America's New Economic Order

Donald Clark Hodges

AVEBURY

AMERICA'S NEW ECONOMIC ORDER

In Memory of
JAMES BURNHAM
(1905-1987)
Teacher and Mentor at New York University,
Washington Square College,
Before He Became a Cold Warrior

America's New Economic Order

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Contents

[The businessman] neither intends to promote the public interest, nor knows how much he is promoting it . . . he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote the end which was no part of his intention. Nor is it always the worse for society. . . . By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.

Adam Smith

There is no invisible hand. There never was. We must now supply a real and visible guiding hand to do the task which that mythical, nonexistent, invisible agency was supposed to perform, but never did.

Rexford Tugwell

The theme propounded here is that modern business enterprise took the place of market mechanisms. . . . In many sections of the economy the visible hand of management replaced what Adam Smith referred to as the invisible hand of market forces.

Alfred D. Chandler Jnr

Instead of Adam Smith's benign and mysterious 'invisible hand', what appears behind the curtain . . . is the all-too-visible and familiar hand of venal need and incompetent bureaucracy. . . . The theory of the free market works at the margins of the economy — among cabdrivers and the owners of pizza parlors.

Lewis H. Lapham

Preface

This work is an analysis and description of, not an ideological commentary on, American society today. To ask 'Is it capitalist?' we need a definition of capitalism, for example, an economy run by owners under conditions in which they pocket most of the benefits. Well, then, 'What is socialism?' Whatever it may be in ideal terms, it is a corporate or collective economy run by a privileged class of employees so that owners are no longer the main beneficiaries. Contrary to doctrinaire socialists with a moral or political axe to grind, this class does not consist of proletarians but of salaried managers and their professional staffs. Public property in the means of production obviously facilitates the transition from the old to a new order, but socialism is possible without it.

America underwent a managerial revolution during the second half of the 20th century that gave the edge to professional elites and effectively marginalized people of property. But the likelihood is that capitalists are here to stay and that they will continue to exercise influence over monetary policy and the financial and securities markets, even if not over corporate decisions. Since this is not a book on the paper economy, on trading in financial instruments, I make only marginal reference to it. I take for granted that profits without production ultimately depend on production of a surplus and that this surplus is the hub around which the real economy revolves. The question is how to characterize the real economy. Is it capitalist or postcapitalist? If postcapitalist, does it qualify as socialist?

Less important to the real economy than investment-sector power over bonds and interest rates or the corporate sector's down-sizing, re-engineering, and current rush to maximize shareholder values is the overriding tendency of rising wages and salaries as a proportion of total income. Why is this fact decisive? Contrary to the prevailing ideology, there is a mounting surplus concealed in employee compensation that for the past four decades has exceeded total distributions in the form of profit, dividends, net interest, and rent. The investor and rentier elites increased their share of wealth during the 1980s, but this step backward stopped short of a capitalist restoration.

In the end I hope to convince the reader that the decision-makers now monopolize the surplus, that the wage structure far exceeds the cost of skills, and that employee compensation over and above the cost of subsistence exceeds the returns to capital. But the new order is not what ordinarily passes for socialism. So what this work describes is managerial socialism, not what socialists usually mean by the term.

Meanwhile, a new struggle has emerged between the managerial-professional class and organized labor. While the earlier contest involved functionaries in the course of breaking their dependency on stockholders, the corporations have since become the battleground of a more or less veiled civil war between managers and managed, professional and non-professional workers. The contours of this new struggle are obscured by the fact that union bureaucrats have become professionals and have in many instances broken their dependency on the rank and file. At issue is a struggle between the professional power elite in business and government and a challenging subelite representing the interests of organized labor. The salient difference is that, unlike the power elite, union bureaucrats preside over mutual benefit associations designed to reduce exploitation and to improve the lot of ordinary workers.

The fundamental question posed by this scenario is how to calculate the surplus shared by the professional elites and to a lesser extent by other employees. Three decades ago when I embarked on this project, my first choice of a measuring rod was a standard manhour unit of account. Only after experimenting with it at length did I finally settle for a monetary unit, the basic or minimum wage.

This decision was prompted by my discussions with Serbian and Croatian economists during a visit to Yugoslavia in 1967. I am grateful in particular to the lengthy conversations with Professor Miladin Korać of the Faculty of Economics at the University of Belgrade, with Professor Ana Žilić Jurin, who taught political economy in the Faculty of Law, and with Professor Veljko Korać of the Faculty of Philosophy, also an able political economist. For encouragement to keep plugging away at this project I am indebted to the editors of *Politicka Misao* for publishing the paper I presented at the University of Zagreb, 'The Technocratic Road to

Socialism' (Fall 1967), and to the editors of the international edition of *PRAXIS* for publishing another piece of preliminary resarch, 'Socialism Without Socialists: The Prospect for America' (Fall 1970).

These discussions and those with trade unionists in Yugoslavia helped to shape my view of America. The results of these interchanges are summarized in my article, 'Yugoslav Marxism and Methods of Social Accounting', republished in H.L. Parsons and J. Somerville, *Marxism, Revolution, and Peace* (1977).

The present study has been enriched by a series of interviews with representatives of American labor as well as management. On management's side, I benefited from personal interviews and an exchange of letters with top executives of one of the world's premiere butchers, Swift International, before and after it became International Packers, Ltd. My conversations going back to 1991 with former International Packers' executive John Gereaue and my telephone interviews since 1991 with Robert Zircher, past president of Companhia Swift do Brasil and a former director of International Packers, added substance to my discussion of managerial imperialism.

On labor's side, I am indebted to two officials of the United Steelworkers, Cass Alvin, West Coast Public Relations and Educational Representative, and Maurice Schulte from the union's national office in Pittsburgh. Several of their comments are incorporated in this work. I am especially grateful for the friendship of John Seddon, former head of the New York branch of the Professional Air Traffic Controllers Organization (PATCO) and past director of the union's field activities. Thanks to his careful review of the chapter on labor, I escaped a number of pitfalls that beset earlier drafts. Jack Maher, cofounder of PATCO, also read the chapter on labor and made several suggestions that noticeably improved it.

Economist James K. Galbraith at the Lyndon B. Johnson School of Public Affairs at the University of Texas in Austin read the first complete draft. Although he questioned the emotional voltage in my description of America's new order as 'socialist', he did not suggest that I lower the voltage and prudently settle for 'postcapitalist'. Instead, he recommended caution in stealing someone else's word, and the adoption of the signature phrase 'managerial socialism' to capture my particular meaning.

For encouragement and counsel in preparing this book I want to thank Professor E. Ray Canterbery, past president of the Eastern Economics Association and a colleague of mine at Florida State University. He read several versions of the crucial economic chapters and enormously helped with his comments.

Margaret Dancy, as fine a copyeditor as I have ever worked with, labored heroically to put a better face on my work. Roxane Fletcher's expert editorial eye proved invaluable in spotting and removing some of the stylistic lapses that continue to haunt me. I am obliged to both.

Introduction

> The most important question of philosophy is 'What is happening in the world?' Its answer is what the security agencies call 'Intelligence'. (James Burnham in conversation with the author, New York University, Washington Square College, Spring 1946)

Our story begins approximately a century ago. In 1888 Edward Bellamy published his anticapitalist novel, *Looking Backward* (the subtitle was '2000-1887'). Within one year it had sold 200,000 copies and by the turn of the century had outsold every book written by an American with the exception of *Uncle Tom's Cabin*. Although its brand of socialism-from-above had no use for class struggle or reliance on organized labor and a socialist party to make the revolution, its influence was enormous among American workers. Its utopia of forced work, but also equal burdens and equal pay, did more to popularize socialist and communist ideas in this country than any other single work.[1] Paradoxically, it also shaped a constituency for socialism in the emerging crusade for scientific management, a movement sharply critical of communist egalitarianism.

Bellamy's novel and its sequel *Equality* (1897) presented an authoritarian alternative to the Marxist vision of socialism-from-below. In the name of public capitalism and a socialized equivalent of nationalism, he presaged a different kind of revolutionary vanguard from the Socialist parties in America.[2] Such was the vanguard that made its influence felt through scientific management, industrial psychology, social engineering, Technocracy, Inc., the New Deal's 'Brain Trust', and the system of wage and price controls during World War II.[3]

Bellamy's influence can be seen in the first concerted effort by American economists to document the movement toward 'public capitalism' — a euphemism for 'socialism'. In 1932 Adolf Berle, Jr., and Gardiner C. Means published their monumental work on the separation of ownership from control. In *The Modern Corporation and Private Property* they showed that the American economy had fallen under the sway of the two hundred largest nonfinancial corporations, and that a majority of those were no longer controlled by their nominal or legal owners but had become 'management-controlled'.[4] In a later work, Berle described America's social transformation under corporate leadership as a process of 'collectivizing capital', as did Means, who called the corporations 'collectives' and the corresponding system 'collective capitalism'. An admirer of Bellamy, Berle favored a peaceful and gradual road to socialization, a way of '"socializing" property without a [political] revolution'.[5]

Berle and Means's research was instrumental in shaping James Burnham's 1941 bestseller, *The Managerial Revolution*. Rather than a more advanced stage of capitalism, Burnham argued, the separation of ownership and control signified the advent of a new economic order. Capitalism was doomed, because 'there is not the slightest prospect of ridding capitalism of mass unemployment . . . [and] recurring economic crises', not to mention a vast array of other ills. But how should one define the new economic setup? Burnham dismissed the hypothesis of socialism, because Russian events since 1917 belied the claim that the October Revolution had issued in a society in which workers were in control, even though capitalists had been expropriated. The only alternative, he concluded, was that 'not capitalism and not socialism but a quite different type of society is to be the outcome of the present period of social transition'.[6]

The influence of Burnham's book was both enormous and abiding. A decade after it appeared, the emerging guru of scientific management, Peter F. Drucker, concurred that a 'new industrial middle class . . . the responsible but employed and subordinate technicians, engineers, supervisors, accountants, statisticians and branch managers . . . is the most rapidly growing class in any modern industrial society'. Like Burnham, he allowed for the possibility that the American transition to a postcapitalist but nonsocialist society might take a different route from that of the Soviet and Nazi experiments, that it might be accomplished peacefully and democratically. The free industrial society he envisioned was, in his own words, 'very different from what we have traditionally considered to be "Capitalism" . . . also very different from what we have considered traditionally to be "Socialism". . . . *[It] is beyond Capitalism and Socialism'*.[7]

Three decades after Burnham's book appeared, John Kenneth Galbraith gave his estimate of Burnham's intellectual breakthrough: 'The managerial revolution — the assumption of power by top management — is conceded'.[8] That something akin to a managerial revolution took place or is in the course of taking place is the consensus of a broad assortment of professional economists, sociologists, and political scientists in America. A decisive rupture with the past, the incoming postcapitalist society has been described not only as 'managerial', but also as a 'postindustrial state', a 'postindustrial society', an 'information society', a 'postbusiness society', a 'postrevolutionary society'. The only political denomination missing from the list is the depiction of the revolution as a fundamentally socialist one.

Since Marxists have traditionally believed that the successor to capitalism would be socialism, it is understandable why most of the revolutions of the 20th century have called themselves socialist. However, by the mid-sixties, the Chinese Communists were denouncing the Soviet Union as a bureaucratically deformed workers' state, to which they added that it was slipping back into capitalism. Meanwhile, they stopped using the term 'socialism' as a convenient label for the new societies that apply it to themselves. As Paul Sweezy reluctantly acknowledged, 'the failure of actual postrevolutionary societies to confirm the expectation of classical Marxism that socialism would follow capitalism has created a crisis in Marxist theory . . . [because] proletarian revolutions can give rise to a new form of society, neither capitalist nor socialist'.[9]

Belatedly, the twenty thousand or more regular readers of *Monthly Review*, a journal of independent Marxist opinion in the United States edited by Sweezy, would arrive at a parting of the ways with the Soviet Union to which they ceased to attach the socialist label. One may wonder why Sweezy, the most widely read Marxist political economist in America, took so long to accept the hypothesis popularized by Burnham some forty years earlier. The answer is that he was a Soviet fellow traveler until disillusioned by the Chinese critique.[10]

When Burnham wrote *The Managerial Revolution*, Marxism in one or another version was still the last word concerning what socialism is and is not. This is no longer the case. The Marxist paradigm and its manifold revisions must now compete on an equal footing with bureaucratic and managerial versions of socialism, including George Orwell's *1984*. Of these, the most intriguing is the scenario of socialism without socialists.

There is also the unsettled question whether the new economic order, whatever one may call it, is still in transition. Should there be sufficient evidence for a revolution in distribution, a second managerial revolution on the heels of the first one divorcing ownership from control, then the followup question is: When did this remarkable event take place?

There are a host of reasons for not using the word 'socialism' in discussions of these issues. This much abused word, like the term 'capitalism' according to Abba Lerner, 'has different meanings to different people at the same time and different meanings to the same people at different times'. It is so swollen with significance that it is best 'to use as many different words as may be needed for its many different meanings that the old words have swallowed and have not been able to digest'. Among its multiple meanings we learn that socialism is the abolition of capitalism, that it is an extension of democracy, that it aims at equality of income and of wealth, that it is the replacement of private enterprise for profit with public enterprise for use, that it replaces the anarchy of the market with some form of planning, that it tames and eliminates monopolies, that it operates under government control in the public interest — seven 'socialisms' that may or may not occur together.[11]

Far too much substance is at stake in the contest between the old and new economic orders than can be decided by a mere change of words. As a result, Lerner's advice has gone unheeded. Nor is each one of socialism's meanings of equal importance. Lerner's list is headed by 'the abolition of capitalism', socialism's widely shared common denominator. Its other meanings are important mainly to special tendencies and factions within the socialist movement; they are not essential to it. The irony is that Lerner did not abandon the term, but deplores 'our unwillingness to recognize legally the degree to which we are a socialist society . . . the degree to which our private enterprise is really socialized'.[12]

After American capitalism reached its zenith around World War I, it began to erode and to become mixed with socialist elements. First came the dwarfing of privately owned and controlled businesses by corporate ownership, then the separation of management from ownership within these corporate giants, followed by the prevalence of the planning or corporate sector over the market mechanism. This was the first managerial revolution in American business. After it came a second managerial revolution in the wake of World War II, when the bulk of the economic surplus took the form no longer of capital income but of surplus wages in excess of the cost of subsistence of American workers.

The substantive issue is whether there is or is not a new economic order in America of the same general kind as the one established after the October 1917 Russian Revolution. If so, what matters is not how one labels the new society, as long as it is not called 'capitalism'. To label it 'capitalist' would be to identify it with the economic order it replaced, to confuse the new order with the old. The advantage of calling it 'socialist' is that this word brings into relief what the American economy shares with its erstwhile bitter enemy, the former Soviet Union.

It was clear before the collapse of the Soviet Union and of Communist ideology throughout Eastern Europe that a socialist movement in our country was little more than ceremonial. Only briefly during the 1930s, followed by America's alliance with the Soviet Union during World War II, did the word 'socialism' acquire a modicum of respectability. Since then, socialists have become marginalized while the word is again in ill repute. The political safety valve of free elections and the potential for managing social discontent in America make it unlikely that socialist ideology will ever catch on.

Contrary to Marxist doctrine, there are other roads to socialism besides that of self-conscious socialists and an organized socialist movement. The scientific and technical revolution spurred by World War II has introduced far-reaching changes in the structure of America's corporate giants and has pulled the rug out from under the corporations' absentee owners. That one should take seriously the scenario of a transition to socialism without the agency of organized labor, much less that of a socialist party, must be a bitter pill for most socialists. But what they did not foresee was that salaried managers and professionals in government and industry would gain the upper hand and, in the name of capitalism, inaugurate a new social order unwittingly.

Notes

1 Bellamy (1951), pp. 72-75, 95-109; and Lipow (1982), pp. 30-33.
2 Bellamy (1897), pp. ix, 91, 120.
3 Lipow (1982), pp. 87-93. On scientific management as the formative managerial ideology in America, see Merkle (1980), pp. 40-42, 58-62, 275; and Chandler (1978), pp. 272-81. For the connection between Frederick Winslow Taylor's 'industrial engineering' and American pragmatism's 'social engineering' and 'industrial sociology', see Lustig (1982), pp. 155, 171-75; and Bell (1962), pp. 48n., 248-50.

4 Berle and Means (1932). For an updating of Berle and Means's data on manager-dominated corporations, see Larner (1966), pp. 777 ff.

5 Berle (1954), pp. 23, 164-65, 180; idem (1965), p. 95; and Means (1965), pp. 65, 67-73. For Berle's intellectual debt to Bellamy, see his foreword to Mason (1960).

6 Burnham (1941), pp. 32, 57.

7 Drucker (1950), pp. 25, 351. See his direct references to Burnham, pp. 28, 62.

8 Galbraith (1971), p. 107.

9 Sweezy (1980), pp. 18, 138.

10 Ibid., pp. 13-16, 90-95, 144-47.

11 Lerner (1951), pp. 289, 290-99.

12 Ibid., p. 302.

1 Socialism without socialists

> First Communist: 'How did you hide your Party identity?' Second Communist: 'By signaling Right and turning Left!' (Conversation in New York City's Public Library, Spring 1948)

The concept of socialism without socialists is not as bizarre as it might initially appear, nor does it lack historical precedent.[1] That socialism does not depend on professional agitators and exploited, discontented, and angry workers, but that other social classes might take the lead in bringing it about, is the opinion of a number of radical reformers who began by adapting Marxism to American conditions and ended by abandoning it as useless. The democratic vista of a postcapitalist order inaugurated from below, but in which socialists would play a marginal role, has a counterpart in the vision of a new order inaugurated from above. While some anticipated that socialism would creep in by political means through democratic support for nonsocialist objectives, others thought it might arrive through a managerial revolution in American business, still others through government intervention by a new class of professional bureaucrats competent to steer the economy off the rocks of periodic economic crises and massive unemployment.

In the past, socialist projections have been vulnerable because of an exaggerated emphasis on the political agents of social transformation and on an ideal image of socialism untouched by capitalist traces. Most socialists employ a conceptual framework that is too narrow to encompass the prospect of a silent transition to a new order through imperceptible changes in the economy, in technology and in the structure and management of large corporations. Nor do they visualize a form of socialism that would fail the underlying population, a social revolution without a final solution to the social question.

What are the elements that make American socialism distinct from that charted by the Socialist and Communist parties in Western and Eastern Europe? Those elements are a peculiar combination of human agents in conjunction with economic circumstances beyond their control: unwitting socialists committed to saving capitalism by any means, pragmatic socialists under another name, the self-destruct tendencies of capitalism promoting socialism by default, and a rupture with doctrinaire ideas ridding socialism of its illusions.

Unwitting socialists

The scenario of socialism without socialists has an obscure but enlightened pedigree. In America, the first systematic exposition of Marxism contained a vista of the gradual progress of socialism without the agency of socialists. Laurence Gronlund's *Cooperative Commonwealth* (1884) anticipated the advent of a collectivist and centralized state as the unconscious and inevitable outcome of economic tendencies operating independently of mass pressures and socialist agitators. Although a socialist vanguard would make a difference, capitalism was doomed in any event.[2] Owing to the increasing complexity of modern business, a professional and managerial elite was required to direct and coordinate it, while people of property were destined to be replaced by this new elite. Such was the scenario Gronlund sketched for America.

Gronlund argued that 'Society is moving irresistibly toward Socialism . . . that we are going to have the Socialist State whether it is good or bad, and that every active individual in our country is, *consciously or unconsciously*, working to that end in some way'.[3] These words were not lost on dusty and deserted library shelves. Gronlund's work became a bestseller, selling over 100,000 copies by the turn of the century. As one commentator remarks concerning Gronlund's novel ideas at odds with his professed Marxism, 'Rather than the product of human choice and struggle, socialism would arrive, if not exactly from above, then from behind the backs of mankind'.[4]

One cannot rely on workers to emancipate themselves, Gronlund contended, because the 'majority are always ignorant, always indolent; you cannot expect them to be anything else with their present social surroundings . . . [or to bring] about, consciously and deliberately, any great social change. At most, the screws of distress will periodically spur them to revolt until finally we have 'a labor revolt that will not be put down'. That will be the cue for the 'energetic Socialist minority to exert its influence . . . and make out of a revolt — another *revolution*'.[5]

What kind of new order is likely to emerge from an evolutionary process that operates, for the most part, blindly? It would not be democratic in the conventional sense of '"government by majorities", government by "counting of heads"'. Universal suffrage, an excuse for incompetence, would be abolished along with political parties and office-seekers. Citing Carlyle, Gronlund highlighted the absurdity of representative government: '"Now I, too, have my twenty-thousandth part of a Talker in our National Palaver." What a notion of liberty!' Universal suffrage is not only an argument for incompetence: the 'government of majorities may be just as "undemocratic" as the rule of any other class'. So what should one understand by 'democracy'? It is what the people want — not political representation but efficient administration of the nation's affairs. 'That will be had by putting every one in the position for which he is best fitted [shades of Plato's *Republic*]. . . . That is what Democracy means; it means *Administration by the Competent*'.[6]

The new order will be eminently bureaucratic. The whole people of a city are incompetent to elect their postmaster, because only postal employees have an intimate knowledge of the job and of the candidates. So under the new order the only elections will be of one's immediate superior by 'those who are to be his immediate subordinates', and so on up the scale. Indirect democracy will become the rule. Candidates will be elected not to represent the interests of voters, but to perform a particular job. In place of representation there will be a referendum. All bills of a general nature will be submitted to the people they are intended to affect, and if approved will have the validity of laws.[7] The 'brains' of the social organism will decide what to recommend for ratification; the 'masses' will decide whether they want it.

Socialism will put an end not only to the anarchy and inefficiency of traditional democracy, but also to the utopian dreams of equality that make communism an excuse for incompetence. 'It must be evident to every fair-minded man that this New Order — where every worker will be remunerated according to *results* — is in no sense *communistic*. Socialism and Communism are . . . two radically different systems'. Communists make all property common property; socialists bring only the instruments and materials of production under collective control. Communism requires everybody to share in the common tasks; socialism leaves people at liberty to work as much or as little as they please. Communists believe in a system of equal burdens and equal benefits. Save for those with physical infirmities, children, and the aged, each person's share would be the same. 'So, if we define Capitalism as the fleecing of the weak by the strong, Communism might be said to be a fleecing of the strong by the weak'.[8]

Common sense requires that the New Order shall get rid of all unearned income in profits, dividends, interest, and rent, but leave gradations of pay for manual workers intact, at least initially. Because professional work is a multiple of skilled labor, professional workers will be paid more than skilled manual workers. However, 'there will be no more $50,000 or $25,000 or even $10,000 salaries', because the gradations for intellectual workers in such cases are artificial and the salaries extortionate. The Postmaster General will not receive $10,000 while letter carriers get only $800; the ratio of their wages will not be 12:1 but perhaps half as much.[9]

About the same time Gronlund's book hit the press, an influential school of British socialists appeared. Founded in January 1884, the Fabian Society developed along similar lines and eventually made its message felt across the Atlantic. In mid-1884, the playwright Bernard Shaw became a member of the Society and a year later persuaded his friend Sidney Webb to join. Both gave a bureaucratic brief for socialism that acquired international renown with the publication of *Fabian Essays in Socialism* in 1889.

For the Fabians, the role of unconscious factors in history was paramount. Reform was becoming the work of practical men, who, 'believing Socialism to be the most foolish of dreams, . . . [nonetheless] worked to bring about the very Socialism they despised'. Individuals may 'resist or promote the social evolution, *consciously or unconsciously*'. But they cannot change its direction; they can only alter its pace. In recognition of the role of unwitting socialists in bringing about a new society piecemeal, the Fabians noted the 'extent to which our unconscious Socialism has already proceeded . . . to "socialize" our industrial life'.[10] In effect, socialism had crept in less through individual reformers than through people motivated by expediency.

The Fabians assigned as much importance to local government in socializing industrial life as to the intervention of a centralized bureaucracy. Municipalities have 'assumed the care of roads, streets and bridges, once entirely abandoned to individual enterprise, as well as the lighting and cleansing of all public thoroughfares, and the provision of sewers, drains, and "stormwater courses" . . . gas, water, and tramways'.

