition of capital measurement as the ability of the corporation to make profits does not only represent an improvement in the methods of analysis. There was a new historical factor that motivated such a change that was associated with managerial capitalism. First, because the knowledge embedded in the organization, its people and its software is, today, the most important asset of corporations. Thus, it makes no sense to measure the value of a company by its net worth. Secondly, after managerial knowledge became strategic, financial market analysts found every day that the value of a corporation varies drastically according to the *quality* of its management. A new CEO or a more competent, or incompetent, group of executives running a corporation can dramatically change its profit stream in a relatively short period. In these circumstances, the old concept of equity again ceases to make sense, while the discounted flow of profits becomes the only rational alternative. Thus, the discounted value of the profit stream, or the value of a corporation, depends heavily on the quality of its top management and its organization.

While top executive compensation—in the form of salaries, bonuses, and stock options—depends on the corporation's profits and value in the financial market, forging good results is a temptation that many can't resist. This perversely explains why abuse and corruption, particularly in the form of false accounting statements, as happened with Enron, have become so commonplace in contemporary managerial capitalism. This led Galbraith to speak wryly about "the economics of innocent fraud": the title of his latest book.[40] On the other hand, this strategic role of senior management, combined with a still limited supply of highly qualified managers, despite the enormous increase in graduate courses in business administration and related areas, and the marked acceleration of technical progress embodied in digital information technology, also explains the concentration of income that has characterized contemporary capitalist economies since the mid-1970s.

In addition to changing the way capital is measured, managerial capitalism or knowledge capitalism has opened up space for the definition of a new type of capital – human capital. The two neoclassical economists who formulated this theory, Theodore Schultz and Gary Becker, secured themselves the Nobel Prize in Economics.[41]And they deserved it, because, instead of just using the hypothetical-deductive method, they recognized the existence of a new historical fact: that knowledge had become similar to physical capital in importance, and that investment in education is how individuals "accumulate" such assets and derive gains or returns from them. What they did not underline was that the education of many individuals – the generalisation of education to an entire society – brings with it positive externalities, spillovers and crossovers that make room for innovation and increased efficiency at the social level, so that the total human capital created is greater than the sum of the capital accumulated by each individual.

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[1] Magdoff (2003, p. 41).

[2] Berle Jr. and Means (1932).

[3] Bresser-Pereira (1972; 1977).

[4] Daniel e Wormack (l985).

[5] Ver Goldsmith e Parmelee (1941) Robert Larner (1966); John Palmer (1972); Edward Herman (1981).

[6] 1974: Zeitlin Scott (1979); Niosi (1980).

[7] John K. Galbraith (1967).

[8] Daniel Bell (1973).

[9] Gerschenkron (1962).

[10] Alfred Chandler (1977).

[11] Galbraith (2967); Drucker (1968).

[12] Abramovitz and David (1996).

[13] Vercellona Worm (2003); Mouhoud (2003, p. 136); Moulier-Boutang (2007); Mouhoud e Plihon (2009: 9).

[14] Mouhoud (2003).

[15] Mouhoud e Plihon (2009).

[16] Randall Collins (2013); Paul Mason (2013).

[17] On the Weberian tradition, see Parsons (1940; 1960); Lloyd Warner (1953); Dahrendorf (1957); Lenski Jr. (1966).

[18] Wright (1989).

[19] John E. Goldthorpe (1968).

[20] For example, in 1956, the workers' delegates to the national congresses of the French Communist Party accounted for 58.8 percent. Today, they represent only 7.6% of the total delegates. Source: Martelli, Vigreux, and Wolikow (2020).

[21] Mill (1829) cited by Therborn (2020: 123-124).

[22] Eder (1993: 1).

[23] Marx and Engels (1846); Gramsci (1934); Bourdieu (1979).

[24] Lojkine (2006, p. 15).

[25]See United Nations *World Migration Report 2020,* Table 1*: International Migrants, 1970-2019,* p. 21.

[26] Karpp (2023: 138-39).

[27] Norbert Elias (1939), Bourdieu (1994).

[28] Savage (2013).

[29] Temin (2017: x).

[30] Perruci and Wysong (2008: 181; 38).

[31] Therborn (2020: 65).

[32] Paul Sweezy (1942), (1980: 147).

[33] Val Burris (1980: 18).

[34] Harry Braverman (1974: 407).

[35] Maurício Zeitlin (1989, p. 7-9).

[36] Among the first contributions to the subject, in addition to pioneers such as Berle and Means (1932), Bruno Rizzi (1939), James Burnham (1941), Cornelius Castoriadis (1949), Wright Mills (1951) and John K. Galbraith (1967), Peter F. Drucker (1968; 1993) and Bresser-Pereira (1972; 1977) stand out.

[37] Bidé and Duménil (2007: 64; 71; 91).

[38] Duménil and Levy (2018: 2).

[39] I owe those last two sentences to Rubens G. Sawaya.

[40] Galbraith (2004).

[41] Schultz (1961, 1980); Becker (1962, 1964).