Municipal parks, schools, libraries, museums, hospitals, and jails are further instances of the displacement of private by public ownership and initiative, nor is there 'any apparent prospect of a slackening of the pace of this unconscious abandonment of individualism' and unconscious promotion of socialism.[11]

In America, Thorstein Veblen arrived at the same conclusion, possibly under Fabian influence. As he commented in an 1892 essay, 'Some Neglected Points in the Theory of Socialism', the socializing process had become disconnected from adherence to socialist ideas and beliefs. 'Municipal supervision, and, possibly, complete municipal control, has come to be a necessity in the case of such industries . . . as elementary education, street-lighting, water-supply, etc'. Popular sentiment indicated that people favored a wide range of government control and in some instances public ownership, but that such measures were not believed to be socialistic. Veblen also noted a broad consensus favoring the regulation of industrial monopolies of more than municipal importance. But the motive for treating them as semipublic institutions was rarely a socialist sentiment or general indictment of the capitalist system as wasteful and inefficient. Rather, it was a consideration of the 'expediency of each particular step taken'.[12]

The category of unwitting socialists, or socialists despite themselves, embraces a wide range of political actors stretching across the political spectrum. As an example of unwitting socialists with a conservative bent, Joseph Schumpeter singled out the robber barons of the Gilded Age. Their intention was to advance capitalism. Instead, they undermined it through the creation of financial empires: 'The true pacemakers of socialism were not the intellectuals or agitators who preached it but the Vanderbilts, Carnegies and Rockefellers'. The giant corporations built by America's tycoons ultimately displaced the original entrepreneurs and the entrepreneurial function with a corps of professional managers who preferred stable growth to risk-taking. As a result, a host of new social and political attitudes emerged that were hostile to capitalism, that tended to undermine it, and 'point to socialism as the heir apparent'.[13]

At or near the center of the political spectrum are unwitting socialists with liberal propensities. The Roosevelt New Deal is a classic example of creeping socialism intended to save capitalism. Roosevelt and his 'brain trust' acted in a manner similar to that of planning agencies in countries with socialist governments. They challenged the status quo with their verbal assaults on 'selfish pressure groups' and 'savage capitalism'. Their fiscal policy and new labor legislation interfered in what was formerly the well-guarded preserve of American business. Roosevelt's reforms, Schumpeter concludes, were 'incompatible with the effective working of the system of private enterprise'.[14]

Among unwitting socialists with a radical penchant stands the awesome figure of Henry George. *Progress and Poverty* (1879), the work that made this otherwise obscure journalist famous overnight, sold more copies than all the economic texts until then published in America. Among his strongest supporters were socialists, in England such prominent Fabians as Graham Wallas and Bernard Shaw, and in America a long line of admirers that included Thorstein Veblen and John Dewey.[15] Wrote Shaw on George's impact on British youth, heretofore pupils of Comte, Mill, Spencer, and Darwin: 'roused by Mr. Henry George's *Progress and Poverty*, [they] left aside evolution and free thought; took to insurrectionary economics; studied Karl Marx; and were so convinced that Socialism [was irresistible] . . . that the Revolution was fixed for 1889 — the anniversary of the French Revolution!'[16]

The irony is that George was neither a practicing socialist nor sympathetic to the socialist cause. Virtually all socialists during the latter half of the 19th century were uncritical devotees of industrial progress. Against their equation of progress and wealth, George counterposed his equation of progress and poverty. Granted that industrial progress is initially associated with a vast increase in wealth, its long-run effect is to widen the gap between an idle ruling class and the underlying population, the rich and the poor. And the long term effect of increasing inequality is the collapse of civilization through internal dissension — a failure to solve the social question.[17]

With the socialists, George agreed that the exaction of rent through the private ownership of land contributes to forcing down wages: 'labor cannot reap the benefits which advancing civilization . . . brings, because they are intercepted [by the landowner]'. However, George opposed collectivization on the grounds that it would stifle individual initiative. '*It is not necessary to confiscate land; it is only necessary to confiscate rent*'.[18] After the landlords and capitalists were expropriated, a top-heavy and parasitical bureaucracy could be expected to take their place. Poverty and inequality might be arrested, but only by placing brakes on industrial progress and the concentration of wealth. His solution was to turn back to a world of small proprietors and to safeguard individual entrepreneurship by abolishing all taxes save those on land values.

George is a perfect example of an unwitting socialist. He 'has enticed very many persons very far out on the road to Socialism', wrote Gronlund, 'protesting all the time that he is not a Socialist'. One of the mildest of socialist measures is a graduated tax on incomes aimed at reducing great concentrations of wealth. George opposed it because it would require a huge bureaucracy of officials with inquisitorial powers, while a more ambitious program would require an even more oppressive bureaucracy bordering on despotism. But he failed to see that his policy of nationalizing rents was a socialist one and an argument for nationalizing other forms of property.[19]

The Marxist response to George was that he did not go far enough. 'What the Socialists demand', wrote Engels, 'implies a total revolution of the whole system of production; what Henry George demands, leaves the present [capitalist] mode of production untouched'.[20] The solution proposed by George did not go beyond equal opportunity of all to labor on the land, a naive proposal that overlooked the role of capitalists in harnessing labor to their greed for gain. Yet the Fabians were impressed by George's 'socialism' and refused to believe it was unwitting. John Dewey concurred, adding that George ranked with some of the world's greatest political philosophers![21]

When George ran for mayor of New York City in 1886 with the backing of the Socialist Labor party, he was assailed by his enemies as a socialist. Instead of retreating from the red-baiting, the Treasurer of the Central Labor Union, James Casserly, accepted the challenge: 'If it is Socialism to see our wives and children properly clothed, and to strive for better conditions, then we are Socialists'. However, when George failed to win the hotly contested election, he expelled the socialists from his United Labor party because their support for his candidacy had besmirched his campaign. Their expulsion was indispensable to winning over the middle class, he declared, since respectable Americans would withhold support from any movement that embraced the socialists' doctrine of class struggle. By articulating his party's hostility to socialism, he hoped to deprive his enemies of a specious pretext, that his party endorsed the views of socialists.[22]

Although designed to justify capitalism, 'people's capitalism' is another instance of an ideology that legitimizes the trend toward socialism and the widespread, if grudging, acceptance of socialism under a different name. As evidence of the erosion of laissez-faire by a socially responsible capitalism, Massimo Salvadori's *Economics of Freedom* cites the replacement of owners of large enterprises by professional managers concerned with long-term prosperity rather than short-term gains. In agreement with those who 'call our present economic system "managementism" rather than "capitalism"', Salvadori notes the 'passage during the last two generations from a system in which a relatively few capitalists could act much as they pleased, to a system in which a large class of responsible managers must subordinate their decisions to what is wanted by consumers, labor, the government'. To these features of a new order he adds regulatory legislation ensuring that big corporations serve the public interest, the spread of stock ownership, the wide diffusion of capital other than in securities, and the increasing number of people investing in human capital.[23] Salvadori and the Wall Street apologists of people's capitalism are a far cry from socialists. Nonetheless, they are the socialists' unwitting partners.

Pragmatic socialists under another name

To be a socialist during the last two decades of the 19th century was to become liable to the charge of purveying the demons of discord and hate, of consorting with the likes of Anarchists, Nihilists, and Communists. To call someone a socialist for advocating government regulation and control or even democratic planning amounted to a smear. This explains why the label was assiduously avoided not only by unwitting socialists, but also by witting ones. The fear of being labelled a socialist continues to this day. 'Among the least enchanting words in the business lexicon', writes John Kenneth Galbraith, 'are planning, government control, state support and socialism', because they 'bring home the appalling extent to which they are already a fact . . . at a minimum with the acquiescence and, at a maximum, on the demand, of the system'.[24]

Within the guild of closet socialists, whose intellectual legacy has spread outward through a series of bestsellers and near equivalents, few have been more influential than the anti-Establishment radicals beginning with Edward Bellamy, Thorstein Veblen, and John Dewey. This generation born during the 1850s ultimately contributed to shaping the New Deal through a crop of gifted students and loyal followers in high places both in government and the corporate world. Galbraith, among others, has followed in their footsteps with his corrosive attacks on the market mechanism.

Spawned by Bellamy's *Looking Backward*, the Nationalist movement of the 1890s was an American closet version of the socialism introduced into this country by German immigrants from the failed European revolutions of 1848-49. These were joined by a later wave of German immigrants in the 1870s under the influence of Marx's International Workingmen's Association, which transferred its headquarters to New York City in 1872. Following the International's demise in 1876, they founded the Socialist Labor party, the first Marxist party in America.[25] Gronlund's *Cooperative Commonwealth* was an undisguised expression of that legacy. Bellamy's *Looking Backward* was a disguised expression of it, leading to the formation of more than 150 Nationalist Clubs translating that legacy into action.

Testifying to the significance of Bellamy's contribution were the philosopher John Dewey, the historian Charles Beard, and Edward Weeks, editor of *Atlantic Monthly*. At the behest of Columbia University in 1935, each prepared an independent list of the twenty-five most influential books since 1885 in which *Looking Backward* ranked second only to Marx's *Capital*. They also agreed that Bellamy's book was the most important work by an American during those fifty years. As the sociologist Daniel Bell recalled, it was not Marxism but Bellamy's homespun vision of a cooperative republic that introduced the idea of socialism under another name and made it popular among millions of Americans.[26]

Bellamyism represented in America what the Fabian socialists Sidney and Beatrice Webb represented in Great Britain, except that in America the word 'socialist' was in almost total ill repute. Like Bellamy, the Webbs spurned the liberal and democratic heritage of European Marxists. Together, on both sides of the Atlantic, they addressed an audience that had 'soured on democracy, fearing majority rule would lead to working-class rule, a fate . . . dreaded as much as the final triumph of the new plutocracy'.[27]

Bellamy believed that radical change would come through 'an unconscious "socialism" stealing upon the nation with the inevitable growth of public and private collectives'. Each piece of government legislation on economic affairs, each substitution of administrative methods for pressure-group politics, he hailed as a step toward the ultimate goal of a socialist republic in the name of nationalism. In his vision of a cooperative commonwealth, the government rested in the hands of an Industrial Army of Labor organized on pragmatic lines. Promotion to the top ranks of the ten great departments of allied trades was decided simply by the candidate's record as a worker. Above the ten department heads or 'generals' stood the general-in-chief, the American president, who 'must have passed through all the grades below him, from the common laborer up'.[28]

The top ranks in the Industrial Army were elective, but all other offices were appointed. In no instance might soldiers of the Industrial Army vote for their commanding officers. The generals in charge of the ten departments were elected exclusively by the retired members of each trade; and the president, by the retired members of all ten trades. Those eligible for offices must already have risen to top positions in the Industrial Army.[29] Thus elections were industrial rather than political, a simple matter of promotion. If there was a model on which Bellamy patterned the military structure of his Industrial Army, the closest analogue would be the Salvation Army.

The unpragmatic hitch to Bellamy's utopia was its egalitarianism and shift to a moneyless economy. With the nation as sole proprietor, everything might be procured from the national storehouses. All human needs from the cradle to the grave were met by the generals in command. To pay for these services, full employment was guaranteed; credit extended to workers at the national storehouses was carefully regulated. But by what title did each person claim his particular share? By the simple fact of being human. Incredulously, the protagonist of the novel asks: 'Do you possibly mean that all have the same share?' 'Most assuredly', was the answer, 'by requiring precisely the same measure of services from all!'[30] Rank and power did not entitle anyone to a privileged share. Corresponding to the hierarchy in talents and acquired skills was a hierarchy of offices and responsibilities, but there was no corresponding scale of wages. Equal burdens were imposed on all; hence the argument for equal benefits.

Bellamy's egalitarianism endeared itself to the Industrial Workers of the World (IWW) and to Howard Scott's Technocracy, Inc. Although Technocracy has been likened to a homespun American fascism, its emphasis on a communist sector of free goods, equality of pay for all and profits for none shared common ground with Bellamyism.[31] But Bellamy's communism had little appeal to anybody else. As Gronlund noted in the 1890 revised edition of his *Cooperative Commonwealth*, it would be imprudent to saddle socialism with the impracticable, unjust, and 'decidedly unsocialistic idea which Bellamy introduces in *Looking Backward*—equal wages!'[32]

The influential part of Bellamy's message is found in his nationalist and collectivist scenario and in the technocratic substance of his utopia. Its basic premise was the separation of ownership from control by managers and professionals 'free of the profit motive'. As one commentator notes, Bellamy gave sustenance to the 'basic premise of all "technocratic" and corporatist thought, from Veblen, who was one of Bellamy's intellectual heirs, to Burnham and the neocorporatists such as Berle'.[33]

If Bellamy was the Moses of Technocracy, Veblen was its Prophet. Another closet socialist, he was more guarded than his predecessor. Publicly, he supported the new 'incoming industrial order . . . designed to correct the shortcomings of the old'.[34] But he hesitated to call it socialist. People would ask his wife if he really was a socialist, but he kept her in the dark.

That Veblen was a socialist is evident from his 1892 essay on the theory of socialism and his 1906 lectures on 'The Socialist Economics of Karl Marx'.[35] But Veblen was no Marxist. The classic expression of his socialism by indirection, *The Engineers and the Price System*, focuses on a bipolar struggle. At one pole, there is the coalition of Absentee Owners (the 'kept classes'), the Vested Interests (trade unions as well as corporations), and the Guardians of the Vested Interests (labor bureaucrats and union lawyers in addition to investment bankers and financial managers). They constitute the forces blocking the advent of a new industrial order geared to production rather than profit. At the other pole, Veblen posits an alliance of the General Staff of Industry (engineers, scientific and technical workers), the Work Force under its command, and the Underlying Population, together the party of discontent advocating social change and threatening a revolution.[36]

Although indebted to much that he salvaged from Marx's economic writings, Veblen did not share Marx's labor metaphysic, the labor theory of value and reliance on organized labor to emancipate itself. He expected the coming revolution, whether abrupt or gradual, to be led by the General Staff of Industry. On this score, he shared Gronlund's and Bellamy's pragmatic scenario. After initially coming under George's spell, he became 'deeply influenced by *Looking Backward*'.[37] With Bellamy he relied on engineers and technicians rather than Marx's proletariat to run the factories and promote industrial growth. In anticipating a revolution by Gronlund's 'brains of the social organism', he discounted the role of democracy as a factor for social change.

Like Veblen, John Dewey was a closet socialist, except that he occasionally opened the door. Early in life he came under the influence of George's *Progress and Poverty*, after which Bellamy's bestseller made a deep impression on him. Because he mistakenly read into it a basically democratic doctrine, he hailed Bellamy as a 'great American prophet'.[38] Dewey also owed an intellectual debt to Veblen's scathing indictment of the values of a leisure class and to Veblen's high regard for modern technology and machine culture.[39]

In the late 1920s, Dewey joined other advocates of social engineering, budding technocrats, and future New Dealers in making the accepted pilgrimage by American radicals to the Soviet Union. Duly impressed and fascinated by the pragmatic payoff of scientific and centralized planning, he expressed the hope in 1929 that a national economic council of government, business, and labor might establish voluntary forms of collectivism in America.[40] 'Dewey's idea is a socialized America', wrote Sidney Hook in 1931, taking his mentor to task (Hook was then a Marxist) for stressing class collaboration instead of class struggle as the means.[41] Before the 1930s were played out, however, Hook came to agree with Dewey that the fundamental conflict of our times is not between capitalism and socialism but between democracy and totalitarianism.

A startling departure from Dewey's otherwise muffled socialism may be found in his radical manifesto of the mid-1930s. In the middle of the Great Depression when capitalism hit rock bottom, he openly declared his support not only for a planned economy, but also for a socialist one. The cause of liberalism would be lost, he wrote in *Liberalism and Social Action*, 'if it is not prepared to go further [than the New Deal] and socialize the forces of production'. In the name of a revived or renascent liberalism, he called for 'unified action for the inclusive end of a socialized economy . . . as the ground and medium for release of the impulses and capacities men agree to call ideal'.[42] Accordingly, he voted for Norman Thomas, the Socialist party candidate in the presidential election of 1932 — a secret vote, to be sure, but a secret shared with his colleagues at Columbia University.

Dewey was not the only philosopher to profess a liberal version of socialism. A follower of Dewey and of the German socialist Eduard Bernstein, Sidney Hook substituted for Marx's historically grounded socialism a pale replica based on ethical principles. 'The experience of Fascism and Communism has taught socialists that *freedom comes first*', Hook wrote. 'Instead of interpreting democracy merely as a means . . . , socialism becomes the institutional means by which the values of democracy are furthered'.[43]

The irony of Hook's somewhat immodest autobiography, *Out of Step*, is that throughout the better part of his life he was carefully in step with mainstream America. Otherwise, how account for the honor bestowed on him by President Ronald Reagan, the prestigious Presidential Medal of Freedom in 1984?[44] Since the late 1930s when Hook began to follow in

Dewey's political footsteps, he peddled what remained of his Marxism in the guise of Dewey's liberalism.

At New York University, Washington Square College, I audited Hook's course on the Philosophy of Democracy. Hook had the reputation of a great teacher, but in my judgment he was an Establishment ideologue who couldn't hold a candle to Burnham's Machiavellism. Even then, Burnham was casting aspersion on Hook's and Dewey's liberalism as no match for the Marxism that he, as well as Hook, had recently abandoned. As Burnham noted in a 1963 preface to his paperback edition of *The Machiavellians*, 'Having come to know something of the gigantic ideology of Bolshevism, I knew that I was not going . . . to settle for the pygmy ideologies of Liberalism, social democracy, [and] refurbished laissez-faire'.[45]

With Bernstein, Hook came to believe that 'The ultimate aim of socialism is nothing, . . . the [day to day] movement is everything'. We should take workers as they are and not demand of them adherence to a socialist ideal. Workers aspire to better housing and improved working conditions, a secure job and retirement with pay, the satisfaction of immediate and urgent needs.[46] These aims can hardly be called socialist. But they lead in that direction.

Hook further agreed with Bernstein that Marx's critique of capitalism had not been borne out by the facts. The conditions of workers were not unbearable but had actually improved, unemployment showed no long-term increase relative to the active labor force, the tendency for capital to run amuck was being counteracted by government intervention, total nationalization or collectivization of industry was unlikely, and a coming world-wide crash of unheard-of violence was mostly idle talk.[47]

Rather than a catastrophic end of capitalism from economic exhaustion followed by a labor revolt, Hook looked to democracy, 'the political form of liberalism', to gnaw away at capitalism and to bring about socialism gradually. The proletariat cannot accomplish this mission by itself because modern wage earners are not a homogeneous class, they do not share the same interests, and there are periodic collisions among them. If socialism is to be more than a phantom, it must represent the shared interests of all groups in society, not just the interests of exploited workers. As Hook presents the scenario of his German mentor: 'Bernstein conceived of socialism as the fulfillment of the theory and practice of democracy. . . . [This] meant that the Socialist parties . . . must regard themselves as representing the *human* interest or the interests of *all* groups in society ... [and] must seek to establish not a proletarian society in place of bourgeois society, but a society of universal citizenship'.[48]

Instead of Marx's class-oriented definition of socialism, Hook subscribed to Bernstein's class-neutral definition, 'in principle the suppression of class government', a 'high school of compromise'. The 'aim of all socialist measures . . . is the development and the securing of a free personality', and freedom is possible only through organization. This makes socialism the legitimate heir of liberalism.[49]

Hook's two mentors agreed on fundamentals. What Dewey called 'socially organized intelligence', Bernstein called 'organizing liberalism'. Wrote Dewey in 1935: 'The method of democracy — insofar as it is that of organized intelligence — is to bring ... conflicts out into the open where their special claims can be seen . . . , discussed and judged in the light of more inclusive interests'. As features of the new liberalism, Dewey's 'socially organized intelligence' and 'organized social control', like Bernstein's 'organizing liberalism', were couched in a rhetoric that made socialism respectable.[50]

Few might have suspected that the author of *American Capitalism* — published the year Dewey died in 1952 — was another pragmatic socialist. A distinguished professor at Harvard and a leading light in Americans for Democratic Action, he would later become an advisor to President John F. Kennedy and serve briefly as America's ambassador to India. A guru of enlightened opinion on social and political issues as well as economic, John Kenneth Galbraith posed as a representative of Dewey's renascent liberalism even while he defended Veblen's new industrial order against the conventional wisdom.

In his pathbreaking *The New Industrial State* (1967), Galbraith highlights the creeping, silent, surreptitious socialism that is not so much a prospect as an essential fact of America's new industrial order. Breaking with the conventional wisdom, he underscores the 'convergence between the two ostensibly different industrial systems [American Capitalism and Soviet Communism] ... at all fundamental points'. The time has come to disallow, he says, the 'ecclesiastical faith that whatever the evolution of free enterprise may be, it cannot conceivably come to resemble socialism'. The only saving grace his critics found in this malignant heresy was the concession that only tendencies, as yet not consummated, were 'leading . . . to the socialization of the mature corporation'.[51]

Galbraith shows how capitalism was being transformed from within by a corporate brain structure whose interest in economic growth and efficiency collided with the profit motive. The first stage in the erosion of modern capitalism saw the divorce of owners from control of the enterprise; the second stage witnessed the devolution of power from management to middle sectors of the corporation. The directing force of the enterprise has shifted, Galbraith contends, from the chairman, president, vice presidents, and division and department heads to those who contribute the bulk of information for making corporate decisions. It is a large group, extending from the senior officials at the outer perimeter near the top to those lower down with specialized knowledge and experience. 'This, not the management, is the guiding intelligence — the brain — of the enterprise'. Galbraith's name for it is the 'Technostructure'.[52]

The *coup de grace* of Galbraith's challenge to the conventional wisdom came with the 1973 publication of *Economics and the Public Purpose*. There, for the first time, he favored a program for American industry undisguisedly presented as a form of government socialism. 'The new socialism is not ideological', he declared, but is 'compelled by circumstance'. Because of the 'retarded development of the market system', capitalism cannot muster the resources, competence, and leverage to do the jobs that urgently need doing. Thus Galbraith relinquished the personal shield that until then had kept his enemies at bay. While noting that 'no design for social reform is so completely excluded from reputable discussion as socialism in the United States', he impudently embraced what he called 'the socialist imperative'.[53]

In this revealing work, Galbraith contrasts the old socialism with the new. The old socialism believed in nationalizing key industries, the most powerful sectors of the economy; the new socialism believes in nationalizing the weakest and most retarded ones. Among the industries that fail to operate effectively within the market system are housing, surface transportation, and health care, to which Galbraith adds the arts and humanities. Although the latter are not exactly urgent, they illustrate the maxim that humanity does not live by bread alone. These industries, he observes, desperately need to come under public ownership, not just government control. As for agriculture, it is already heavily subsidized.[54]

Galbraith finds the case for socialism to be compelling in the areas not only of unusual weakness, but also of exceptional strength. Lockheed, General Dynamics, and the aerospace subsidiaries of Textron and Ling-Temco-Vought are irresponsible monopolies interlocked with the Pentagon and Department of Defense. Two mutually supportive bureaucracies, one nominally private and the other public, 'would be usefully reduced by converting the large specialized weapons firms into full public corporations'. Congress rather than the military-industrial complex would be in control, salaries would be regulated by budgetary constraints, and profits would accrue to the American people. Galbraith concludes that, as a remedy for gross overdevelopment as well as underdevelopment, '*the word socialism is one we can no longer suppress*'.[55]

Paradoxically, the advocacy of socialism has been camouflaged not only in the name of liberalism, but also in the name of its mortal enemy — capitalism. A precedent was set by Bellamy. For the outcome of the process by which capitalism collectivizes itself, he invented the term 'public capitalism'. Others have followed suit by passing off the socializing tendency as 'collectivized capitalism'.[56] Another respectable equivalent for socialism is 'intellectual capitalism'. The mysterious Johannes Alasco devised this name for the new economic order in which the owners of 'intellectual' or 'human' capital displace the owners of physical capital. The sociologist Alvin Gouldner has another name for it — 'cultural capitalism'. As Gouldner defines socialism, it enlarges the incomes of those who own cultural capital, 'socialism extends the domain within which . . . cultural capital holds sway'.[57]

Socialism by default

Unwitting socialists committed to reforming capitalism, and witting socialists with opaque calling cards are not the only factors in America's slow and inconspicuous transition to postcapitalist society. Because the legacy of dead generations acts like a mold on the brains of the living, people do not make history just as they please. Socialism is only partly a matter of will. Without certain 'objective changes, which take place independently of the will not only of particular groups and parties but of various classes, revolution . . . is impossible'.[58]

The way to hell is paved with good intentions. Capitalism self-destructs because of the way capitalists behave. Overproduction, the combined effect of the profit system and production without a plan, Gronlund argued, is the rock on which the ship of capitalism periodically founders. Unlike past societies that were tormented by scarcity, by repeated plagues and famines, capitalist society must endure crises caused by too much instead of too little wealth. Greed for profits combined with planlessness results in '*too much* industry . . . a too large production, compared with the *effective* demand'. Along with guesswork concerning what the market will bear, the process of piling up profits compounds the problem in the form of new investments. Thanks to the profit system, workers cannot buy back the whole of what they produce, and capitalists cannot buy the remainder because of what they accumulate or save.[59]

The law of the accumulation, concentration, and centralization of capital in ever greater units prompts the state to intervene in economic matters on an increasing scale. It is an irreversible law, according to Gronlund, that ultimately spells the death of capitalism. Big capitalists swallow little ones, and the Leviathan State swallows big capitalists. The 'Individualism' that created and nourished these Cannibals has been 'digging the grave of Capital', and is ultimately responsible for the Established Order 'dying of exhaustion'. Unrestricted private enterprise is like a spinning top out of control. 'But just as the top is sure to finally topple over, so is this Social Order of ours'.

The culmination of this process is heralded when the fleecers begin crying for foreign markets, for foreign peoples to buy up the excess that cannot be sold at home. This cry is the '*first, frantic death-gasp* of Capitalism, showing it is dying of inanition'. The centralization of power in the national government — the 'central fact of Society everywhere' — may be expected to continue until all enterprises 'end in *one* monopoly'. Owing to the sweep of events rather than deliberate choice, the State will have 'more and more contracted the sphere of individual ownership and control . . . without asking or caring if it is "Socialistic"'.[60]

What, then, is the role of socialists in this doomsday scenario? Because the present system is becoming unbearable, says Gronlund, socialists might just as well fold their arms and wait to see the established order fall to pieces. It is folly to waste money and energy on socialist agitation when the minority can do nothing better than wait for the outcome. By then the laws of capitalism will have taken their toll and a labor revolt will be crying for socialist leadership.

The Fabians were not immune to this sketch of capitalist breakdown. Wrote Graham Wallas in 1889, 'the steady introduction of Socialistic institutions by men who reject Socialist ideas, all incline us to give up any expectation of a final and perfect reform . . . and to attempt rather to discover and proclaim what the future *must* be, than to form an organization of men determined to make the future what it should be'. Sidney Webb was of the same opinion. 'Socialists are only advocating the conscious adoption of a principle of social organization which the world has already found to be the immediate outcome of Democracy and the Industrial Revolution'. Creeping socialism is the process by which capitalism is cut to pieces, bit by bit, 'slice after slice'. Capitalism wrecks itself; it does not have to be overthrown. The transition to a new order need not be violent, abrupt, or cataclysmic. It may occur within the prevailing constitution and in conformity with the accepted morality.[61]

One of the leading vehicles of socialism by default was the Scientific Management Movement fathered by Frederick Winslow Taylor. Although born in 1856 of the same fifties' generation as Bellamy, Veblen, and Dewey, he had more in common with George, a socialist despite his convictions, than with the camouflaged socialism of the other three. At the same time, he had no more use than Bellamy for politics, he looked with Veblen to engineers and technicians as the vanguard of a new social order, and shared with Dewey the choice of organized intelligence instead of drift or forcible solutions to the social question.

In 1895, Taylor read a paper to the American Society of Mechanical Engineers that tied improvements in industrial efficiency to a partial solution of the social question. Entitled 'A Piece-Rate System: A Step Toward Partial Solution of the Labor Problem', it was the first in a series of statements that would later become known as the 'Taylor System of Scientific Management', or simply 'Taylorism'. As Taylor summarized the organized intelligence that promised to put an end to labor conflicts, class struggle, and the threat of socialism, 'Scientific management will mean, for the employers and the workers who adopt it . . . the elimination of almost all causes for dispute and disagreement between them'.[62]

Scientific Management had social implications. It was not just a bunch of efficiency devices or new system of figuring costs. 'The great revolution that takes place in the mental attitude of the two parties under Scientific Management is that both sides take their eyes off of the division of the surplus as the important matter, and together turn their attention toward increasing the size of the surplus'.[63]

The core of Taylorism was an explicit repudiation of the struggle between labor and capital in favor of conflict resolution by an impartial third party. Taylorism 'disseminated middle class ascendancy in the form of management control over both owners and workers as the "payment of the piper" for ridding the industrial system of its growing social and productive dysfunctions'. It promised 'a conflict-free, high consumption utopia based on mass production . . . [and] provided an avenue for middle-class mobility and the growth of a new professionalism' consistent with Taylor's vision of a rational social order governed by scientific principles applied by engineers.[64]

Taylorism aimed to replace amateurs with professionals in government and industry. 'Democracy', as interpreted by Taylor and his followers, signified government of and for the people, not by the people. It meant the replacement of politics by administration, 'the satisfaction of the common man's material needs, not a "debating society"'. In this respect, Taylor broke with Dewey. Taylorites had no faith in elections, but believed that state power is most effectively exercised by a 'technical elite through a process of scientific planning of the production and distribution of goods for the benefit of the entire population'.[65] They pulled the rug from under capitalism without realizing it.

Scientific management became the ideology of a new class of technocrats and professional workers who were displacing proprietors from positions of leadership and simultaneously preventing organized labor from taking over. Owners and workers alike were perceived as ignorant, avaricious, lazy, and pleasure-seeking in contrast to the sober, industrious, engineers and technical workers distinguished by their acquisition and application of scientific knowledge. Ideally, Taylorism represented a Third Position between capitalism and socialism. Actually, in challenging the rule of proprietors, it favored the socialist cause. As Marx might have characterized it, Taylorism signified 'the abolition of the capitalist mode of production within the capitalist mode of production'.[66]

America, wrote Daniel Bell at the beginning of the 1960s, is in the midst of two complementary silent revolutions that are upsetting the relations between power and privilege. 'One is a change in the *mode of access* to power insofar as inheritance alone is no longer all-determining; the other is a change in the *nature of power-holding itself* insofar as technical skill rather than property, and political position rather than wealth, have become the basis on which power is wielded. . . . Being a member of the [privileged] "upper class" . . . no longer means that one is a member of the ruling group'.[67] The Scientific Management Movement contributed to both of these silent revolutions.

In the role of functionaries of capitalism, industrial managers and industrial engineers undermined capitalism from within. Capitalist control had grown uninterruptedly since the 14th century, but with World War I it 'abruptly broke downward and has sunk continuously ever since'. What remained untouched were the privileged incomes of absentee owners, control over preferential treatment in distribution by the so-called 'Sixty Families', as Ferdinand Lundberg called the superprivileged group of income recipients. According to Burnham's explanation, that is because the 'power of the managers is still . . . subordinate to that of the big capitalists'.[68]

Thanks to a veto power over rebellious managers, Mr. Money Bags continued to make his presence felt on decisive issues within the corporate world. Short of getting control of the state, Burnham argued, managers are not in a position to monopolize the economic surplus. Even within their enterprises, they are compelled to share decision-making with colleagues in middle management and to surrender their dictatorial ambitions to the rule of committees. According to the team of researchers headed by Clark Kerr, 'the managerial class has neither the capacity nor the will to become the dominate ruling group'. Managers are typically agents of other interests, functionaries of the stockholders and state bureaucracies. 'Preoccupied with internal affairs of enterprise, which become ever more complex, the members of the managerial class are prone to become conformists rather than leaders in the larger affairs of society'.[69]

But does the substance of these objections mean that managers are not the objective agents of capitalism's self-destruction? Not at all. In America, government assistance to socialism by default has not required managers to intervene directly in political affairs, much less to rely on an organized political movement to capture the state. Not every social revolution, Burnham contends, must be carried through with the help of mass movements and implemented through a reign of terror. With certain qualifications, 'the United States could accomplish the transition to managerial society in a comparatively democratic fashion'.[70] Although the process was likely to be slow and tedious, America's liberal and democratic heritage virtually precluded that the transition would take a path similar to that in the Soviet Union.

Burnham did not write a sequel to *The Managerial Revolution*. If he had, he might have weighed the consequences of total industrial output doubling during the 1950s. Since industrial employment remained virtually unchanged during this decade, the doubling in productivity may be explained by the doubling during those years of the number of scientists, engineers, professionals, and managers in American industry.[71]

The growth of a technical, professional, and managerial class has responded to the requirements of modern technology. At the turn of the century, the technical work force consisted of some 18,000 chemists and other natural scientists, and 45,000 engineers. 'Between 1900 and 1960, the number increased from 63,000 to 1.2 million . . . equivalent to an annual gain of 5%'. By 1960, large corporations had become so dependent on the possession of technical expertise and information that they accounted for the employment of the bulk of this technical elite.[72]

As they became increasingly indispensable, scientists and engineers insinuated themselves into middle management and eventually into executive positions in the corporations. While the proportion of executives with college training more than doubled from 1900 to 1963, the percentage of corporate heads with technical degrees more than quadrupled. A 1964 Harvard University study of six thousand executives in American manufacturing industries showed that for managers over fifty-five, some 36 percent had technical degrees, whereas the figure for younger executives, constituting the pool from which future top managers would be drawn, exceeded 50 percent. Although by mid-century the number of corporate officials classified as 'engineer or scientist' was one out of five, by 1964 the figure had risen to one out of three.[73]

Veblen's dream of the ascendancy of scientists and engineers was gradually becoming reality, although by a route he had not visualized. His hopes rested on an illusory soviet of technicians patterned on the Russian model. Veblen anticipated that an engineering vanguard rather than organized labor or a revolutionary party of the proletariat would catapult itself into a position of power.[74] That has yet to happen. America is witness to a different scenario propelled by the technical requirements of capitalism, the gradual takeover of corporations at virtually all levels of command by a combination of Burnham's managers and Veblen's engineers with only minimum help from the state.

Was there also an 'income revolution' corresponding to the newly acquired power of management over the means of production and economic decision-making? It evidently commenced, but it remains to be seen whether such a revolution has been consummated.[75] Among its early signs was a change in the composition of top income earners. At the beginning of the fifties the salaries of professional and managerial workers represented 28 percent of the top 5 percent of all household incomes from whatever source. At the end of the decade they accounted for 48 percent. The big change resulted from the 'intrusion of brain power into the top 5 percent'.[76] But considerably more data are required to determine the progress of this redistribution revolution. At the moment of writing, the consensus among economists is that this silent revolution in its redistributionist phase has still a long way to go before the new class catches up to and surpasses the capitalists' 'unearned income'.

In Galbraith's scenario of the gradual displacement of the market economy by a decentralized and semiautonomous planning economy, power first passed from the propertied and moneyed interests to top management and then to the diffused management of the technostructure. As I interpret this transition, it consisted of a nondeliberate, silent, surreptitious sequence of steps toward socialism. Meanwhile, the process that was eroding capitalism called for new legislation and state intervention. As a result, two different planning systems, two rival forms of socialism, have been vying for supremacy, the 'visible hand' of management and the 'invisible hand' of government.[77]

The invisible hand of government has become increasingly visible because of public pressure to curb the irresponsible powers of corporations. The 'tradition of privacy accords the technostructure autonomy in setting its own compensation and in continuing and enlarging the differentials'. Its pyramiding of inequality borders on parasitism, engenders resentment and worker discontent, and cries out for public relief that would take us in the direction of state socialism. 'A solution would be to convert the fully mature corporations — those that have completed the euthanasia of stockholder power — into fully public corporations'. This process too is underway.[78]

Socialism without illusions

In *Capital*, Marx provides a sketch of the transition from capitalism to socialism in which socialists play a role only during the final act. The modern corporation undermines the process of capitalist production in three salient respects: first, the 'abolition of capital as private property within the framework of capitalist production'; second, the 'transformation of the actually functioning capitalist into a mere manager, administrator of other people's capital, and of the owner of capital into a mere owner, a mere money-capitalist'; third, 'private production without the control of private property'.[79] But the joint stock company is not itself the reconversion of capital into the property of producers.

The final act of the drama involves another process, the progressive degradation, exploitation, and immiseration of the proletariat leading to a 'revolt of the working class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production'. 'The knell of capitalist private property sounds'. The capitalists are expropriated.[80]

As Engels echoed Marx, the capitalists are shown to be incompetent when, every ten years or so, economic depressions testify to an economy out of control. After delegating power to salaried administrators, owners have no other function than that of pocketing dividends: they are both incompetent and superfluous. It is then that in the modern corporation 'freedom of competition changes into its very opposite — into monopoly; and the production without any definite plan of capitalistic society capitulates to the production upon a definite plan of the invading socialistic society'. But this transformation into joint-stock companies does not do away with capitalist relations of production. There still remains the great act the proletariat is called upon to perform: '*The proletariat seizes political power and turns the means of production into state property.* In doing this, it abolishes itself as proletariat, abolishes all class distinctions, abolishes also the state . . . [of] the exploiting class'.[81]

There are two main objections to this Marxist scenario. Socialism depends on neither a labor revolt nor an anticipated dictatorship of the proletariat: first, because the expropriators are expropriated, whether or not the proletariat does the expropriating; second, because expropriation is not necessary to socialism. In the first case, as the Soviet experience illustrates, capitalists may be expropriated by a vanguard party acting in the name of the proletariat, but in the long-run interests of a new class of technical, professional, and managerial workers. In the second case, socialism requires only that this new class displaces the capitalists from control of the economic levers and that it acquires the giant's share of the economic surplus.

Expropriation is unnecessary to socialism when the same effect can be achieved through taxation, and taxation is unnecessary when the same objective can be achieved without a transfer of income from capitalists to members of this new class. How might this occur? Through the increasing number, indispensability, and bargaining power of professional and managerial workers. Because their salaries exceed their cost of training and subsistence, they swallow an ever growing share of the surplus that in the long run tends to catch up to and surpass that of the owners. Contrary to Marx and Engels, a monopoly of political power is superfluous for this purpose and so, for that matter, are socialists.

Marx's two outstanding contributions were to have unmasked the reality behind the appearance of capitalist relations of production and to have amended the Machiavellian focus on exclusively political factors as the prime movers of history.[82] As Engels noted in *Anti-Dühring*, force and fraud are rarely pursued for their own sakes; they are primarily means. The preeminent end, at least in modern times, has been economic advantage. Property may be stolen and obtained by trade with the help of fraud, but 'it must first have been obtained by labor before there was any possibility of its being robbed'. Private property must already have been in existence for power and pillage to make a difference in who possesses it. 'Nor can we use either force or property founded on force in explanation of the "subjugation of man to make him do servile work" in its most modern form — wage-labor'. On the contrary, the buying and selling of labor-power is voluntary and can be explained by purely economic causes.[83]

Socialism did not become scientific with Marx's two great discoveries. For the role he assigned to the proletariat was a digression in futurology, an expression of wishful thinking for which there was the barest scientific evidence. Reliance on a labor revolt to usher in a classless society is pure deception when workers are told 'You have nothing to lose but your chains!' They place their jobs on the line and their lives as well.

Reasoning and critical thinking in the service of people's real rather than illusory interests have played a comparatively minor role in history. Despite the Marxists' vaunted historical materialism, Veblen faulted them for being historical idealists. A consistently materialist interpretation would not only stress the role of economic factors beyond the control of any single group or class; it would also de-emphasize the role of conscious and deliberate actions according to a calculus of advantage. One looks in vain to Veblen for the teleological fulfillment of human aspirations and the flowering of human potentialities in the classless society envisioned by Marx.[84] Nor did Veblen anticipate a final solution to the labor question in the new industrial order.

Marx supposedly turned the philosophical idealism of his mentor Hegel on its head. It is not the consciousness of men that determines social relations, he contended, but rather man's gradual advance toward a goal, self-conditioned and unfolding by some inner necessity, that determines consciousness. For both Hegel and Marx the goal was the same, the fulfillment of human potentialities in freedom. For Hegel the goal would be reached through a process of collective and cultural consciousness-raising; for Marx, through class struggle and a 'recognition by the competing classes of their materially incompatible interests'.[85] But if Veblen is right, the proletariat is interested in short-term gains and shows little appetite for either socialism or communism.

Veblen's point is that history interpreted in terms of class interests is teleological rather than matter-of-fact. The fundamental error of Marxist social science is its Hegelian premise that history is essentially rational. The scientific approach to what has happened and to what is happening in the world is based on altogether different premises. Rather than a series of logical inferences leading to 'the complete realization of life in all its fullness', history is a cumulative sequence of causes and effects that are mainly unconscious.[86]

Veblen was among the first to argue that 'class opinion is as much, or more, a matter of sentiment than of logical inference; and that the sentiment which animates men, singly or collectively, is as much, or more, an outcome of habit'. Although there are grounds for believing that exploited workers will eventually rise up against the propertied classes, 'their training in subservience to their employers will bring them again to realize the equity and excellence of the established system of subjection and unequal distribution of wealth'. As a result, nobody can reasonably predict what will be the outcome of the class struggle between labor and capital. 'It is quite impossible . . . to foretell whether the "proletariat" will go on to establish a socialistic revolution or turn aside again and sink their force in the broad sands of patriotism'.[87] If socialism is to have a solid foundation, it must be on a knowledge of causes and effects, not on a rational assessment of the workers' economic interests.

Contrary to Marx's followers, Veblen did not believe that the failure of workers to revolt could be credibly chalked up to ignorance or be explained away as systematic deception by those in power. He explained working-class behavior in terms of the cumulative heritage of precapitalist societies, unquestioned customs and traditions rather than economic self-interest. How else account for the workers' general approval of a leisure class that reaps what it does not sow? As Veblen perceived them, most workers are unsuccessful predators who envy and emulate successful ones. They look upon the wealthy as strong and able; they admire their cunning and resourcefulness.

Veblen preferred an anthropological explanation for the proletariat's failure to live up to Marx's expectations. With their social betters, the workers share the same deep-buried and mixed legacy from the distant past. A creature of habit and social conditioning reinforced by the persistence of tribal customs and ceremonial behavior, Marx's proletarians are no different in their general make-up than the bourgeoisie. From the sedentary and peaceable populations that cultivated crops in river valleys and built magnificent temples to the gods, they acquired a respect for hard work and craftmanship. From the nomadic tribes of the central-Asian plains, they acquired the patriarchal 'predatory habits and institutions . . . [of] a militant and migratory community' living off herds of cattle and a servile contingent of enslaved captives from the peaceable agricultural settlements.[88] As a result, the typical worker is not only hard-working and conscientious, but also rapacious.

Consistent with Veblen's critique of Marxism, Burnham elaborated an alternative approach to history that highlights the irresistible sweep of events under the name of fortune, the third element in Machiavelli's sinister trinity alongside the elements of force and fraud. Reasoning and critical thinking, Burnham contended, play a comparatively modest role in political events. Following Vilfredo Pareto, he limited rational behavior to the following conditions: 'when . . . action is motivated by a deliberately held goal or purpose; when that goal is possible; [and] when the steps or means . . . to reach the goal are in fact appropriate for reaching it'. While conceding that such behavior prevails in the arts and sciences in addition to economic activity of various kinds, he found it typically absent from political behavior.[89]

The broader significance of human actions is difficult to fathom. According to Burnham, socialists like to think they are acting in the interests of the proletariat, but their actions are more likely to be self-serving. 'The primary object of every elite . . . is to maintain its own power and privilege'. Its use of force may be merely threatened and its actions may not involve conscious deception, but in one way or another it cannibalizes the nonelite.[90] Said the Third Fisherman in Shakespeare's *Pericles, Prince of Tyre* (1635): 'Master, I marvel how the fish live in the sea'. 'Why, as men do a-land', replied the First Fisherman, 'the great ones eat up the little ones'.

So why consider socialism an exception to what in the past has been a continuing struggle to get something for nothing? Among the answers given by Marxists is that 'the emancipation of the working classes must be conquered by the working classes themselves', through the 'element of success they possess — numbers'. Unlike the struggle of elites, that of nonelites supposedly spells the end of power and privilege. That all efforts of this kind have failed is reputedly from 'want of solidarity between the manifold divisions of labor in each country, and from the absence of a fraternal bond of union between the working classes of different countries'.[91] But this is not the only possible explanation nor the most credible one.

That socialism is an exception to the general rule turned out to be false on two counts. First, it was not exploited workers who broke the link in the capitalist chain of oppression beginning with the Bolshevik Revolution in 1917. It was a vanguard of professional revolutionaries who seized political power and proceeded to nationalize the means of production in the name of the proletariat. Second, Marx's exploited wage earners did not have the benefit of numbers in the 19th century and when they acquired a numerical advantage they not only lacked solidarity, but also saw their advantage eroded by the increasing number of salaried workers with college, professional, and technical degrees.

The case of the Soviet Union is instructive in several respects. In *State and Revolution*, written before the Bolshevik seizure of power, Lenin demanded workers' control of industry and equal burdens with equal pay for all. With Lenin's backing, the workers occupied the factories and ousted some of the managers. But within six months he began calling for 'labor discipline' under 'one-man management' and for 'dictators with unlimited powers'.[92] 'Can any worker administer the state?' he asked rhetorically in a 1921 talk urging workers to accept the rule of experts, preferably red ones. 'After they [the workers] spend years in learning, they will know how, but this takes time'. Ironically, for suppressing the workers' chief demands, Lenin was accused of betraying the revolution.[93]

Consider next an American example. One can agree with Burnham that what was called socialism in the Soviet Union does not fit what he defines as the 'three decisive characteristics of socialist society — classlessness, freedom, and internationalism'.[94] But these features derive from an ideologically slanted definition peculiar to Marxists, one that is far from exhausting the other meanings of socialism. Instead of starting from an ideology and then seeing whether a particular practice conforms to it, a Machiavellian approach would begin with the practice of socialism in a particular country and then discard the model should it fail to fit the facts. It was Burnham's un-Machiavellian approach in his earlier work that prompted him not only to define socialism as free and classless, but also to discard the hypothesis that socialism is the successor to capitalism in the contemporary world. In fact, socialism too is an expression of human predacity.

In his treatment of democracy Burnham at least claims to be a Machiavellian. He begins with its practice in America and then trashes its ideology as unrealistic. In practice, democracy is not government of and by the people. At most, it represents their interests by allowing for freedom, 'a measure of security for the individual which protects him from the arbitrary and irresponsible exercise of personally held power'. Freedom is guaranteed through the '*right of opposition*, the right of opponents . . . to express publicly their opposition views and to organize to implement those views'.[95] But is this the substance of democracy or another ideology passing for reality? Despite his demolition of democratic ideology, some of it survives in Burnham's definition of socialism. Democracy may not be government of and by the people, but he assuredly suggests that it is government *for the people*.

Burnham credited the Machiavellians with being 'democrats' and 'defenders of freedom'. But the victors make the rules and once their rules acquire moral standing, who can effectively challenge them?[96] People were given freedom partly to mobilize them against political rivals, partly to pacify them, partly to make it easier and cheaper to rule with the consent of the governed. Voting was extended in small doses as an experiment, from fear that it might boomerang. It seldom did. The people were not to be feared. They were a nation of sheep who, despite being sheared, continued to follow their fleecers.

Paradoxically, as long as socialism remains harnessed to democracy and freedom in Burnham's sense, socialism will be hamstrung by gridlock, by checks and balances that favor the continued power and privileges of a minority. The right of opposition operates as a brake on social change; it means compromise, a willingness to settle for something less than full employment, higher wages, adequate housing, and health care for all, not to mention a final solution to the social question.[97] A typical apology for the democratic process is that it is not the destination but the ride that matters. But the politically enlightened person is bound to ask: Why take the slow coach when there is an express train to socialism?

Most socialists insist that socialism must be democratic. Otherwise, it is a counterfeit undeserving of the name. Based on the record of so-called democratic socialism, there is room for skepticism. Writing during the period of the Soviet-Nazi Nonaggression Pact, Lawrence Dennis conceded the possibility of democratic socialism only in some distant future. Meanwhile, 'I shall insist that a nondemocratic or nonparliamentary socialism be recognized as the only working model of socialism we have in the world today!'[98]

In retrospect, it is evident that Dennis's disdain for democratic ideology was skewed by the events leading to World War II. Granted that an express train is a way of reaching a destination more quickly than by horse and buggy, the events since World War II have confirmed the viability of an evolutionary road to socialism not in the by-and-by as Dennis believed, but in our lifetime. In the final analysis, the tortoise may prevail, despite the fact that the hare arrived at socialism first. But that is not to say that socialism must be democratic.

That the underlying content of socialism diverges radically from socialist doctrine was dramatized by the two most influential utopias of the 20th century, Aldous Huxley's *Brave New World* and George Orwell's *1984*.[99] Based on a realistic appraisal of political and economic trends in Europe during the Inter-War years, both envisioned a new kind of class society as the successor to a defunct capitalism. Rather than the classless socialism of the *Communist Manifesto*, they foresaw that actually existing socialism would most likely be statist, totalitarian, and the result of a merger of socialism and fascism.[100] Far from an improvement over the system of exploitation under capitalism, which the working class had learned to resist if not to overcome, the new society promised to so recondition the proles that they would end by accepting their assigned roles as the best of all possible worlds.

Huxley's 'Nowhere', the literal meaning of 'Utopia', was not spun out of pure silk. It builds on the 1920s movement for Scientific Management that had a profound effect on Lenin's Russia and Mussolini's Italy, as well as Henry Ford's America. Huxley's Director and Ten World Controllers, their method of reckoning time from the 'Year of our Ford', the names of his chief characters (Bernard Marx, Lenina Crowne, Polly Trotsky, Benito Hoover), and the titles of Chief Technician and Human Element Manager, highlight his story of the social and psychological long-range effects of industrial engineering.

Orwell's utopia is likewise a satire on the new totalitarian regimes that emerged from World War I, the Soviet experiment in particular. Its ideological centerpiece is a conspiratorial work deciphering the informal content of socialism behind the formal appearance. 'The Theory and Practice of Oligarchical Collectivism' by the conspiracy's leader, Emmanuel Goldstein, is a tribute to Orwell's assimilation not only of Trotsky's *Revolution Betrayed* and the works of two former Trotskyists, Burnham's *Managerial Revolution* and Max Shachtman's *Struggle for the New Course*, but also of Bruno Rizzi's *Bureaucratization of the World*.[101] As Goldstein sums up the nature of real as opposed to ideological socialism, once the capitalist class is expropriated, socialism will follow. Thus English Socialism, or 'Ingsoc, which grew out of the earlier Socialist movement and inherited its phraseology, has in fact carried out the main item in the Socialist program, with the result, foreseen and intended beforehand, that economic inequality has been made permanent'.[102]

Although intended as essays in futurology, these two provocative utopias constitute more than simple fiction.[103] Each unmasked the reality behind the appearance of the most touted variant of contemporary socialism, thereby revealing the hypocritical content of Marxism-Leninism. Contrary to Hook and Burnham, socialism need not be democratic. Their definitions of socialism give too much weight to political considerations and not enough to economic factors. Huxley's and Orwell's dystopias have as much claim to being socialist as Bellamy's utopia. Gronlund's cooperative commonwealth and the Webb's managerial socialism likewise dispensed with the democratic myth and, whatever may be said of Dennis's cerebral fascism, he too heralded the advent of socialism without illusions.

Notes

1 See my exploratory essay, 'Socialism Without Socialists: The Prospect for America' (Hodges, 1970a).
2 Gronlund (1965), pp. 8, 62-63, 91-92, 245.
3 Ibid., p. 195; italics mine.
4 Lipow (1982), pp. 60-70.
5 Gronlund (1965), pp. 237, 245.
6 Ibid., pp. 138, 149.
7 Ibid., pp. 153-54, 156.
8 Ibid., pp. 94-95.
9 Ibid., pp. 131-32.
10 Webb (1950), pp. 46-47; italics mine.
11 Ibid., pp. 47, 49.
12 Veblen (1961), pp. 388-90.
13 Schumpeter (1950), pp. 61, 134.
14 Ibid., p. 64.
15 Heilbroner (1986), pp. 190-91. See Wallas (1950) and Shaw (1950b), pp. 131-32, 165, 173, 176. For George's influence on Veblen, see Dorfman (1934), p. 32.
16 Shaw (1950b), p. 173.
17 George (1897), pp. 280-82, 482, 485, 503-16.
18 Lasch (1991), pp. 64-66; and George (1897), pp. 281, 403.
19 Gronlund (1965), p. 92; and George (1897), pp. 317-19.
20 Friedrich Engels, Preface to the 1877 edition of *The Condition of the Working-Class in England*; cited in Foner (1975), Vol. 2, p. 120 n. 17.
21 Lustig (1982), p. 58.
22 Foner (1975), Vol. 2, pp. 125-26, 149-50.
23 Salvadori (1959), pp. 22, 67, 70-71, and idem (1963), pp. 277, 285-286.
24 Galbraith (1967), p. 389.
25 Herreshoff (1973), pp. 99-101.
26 Shurter (1951), pp. xv, xvi; and Bell (1952), Vol. 1, pp. 220, 269.
27 Lipow (1982), p. 7.
28 Ibid., p. 194; and Bellamy (1951), p. 153.
29 Bellamy (1951), pp. 153-55.
30 Ibid., pp. 67, 70, 72-73.

31 Elsner (1967), pp. 63, 147-48, 156-59, 209, 221-23.
32 Gronlund (1965), p. 131, Editor's Note.
33 Lipow (1982), p. 89.
34 Heilbroner (1986), pp. 226-27; and Veblen (1963), p. 134.
35 Veblen (1961), pp. 387-408, 409-56.
36 Veblen (1963), pp. 89, 97-98, 127, 134, 150-51.
37 Dorfman (1934), p. 32.
38 Heilbroner (1986), p. 191; and Lustig (1982), p. 58. See Dewey (1934), p. 6; and Lipow (1982), pp. 3, 6.
39 Lasch (1991), pp. 345-47, 363. See Dewey (1935), pp. 77, 79-80, 82.
40 Schlesinger (1957), pp. 132, 141-142.
41 Hook (1931), p. 74.
42 Dewey (1935), pp. 87-88, 89-91.
43 Hook (1963), p. xvii; and Hodges (1963), pp. 454, 456.
44 Hook (1987), pp. 30-35, 597-99.
45 Francis (1984), p. 127; and Burnham (1970), p. viii. Burnham also believed that liberals had upset the balance between tradition and modernity through a 'basic shift in the governing "mix" of Western civilization: the foxes have been getting rid of the lions' — a reference to Machiavelli's two political types, 'foxes' (liberals who rely mainly on fraud) and 'lions' (conservatives who acknowledge the priority of force). See Burnham (1964), pp. 248-49.
46 Hook (1963), pp. xiii-xiv; and Bernstein (1963), pp. 202, 221.
47 Hook (1963), p. xii; and Bernstein (1963), pp. xxiv-xxvi.
48 Hook (1963), pp. xii-xiii; and Bernstein (1963), pp. 103, 150.
49 Hook (1987), pp. 177-78; idem (1963), pp. xvi-xvii; and Bernstein (1963), pp. 143-44, 149-50.
50 Dewey (1935), pp. 79, 87-88; and Bernstein (1963), pp. 153-54.
51 Galbraith (1967), pp. 389, 391, 394. For the elements of socialism in his earlier works, see idem (1952), and idem (1958).
52 Galbraith (1967), p. 71.
53 Galbraith (1973), pp. 274, 277.
54 Ibid., pp. 279-80, 282, 283.
55 Ibid., pp. 283-84, 285; italics mine.
56 Lipow (1982), pp. 70, 90, 91, 284; Berle (1954), pp. 23, 164-65, 181; idem (1965), pp. 94, 95; and Means (1965), pp. 65, 67 f., 83-85.
57 Alasco (1950), pp. 92-94; and Gouldner (1979), pp. 19, 21-27, 61.
58 Marx (1978a), p. 595; and Lenin (1975a), p. 275.
59 Gronlund (1965), pp. 36-39, 46-47, 62-63.
60 Ibid., pp. 62-64, 67, 90-93.
61 Wallas (1950), p. 123; and Webb (1950), pp. 30, 32, 43.
62 Copley (1923), Vol. 2, p. 407; and Taylor (1967), p. 142.
63 Cited by Copley (1923), Vol. 2, p. 404.
64 Merkle (1980), pp. 15-16.

65 Ibid., pp. 289, 291.
66 Marx (1962), Vol. 3, p. 429.
67 Bell (1962), p. 45.
68 Burnham (1941), pp. 99, 102.
69 Kerr et al. (1964), pp.124, 130; and idem (1960), p. 10.
70 Burnham (1941), pp. 270-72.
71 Gould (1966), pp. 59-61, 76-77.
72 Ibid., pp. 44, 48-49, 93.
73 Ibid., pp. 82, 84, 138.
74 Veblen (1963), pp. 132-51.
75 See Miller (1964); and Gould (1966), pp. 62-63, 149-59.
76 Miller (1964), p. 132.
77 Galbraith (1973), p. 275. See Chandler (1978), p. 1; and Alchon (1985), pp. 3-5.
78 Galbraith (1973), pp. 271, 272, 285.
79 Marx (1962), Vol. 3, pp. 427, 429.
80 Ibid., pp. 428, 431; and idem (1906), pp. 836-837.
81 Engels (1978), pp. 710, 713.
82 Ibid., p. 700.
83 Engels (1959), pp. 221, 223, 224, 226.
84 Veblen (1961), pp. 414-16.
85 Ibid., pp. 417-18.
86 Ibid., pp. 430, 441.
87 Ibid., pp. 441-42.
88 Ibid., pp. 484-86.
89 Burnham (1943), pp. 66-69 and 72-75 (on the decisive role of Machiavelli's sinister trinity of force, fraud, and fortune in political affairs), and 192-93, 252-53.
90 Ibid., pp. 224, 225.
91 Marx (1958a, 1958b), Vol. 1, pp. 384, 386.
92 Lenin (1975b), pp. 378, 381-83; and idem (1975c), pp. 453-56.
93 Cited by Ulam (1965), pp. 462, 468, 469-70.
94 Burnham (1941), pp. 45-47.
95 Burnham (1943), pp. 243-44.
96 Dennis (1940), p. 33.
97 Hodges (1965a), pp. 9-20; and idem (1963), pp. 455-62.
98 Dennis (1940), p. xxv.
99 Huxley (1958); and Orwell (1950).
100 On the bureaucratic-collectivist common denominator of socialism and fascism, see the chapters on 'Fascist Political Revolution' and 'Fascist Socialism' in Hodges (1978), pp. 111-61, 163-90.
101 Orwell (1950), p. 140. See Shachtman (1943) and Rizzi (1985).
102 Orwell (1950), p. 157.
103 See Hodges (1964), pp. 225-31, 232-35.

2 Threshold to a new order

> Workers aren't exploited. The science of economics boils down to supply and demand! (Joseph Hanson, Swift International executive, in conversation with the author, New York City, Winter 1945)

There is no longer need to rehash the arguments for power without property or a managerial revolution in American business. The consensus of the business community, America's leading economists, and an increasing number of sociologists is that capitalists have been displaced by managers and professionals at the highest levels of economic decision-making.[1] Capitalism has spawned a managerial revolution in which production and exchange are socialized, along with a partial socialization of ownership in semiautonomous corporations.

Marx viewed the displacement of the capitalist by professional managers as part of the transition of capitalism into socialism. The current system confirms his forecast of the increasing superfluity of absentee owners. But has the advent of a new form of quasi-public property in the modern corporation shown that capitalism has been replaced by a new economic order? On this score Marxists concur with the conventional wisdom that the managerial revolution in America marks a new stage in the evolution of capitalism, not a leap into socialism.[2]

On the contrary, I argue not only that the corporate economy has marginalized the owners so that they are no longer fiddlers who call the tune, but also that the corporate sector contains the framework of a new socialist society. The main residues of capitalist social relations consist of the millions of small employers and the billions in capital income. Whatever else remains of capitalism is mostly ideology and rhetoric.[3]

The managerial revolution as social revolution

What happened was nothing less than a social revolution. The first revolution, our war for national independence, had contributed to freeing Americans from political rule by a Tory aristocracy in control of the British House of Commons. The second, a revolution that smashed the politically and economically dominant slaveholding and landed oligarchy, followed the victorious war of aggression of the North against the South, the Civil War. But not all social revolutions are political and violent. The third, America's socialist revolution, occurred through a peaceful, creeping, corporate takeover that dates from World War I and matured around 1955. It was an inconspicuous revolution in which America crossed the threshold to a new society giving the edge to a class whose income took the form of employee compensation instead of returns from capital.

The dawn of this invisible revolution may be traced to the emergence of a new class of middle and top managers, who first appeared in the railroad industry at the beginning of the Civil War. By then a few large, professionally administered enterprises had replaced a much larger number of small owner-managed firms in the railroad and shipping industries. This trend continued until World War I, a major turning point in capitalist control of the economy. By 1917, as a result of the huge buildup of American industry supplying the Allies' war efforts, 'representatives of an entrepreneurial family or a banking house almost never took part in middle management decisions on power, output, deliveries, wages, and employment . . . [and even] in top management decisions concerning the allocations of resources, their power remained essentially negative'. Thus the managerial takeover crept along, until 'World War II put the capstone on the institutionalized developments of the interwar years'.[4]

The founding father of the theory of managerial revolution dates the inception of the new economic order as World War I, following which the new order first completely triumphed thanks to the Russian Revolution of October 1917. In its train came the Nazi transformation of the German economy and the American New Deal during the 1930s. In view of the Soviet and Nazi models of managerial society, Burnham interpreted the ascendancy of managers as the prelude to a new form of exploitive society. To the factor of control, he added state ownership of the means of production as preconditions of the new order. He further specified that for capitalists to be displaced as the dominant class, the managers had to get control of the state apparatus and replace the prevailing liberal ideology of bourgeois society with an ideology of their own.

The goals of America's managers have not been limited to control over decision-making in matters of production. Without taking additional steps aimed at dominating public policy, Burnham believed, they would fall short of their other goal of preferential treatment in distribution. Historical experience shows that these two 'rights' (control of access and preferential treatment in distribution) are interrelated and that the first is a precondition of the second. In 1941, when Burnham published his bestseller, income and control had become unbalanced. Capitalists with the biggest relative share of the national income had been losing control over access, while managers were gaining control over access without acquiring a corresponding share in distribution. Since control over production is decisive in determining real as distinct from formal ownership of the corporation, 'when consolidated, [it] will carry control over . . . distribution with it: that is, will shift ownership unambiguously to the new controlling, a new dominant, class'. It is simply a question of time before 'the most powerful (in terms of economic relations) will also be the wealthiest'.[5] That will be America's social revolution, the counterpart of the Bolshevik Revolution in Russia.

Three decades after the turning point in managerial control of the economy during World War I, capitalists were still the principal beneficiaries of the economic system. Another three decades later and Burnham would conclude that managers had become the dominant class, but had yet to use their control over access to their principal benefit. Although the 'capitalist era . . . may even be finished', managerial decision-making had left the ownership of capital relatively intact. Consequently, the 'descendants of the founders of and early investors in such industrial enterprises continued to reap the profits'.[6]

The only fundamental change, according to Alfred Chandler's exhaustive account in *The Visible Hand: The Managerial Revolution in American Business*, had been the separation of management from ownership. Even managerial control had been less extensive than its prophets had predicted. As late as 1965, family-controlled corporations were still a conspicuous presence on the American corporate scene. But the fact of being family-controlled did not insulate them from the general trend in distribution away from capital income in favor of wages and salaries. The data for family-controlled enterprises among the top 300 nonfinancial corporations in America indicate that dividend distributions, as a percentage of retained profits as well as the wage and salary bill, were not appreciably greater than in management-controlled enterprises.[7] Capitalist hegemony on boards of directors is no guarantee of shoring up the privileges of stockholders in matters of distribution. With or without control over the boards of directors, managers have been enlarging their beachheads and subverting the capitalist goals of the corporations.

Who are the managers that have helped to restructure American business? Burnham defined them somewhat narrowly in terms of the technical tasks of management, the direction and coordination of the process of production. They are not simply engineers, but industrial engineers, administrative engineers, and supervisory technicians along with operating executives, department heads, and plant superintendents directly concerned with production. Veblen, according to Burnham, confused the manager's 'directing and coordinating function with . . . scientific and engineering work', while others make the mistake of including financial executives and directors as managers when they are really finance-capitalists. Burnham faulted Adolf Berle and Gardiner Means's pathbreaking work, *The Modern Corporation and Private Property*, because in 'their concept of "management control" they do not distinguish between management in the sense of actual direction of the process of production . . . and management in terms of profit, selling, financing, and so on'.[8] But do Burnham's managers constitute a distinct social class? On the contrary, they are only a tiny component of what contemporary sociologists identify as the so-called 'new class' destined to replace capitalists in the forthcoming postindustrial or information society.

In defining the class of managers, Burnham (a dedicated Marxist during the 1930s) broke with Marx's example. For Marx, managers are members of the class of wage earners unless they happen to be owners of the firms they manage. But not all wage earners are proletarians in the strict sense, only those who produce a surplus in excess of what they receive back in the form of wages. In the *Communist Manifesto*, Marx defined proletarians as a special category of wage earners, 'who find work only so long as their labor increases capital'.[9] That is what makes them 'productive' under capitalism; the rest are unproductive workers.[10] Managers of a shop or factory produce a surplus. But are they proletarians or do they belong in the same class as financial executives and marketing and sales managers who convert this surplus into profits?

While Burnham continued to be influenced by Marx's theory, he qualified it in important respects. Not all production workers are productive, he argued, because the managers of shops and factories appropriate more of the economic surplus than they produce. Precisely because production managers are exploiters rather than exploited workers, they are not productive in Marx's sense. Consequently, they do not belong to Marx's proletariat.

The advantage of a broad definition of managers inclusive of different managerial functions, unproductive as well as productive, is that it brings into relief their common denominator. As Peter Drucker observes, it is wise to follow current usage in order to keep abreast of changing realities. In the 19th century and early 20th century, owner-managers seldom attended college, whereas today access to a managerial position almost invariably requires a college degree. Originally, management signified 'knowledge applied to tools, processes, and products'. Subsequently, it also included 'knowledge applied to human work' by industrial engineers and job analysts. Following World War II, the word 'manager' came to mean someone who is 'responsible for the work of subordinates'. A decade later, the definition had changed to one who is 'responsible for the performance of people', whether or not subordinates. And by the 1990s its meaning had been broadened to include someone who is 'responsible for the application and performance of knowledge'. 'This change means that we now see knowledge [expertise] as the essential resource'. Since capital and the other traditional resources have become secondary, Drucker concludes that this is what 'makes our society "postcapitalist"'.[11]

The ground for the emergence of a distinctively managerial enterprise was laid by the entrepreneurial firm and by the specialized knowledge required to manage it. Once a corps of middle managers appeared under the thumb of owner-managers and their stock-owning heirs, the capitalists' days were numbered. The process continued with the devolution of power from propertied entrepreneurs to salaried experts who replaced them, and culminated in the sharing of power with middle management embodying the organized intelligence of the corporation, a corps of professional workers possessing specialized information. Thus not ideological but technological imperatives account for a managerial revolution that was not only technical, but also social in reshaping the structure of American society.

The horizontal integration or merger movement in railroads and manufacturing industries from 1880 to 1900 required a huge staff of middle managers. The railroads relied on them to synchronize the movement of trains and traffic over long distances, to supervise the building of track and upkeep of railroad cars and engines, and to handle the mountain of receipts from sales and purchases. The meatpackers needed them to coordinate the buying, transporting, and slaughtering of cattle, sheep, hogs, and the refrigeration and marketing of the decaying flesh to

America's corpse-eating public.[12] At the turn of the century the country's two giant butchers, Swift and Armour, were the largest of their kind globally. Their transportation branches alone ranked among the biggest transportation enterprises in the world.

By the end of World War I, America's corporations had outgrown control by owner-managers, so that full-time salaried employees dominated top as well as middle management. The transition from capitalist to managerial enterprises came through vertical integration aimed at increasing profits by decreasing costs and expanding productivity. Vertical integration required new departments for purchasing raw materials and marketing the final product, and an enlarged team of top managers to administer, monitor, coordinate and plan the flow from the initial supplier to the ultimate consumer. By the end of World War II, the process of the separation of ownership and control was for the most part completed.[13]

The most recent step in the evolution of a postindustrial order occurred with the emergence of a 'technostructure' consisting of 'a fraction of the wage-earning class and of a fraction of the managerial class'. The technostructure has 'control of the whole economy by virtue of its installation at the levels of command of the state and of the principal organisms of the private economy'.[14] This corps of production managers, technicians, engineers, scientists, designers, marketing and other specialists, mushroomed with the postwar scientific and technical revolution. While they effectively took over positions of middle management, top management became increasingly dependent on their flow of information and expertise. From being directors and initiators of economic policies, top executives found themselves reduced to the increasingly ceremonial role of ratifying group-made decisions by a hierarchy of committees constituting the informal structure of the new mode of managerial enterprise.

'Power', writes John Kenneth Galbraith, 'has, in fact, passed to . . . a new factor of production', to the association of people with diverse technical knowledge and expertise making up the impersonal technostructure that modern technology and planning require. He calls this factor organized intelligence or organized knowledge, a 'recognized feature of modern technology'.[15] Another word for it is management. Peter Drucker calls management 'the decisive factor of production'. As we have seen, Galbraith is not the only prophet of a new industrial state in which the 'visible hand of management' and the 'invisible hand of planning' have replaced the 'invisible hand of the classical market'.[16]

That the revolution made its debut without any bugles or fanfare to announce its coming should not be cause for surprise. Capitalism in England also emerged at a snail's pace. The modern era of capitalist production dawned with the discovery of gold and silver in the New World in the 16th century, but for the dominion of capital to be complete the owner of capital had to become master of the whole disposable working time of the manufacturing laborers by relocating them in factories, and capitalists had to swallow most of the surplus. The Industrial Revolution prepared the ground for the era of capitalist enterprise in England, after which America's contribution was to pave the way toward a new postcapitalist order. By spawning the movement for scientific management, a managerial revolution in slow gear, America gave precedence to organized intelligence — the precedence of science over technology and of technology over industry — that has become the defining mark of the new society.[17] In bringing about this new society, the Soviet Union was a follower, not a leader.[18]

Marxist theory and the managerial revolution

In the modern corporation the transformation of the actual functioning capitalist into a mere manager, wrote Marx, goes hand in hand with the 'transition to a new form of production'. As a result, 'capitalist stock companies . . . should be considered as transitional forms from the capitalist mode of production to the associated one'.[19] That was more than a century ago. Today, most managers are neither capitalists nor functionaries of capitalists. The days are gone when big stockholders dominated the boards of directors. A new stage has arrived different from the one described by Marx, a stage in which management is a self-perpetuating and hegemonic elite within the enterprise.

When all the economic functions of the capitalist are performed by salaried employees, the capitalist becomes superfluous. As Engels noted, in the 'invading socialistic society . . . the social functions of the capitalist are now performed by salaried employees . . . [the] capitalist has no further social function than that of pocketing dividends'. However, he hesitated to draw the logical conclusion that capitalism exits with the exit of the capitalists. His mistake was to insist that 'the transformation, either into joint-stock companies and trusts, or into state ownership, does not do away with the capitalistic nature of the production forces . . . [because] the workers remain wage-workers — proletarians'.[20] But without capitalists to employ them, according to Marx, there are no proletarians.

In volume three of *Capital* 'capitalists' are defined by a particular social relation, the ownership of means of production set in motion by the hire of wage-laborers. Capital is a function, first, of ownership of a particular form of property and, second, of domination over a particular class of human beings. In the final analysis, capital is not money or means of production, but their ownership and use for the purpose of extracting self-expanding value. 'The worker receives means of subsistence in exchange for his labor-power, but the capitalist receives in exchange . . . the creative power whereby the worker not only replaces what he consumes but *gives to the accumulated labor a greater value than it previously possessed*'. Marx concludes that capital and wage-labor presuppose each other, but there is more to his formulation than meets the eye. Rather than a logical connection between concepts, he envisaged a causal relation, a power relation between capitalists and proletarians who 'reciprocally condition the existence of each other'.[21]

What bearing does Marx's definition of capital have on his own and Engels's interpretation of the modern corporation? For Marx, the transformation of private capital into social capital represents a transitional stage between capitalist and socialist society. As Engels notes, the 'capitalist relation is not done away with . . . [but] is rather brought to a head'. The advent of collective capitalism means that the state remains 'essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital'.[22] But is collective capitalism an accurate description of the new economic order?

Without capitalists at the helm, managers become employers of wage-labor and the proletarian exits along with the capitalist. Capitalist production gives way to a postcapitalist economy characterized by new social relations of production. These relations are best described as managerial, a social relation between a new ruling class and its subordinates, between executives and executants, supervisors and supervised. If the capitalist label still applies to the modern corporation, it is only to the mode of distribution that enables stockholders and bondholders to continue to pocket dividends and interest. The state continues to honor their portfolios, but has ceased to be the state of the capitalists.

In Marx's day the corporation had yet to dominate the economy. Today, the separation of power from ownership has led to the displacement not only of the functioning capitalist, but also of functionaries of the capitalists. Managers have become the new captains of industry. Their wages of superintendence have escalated astronomically because industrial leadership empowers them to make the final decisions, and because they pay wages to themselves. To make their salaries acceptable, there is a sliding scale for middle and lower managers and professionals that merges with the top salaries and blunts the appearance of extortion. The entire technostructure has benefited from this stratagem, but the rest of the population must pay the bill.

Marx set a precedent for classifying managers as a privileged stratum of the working class. In the joint stock company the functioning capitalist who profits from borrowed capital gives way to the functionary of the capitalist. His 'wages of superintendence' are 'entirely divorced from profit and assume the form of wages for skilled labor whenever the business is operated on a sufficiently large scale to warrant paying for such a manager'. Having 'no title whatever to the capital', his wages 'form a part of the invested variable capital much the same as wages of other laborers'.[23]

The irony is that, if we apply Marx's definition, the outcome of the managerial revolution in American business was nothing less than a proletarian revolution by quotas. Among Marx's most egregious errors was his inclusion of managers, engineers, and technicians within the class of exploited proletarians: 'Some work better with their hands, others with their heads, one as manager, engineer, technologist, etc., the other as overseer, the third as manual laborer or even drudge . . . [but all are] *productive workers*, workers directly exploited by capital'.[24]

Given his competitive model of the capitalist economy, Marx assumed that the rate of exploitation tended to be equal for all productive workers. If the labor of a goldsmith is better paid than that of a day laborer, he reasoned, then 'the former's surplus-labor produces proportionately more surplus-value than the latter's'. Throughout *Capital* Marx held that, for the model capitalist country that was England in the 1860s, the standard rate of exploitation of productive workers, be their wages high or low, was 100 percent. As for the unproductive white-collar worker who produces no surplus, his exploitation consists in the fact that a smaller part of society's labor time is tied up in an unproductive function than would be the case were his task performed by his employer. Marx assumed that 'he is a mere wage-laborer, even one of the better paid', for all the difference it makes since he will still be exploited. 'Whatever his pay, as a wage-laborer he works part of his time for nothing. He may receive daily the value of the product of eight working hours, yet functions ten'.[25]

As the industrial vanguard of the proletariat, Marx's managers are destined to replace capitalists, first as mere functionaries and later in their own right. This scenario amounts to a managerial takeover. Its heart is contained in a 1935 statement by Alfred Bingham: 'If . . . the original Marxist concept of a class rising from functional supremacy to political supremacy be followed, it leads today to the conclusion that the technical and managerial middle classes are slated to be the next in the sequence of ruling classes'.[26]

The thesis of a managerial revolution is buttressed by a close reading of *Capital*. Otherwise known, it is the thesis of the transition to a new economic order based on competing systems rather than on Marx's earlier scenarios of a permanent revolution and increasing misery. Writes Shlomo Avineri on the basic compatibility of Burnham's theory and that of Marx: 'The claim that James Burnham's theory of the Managerial Revolution has made Marx's analysis dated and obsolete is nonsense. The Managerial Revolution was foreseen by Marx as early as 1864'.[27] Ironically, in the pages of *Capital* one can find an ideology suited to the managers, or as C. Wright Mills labeled it, a 'Marx for the managers'.[28]

Capital exposes the secret of capitalist accumulation through surplus value, but it also conceals the process of exploitation through surplus wages that do not enter into the technical costs of training qualified professionals.[29] Marx's theoretical system is predicated on his celebrated Labor Theory of Value, which rules out the payment of a surplus in wages. Only capital invested in human labor-power is capable of producing surplus value, and this capital belongs to the capitalist. That is why capitalists hire wage-laborers, to get control of the 'occult quality [that] brings forth living offspring, or, at least, lays golden eggs'. Marx cites Thomas Hobbes, 'The value or worth of a man, is . . . so much as would be given [the price] for the use of his power'.[30] Labor-power differs from all other commodities in that its price is not subject to the averaging of rates of profit for equal capitals with different compositions of living labor.[31] Since there are seldom significant discrepancies between the price and value of highly skilled labor-power, there is little margin for a surplus wage.

There is another reading of *Capital* that warrants a different conclusion. The comparative value of different grades of labor-power is not a matter of perception, but an imaginary construct 'impressed upon products', a 'religious reflex of the real world'. The different value assigned to higher and lower grades of labor-power 'rests in part on pure illusion, . . . on distinctions that have long since ceased to be real, and that survive only by virtue of a traditional convention'.[32] Reasons are given for stamping a hierarchy of values on the hierarchy of skills, but they are not always credible. Values are assigned for the right reasons when determined by cost, but for the wrong reasons when based on tradition. In the first case there is no surplus wage; in the second case there is one.

Marxist economists credit Marx with explaining the value of labor-power exclusively in terms of its cost in expended labor, homogeneous, simple, socially necessary labor that is both technically necessary on an average and necessary to meet the effective demand. But this gross simplification ignores the socially unnecessary labor that determines value, a surplus concealed in the value of labor-power. To the worker's cost of subsistence Marx added the cost of '*so-called* necessary wants' that are technically unnecessary. Unnecessary wants reflect 'the degree of civilization of a country, . . . the habits and degree of comfort in which the class of free laborers has been formed'. Unlike other commodities, 'there enters into the determination of the value of labor-power a historical and moral element'. Consequently, if the price of labor-power falls to the value of means of subsistence, it falls below the value of labor-power.[33]

In explaining the value of labor-power, Marx looked to custom, not just to cost. Labor-power differs from all other commodities because its value is not exclusively determined by economic considerations. The different proportions in which the various skills are reduced to multiples of simple or standard labor are 'established by a social process that goes on behind the back of the producers, and, consequently, appears to be fixed by custom'.[34] In fact, Marx believed the ranking and value of different skills did not just appear to be, but really are, fixed by custom.

Suppose that the traditional or custom-assigned component of the value of labor-power exceeds by several times the value of the labor-determined component. Would not the difference qualify as a surplus wage? It is surely the case that its beneficiary gets something for nothing. Thus even within the framework of Marx's general theory there are grounds for believing that highly paid wage earners share in a surplus that escapes the clutches of the capitalist. Writes James K. Galbraith, 'the idea of economic surplus keeps reappearing in economics, and for a reason', to which he adds that part of the surplus accrues to wage earners as a 'quasi-rent' for superior skills.[35]

The thorny problem of surplus wages

It is common knowledge that Americans consume more than they need, that they really don't need much of what they buy, that they shop for its own sake, and that consumption has become addictive. The latest fashions, the childish delight in adding new gadgets to the typical household, and the highest per capita expenditure of energy in the world testify to a debtors' economy that thrives on surplus consumption and survives on credit.

What is not so common knowledge is that this production of waste on a colossal scale, this pyramid building, this sink for gold presupposes, even in the absence of credit, a huge reservoir of surplus income. Surplus consumption implies surplus income; suprasurplus income makes possible suprasurplus consumption.[36] Consumerism is possible only because of surplus production in combination with incomes unnecessary to sustain the economically active population.

The elites are not the only surplus consumers. Marx's proletariat also has a hand in this folly, as does the new working class under the thumb of professional managers instead of capitalists. It is no longer the case, if it ever was, that luxuries are articles 'which enter the consumption of only the capitalist class and can therefore be exchanged only for spent surplus ... which never falls to the share of the laborer'. Marx was misled not only in defining luxuries so narrowly, but also in interpreting necessities as items habitually consumed by wage earners, 'regardless of whether such a product as tobacco is really a consumer necessity from the physiological point of view'.[37]

An accurate account of reality in the late 20th century hinges on an economic distinction between articles of consumption necessary for maintaining the economically active population and articles of luxury that are unnecessary. Whatever may have been the case in Marx's day, today wage earners not only enjoy a share in the economic surplus, but also a steadily increasing share. Leaving aside income in support of the surplus or economically inactive population, welfare payments for the disabled, for those willing but unable to find employment and for those able but unwilling, there are two principal ways of sharing in the surplus. First, there is the income that is nominally earned not because of any corresponding work, but as income from capital absorbed mainly by absentee proprietors. This income consists of distributed profits from individually owned businesses and partnerships, stock dividends, rent from capital invested in real estate, and net interest, including that from savings accounts of the economically active who, to that extent, also get something for nothing. Second, there is the surplus concealed in 'earned income' for manual as well as technical, professional, and managerial skills, including wages the owners pay themselves for managing their business. Like capital income, so-called labor income accounts for part of the waste in surplus consumption.

Someone may object that the term 'unearned' in connection with income is a patent instance of the radical intellectual's anticapitalist bias. On the contrary, folk wisdom would have us believe that 'Your money is working for you', not that you are working for your money. That capital income is unearned does not mean that one should leave it to others and not pocket as much of it as possible oneself. Folk wisdom would have us take advantage of every opportunity that comes our way. Precisely that is the meaning of the businessman's retort to the intellectual, 'If you're so smart, how come you're not rich!'

In mapping the contours of the new society, we should keep these distinctions in mind. We would like to know the capitalists' share in capital income in order to compare it with the surplus concealed in wages, including salaries. But the capitalists' share is an unknown quantity that will continue to haunt us until there is a special box for capitalists in the statistical abstracts. We are left with the alternative of comparing capital income and surplus wages as an index of the importance of each in the American economy. This should tell us whether we are still on the road to postcapitalist society or have already crossed the threshold.

It is a comparatively easy matter to calculate the amount of capital income for a given year, but the task of assessing the surplus concealed in wages is fraught with difficulties. As a start, let us take the ratio of wages and wage supplements (W) to capital income, or gross profits (P), as a rough index of the changes in the relative shares of capital and wages in surplus income.

The long-term trend since World War I, when statistics on national income were first compiled, is incontestable. In 1917 the W/P ratio was 44 percent, in 1918 it was 79 percent, and in 1919 it approached parity at 93 percent. In 1920 labor's share for the first time surpassed the income from capital by a whopping 137 percent. In 1929 the ratio rose to 158 percent, after which it jumped to 206 percent in 1933 and remained virtually at that level until 1939, when it was 210 percent. In 1945 it was up to 273 percent but fell back in 1950 to 255 percent. Then came the record leap forward to 367 percent in 1955. In 1960 it slipped to 323 percent but regained some of its losses by rising to 345 percent in 1965 —

still short of the record set a decade earlier. In 1970 it reached 408 percent, remaining at the same level in 1975 and slipping only a few percentage points in 1980. Then came another big setback when, during the Reagan years, it lost a record 50 percentage points by falling to 355 percent in 1985 and then to 330 percent in 1990 — back to where it was some three decades earlier.[38]

To summarize the long-term trend, the relative share of capital fell from twice the share of labor in 1917 to one-half from 1933 to 1939, and then to less than one-third from 1955 to 1965, after which it leveled out at one-fourth during most of the 70s. Although it lost ground in the 1980s, it has yet to sink below 1955-65 levels.[39]

It is hardly a coincidence that the biggest spurts forward in the wage/profit ratio coincided with America's big wars abroad when employment figures and wages shot upward in response to boosts in production in defense industries. Within a three-year period (1918-20), the ratio increased almost 60 percentage points.

Taking the Nazi invasion of Poland in September 1939 as the beginning of World War II and the Japanese surrender in September 1945 as its end, the wage/profit ratio during this six-year period rose from 210 percent to 273 percent, another advance of some 60 percentage points.

The Korean War (June 1950 - July 1953) had an even more startling outcome. From a wage/profit ratio of 255 percent in 1950 it leaped to 367 percent in 1955, an increase of more than 110 percentage points.

America's involvement in the Vietnam War also had a profound effect on the wage/profit ratio. On the heels of the Tonkin Gulf resolution by Congress in August 1964 and the first troop landings in Vietnam, the wage/profit ratio rose from 345 percent in 1965 to 408 percent in 1970.

For quite different reasons, the Great Depression of 1929-40 had an adverse effect on capital's share of the national income. Although unemployment figures soared as production figures tumbled, the slaughtering of capital values resulted in boosting the wage/profit ratio from 158 percent in 1929 to 210 percent in 1939 — a gain of 50 percentage points.

These figures indicate an overall change unfavorable not only to capital, but also to the persistence of capitalism. They also suggest that at some point following World War II the threshold was crossed to a postcapitalist society.

Calculating the surplus concealed in wages

I turn next to the concrete task of measuring surplus wages. For this purpose, I take as key variables a labor unit of account in addition to the wage unit, the basic or minimum wage at a given moment, and the quantity of actual employment.

Following John Maynard Keynes, we shall measure the quantity of employment in labor units (standard man-hours) and its remuneration in wage units (the money wage of a labor unit). However, he would have us believe that one hour of specialized labor at twice the basic rate, or minimum wage, represents two units of employment when, realistically considered, it represents only one unit.[40] In such instances, one standard man-hour commands not only one hourly wage but two hourly wages, which otherwise could employ two workers. The two wage units paid for one hour of special labor represent actual employment of only one hour, albeit potential employment of two hours. Consequently, Keynes' measure of actual employment is really a measure of potential employment.

There is no determinable income surplus when one labor unit counts as two labor units on the grounds that it commands two wage units. But there surely is a surplus. The question is how to measure it.

If we could agree concerning what enters into necessary wages, then we could define surplus wages by elimination. It is widely believed that necessary wages include the expenses of education in addition to means of subsistence for maintaining and reproducing wage earners. But are the publicly subsidized and institutional costs of education relevant to the educated worker's claims to special compensation?

Since the cost of elementary and secondary education is borne by the state, county, or municipality and by parents in the form of local taxes, it is irrelevant in estimating the personally defrayed cost. Higher education is another matter. Theodore Schultz estimates that in 1956, when the annual basic wage was $1,900 in round figures, the per capita cost of a college or university education was $3,300 per annum. This sum consisted of two parts: school costs, whether privately or publicly defrayed, estimated at $1,353; and opportunity costs, or foregone earnings, of $1,947 representing almost 60 percent of the total.[41] But what fraction of school costs was the typical student's expense in tuition, laboratory fees, books and other supplies plus room and board?

For Schultz and other theorists of 'human capital', the most important cost borne by students consists of foregone earnings. But these are not costs in the strict economic sense of payments for physical assets, articles of consumption, or intangible services. They are a sacrifice of one option in pursuit of another, akin to the so-called cost of deferred consumption. Because they are intrasubjective or psychological rather than intersubjective, they are conspicuous by their absence in statistical abstracts of the American economy. Economic costs imply a transaction or exchange between persons; opportunity costs do not. Even so, foregone earnings constitute a claim to a higher wage than that for high school graduates. In this respect, if no other, an investment in higher education is an investment in human capital, and its yield in higher wages is a disguised form of capital income.

The student's economically defrayed costs are to be sought elsewhere. In 1959 the average full-time tuition for an academic year of two semesters of approximately nine months, or three-fourths of the calendar year, was $198 at four-year public colleges and universities compared to $734 at private institutions. Room and board was $606 and was $710 at private colleges and universities.[42] It is a fair assumption that these lower figures were economically necessary, but that additional payment for a private education was a luxury. Add to the above necessary costs the amount of $150 for laboratory fees, books and other supplies, and the total personal cost of a college education per annum averaged around $950. This figure represented approximately half of the minimum wage of $2,000 in 1959.

In the absence of parental aid and scholarships, the personally defrayed, necessary cost of a four-year college education, beginning in September 1956 and ending in May 1960, had an upper limit of around $3,800, or less than two years of full employment at the minimum wage. How, then, were students to be reimbursed? Surely, not by their first employer in one lump sum, but by all their employers over a productive lifetime. But if retirement began at age 62 or 63 and the expected life of a college-trained professional averaged about 40 years, then the annual prorated recovery of this sum was barely one-twentieth of the original cost. In our example it amounted to a measly $95 per annum, some 5 percent of the basic wage. There was evidently no way of staking a claim to a respectable salary on this figure.

Having said this, I imagine myself attacked by a pack of wolves in indignation. Is the outlay for a college education to be prorated after the manner of physical assets? Is the human brain to be likened to a machine in the head? Given the above method of recovering the cost of a college degree over the entire span of a productive life, where is the student foolish enough to acquire one?

In likening expertise to a machine in the head, Adam Smith added that 'before it is worn out it . . . will replace the capital laid out upon it, with at least the ordinary profits of an equally valuable capital'. Therefore, a person 'educated at the expense of much labor and time to any of those employments which require extraordinary dexterity and skill . . . must be expected, over and above the usual wages of common labor, . . . [to recover] the whole expense of his education, with at least the ordinary profits . . . in a reasonable time, regard being had to the very uncertain duration of human life'.[43] It is this uncertainty which calls for a different time period from that of prorating the cost of the more certain duration of a machine.

Smith's method of amortizing educational expense obviously differs from the one I briefly sketched. After all, he considered money paid for education to be capital like that invested for the sake of profit. If the cost of acquiring a special skill is an investment with the promise of earning more than the minimum wage, then it is a form of capital and the income derived from it is capital income. Such is the conventional wisdom.

It is a fact of life that some students pursue careers only or mainly in order to earn more than the basic wage. But others do so out of interest, not just artists and pursuers of knowledge for its own sake. In any case, it is contrary to fact to suppose that their surplus takes the form exclusively of profits, that it is income from capital instead of labor. The most that one may reasonably conclude is that they suction off a portion of the economic surplus concealed as wages.

Marx's assessment of the costs of education differs from Smith's, but has other faults no less objectionable. The value or cost of labor-power is 'the value of the means of subsistence necessary for the maintenance of the laborer'. But what did Marx take to be means of subsistence? Besides provisions for food, clothing, and shelter, he included the cost of reproducing a fresh supply of labor-power, 'the laborer's substitutes, i.e., his children'. To this he added the expense of acquiring and improving the worker's skills, a cost that varies according to their more or less complicated character. As an integral part of necessary wages, this expense 'resolves itself into the value of a definite quantity of the means of subsistence . . . [and] varies with the value of these means or with the quantity of labor requisite for their production'.[44]

Marx so stacked his cards that under competitive conditions the price of labor-power tends to match its cost. The higher wages of specially trained and educated workers are supposed to be remuneration not only for the expenditure of labor-power of a more costly kind, but also for labor in excess of that expended by ordinary workers. 'Skilled labor counts only as simple labor intensified, or rather, as multiplied simple labor, a given quantity of skilled being considered equal to a greater quantity of simple labor'.[45] Although to count as is not the same thing as being a multiple of simple labor, Marx assumed that this method of social accounting provides an accurate index of economic reality.

Absurd consequences follow from this line of reasoning. Writes Paul Sweezy in a postWorld War II Marxist classic, 'it is clear that the superior worker expends in production not only his own labor (which we can assume would have the quality of simple labor in the absence of training) but also indirectly that part of the labor of his teachers which is responsible for his superior productivity'. Thus, if the productive life of a worker is 100,000 hours, and if into his education went another 50,000 hours including both his teachers' and his own efforts at school, then 'each hour of his labor will count as one and one-half hours of simple labor'.[46] Since it will also cost some 50 percent more than simple labor-power, its wages of subsistence will exceed by the same amount the cost of subsistence of ordinary workers. As if the highly qualified worker could not continue performing his job without reimbursement for the labor of his teachers, as well as his own labor during his college career!

From whence come the funds that pay for specialized education? There are two principal sources: institutional subsidies and family support. Surely, the student has little claim on recovering what the state or university provides out of institutional funds. As for family savings that are spent on education but maintained and reproduced in offspring from generation to generation, they presuppose a special hereditary property. Since the sale of the resulting skills is an exchange of one form of surplus for another, it is not an integral part of necessary wages.

Every generation of skilled workers swallows during the period of training a given amount of the economic surplus. This means that they acquire the right to keep on exacting, as payment for their training, the surplus income spent on its acquisition. The higher wages of skilled workers is supposed to be payment for their superior abilities and for the corresponding value of their work. In fact, it is a return of surplus income from an investment of surplus income. This is not the conventional wisdom.

In view of the foregoing, one should consider an alternative to the Marxist definition of subsistence. Even when a student's cost of education is paid out of his own savings, its prorated reimbursement is only the recovery of spent surplus. It is irrelevant therefore in calculating necessary wages. The alternative is to define subsistence in the strict sense of living expenses that are physiologically necessary, not just necessary in a conventional sense.

Surplus wages are the difference between actual wages and necessary wages strictly interpreted, the difference between the agreed upon price and the worker's cost of subsistence also strictly interpreted. But haven't I forgotten something? The cost of training and education cannot be excluded altogether. By all means let us include it, but in the price of labor-power required to maintain the work force at a given level of skill and capacity, a price that is not its cost. The price of education is a 'false' cost funded out of surplus instead of necessary income. It may seem perverse that I load the dice in this provocative way, but the conventional wisdom and its Marxist alternative are less than credible.

So conceived, the annual wage surplus (S) is equal to a given year's fund of wages and wage supplements (W), which includes the individually defrayed expenses of acquiring and maintaining skills, minus the estimated cost of subsistence of the wage-earning population. This latter cost is equal to the annual basic or minimum wage for full-time work (M) multiplied by the number of wage earners in full-time equivalents (N). Therefore

$$S=W-MN$$

Information concerning the wage fund and minimum wages for a given year presents no problems. But the mass of employment in full-time equivalents has to be inferred from figures for part time as well as full time and overtime workers. Annual employment figures have to be adjusted downward in order to arrive at a semblance of real employment.

Several auxiliary assumptions are needed for this purpose. First, full-time workers will be equated with those who have 'worked 35 or more hours' per week.[47] I shall interpret this to mean the full-time equivalent (FTE), an average of 40 hours per week for 50 weeks of any given year. Second, all members of the armed forces will be assessed at this rate. Third, civilian employees who have 'worked 15-34 hours' will be taken as representing an average of 24 hours per week for a 50-week year, or 60 per cent of the FTE. Fourth, civilian employees who have 'worked 1-14 hours' will be assumed to have worked an average of 8 hours per week for a 50-week year, or 20 per cent of the FTE.

Although it legally covers only about 80 per cent of the labor force, and that amount only since 1981, the minimum wage is an approximate measure of the technical cost of maintaining each worker. This corresponds to what each must be paid to assure complete coverage of personal expenses for basic needs shared in common by professional and ordinary employees. There is a broad consensus that the minimum wage suffices for ordinary day-to-day needs, but that health care must be separately insured and that professionally related needs require additional supplements. Although supplements to wages and salaries only partly cover these added expenditures, they do so on an increasing scale. Supplements to the minimum wage amounted to 13 billion dollars in 1955, soared to 67 billion in 1970, and in 1989 represented a mammoth 506 billion dollars.[48]

The minimum wage at full-time hours is not just a legal construct subject to amendments to the Fair Labor Standards Act of 1933.[49] It is also a physiological and socially necessary minimum, so that the choice of an alternative yardstick for measuring surplus wages is vulnerable to the charge of being subjective, if not arbitrary or idiosyncratic. So let us stick to the minimum wage and let the chips fall where they may.

As the potential victims of this mode of accounting, professional workers become outraged when superior education ceases to be an argument for differentials in personal income. The Marxist method of assessing the value of services in terms of market forces that operate behind the backs of producers is more to their liking. Although Marxists concede that professional workers may eventually replace capitalists as the principal beneficiaries of the surplus, a wage surplus does not figure in their method of social accounting.

Like Marx's method, Keynes's method of accounting plays into the hands of professional workers. While favoring the euthanasia of the rentier, both exempt professionals from a similar expropriation. For Keynes as well as Marx, the specter of professional impoverishment blocks acceptance of an alternative to the conventional notion that merit must be rewarded.

The impoverishment of professionals is one thing, and poverty something else. Even the annual subsistence wage is considerably above the weighted average poverty level for single individuals. In 1981, it was \$6,700 compared to a poverty level of \$4,620. In the case of related individuals, such as husband and wife both of whom worked, the disparity was appreciably greater, \$13,400 compared to \$5,917. Although the 1981 subsistence wage remained fixed until April 1, 1990, it continued to exceed the weighted poverty level that rose to \$5,807 for individuals and to \$7,431 for married couples in 1990.[50]

It is a fact that skilled manual workers, as well as technical, professional, and managerial employees, siphon off a share of the surplus. Besides surplus wages, they collect interest from savings accounts, bonds, and annuities, dividends from stock holdings, and occasional rents from real estate, although these are seldom enough to make them capitalists. With the available data it is impossible to determine the relative shares of wage earners and capitalists in these different forms of capital income. The only viable comparison is an aggregate one, beginning with the ratio of the total wage surplus (S) to gross profits from capital (P).[51]

Consider the time series with intervals of five years from 1950 to 1990. In 1950 the S/P ratio was 115 percent, but in 1955 made a great leap forward to 184 percent. In 1960 it fell back to 175 percent, but in 1965 it made a modest gain by climbing to 207 percent. In 1970 it made another leap forward to 278 percent, but in 1975 slipped to 275 percent and continued slipping from 273 percent in 1980 to 264 percent in 1985, and down to 262 percent in 1990.[52]

Roughly constant during the 1970s, the S/P ratio lost ground during the 1980s until in 1990 it fell to its lowest point in two decades assessed in five-year intervals. This turnabout may be explained by the collapse of the minimum wage to its lowest percentage of average earnings of production workers in manufacturing, only 35 percent in 1990 compared to 49 percent in 1970 and a record high of 54 percent in 1955.[53] Nonetheless, in view of the collapse of the W/P ratio in the 1980s, the fall in the S/P ratio in 1990 represented only a minor setback — a loss of only 16 percentage points compared to a 78 percentage point loss in the W/P ratio since 1970.

What is the significance of these data? They tell us that, corresponding to the escalation of the W/P ratio from World War II to the present, the S/P ratio also rose. They highlight the declining importance not only of capital income, but also of capitalists and capitalism as vital elements of the American economy. They raise the prospect of a new beneficiary of the lion's share of the surplus, whose boundaries and precise share have yet to be determined. They call attention not only to the 1920 threshold, when wages overtook profits as the principal constituent of personal income, but also to another threshold still to be determined when a new class may have caught up to and surpassed the capitalists' share of the total surplus. As we shall see in the next chapter, this remarkable event occurred under conditions in which the minimum wage set a record for five-year intervals by rising to 54 percent of the average production wage for manufacturing workers in 1955.

Notes

1 Galbraith (1971), pp. xvi-xvii, 107; and Herman (1981), pp. 9-15. Among the pioneers of the managerialist thesis, see Veblen (1904), pp. 157, 174-75; Berle and Means (1932), pp. 85, 94; and Burnham (1941), pp. 95-97.
2 See Sweezy (1956, 1962, 1972); Baran and Sweezy (1966); Crosser (1960); Braverman (1974); Perlo (1954, 1957); and Wallerstein (1974).
3 This chapter and the immediately following one have benefited from the thoughtful comments of E. Ray Canterbery. Our points of departure and terminology differ, but we agree concerning America's transition to a new economic order. See Canterbery (1984, 1987).
4 Chandler (1978), pp. 476, 491, 492-93.
5 Burnham (1941), pp. 71-73, 92-95, 99; and idem (1942), p. 207.
6 Burnham (1960), pp. viii-ix; and idem (1978), pp. 98-99.
7 Chandler (1978), p. 492. See Burch (1972), pp. 29-47; and Herman (1981), pp. 56-61, 89-93, 102, 302-23. My data for 1965 cover the following samples selected at random: (1) from primarily family-controlled boards of directors (PF): Allied Chemical, Aluminum Co. of America, Chrysler; (2) from primarily management-controlled boards (PM): Anaconda, Republic Steel, Sperry Rand. See Table 3-1, 'Company-by-Company Corporate Control Analysis of America's 300 Largest Manufacturing and Mining Concerns as of 1965', in Burch (1972), pp. 37, 40-42. My data for wages and salaries, dividends, and retained earnings are taken from the annual reports of the top 61 corporations. The ratio of wages and salaries to dividends in my sample of PF corporations was Allied Chemical (6:1), Aluminum Co. of America (13:1), Chrysler (27:1). In my sample of PM corporations it was Anaconda (7:1), Republic Steel (15:1), Sperry Rand (indeterminate). It is noteworthy that Sperry Rand showed the highest percentage for wages and salaries on its pie-graph, 47 per cent compared to Chrysler's 27 per cent. Chrysler's dividends were the lowest of those reported, 1 per cent compared to Allied Chemicals 4.5 per cent. Chrysler also held the record for the lowest ratio of dividends to retained earnings.
8 Burnham (1941), pp. 79-80, 82-84, 88-89. See Burnham's review of Chandler's *The Visible Hand* (Burnham, 1978, pp. 98-99).
9 Marx (1988), p. 61.
10 Marx (1962), Vol. 2, pp. 131-33.
11 Drucker (1993), pp. 41-42, 44-45.
12 Chandler (1978), pp. 175-81, 185, 187, 315, 391-401, 405, 414-17.
13 Ibid., pp. 106-7, 455, 490-93.
14 Larat (1988), pp. 146-47.
15 Galbraith (1967), pp. 12, 19, 58-59, 70, 115-16. The content, not just the style, of Galbraith's work is decidedly Veblenesque. See Veblen (1963), pp. 72-73, 134-36, on the 'general staff of industry' (Galbraith's 'technostruc-

ture') and 'incoming industrial order' (Galbraith's 'industrial system' and 'new industrial state'); and Dewey (1935), pp. 73, 79, 81, 82, on the role of 'organized intelligence' and 'cooperative intelligence' in group decision-making.

16 Drucker (1989), p. 116; Chandler (1978), pp. 1, 377; and Alchon (1985), pp. 3-5.

17 Drucker (1993), pp. 32-45, 62-67.

18 Bell (1973), pp. 107, 111-12. For the Soviet Union's dependence on American leadership, see Merkle (1980), pp. 103-35.

19 Marx (1962), Vol. 3, pp. 427, 429, 431.

20 Engels (1978), pp. 710-11.

21 Marx (1962), Vol. 3, pp. 794-95, 856, 859-60; and idem (1978b), pp. 209-10.

22 Marx (1962), Vol. 3, p. 427; and Engels (1978), p. 711.

23 Marx (1962), Vol. 3, pp. 373, 376, 379-81.

24 Marx (1977), Appendix, p. 1040.

25 Marx (1962), Vol. 3, p.140; and Vol. 2, p. 132.

26 Cited by Mills and Gerth (1963), p. 57.

27 Moore (1963), pp. 13, 65-91. See Marx (1962), Vol. 3, pp. 427-33; and Avineri (1968), p. 179.

28 Mills and Gerth (1963), p. 54. See also 'The Illusion of the Managerial Revolution', in Sweezy (1962), a review of Burnham's book that originally appeared in *Science and Society* (Winter, 1942).

29 Hodges (1981), pp. 21-34.

30 Marx (1906), pp. 172, 189 n. 2.

31 Marx (1962), Vol. 3, pp. 170-72.

32 Marx (1906), pp. 86, 91, 220 n. 1, and 289 n. 1.

33 Ibid., pp. 190, 192. See also p. 191 n. 1.

34 Ibid., p. 52.

35 Galbraith (1989), pp. 112, 121.

36 For the economic implications of suprasurplus consumption, see Canterbery (1984), pp. 83-88; and idem (1987), pp. 320-22, 323.

37 Marx (1962), Vol. 2, p. 403.

38 Data for 1917-20 are taken from the U.S. Bureau of the Census, *Statistical Abstract of the United States: 1922*, 45th ed. (Washington, D.C., 1923), Table 400. Later editions are referred to simply as *Statistical Abstract* with the date. See the data for 1929-50 from *Statistical Abstract: 1952*, Table 304; for 1955-80 from *Statistical Abstract: 1982-83*, Table 699; and for 1985-90 from *Statistical Abstract: 1992*, Table 679. Although the *Statistical Abstract* leaves much to be desired, it is nonetheless the most complete and reliable source of data on the American economy.

39 For an earlier but different discussion of the diminishing share of the top 5 percent of the population in the national income from 1929 to 1948 (a rough index of the share of capital income relative to labor compensation),

see Kuznets (1953), pp. 635, 637, 641, 644.

40 Keynes (1936), p. 41; see also pp. 42-44, 213-14, 375. As an alternative to Keynes's standard man-hour unit of account, see Hodges (1966a, 1966b, 1977).

41 Schultz (1963), pp. 21, 28-29, Table 1.

42 *Statistical Abstract: 1969*, Table 186.

43 Smith (1937), p. 101.

44 Marx (1906), pp. 190-91.

45 Ibid., p. 51.

46 Sweezy (1956), p. 43.

47 For the statistical boxes, 'worked 35 hours or more', 'worked 15-34 hours', 'worked 1-14 hours', see *Statistical Abstract: 1982-83*, Table 645.

48 *Statistical Abstract: 1965*, Table 452; and *Statistical Abstract: 1991*, Table 704.

49 *Statistical Abstract: 1982-83*, Table 677. All my figures on minimum wages are based on this table.

50 *Statistical Abstract: 1982-83*, Table 677 and page 417; and *Statistical Abstract: 1991*, Tables 682 and 753.

51 As a sample case of S=W–MN and of the key ratio S/P, consider the data for what we shall determine in the next section to be the threshold year of 1955. The wage fund (W) came to $224 billion. The minimum hourly wage was 75 cents (the shift to $1.00 occurred in 1956), so that the annual basic wage (M) was $1,500. Civilian employment of 35 hours or more was 51 million; from 15 to 34 hours it was 7 million; from 1 to 14 hours, 2.7 million. Employment in the armed forces was 3 million. These figures add up to 54 million fully employed workers, plus 4.2 million FTEs for those who worked 15 to 34 hours (60 per cent of 7 million), plus .5 million FTEs for those who worked less than 15 hours (20 per cent of 2.7 million). The total quantity of employment (N) may be assessed, therefore, as 58.7 million. Corresponding to these weighted figures, basic wages (MN) came to $88 billion, so that the wage surplus (S) was $136 billion. Therefore, since capital income (gross profits) came to $74 billion, the S/P ratio was 184 percent. For the source of these data see *Statistical Abstract: 1965*, Tables 296, 304, 452.

52 *Statistical Abstract: 1982-83*, Tables 659, 677, 699; and *Statistical Abstract: 1992*, Tables 645, 658, 679.

53 *Statistical Abstract: 1992*, Table 658.

3 Postcapitalist society

> A visible hand on the levers, the invisible hand in the till. (Anonymous)

It is an axiom of Marxist economics that wage and salary earners cannot get hold of the surplus until they expropriate the capitalists. However, the ownership of capital may be overshadowed by the ownership of a new factor of production, organization-related managerial, professional, and technical expertise. When capitalists replaced the landed aristocracy as the leading class in society, it was not because they expropriated the land to become landowners, but because their rule was based on the ownership of a new factor of production. Although Marx may be right that a change in ownership is necessary to the transition to a new economic system, past experience suggests that it is a change from ownership of a prevailing factor to a different one about to prevail. So, if I am right that capitalists have ceased to garner most of the surplus even in the corporations they control, then the Marxist axiom is no longer axiomatic.

On the heels of the managerial takeover of the decision-making process, there was a revolution in the distribution of the economic surplus. Capitalist income represents the visible surplus, but there is also an invisible surplus as part of employee compensation. In America the ratio of surplus wages to the aggregate distributed as profits, dividends, interest, and rent approached parity at the end of World War II and has been rising ever since. Capitalists no longer pocket the giant's share of the surplus. Should we not conclude, therefore, that capitalism is out and postcapitalism in?

Surplus wages and the 'new class'

The wage surplus provides a clue to the boundaries of the new privileged class in America.[1] The statistical box 'wages and salaries' obscures the fundamental difference between each and the even more fundamental distinction between Marx's proletariat and the new class of educated workers. In 1970 some 12 per cent of the civilian work force had a college education of from one to three years, while another 14 per cent consisted of college graduates, approximately one-fourth of all employees. By 1991 these figures had almost doubled with the result that 48 per cent of the work force qualified as members of the educated class.[2] But how many of them possessed the power and privilege attendant upon knowledge? Were there enough commanding positions for them to fill?

David Noble estimates that in 1975, when educated workers constituted a third of the labor force, or some 23 million wage earners, their families represented nearly one quarter of the U.S. population (about 50 million people). A quarter century later when their numbers soared to 48 million in a work force of 99 million, their families represented more than a third of the population (about 100 million people).[3] If present trends persist, by the year 2000 educated workers will have become a majority of the work force and their families more than half of the American population.

No ruling class in history can testify to anything remotely resembling the comparative size of this new class. However, it is unlikely that the number of human bloodsuckers will ever exceed the number of hosts. Although technical, professional, and managerial workers are on the verge of becoming a majority, for reasons that will become clear a substantial part of them cannot rise into the ranks of the new privileged class.

While some descriptions of this new class exaggerate its numbers, others incline to minimize them. In limiting its membership to those who carry out the functions of guiding, organizing, and administering the process of production, to operating executives, superintendents, administrative engineers, supervisory technicians, department heads, and so on, Burnham excludes an even larger number of workers with college degrees. As for Veblen's engineers and scientists, he dismisses them as 'merely highly skilled workers, no different in kind from the worker whose developed skill enables him to make a precision tool or to operate an ingenious lathe'.[4]

Burnham's definition of the new class has not fared well in academic circles, having been replaced by the broader concept of a professional-managerial class (PMC). As defined by Barbara and John Ehrenreich, the

PMC consists of 'salaried mental workers who do not own the means of production', a class that reproduces itself through a certification process based on formal higher education to which its members enjoy access. The boundaries separating it from the ruling class of capitalists above and the proletariat below are admittedly fuzzy. Thus graduates of vocational schools and two-year community colleges are left dangling in the divide without a sure way of classifying them.[5]

What, then, defines membership in the new privileged class? Granted that education is a decisive input that describes the managerial economy, the exercise of power is another. Should the line be drawn between the dominant white-collar professionals and managers on the one hand, and the mass of dominated, unskilled, semiskilled, skilled and technical workers on the other, or should technical workers, blue-collar and white-collar alike, be included in the same class with managers and professionals?

The wage surplus provides different dividing lines from the hitherto accepted ones. First, there is the minimum wage threshold, which separates wage earners into two distinct and antagonistic groups: those without any share in surplus wages and the mass of wage earners who share in the surplus. Second, there is the mechanism of bureaucratic exploitation based on the average paycheck. Above-average paychecks for expert technical, professional, and managerial services are effectively subsidized by below-average paychecks for the services of blue- and white-collar workers in menial and subordinate employments. '*The average paycheck becomes the dividing line between those workers who get something for nothing . . . and those who get nothing for something*'.[6]

Rather than only two categories of wage earners, we are confronted with three: those paid the minimum wage or less; those receiving more than the minimum but less than the average wage; and the new class of privileged workers with more than the average paycheck. This division into two classes of exploited workers and a third class of exploiters breaks sharply with the legacy of classical Marxism. It also challenges efforts to update and salvage that legacy with a distinction between old and new working classes whose interests are not antagonistic.[7]

As the French would say, *c'est la vie*. Life signifies exploitation, the weak by the strong, the uneducated by the educated, knowledge being a form of power. Marx defines exploitation as 'value appropriated without an equivalent', also as 'labor appropriated without an equivalent'. Nietzsche adds that 'Exploitation does not belong to a depraved, or imperfect and primitive society: it belongs to the nature of the living being as a primary organic function . . . it is the *fundamental fact* of all history'.[8] It is an expression of the will to life, as in the harvesting and domestication of nonhuman animals for human use. Exploitation makes life easier for some at the expense of others, human as well as nonhuman.

Are there grounds for assuming that by virtue of sharing in the surplus, wage-earners get something for nothing? Being privileged to share in the surplus does not mean that workers receive a privileged portion of it. Considering that surplus wages consist of the pooled efforts of cooperative labor in which each job is as indispensable as any other, the labor aristocracy of semiprivileged workers is exploited because it recoups less than the average share. The fact of sharing in a surplus of their own making does not make them exploiters.[9] Who, then, belongs to this semiprivileged class of labor aristocrats? Its largest and most influential sector consists of organized labor, the beneficiaries of a bureaucratically negotiated share of surplus wages in the AFL-CIO and other independent unions, who collectively bargain and benefit through their union representatives.

Bearing in mind these distinctions and our definition of the increasingly empowered and privileged new class, when did its share of the wage surplus catch up to and surpass the surplus income from capital and the bulk of the surplus appropriated by capitalists? What years should one take as samples?

Throughout the 20th century the relative share of capital fell from one half of the national income in 1920 to one third in 1955 and continued to slip mainly because of the highly paid services of the expanding army of college graduates, business majors, engineers, research scientists, computer experts, and lawyers, required by the business of giant corporations. Was 1955, then, the threshold year? A cursory survey of our time series since World War II indicates that the threshold could not have occurred earlier, because the S/P ratio in 1950 was barely 115 per cent and was even lower during the 1940s. Since surplus wages were $70 billion that year, if divided evenly with the labor aristocracy it would have meant a share of only $35 billion for the new overclass. This figure falls considerably short of the $61 billion pocketed in capital income. Even on the additional premise that some three-fourths of capital income remained to bona fide capitalists after sharing a portion of it with educated workers, some $45 billion in all, capitalists would still have pocketed most of the surplus.

Is 1955, then, our threshold year, when the S/P ratio approached 200 per cent without actually surpassing it? The wage surplus was then $136 billion and capital income $74 billion. Assuming that the privileged stratum of professional workers siphoned off more than the labor aristocracy, then the distributed surplus would have included three unequal parts: one-third representing capital income; more than one-third concealed in salaries of the professional elites; and less than one-third consisting of the wages of other workers.

In the absence of statistical data one can make a reasonable guess concerning the relative shares of the surplus pocketed by rentiers, the privileged stratum of salaried professionals, and the labor aristocracy. Since only part of capital income was appropriated by bona fide capitalists, let us assume that it was three-fourths or even more, say four-fifths, some $60 billion. It is a conservative estimate that the privileged salariat pocketed between one-half and two-thirds, say three-fifths, or some $81 billion of the wage surplus. Thus one may reasonably conclude that this new class became the principal exploiter and beneficiary of the total surplus in 1955 — the threshold to a new economic order.

However, suppose we are mistaken. Then the transition would have occurred a decade later when the S/P ratio rose above 200 per cent. As we have seen, there was some backsliding in 1960, so that not until 1965 was this figure surpassed.

Managerial socialism as postcapitalist society

A major weakness of Marxist theory is its inability to grapple with what is called 'actually existing socialism'. As David Bazelon puts it, 'it is not that socialist theory was so wrong about capitalism; what the socialists were wrong about was socialism'. Despite the complete nationalization of industry in the Soviet Union, the forcible methods involved in mobilizing the labor force and in collectivizing agriculture signified for Soviet dissidents that the Soviet economy was at best a form of pseudosocialism. In common with Soviet dissidents, American socialists insisted on a doctrinaire, prefabricated conception of socialism compatible with their vision of a just society. 'They really didn't have a very good idea of it. Meanwhile, some of it has arrived', wrote Bazelon of the American economy in 1959.[10]

In taking issue with abstract theories and ideals as basic to a definition of socialism, I invite the most criticism. Marxists of virtually every persuasion cannot visualize socialism in any other way. In the West and increasingly in Eastern Europe, socialists claim that socialism is impossible without democracy. But as Joseph Schumpeter points out, socialism is politically as well as culturally indeterminate. In this respect, it is no different than capitalism. 'A society may be fully and truly socialist and yet be led by an absolute ruler or be organized in the most democratic of all possible ways; it may be aristocratic or proletarian; it may be a theocracy and hierarchic or atheist or indifferent as to religion; it may be much more strictly disciplined than men are in a modern army . . ., warlike and nationalist or peaceful and internationalist, equalitarian or the opposite; it may have the ethics of lords or the ethics of slaves; its art may be subjective or objective; its forms of life [life styles] individualistic or standardized; and . . . it may breed from its supernormal or from its subnormal stock and produce supermen or submen'.[11]

Socialists of a liberal as well as Marxist persuasion refuse to extend the meaning of socialism to embrace the selective anticapitalism of German National Socialism. I take a different approach, that of defining the word by the salient features of the ideologies and social systems to which it in fact applies. 'If socialism is to be a useful term . . . it must have a broad and elastic meaning. It must apply to realities as well as to ideals. . . . No definition of socialism in the abstract can be valid as against a definition of something in action called socialism by those in command'. So one must take seriously its application to Germany under Adolf Hitler and not dismiss the Nazi version as the 'socialism of fools'.[12]

This was Marx's approach, 'the method employed in *Das Kapital* [that] has been little understood'. As Marx described his approach in the words of a Russian reviewer in the *European Messenger* of St. Petersburg (May 1872), 'Marx treats the social movement as a process of natural history, governed by laws . . . independent of human will, consciousness and intelligence . . . a critical inquiry whose subject-matter is civilization, can, less than anything else, have for its basis any form of, or any result of, consciousness'.[13] Uncaptivated by appearances, Marx defined the crucial difference between economic systems by the mode 'in which unpaid surplus-labor is pumped out of direct producers, [which in turn] determines the relationship of rulers and ruled'.[14] So, until there are more compelling reasons to do otherwise, let us take socialism to mean a new and more sophisticated arrangement for both appropriating and concealing the origins of the economic surplus.

That Marx was moved by ideas instead of facts in depicting postcapitalist society was most un-Marxist. The enduring part of his contribution, at least for social and economic theory, was his approach, not the intrusion of ideals that blur our perception of reality. On this score, we can agree with Emile Durkheim that in theory as well as practice 'Socialism goes beyond the workingman's problem'. Once in power, socialists have been much more concerned with 'safeguarding the interests of the state than with protecting the disinherited'. Whatever the rhetoric, socialism is a movement for the reorganization of economic life as a public rather than private affair, with or without public ownership of the means of production. 'Socialism is essentially a movement to organize . . . neither class war, nor concern about rendering economic relations more equitable and even more favorable for workers, figures in it'.[15] That is an overstatement. What is not overstated is that socialism only partly corresponds to socialist ideology and represents a mode of exploitation unforeseen by Marx.

Said Joseph Stalin in his report to the 17th Congress of the Communist Party of the Soviet Union in January 1934, 'Every Leninist knows (that is, if he is a real Leninist) that equality in the sphere of requirements of individual life is a piece of reactionary petty-bourgeois absurdity worthy of a primitive sect of ascetics, but not of a socialist society organized on Marxian lines'. Only 'Leftist blockheads . . . idealized the agricultural commune to such an extent that they even tried to set up communes in factories, where skilled and unskilled workers, each working in his trade, had to pool their wages in a common fund, which was then shared equally'. These germs of a future communist society had become incompatible with socialism, since practice showed that 'the communes would certainly have been doomed [economically] had they not abandoned equalization and had they not actually assumed the status of artels [agricultural collectives]'.[16]

Even more than America, the Soviet Union was a postbusiness society dominated by knowledge employees. According to Leon Trotsky, their collective ownership of the means of production was not substantially different from that in the United States. 'If a ship is declared collective property, but the passengers continue to be divided into first, second and third class, it is clear that, for the third-class passengers, differences in the conditions of life will have infinitely more importance than that juridical change in proprietorship'. If we translate socialist relations into the language of the market, we may represent the employee of the former U.S.S.R as a stockholder in a company that owned the wealth of the entire society. Each participated in the national income as both shareholder and wage earner, so that their income had two parts, a + b, dividends plus wages. As in America, 'the shares of the Soviet citizen are not equally distributed . . . the dividend as well as the wage payment is unequal'. Suppose the income of the Soviet unskilled worker was a + b, then the skilled worker might receive as much as 3a + 2b, and a top bureaucrat as much as 10a + 15b. This means that the unskilled worker received one wage, the skilled worker three, and the bureaucrat ten wages, while their respective dividends from shares in the ownership were related as 1:2:15.[17]

That the economic differences between America and the Soviet Union were not nearly as great as the media presented them has been repeatedly stressed by Peter Drucker, the leading guru of scientific management. In *The Unseen Revolution* he shows how a creeping form of socialism gained a foothold in America, a thesis reiterated a decade later. Between 1965 and 1973 we passed over a divide, from a business society to 'a society of 'knowledge employees' . . . who individually are not capitalists but who collectively own the means of production through their pension funds, their savings'. To this he adds that the part of the gross national product pocketed by employees is at least 80 or 85 per cent and that in most years 'the employee contribution to the employee's pension fund already exceeds by a good margin all the profit available to the shareholder'. With good reason, he concludes that 'all the advanced societies of the West have become "post-business"', that 'business is no longer the main avenue of advancement', that 'career opportunity increasingly requires a university diploma', and that 'the center of gravity has shifted to the knowledge worker'.[18]

The fraction of total employee compensation making up surplus wages has almost doubled since World War II. Yet even before the war, Drucker observed that the growing stratum of educated workers pocketing this surplus completely undermined the picture Marxists had painted of the coming new order. On the contrary, 'the larger the [producing] unit becomes, the larger is the number of intermediate privileged positions' and the greater the number of job-holders with a vested interest in the maintenance of this new form of economic inequality. 'With the complete socialization of productive capacity, the number, size, and rigidity of these privileged though employed intermediate layers and classes would increase so tremendously as to crowd out the unskilled laborer at the bottom, in whose name and for whose nominal benefit the rapidly multiplying bureaucracy would be planning, designing, directing, and administering the social and economic fabric'.[19] As the record of the Soviet Union demonstrates, a classless society is a far cry from socialist reality.

A half century later, Galbraith would return to a similar theme — the convergence between capitalism and socialism. 'Neither Marx nor Lenin foresaw well-styled women's clothing, cosmetics and automobiles as objects of proletarian demand . . . [and] Adam Smith never envisioned a world in which the capitalist would give way to the corporate bureaucracy'. Nor could Smith have imagined the free play of the market undermined by import quotas, massive subsidies to agriculture, state relief for languishing industries, bailouts, and a vast and costly rescue of savings and loan companies. Although Americans celebrate the market mythology, the reality is a 'version of socialism' — a Smithian nightmare.[20]

America's new order shares features in common with both classical capitalism and Marxist socialism. It is a mixed economy with public, quasi-public, and private sectors in which the private sector follows the leader and the economy as a whole is dominated by the tendency of big enterprise to socialize itself. Robin Marris divides industrial capital into three classes, 'public', 'corporate', and 'private'. 'The corporate sector likes to be described as "private", but this may represent no more than a desire to conceal'.[21] Capitalists have been pushed out of the driver's seat and no longer rank as the principal beneficiary. So let us get to the bottom line by defining the new order not by its capitalist image, but as a mixed version of corporate or managerial socialism.

In depicting the new order as an instance of actually existing socialism, I should reiterate that I am not disputing the kindred thesis of an abrupt departure from what socialists mean by this term. As Drucker points out: 'The free industrial society that emerges from this analysis is . . . very different from what we have considered traditionally to be "Socialism". *An industrial society is beyond Capitalism and Socialism. It is a new society transcending both*'. Burnham had argued as much, as had the mysterious Bruno Rizzi in a still earlier polemic with Trotsky's theory of the revolution betrayed.[22]

The persistence of a capitalist image of America may be attributed in no small part to the phenomenon of cultural lag. However, the appeal to a general explanation fails to account for the fact that managers are still captive to an image that no longer fits reality. The image is more compelling than the facts, writes sociologist Daniel Bell, because of the '*insecurity* of the managerial class'. What kind of insecurity? 'The new class of managers . . . lacks the assured sense of justification [for power and privilege] which the older class-rooted system provided. They have no property stake in the system; nor can they pass their power to their heirs'. Since capitalism provides the only justifications the managers know, they have retained the older myths based on private ownership and a competitive market. 'Only recently, with the emphasis on productivity and performance, are new justifications appearing . . . a shift in the symbolism from "property" to "enterprise" . . . which emphasizes the system of decentralized power and minimizes the role of the interventionist state'.[23]

Creeping socialism poses a threat to their autonomy, as much as it does to the rights of ownership, when by 'socialism' managers mean state intervention.

The practical implications of managerial socialism in America are, of course, breathtaking. Since neither state, collective, nor cooperative ownership is a precondition of the transition to postcapitalist society, the political struggle for socialism has become increasingly superfluous. The most egregious mistake of both the Old and the New Left was to have targeted the so-called monopolies, the commanding heights of America's new socialist order. To this they added a defense of small business, the traditional private sector, against the encroachments of big corporations. Their outcries against imperialism were likewise misplaced. The multinationals and transnationals are examples of imperialism, but they represent a new kind of imperialism that is no longer capitalist.

Having outgrown their capitalist integument, U.S. corporations in the developing countries are virtual outposts of a new world order. Their role is a subversive one, that of undermining family businesses as well as state control. During the 1930s and 40s they were the pioneers of capitalism within the Third World, but in the aftermath of World War II they metamorphosed to become, along with revolutionary Cuba, a vanguard of socialism throughout the Hemisphere.[24] The implacable rivalry between them is not what it appears. The managerial- professional class that runs the American economy also heads up the Cuban economy and the national liberation movements throughout the Third World.[25] As in the case of the Cold War, the presumptive struggle between capitalism and communism turns out to have been a contest between rival expressions of a single overriding tendency, the supersession of capitalism by a postbusiness civilization.

Socialism is still a political issue only because its state and collectivist forms have become an obstacle to modernization. Yet what is called privatization is only partly a reversal of the socialist trend. In Great Britain during the 1980s, 'privatization became synonymous with popular ownership'. When Telecom was privatized, '2.2 million people bought shares . . . half of them for the first time in their lives'. Between 1979 and 1987 the proportion of shareholders in the British population rose from 7 to 20 per cent, and was expected to become 'the highest in the world exceeding the 26 per cent of the Americans'. The key to Thatcherism was the prime minister's obsession with liquidating the socialist sector of the British economy. As she understood socialism, it is a 'system which gives privileges to the few at the top, and none to the many . . . [whereas capitalism] works by spreading ever more widely to more and more of the population what used to be the privileges of the few'! Such values are 'not exclusive to socialism and do not have to be cast in a collectivist mold'.[26]

Managerial society is not the wave of the future but the living present. The issue between capitalism and socialism was already settled by the time the Cold War had blossomed, and has nothing to do with the collapse of the Soviet Union. Socialism is no longer on the political agenda, because it reached America during the 1950s and since then has become entrenched throughout the First World. Contrary to 1960s expectations, only in the Third World is it axiomatic that capitalism is the prevailing economic order.

A redistribution revolution occurred that, paradoxically, was the American equivalent of socialism in the Soviet Union and Eastern Europe. Through imperceptible changes over a fifty-year period, America passed through two managerial revolutions. In the first, capitalists lost control of the levers; in the second, they lost control of the till.

Possible counterarguments

There is more than one definition of capital and of the capitalist that has turned out to be economically fruitful. That salaried employees provide an increasing share of capital in the corporate sector and that expertise is the *human* capital behind the new economic order are theses which challenge traditional explanations of wage and salary differentials. As an alternative to Marx's theory of surplus value and its underpinning in a labor theory of value, the theory of human capital has the advantage of facing squarely the phenomenon of intellectual workers either getting something for nothing or replacing the proletariat in a bid to become the new ruling class.

The thesis that the possessors of higher education are the owners of a stock of capital distinct from moneyed capital was first set forth by Johannes Alasco in a little known book entitled *Intellectual Capitalism*, anticipating by more than a decade the theory of human capital developed by Theodore Schultz and Gary Becker. Alasco characterized the fundamental conflict of the 20th century as a struggle between finance capitalism, in which money is the controlling asset, and intellectual capitalism, in which the decisive factor is scientific and professional expertise. While he conceded that tangible capital is created by manual workers, he argued that intangible or intellectual capital results from the joint efforts of intellectual workers. There is not the same call to nationalize intangible property as there is to nationalize tangible assets, because the bulk of it already belongs to intellectual workers. 'Although socialistic economy eliminates intangibles productive of profits [stocks, bonds, etc.] . . . it does not eliminate intangibles productive of goods and services. Ownership of the latter [the surplus invested in superior skills and expertise] would give the socialist executives complete control over production and distribution . . . [and] they would be in a position to perpetuate their control and hand it down to their heirs'.[27]

'Capital', according to Alasco, 'is anything which can be defined in terms of legal ownership and may become a source of income'.[28] There is little difference between this definition and that of Alvin Gouldner in *The Future of the Intellectuals and the Rise of the New Class*: 'Capital' is 'any produced object used to make saleable utilities, thus providing its possessor with *incomes*, or claims to incomes . . . because of their imputed contribution to economic productivity'.[29] However, neither Alasco nor Gouldner held that human capital gets something for nothing, so that their theory has virtually nothing to say about the exploitation of manual by intellectual workers — as if it did not exist.

The principal defect of these and other theories of human capital is that, even when they take account of exploitation, they explain it only in the most general terms. The concept of capital as a scarce asset for generating revenue is raised from a historically limited category to a general category applicable to virtually all modes of production. A general theory of capital reads back into history not only the rhetoric and ideology, but also specific features of the bourgeois mode of production. It minimizes the structural and human differences between modern capitalism and feudalism, as well as between capitalism and socialism.[30]

Only in rare instances is the concept of human capital uncoupled from the theory of capitalism. The enormous development of human capital after World War II undergirds Ray Canterbery's theory of suprasurplus capitalism. However, in agreement with Schumpeter's dire prophecies, he notes that the growth of giant business deprives capitalism of its individual entrepreneurs, that New Deal policies saved capitalism by swallowing it, and that the beneficiary of capitalism's fatal disease was socialism. This suggests a terminological flexibility compatible with both Marxist and non-Marxist definitions of capital and it raises the prospect of reformulating his theory as a theory of suprasurplus socialism.[31]

What is currently called capitalism is more often than not confused with socialism. 'Less than seventy-five years after it officially began, the contest between capitalism and socialism is over: capitalism has won'. So announced Robert Heilbroner, a long-time champion of the socialist road to modernization in the Third World, in January 1989. But he cautioned against our becoming carried away on the waves of capitalist triumphalism. It is unlikely that the 'historic drama will conclude, like a great morality play, in the unequivocal victory of one side and the ignominious defeat of the other . . . [the] economic enemy of capitalism has always been its own self-generated dynamics, not the presence of an alternative economic system'.[32]

As matters now stand, the word 'capitalism' is so bandied about that it becomes little more than an ideological crutch to its friends and a swearword to its enemies. Even so, there is a consensus among both parties that capitalism is the prevailing economic system in the West and that Eastern Europe and the former Soviet Union have become the theater of a transformation of socialism back into capitalism, if by capitalism they mean rule by the Russian mafia! The Old and New Left share with labor bureaucrats, business schools, and economics departments the prevailing opinion. But will it stand up under scrutiny? 'Notwithstanding the mythic element in Marxism and its manipulation under Stalinism, the proposition that capitalism is not the end of history but instead leads naturally into socialism still bears some examination'.[33]

Heilbroner settles the issue by fiat. Capitalism is 'an *economic* order marked by the private ownership of the means of production . . . and by a market system that determines the incomes and distributes the outputs'. Socialism is 'a society built on the public ownership of goods and the replacement of the market by widespread planning'.[34] These deceptively simple definitions are the common stock of liberals and conservatives. But they are not the only definitions in current use and they bracket out alternatives for which there are other historical precedents.

It is by no means settled that a strong private sector and the determination of incomes and outputs by market forces are incompatible with socialism. Among the controversial issues is whether America's big corporations, like England's joint-stock institutions, are more like public corporations than like partnerships and individually owned enterprises. As early as the 1920s Keynes noted 'the tendency of big enterprise to socialise itself . . . the shareholders, are almost entirely divested from the management . . . [their] rights, in excess of their conventional dividend, have already sunk to the neighborhood of zero'. Keynes was on target in calling attention to the 'semi-socialism . . . [of] semi-autonomous corporations'.[35]

The market ceases to be fundamental in determining incomes when prices are regulated by government bureaus and administratively fixed by corporate giants. In response to marketing strategies, informal price agreements, and government price controls since World War II, an administered price sector grew up alongside and gradually overtook the market-determined sector. As a result, prices for various skills are determined not only by the market and by collective bargaining, but also by methods of job evaluation in which the supply and demand of a particular skill is only one factor among many.[36]

It is an open question whether a command economy with professionals in command posts is necessary to socialism.[37] That large-scale planning is unnecessary is evident from a consideration of such alternatives as municipalization, collectivization, and cooperativization in Scandinavia and Northern Europe. Although nationalization of key or strategic industries may be helpful, there are other ways of socializing an economy than through expropriation with or without compensation. Redistributive taxation is one such measure, price controls are another, a public works program is still another. As for the supposed linkage of socialism with a highly centralized command economy, Heilbroner points to socialism with a human face, 'a socialist order that seeks to combine a high degree of industrialism with a considerable amount of political freedom and decentralization'. As examples, he cites the brief career of market socialism in Czechoslovakia in 1968 and, to an extent difficult to determine, also in Yugoslavia.[38]

If capitalism is still dominant in America, it is not because capitalists are directly in command but because they have delegated power to trusted functionaries and are still the principal beneficiaries. They need not control the government directly and they need not directly run the economy in order to benefit from both. If political power can be delegated without fear of losing control, so can economic decision-making. It follows that the managerial revolution in American business is not a sufficient condition of the eclipse of American capitalism.[39] But what if capitalists, whose principal income is from real property, interest, and dividends, have stopped being the principal beneficiaries?

At issue is how to characterize America's corporate economy. Is it a transitional and contradictory society halfway between capitalism and socialism or has it transcended both of these 'isms'? If capitalism won and socialism lost the competition between social systems, are we moving toward a new stage of capitalism without capitalists?[40] To believe the conventional wisdom, America is capitalist and the end of history bears out the American dream. But if socialism without socialists is a closer fit, then Heilbroner's verdict must be rewritten: 'Less than seventy-five years after it officially began, the contest between capitalism and socialism is over: socialism has won'![41]

Is it true that capitalists are mere shadows of their former selves? How account for the income pyramid becoming steeper while its heights continue to be occupied mainly by Money Bags? Adjusted gross incomes on federal individual income tax returns show that the number of persons with incomes from $500,000 to $999,999 rose from one thousand between 1950 and 1965 to two thousand in 1970, to three thousand in 1972, and to almost 120,000 in 1987.[42] Whatever may have been the change in real incomes, prior to 1965 there were less than a thousand persons with money incomes over $1,000,000. But in 1987 there were 35,000 and in 1988 as many as 65,000, an increase out of all proportion to the increase in the number of wage and salary earners. Since few managers earned as much, we may take these figures as representative of the continuing influence of big capitalists in America.

There is nothing outlandish about Ferdinand Lundberg's thesis that some sixty families, including heirs of the robber barons, ruled America in 1937 — provided they only shared power. But his massive study of the role of ownership in 1968, of how some five hundred families of plutocrats retained the old levers of power and pelf, is less than credible. In Lundberg's reading of President Johnson's Great Society, corporate executives still served as 'front-line deputies of the rich and super-rich'. Their astronomical salaries were not the result of a managerial takeover, but were 'mainly a shield against the temptation of helping themselves at the company's expense'. Because the data are slanted, his conclusions are ludicrous. Consider his image of the top executive as a cormorant, a fishing bird used in China. 'A strap is fastened around the bird's neck, permitting him to breathe but not allowing him to swallow his catch'. So the bird dutifully brings the catch to his master. Only on paydays is the strap loosened and the Chief Economic Officer (CEO) 'allowed to swallow a fish'![43]

That the rich become richer and the poor become poorer is supposedly an indicator of life under capitalism. A throwback to the 1920s, the Reagan years marked a big boost to this tendency, to the revival of the capitalist sector and the fortunes of the country's premiere capitalists.[44] Yet the main drift of the American economy was barely touched by this backsliding. After all, capitalist millionaires flourished even in the former Soviet Union. Under Brezhnev there were some 13,000 millionaires, according to an estimate by Soviet dissident Roy Medvedev. It is impossible to determine how many of these were outright capitalists, but the Soviet press at the time denounced the emergence of a new illegal bourgeoisie among leading functionaries of state-owned enterprises who had set up underground workshops for private production and in some instances had 'turned the state enterprise into a private one'.[45] In any case, a sharpening of the income pyramid is not a feature peculiar to capitalism.

A sizeable number of millionaires during the 1980s were not really capitalists, but rather top bosses with bank accounts amounting to seven digit sums.[46] Take, for example, a top manager of General Motors whose professional salary plus bonuses in 1987 amounted to $1,000,000. In order to rise to the status of a capitalist he would have had to earn at least as much in the form of capital income. If the average return on capital was 8 per cent in 1987, then the value of his portfolio would have had to top $12,000,000. To qualify as a capitalist his potential bank account would have required not seven but eight digits. So one may say with confidence that a substantial portion of America's millionaires and multimillionaires were not capitalists but superprivileged members of the so-called new class in America. The proliferation of millionaires is not convincing evidence against the emergence of socialism.

It is time to ask who are the rich who are getting richer. Are they mainline capitalists, a new crop of financial wizards, or professional managers on the make? Although the compensation of America's CEOs was a modest '35 times the pay of the average employee in the mid-1970s', the ratio in 1990 had climbed to 120.[47]

But was CEO compensation in the vanguard or did it take up the rear? 'Corporate management wanted, in the worst way, its own equivalents of what Wall Street was packaging for the financial markets and for star financial performers, and as a half-dozen bestsellers have chronicled, that's how management got them: through everything from twenty-eight flavors of stock options to . . . half-baked LBOs [leveraged buy outs]'. As they increasingly benefited from capital income, CEOs became more considerate toward their stockholders. While the decade of the 70s showed a declining ratio of dividends to undistributed profits, the 80s reversed this trend with a vengeance. In 1970 the ratio stood at 117 per cent but by the end of the decade it had fallen to 56 per cent. The recovery was astronomical. By the end of the 80s it stood at 251 per cent.[48]

The leaders in this get-rich-quick race were neither the CEOs nor the Horatio Algers of computerized finance. They were the rentier and investor elites who were already rich. Edward Luttwak, the geopolitician turned geoeconomist, calculates that at a modest 8 per cent annual return, the 1989 rentier income of the nation's top one per cent of wealth holders would have been $248 billion, approximately 49 per cent of their total revenue.[49]

What is noteworthy about these estimates is that even America's top one per cent pocketed less as rentiers than they did from other sources. What other sources, if not proprietors' income and employee compensation in the higher brackets of the corporate world? As for the top ten per cent, they would have earned comparatively more from their employee compensation packages than from their shares as rentiers.

Meanwhile, the rentier share in the paper economy was rising disporportionally to the rise of proprietors' income in the real economy. As a share of total capital income, net interest alone rose from 25 per cent in 1970 to 45 per cent in 1980, after which it tapered off at 46 per cent by the end of the decade. As for rentier income as a whole, its ratio to proprietors' income rose from 102 per cent in 1970 to 145 per cent in 1980 to reach a record 152 per cent in 1989.[50]

What do these figures tell us about America? They point to a symbiosis among elements of the old and new ruling classes.[51] Once the professional-managerial class found itself to be firmly in the saddle and the main beneficiary of the economic surplus, it no longer felt threatened by the capitalists it had displaced. Instead, it endeavored to cash in on both economic systems. As we shall see in chapter five, organized labor replaced capitalists as the principal enemy targeted by the new class, a shift in focus that became increasingly visible after 1970.

But is it possible that socialism replaced capitalism when the surplus is pumped out of the same class of wage-earners and continues to take the form of profit? Contrary to Marx's claim that there can be no developed wages system and no mass of exploited wage earners without a class of bourgeois, wage-labor continues to hold its place in America without capitalists in command.

First, the abolition of the wages system is not a sine qua non of socialism. Capitalists are no longer free to bargain or not with their employees, to determine wages, hours, and working conditions. That they can no longer do as they please points to a new economic order in which government-sponsored unionization, compulsory bargaining, and enforced arbitration within an expanding sphere of labor legislation have pushed capitalists into the rumble seat.

Second, the labor contract is no longer between labor and capital but between labor and management, a self-perpetuating elite that has ceased to be beholden to stockholders. Wage-earners are increasingly hired and exploited by fellow employees, by wage-earners who are not proletarians. For once Marx was right, there can be no bourgeois without proletarians and no proletarians without bourgeois. Eliminate one of the classes in this relationship and the other ceases to exist.

Third, capital income is not just a form of personal income. After the Soviet Union eliminated the capitalist class, profit survived as an index of industrial performance and as a fund for research and development. In this respect, as in others, America's new economic order has a Soviet parallel.

Notes

1 On the disputed boundaries of the privileged 'new class', see the essays in Bruce-Biggs (1979).
2 *Statistical Abstract: 1992*, Table 631.
3 Noble (1979), pp. 123-124; and *Statistical Abstract: 1992*, Table 631.
4 Burnham (1941), p. 80.
5 Ehrenreich and Ehrenreich (1979), pp. 12-13.
6 Hodges (1981), p. 73.
7 For a Marxist critique of the distinction between 'old' and 'new' working classes, see Braverman (1974), pp. 24-30, 404-8.
8 Marx (1906), pp. 215-16, 624, 639; and Nietzsche (1927), pp. 577-79.
9 As recently as 1990 the average annual wage for full-time employees was $25,889 compared to a median wage for full-time workers of $21,580, i.e., some 20 per cent higher than the median. The minimum wage for a 40-hour week and a 50-week year was then $7,380. That means that approximately three times the minimum wage was being pocketed by highly paid members of the labor aristocracy, not to mention elementary school teachers and registered nurses, among the least rewarded of professional workers. It also means that anything over $25,889 represented wages of exploitation, a rate of exploitation beginning at 300 per cent with virtually no ceiling. For these data, see *Statistical Abstract: 1992*, Tables 649, 654, 658.
10 Bazelon (1959), p. 13.
11 Schumpeter (1950), pp. 167-68.
12 Dennis (1940), pp. xxiv, xxvi-xxxii. See also Burnham (1941), pp. 232-51; and Hayek (1944), pp. 3-9, 171-80.
13 Marx (1906), pp. 21, 23.
14 Marx (1962), Vol. 3, p. 772.
15 Durkheim (1958), pp. 15, 18, 21, 23.
16 Stalin (1942), pp. 344, 345-46.
17 Trotsky (1965), pp. 239, 240-41.

18 Drucker (1976); idem (1989a), pp. 3-4, 85, 192; and idem (1989b), p. 23.
19 Drucker (1939), pp. 26-27.
20 Galbraith (1989), pp. 46-48. In the revised second edition of *The New Industrial State*, Galbraith gives credit to 'Burnham's contribution [which] has not always had the recognition it merited' (Galbraith, 1971, p. 107).
21 Marris (1964), p. 13.
22 Drucker (1950), p. 351; Burnham (1941), pp. 56-57; and Rizzi (1985), pp. 93-95.
23 Bell (1962), pp. 89-90.
24 On 'progressive imperialism', see Warren (1980), pp. 1-47, 186-255.
25 Harris (1988), pp. 171-86, 200-3.
26 Jenkins (1987), pp. 334, 370, 379.
27 Alasco (1950), pp. 14-16, 92-94, 103-4. See Schultz (1963), pp. 20-37; and Becker (1964), pp. 38-39, 74-75, 169-77.
28 Alasco (1950), p. 104.
29 Gouldner (1979), p. 21.
30 Hodges (1981), pp. 35-38.
31 Canterbery (1987), p. 323.
32 Heilbroner (1989), p. 98.
33 Daniels (1993), p.175. Daniels is evidently out of step with the despairing letters by American Marxists, 'Play It Again, Karl', *The Nation* (7 March 1994), pp. 290, 316-320. See also Denitch (1990), p. 1.
34 Heilbroner (1991), pp. 79, 107.
35 Keynes (1969), p. 680.
36 See Wooton (1964), pp. 26-27, 66-71, 143-47; and Zollitsch and Langsner (1970), pp. 25-26, 174-75.
37 On the splintering of the educated 'new class' and the internal strife between its promarket and planning sectors, see Brint (1994), pp. 4-19, 45-65, 85-90, 203-12; Stabile (1984), pp. 242-52; and Albert and Hahnel (1981), pp. 173-90.
38 Heilbroner (1991), p. 88.
39 Herman (1981), pp. 9-11, 14-15, 100; Chandler (1978), pp. 491-93, 498-500; and Brint (1994), pp. 129-32.
40 See the critique of alternative theories of capitalism without capitalists in Hodges (1981), pp. 87-92.
41 For a preview of this thesis, see Hodges (1970), p. 447; idem (1967).
42 *Statistical Abstract: 1977*, Table 424; and *Statistical Abstract: 1991*, Table 524.
43 Lundberg (1937); and idem (1968), pp. 436, 440-41.
44 Phillips (1990), pp. 11, 40, 217.
45 Cited by Nicolaus (1975), p. 168; see also Red Flag-People's Daily editorial, 'On Khrushchev's Phoney Communism and Its Historical Lessons for the World', in Barnett (1967), p. 138.

46 Nicolaus (1975), p. 168.
47 Krugman (1992). See Phillips (1994), p. 107.
48 Phillips (1994), p. 107; and *Statistical Abstract: 1991*, Table 704.
49 Luttwak (1993), p. 337.
50 *Statistical Abstract: 1991*, Table 704.
51 Fusfeld (1976), pp. xiii-xv.

4 Managerial imperialism

> Argentina's nationalized oil company is a joke. Do you know what its initials 'YPF' stand for? 'You Poor Fool!' (Schoolbus conversation between 8th graders, American Grammar and High School, Buenos Aires, Spring 1937)

For Marxists, the conjunction of 'socialist' and 'imperialism' is self-contradictory. The Communist Manifesto claims that once the exploitation of one individual by another is put an end to, 'the exploitation of one nation by another will also be put an end to . . . [and] the hostility of one nation to another will come to an end'. Later, Marx developed this claim into a full indictment of imperialism, 'a foreign policy in pursuit of criminal designs, playing upon national prejudices, and squandering in piratical wars the people's blood and treasure'. Even more hurtful than the labor tax concealed as profit is the blood tax from serving in the exploiters' armies. Thus the charter document of the First International enjoins workers 'to vindicate the simple laws of morals and justice, which ought to govern the relations of private individuals, as the rules paramount of the intercourse of nations'.[1]

But were these Marx's last words on imperialism? They seem to belie his and Engels's support of the French conquest of Algeria as 'an important and fortunate fact for the progress of civilization'. Together, they rejoiced at the conquest of Mexico by the United States, claiming that it served Mexico's interests in the long run. The American war, writes Engels, was 'waged wholly and solely in the interests of civilization'. Is it really unfortunate that 'California has been taken away from the lazy Mexicans, who could not do anything with it . . . that the energetic Yankees by rapid exploitation of the California gold mines will . . . create large cities, open up communications by steamship, construct a railway from New York to San Francisco, for the first time really open the Pacific Ocean to civilization, and . . . give world trade a new direction'? These and other bourgeois wars against backward, precapitalist conditions promised to bring the world closer to socialism. However, Engels took care to hedge his support of progressive imperialism, on the grounds that 'the victorious proletariat can force no blessings of any kind upon any foreign nations without undermining its own victory'.[2]

Marx and Engels's qualms concerning socialist imperialism hinged on a quasi-utopian vision of socialism as not only postcapitalist, but also classless. As we have seen, actually existing socialism turned out to be quite different from what they anticipated. Today, the same reasoning with which they defended capitalist imperialism can be used to defend socialist imperialism. The arguments for Soviet domination of Eastern Europe, Communist China's takeover of Tibet, and North Korea's invasion of South Korea might with equal credibility be used to defend America's post-World War II managerial imperialism and expanding sphere of influence in Latin America.

Imperialism, the highest stage of capitalism

'Imperialism' is the general term for direct or indirect subjugation or exploitation of another country, people, or nationality. During the competitive phase of capitalism it was for the most part direct, leading to the establishment of formal colonies and colonial enclaves dominated by citizens of the imperial powers. But there were exceptions, as in the case of the sovereign republic of Argentina. In a 1906 work on British imperialism, one observer notes that 'South America, and especially Argentina, is so dependent financially on London that it ought to be described as almost a British commercial colony'. The amount of British capital invested in Argentina in 1912 was in the neighborhood of 9 billion francs. This was a nation that stood above all other Latin American countries in economic development as well as literacy, political democracy, and a quality of life envied even in Western Europe at the time, a country that by the late 1920s was 'among the top five nations of the world in per capita income'.[3]

Lenin's *Imperialism, the Highest Stage of Capitalism*, published in 1917, is still the classic indictment of capitalist imperialism. By the highest stage of imperialism he meant its latest and most developed stage, 'the supremacy of finance capital over all other forms of capital . . . the predominance of the rentier and of the financial oligarchy . . . [of] a small number of financially "powerful" states . . . [over] all the rest'. In 1910, based on figures he cites, Britain, France, Germany, and the United States possessed 80 percent of the world's finance capital, making 'nearly the whole of the rest of the world . . . more or less the debtor to and tributary of these international banker countries'.[4]

By 'finance capital' Lenin understood the interlocking of bank capital and industrial capital, corresponding to the transformation of the family-owned enterprise into the large corporation initially dependent on outside financing. Lenin referred to the domination of finance capital as the monopoly stage of capitalism, adding that it was 'the transition from capitalism to a higher system', namely socialism. Besides the domination of a financial oligarchy and the concentration of capital in big corporations, he highlighted three other features supposedly distinguishing the imperialism of monopoly capitalism from that of competitive capitalism: the export of capital rather than commodities as the main source of imperial revenue; the formation of multinational cartels; and the completion of the territorial division of the globe by the great capitalist powers.[5]

Unlike Marx's painstaking analysis of free competition in volume one of *Capital*, which took almost two decades to complete, Lenin finished his book in little more than a year. Written during the frantic conditions of World War I, it relied on data from J.A. Hobson's *Imperialism* published fifteen years earlier. Like Hobson, Lenin argued that the export of capital had replaced the export of commodities as the principal source of capital income from abroad. But as one recent commentator notes: 'Lenin's *Imperialism* was obsolete . . . as soon as it appeared. The great age of capital export was over by 1914'.[6]

Highly political in its origin and aim, Lenin's book stretched the facts to serve a higher purpose. Lenin traced the advent of monopoly capitalism to the beginning of the 20th century, the outcome of a process that began in the 1870s and accelerated between 1884 and 1900. However, Simon Kuznets's authoritative study of modern economic development leads to the different conclusion that the rate of growth of capital exports between the 1820s and 1870s was as high, or higher, than that between the 1870s and World War I. From Lenin's theory it follows that the great powers should show a net outflow of capital. In fact, during the period from the 1880s to World War I, the United States, Japan, and Italy were net capital importers.[7]

Lenin explained the outbreak of the Great War as a result of territorial rivalries induced by capital saturation among the European powers. But compared to Britain and France, the role of other capital exporters must be considered of little consequence. The significant outburst of territorial acquisition in the late 19th and early 20th century did not originate from Britain, the predominant industrial and imperial power, 'but precisely from the challengers to that power'. It arose not from France, but from the newly industrialized countries in Europe that looked upon the British Empire as an obstacle to their economic expansion. Contrary to Lenin, the concentration of capital in big corporations was less developed in Britain and France before 1914 than in the capital-hungry powers — Germany, Japan, Russia, and the United States.[8]

Far from being the result of an over-ripe capitalism compelled to invest abroad the surfeit of capital it could no longer profitably absorb at home, the imperialism behind the first world war was the product of young and vigorous capitalist economies that challenged their rivals in trade. The historical documentation of the period reveals that an expansion of trade followed upon the accelerated industrialization of the 19th century, and that the statesmen of every major imperialist power were far less concerned with expanding foreign investment and protecting bondholders than with strategic considerations involving trade.[9]

Lenin's theory of imperialism was in part obsolete, but it was also premature. The evidence does not support his claim that monopoly capital was in the saddle before World War I. Both Britain and France, the leaders in territorial acquisition, achieved this status well before a monopolistic and concentrated industrial structure took root. '"Monopolization" . . . was of no great importance in any imperialist state (with the possible exception of Germany) until well after the territorial scramble'.[10] In effect, Lenin's theory lumps together two different forms of imperialism, an earlier finance capitalism basic to the explanation of World War I, and a later managerial capitalism that accounts for America's involvement in World War II.

In retrospect, the old imperialism died when 'Japan demonstrated that the capacity of the colonial nations to hold onto their empires was a fiction'. What Lenin erroneously depicted as the ultimate stage of imperialism was followed by a higher stage. Although finance capital played a significant role in corporate development before World War I, the stage of finance capitalism gave way to that of managerial capitalism in which large corporations became increasingly autonomous and independent of outside financing. So what distinguishes capitalist imperialism before and after World War I is the semiautonomous corporation and the growth of the technostructure, on the one hand, and, on the other hand, the unexpected shift from finance capital to government loans and government aid. Consequently, in the 1950s, 'only about 45 percent of the total [exported funds] was accounted for by private [corporate] capital flows'.[11]

Managerial imperialism and the state

With his sights fixed on World War I, Lenin only dimly foresaw the advent of a new mode of imperialism. Owing to his Marxist premises, he interpreted it as a higher stage of finance capitalism in which government promised to play a key role. In America, it corresponded to the first managerial revolution after World War I to be followed by a second one after World War II.

Government war debts of some $28 billion on the part of America's allies during World War I plus Germany's reparations debt set at $60 billion were claims in response to the destruction of resources, not their creation. Unlike corporate indebtedness, they 'were not secured with productive assets as collateral', and because they exceeded the Allies' and Germany's current output and income, they threatened a breakdown of world trade and a new era of interwar hostility aggravated by unavoidable defaults. The war had cost $209 billion in direct expenditures, well beyond the belligerents' capacity to pay. Foreign obligations to the United States government reached $12 billion by 1921. Unlike Britain, America's economic dominance was not the outcome of international trade but a result of government loans for arms during the war and, after the war, for relief and reconstruction. Its achievement of world creditor status did not follow the historic path of private and corporate investments abroad in areas rich in underdeveloped resources. Instead, government took the lead and the corporations followed suit by investing in a Europe of then greater industrial output than America, but patently lacking in raw materials.[12]

America's investments in Europe were political and not just economically motivated. Its predominant economic role after World War I was unique in modern history, an 'accumulation and concentration of international assets in the hands of a government, not in the diverse holdings of private capital accretions however concentrated these might be'. For the first time, a leading government had subordinated the interests of big corporations to a state bureaucracy and had made their resources serve political ends. The governmental character of U.S. international finance operations during and after World War I limited the potential expansion of American business in both Europe and the colonial areas. 'No clear economic ends for the collectivity of private U.S. interest groups could be gained by such a policy by government . . . the earliest manifestation of what was to evolve in other countries, though in far cruder form, into National Socialism'. It was an usurpation of power by political overseers rather than by their counterparts in business, which in America, as in Hitler's Germany and Mussolini's Italy, 'subordinated the individual interests of its separate capitalist groupings to a national political purpose without injuring these interests, but subjecting them to more or less effective regulation'.[13]

World War II was in significant ways a repetition of World War I in the pattern of indebtedness of America's allies and their financial dependence on the U.S. government. By then, American statesmen had learned the lessons of default and took steps that would not repeat the mistakes made during World War I. Rather than conventional loans, the government devised the system of Lend-Lease. Beginning in December 1940, it began purchasing all munitions produced in American factories, after which it sold or leased them to its forthcoming allies. Payment might be in kind, in other kinds of property, or 'any other direct or indirect benefits which the President deems satisfactory'. Although Britain could not pay dollars for petrol to fuel its war machines, it was persuaded to transfer to the U.S. government some of its internationally held oil reserves, ore deposits, and corporate securities with titles to such reserves. 'Lend-Lease was thus to become a means by which the United States might gain control of the British Empire's most economically productive assets, its raw material resources'.[14]

America's new imperial strategy also 'sought and secured foreign markets for U.S. exports and new fields for American investment capital in Europe's raw materials producing colonial areas'. Britain was compelled under its Lend-Lease agreements to open the markets of its far-flung empire to American competition. British economic supremacy was forever broken, so that America replaced Britain as the world's leading economic power. 'What Germany as foe had been unable to accomplish in two wars against England, the United States accomplished with ease as ally'.[15]

Unlike America's allies during World War I, its World War II allies chose not to burden the defeated Axis powers with reparations payments. But without such reparations, the allies found it difficult to honor their indebtedness and to continue buying American goods. To help finance both, America took the lead in organizing the International Monetary Fund and the World Bank (International Bank for Reconstruction and Development). This pool of intergovernmental capital was used by the U.S. government to implement a worldwide Open Door policy that facilitated the breakup of European colonial spheres of influence and, by guaranteeing American access to foreign markets, boosted domestic employment. The American government also made outright grants to its former allies through the United Nations Relief and Rehabilitation Administration during 1946-48 and through the Marshall Plan from 1948 to 1951. Indirectly, these grants contributed to subsidizing America's exports and to consolidating its newly won economic supremacy.[16]

By then America was on the verge of a second managerial revolution tantamount to a shift from managerial capitalism to managerial socialism, while two world wars had so weakened the old imperialist powers that they could no honger hold onto their colonies. What is widely known as neoimperialism, an imperialism without military occupation and political annexation, would become the rule rather than the exception after World War II. Meanwhile, America became involved in a new kind of struggle for world domination no longer among capitalist powers but between superstates representing different roads to socialism. Such was the Cold War, typically misrepresented as a struggle between rival economic systems. The Vietnam War (1964-73) was the most devastating outcome of this confrontation — America's first imperialist war after becoming a socialist power.

With the escalation of America's longest and most frustrating war, it became this country's turn to waste itself through military expenditures without anything to show for it. Roles were reversed when America financed the Vietnam War with other people's money. But there was a singular difference from the pattern of indebtedeness during the two world wars. As borrower instead of lender, America found that it could wield even greater power in the international arena. Since bankruptcy of the world's leading trade partner would bankrupt simultaneously the central banks of its principal creditors, debt could become 'more potent than credits in power seeking, provided that the debts of the bankrupt were the central bank reserves of its creditors'. Thus the assets of America's creditors were used for American ends as Europe was induced to absorb the costs of an imperialist war in whose outcome it had neither a political nor economic interest at stake.[17]

How do these two stages of post-Lenin imperialism compare with Lenin's forecast of the 'development of monopoly capitalism into state-monopoly capitalism . . . [involving] an extraordinary strengthening of the "state machine" and an unprecedented growth in its bureaucratic and military apparatus'? According to the *Manual of Political Economy*, the standard Soviet text on political economy initially published in 1956 and republished in successive editions, state-monopoly capitalism has become the highest stage of imperialism. Among its defining features are the following: the interlocking of corporate and state bureaucracies; the enlargement of the sphere of state property placed at the service of corporations; state control of the economy that also benefits the corporations; government assistance to corporations in acquiring access to new markets and raw materials in the underdeveloped countries; government loans and subsidies to the corporate sector; government purchases from corporations; and an increasing number of corporate executives in high government positions and of retired government officials as heads of corporations.[18]

To these defining features of state-monopoly capitalism have been added the increasing number of state enterprises, a redistribution of the national income by means of budgetary, fiscal and monetary policy, wage and price controls that benefit the corporate sector, and joint government and corporate participation in the formulation of international agreements and alliances aimed at opening up new spheres of influence.[19] State-monopoly capitalism is also coupled with a tougher policy toward organized labor, a policy that effectively outlaws strikes by making arbitration of all labor disputes compulsory.[20]

In effect, the stage of managerial capitalism corresponds to Lenin's and the Soviet conception of monopoly capitalism; managerial socialism to what they mistakenly called state-monopoly capitalism. American capitalism is not alone in having undergone a metamorphosis; so has American imperialism.

That America is still capitalist, as also American imperialism, is the received opinion of both the liberal Establishment and American Marxists. Two prominent Marxist economists, Paul Baran and Paul Sweezy, dispute the evidence for a qualitative change in what they continue to characterize as monopoly capitalism: first, because 'the state has always played a crucial role in the development of capitalism'; second, because 'what appear to be conflicts between business and government [over interference in the economy] are reflections of conflict within the ruling class'.[21] Like European Marxists, they insist on depicting the corporate sector as private instead of semipublic and on defining managers as mere functionaries of the capitalists. For Baran and Sweezy, the case for capitalist imperialism hinges on the returns from foreign investments. Taking Standard Oil of New Jersey as a model, 'to which hundreds of other giant corporations . . . are more or less close approximations', they conclude that the only significant change is that, rather than an exporter of capital, 'the corporation is a large and consistent importer of capital into the United States'.[22] Throughout the 1950s and early 1960s, remittances to parent corporations typically exceeded the amount of direct investment abroad. In effect, Lenin's archetype of monopoly capitalism had finally borne fruit through a reversal in the flow of capital between America and its economic dependencies. Far from confirming Lenin's theory of imperialism, however, this change in capital flows made it obsolete.

Contrary to American Marxists, after World War II the system of managed capitalism underwritten by the state evolved into a species of managerial socialism. The qualitative change in imperialism since World War II came in response to a second managerial revolution, this time in the mode of distribution, which put an end to the capitalists' role as principal beneficiary of the economic surplus. For American Marxists, as for their former Soviet counterparts, changes in the American economy after World War II were anything but a step toward socialism.[23] The irony is that a step toward socialism implies that one has not arrived there, whereas that threshold was crossed almost four decades ago.

The multinational corporation: A case study

The common denominator of latest-stage imperialism is domination not by governments but by multinational corporations. Although colonial possessions alone offer guarantees against competition from international business rivals, countries that are politically independent may be conquered economically. The classic example of such a semicolony in the 20th century is provided by land-rich Argentina, the beef capital of the world until the end of World War II and a gold mine of superprofits in the Americas.

Initially, British imperialism in Argentina conformed to Lenin's description of it as an enclave of direct investments in the country's railways, tramways, utilities, port facilities, frigorifics, and huge tracts of land used for raising cattle. But by the 1920s the American meatpacking companies, Swift, Armour, and Wilson, had also set up shop and were rapidly catching up with their British rivals.[24] As an example of managerial imperialism in Argentina, I take the case most familiar to me, that of Swift

International, the profit-rich subsidiary of Swift and Co. of Chicago, which became an independent company in 1918 and in 1950 was reincorporated as International Packers, Ltd.

From its inception as an independent entity, Swift International came under the control of professional managers. By World War II the Swift family owned little more than one percent of the stock in Swift and Co. and even less in Swift International. The stockholders elected the company's directors, but the company's managers could count on some 80 percent of the proxy vote. According to one insider's account, stockholders' democracy was little more than window dressing for the managers in charge.[25]

Although the directors appointed the company's president and vice-presidents, these in turn determined that the company's executives would prevail on the board of directors. Among the seven or eight directors, insiders predominated by a narrow margin — not that it made much difference, since policy for the most part was established by the chairman of the board and the company's president behind closed doors.

Charles H. Swift, the last of the five Swift brothers to be chairman of the board, was also a vice-president of Swift and Co. But Swift International's president during the late 1930s and early 40s was Harry McLeare, a professional who had risen through the ranks. He was not alone in climbing to the top of the corporate ladder. Throughout the 1930s my father, C. Hal Hodges, was the manager of the beef department of Compañía Swift de la Plata, the company's Argentine affiliate, and subsequently a vice-president and director of International Packers in the early 1950s. Others of my father's generation would become presidents of the company's branches in Argentina, Uruguay, and Brazil. Fred Six, chief cattle-buyer in Buenos Aires, became president of Compañía Swift de la Plata, a vice-president of the parent company and a member of the board. Pete James was transferred to Montevideo to become president of the Uruguayan branch. Clarence Horton became the top executive of Companhia Swift do Brasil, after which my father succeeded him as president. In 1953 Marvin Gibson, second in charge of Brazilian operations, was promoted to vice-president of International Packers and transferred to Chicago. To a man, the executives lived off their salaries and received only modest dividends from shares in the corporation. A self-perpetuating elite of functionaries of the corporation rather than of the stockholders, their relationship to the company's underlings was hardly a capitalist one. It is better described as a relation between executives and executants.

Prior to my family's arrival in Buenos Aires in October 1929, Swift International had acquired the reputation of an imperialist monster for its heavy-handed treatment of Swift workers. The massacre of defenseless strikers by the hired guards of Swift's La Plata branch on 6 December 1917 and 3 January 1918, resulting in some fifty dead, can be laid at the door of the first managerial revolution in the company's structure. The manager-dominated company must also be held responsible for the violent suppression in 1921-22 of the strike involving the Swift plant in Río Gallegos, capital of Argentina's southernmost province of Santa Cruz.

The Río Gallegos meatworkers' strike of March 1921 was the prelude to a general strike that paralyzed the entire province. When the army intervened, the strikers armed themselves in self-defense and established a soviet-type government under the leadership of anarchists influenced by the Russian Revolution. A civil war ensued that ended only when the rebels were ambushed and tricked into surrendering on the promise their lives would be spared. Once disarmed, they were forced to dig their own graves. A thousand five hundred workers perished in the carnage.[26] Meanwhile, the managers of Swift's operations in Argentina raised the specter of communism to divert attention from themselves.

In the early 1920s Swift workers in Río Gallegos were little more than indentured servants. Conditions were not much better at the Swift plants in La Plata and neighboring Berisso in the province of Buenos Aires. As José Peter, the Communist general secretary of the meatpackers union recalled in his memoirs, 'we had to carry on our backs all the consequences of a brutal regime of exploitation whose secrets [and profits] were jealously hidden from us'. In 1939, Peter submitted a memorandum to the Argentine Congress directed against the Taylor system of scientific management installed in Swift slaughterhouses, refrigeration and processing plants. The memorandum contained a graphic description of what Taylorism signified for Swift employees under the company's professional managers. 'The worker has had to accelerate the rhythm of work to such an extent that it has become a grave danger to his health . . . he is within a few years incapable of working anymore, a condition aggravated by his having incurred incurable illnesses [in the cold chambers] — asthma, tuberculosis, rheumatism . . . [and] the destruction of his nervous system by the inhuman rhythm of work'.[27] Yet this same company simultaneously applied a human relations approach by underwriting an annual picnic for its employees and by building a golf course exclusively for their use and enjoyment — in reality for American executives among the few who could afford to play.

The American companies that operated in Argentina in the 1930s and 1940s may be fairly described as mixed enterprises. Despite managers in the saddle, the company's stockholders continued to monopolize the surplus. Distributed profits in the form of dividends overshadowed the surplus concealed in wages and professional salaries. The usual example of a mixed enterprise is one in which the state shares in the ownership, but a management-dominated company in which the stockholders are the principal beneficiaries also has a mixed character. In the case of Swift International, a capitalist component was evident in the role played by stockholders. Meanwhile, the word 'capitalist' had ceased to fit the social relations between management and workers.[28]

After Charles Swift retired as chairman of the board in the late 1940s, he was succeeded by Joseph Hanson, the company's president and successor to McLeare. When Hanson retired from International Packers in 1954, his salary was $35,000.[29] As a newly elected member of the board, my father received a salary in the same range. Since the minimum wage of 75 cents an hour amounted to a yearly pay of $1,500 in 1954, international executives of the meat industry were earning roughly 23 times the minimum wage, a concealed surplus of more than $33,000. This sum may seem extravagant, but it pales in comparison with the salary of the top executive of General Motors in 1954, who took home more than $500,000 including a bonus for superior performance.

By then International Packers had shed its capitalist integument to become a full-fledged managerial enterprise. By that I mean the concealed surplus of its managerial, professional, and technical employees more than matched the dividends it distributed to stockholders. The advanced labor legislation and aggressive political nationalism of the Perón and Vargas regimes in Argentina and Brazil, the areas of the company's most lucrative business, so reduced capital income that International Packers became a socialist enterprise, as it were, by default. The outcome was not fundamentally different from what transpired when the company's foreign holdings were later nationalized.

During 1955, International Packers was already registering staggering losses of several million dollars monthly. Tallow for soap, the company's byproduct in Brazil, cost five times more to produce than the price it fetched from Evita Perón's intermediary company in Argentina. Under Evita's shadow, Argentine labor law obliged Compañía Swift de la Plata to provide free lunches on a daily basis, a steak with a bottle of wine for its 41,000 employees. Added to the company's headaches, shrines to her in all of Swift's sixty divisions in Argentina had to be set up following her death in 1952 and decorated daily with fresh flowers.

Harry Bliss, financial manager of Swift and Co. in Chicago, was periodically consulted on how to cope with Swift's problems in Argentina. Thanks to Jim Joyce, an FBI agent hired by Swift's Rosario plant and used to spy on Perón's activities, Bliss was alerted to Perón's plan to freeze Compañía Swift de la Plata's New York bank account on the grounds that the company was licensed under Argentine law. On 24 hours' notice, Bliss transferred the company's expatriated profits from its New York account to a Delaware dummy corporation. But not even he could save the company from eventual disaster.

By the end of World War II some 90 percent of Swift International's products were being exported to the United Kingdom. This percentage dropped drastically. The shares in total sales of International Packers' various branches in 1955 were roughly the following: Argentina, 50 percent; Australia and New Zealand, 25 percent; Brazil, 15 percent; Uruguay and Paraguay, 10 percent. Argentina's share fell because of President Perón's policy, revived by some of his successors, of limiting exports to ensure an adequate and cheap supply of beef for domestic consumption. 'A combination of price controls, taxes on cattle, and labor laws had so discouraged the ranchers that the number of head of cattle in the 1960s (about 44 million) was about what it had been twenty years before'.[30] As a result, the volume of exports declined along with a corresponding fall in profits.

Between 1961 and 1965, Argentina's Swift operations lost some four million dollars and Armour over two million. Armour was ready to shut down when Deltec International bought it in 1968. By then International Packers' losses also threatened to bankrupt it. So Tom Taylor, who succeeded Hal Lunning who had succeeded Joseph Hanson as president, arranged for its merger with Deltec as a means of passing its losses onto another company. Because of the Peronist trade unions that kept up the pressure on wages after Perón's fall from power in 1955, the company had barely kept afloat. In the judgment of John Gereaue, who had the foresight to turn down a 1955 offer of a transfer from the company's Brazilian operations to a top management position in Compañía Swift de la Plata, Perón and Evita together wrecked not only International Packers, but also the entire American-owned meat industry in Argentina (Swift, Armour, Wilson).

By purchasing these and other companies operating at a loss, the Deltec imperialists aimed to turn several minuses into a plus. Deltec's tour de force was to unload its already bankrupt subsidiaries, Armour and La Blanca, onto Compañía Swift de la Plata for $41.4 million transferred to the company's home office. Deltec next drove Swift out of business by having it sell meat to Deltec's profitable subsidiaries at almost half world market prices, and then having it declare bankruptcy after building up an unmanageable debt at the expense of its Argentine creditors. In this way Deltec was able to liquidate all of its Argentine holdings and to withdraw more capital than it had invested in Argentina's bankrupt meat industry.[31]

In December 1970 Compañía Swift de la Plata, which had operated in Argentina since 1907, was hailed into court for failing to pay its bills. Although one of the country's ten largest enterprises measured in sales, its creditors numbered over 2,500 with claims amounting to $43 million. Some were bankers, but most of them were ranchers seeking embursement for cattle. There was another somewhat strange group of creditors that belonged, like Swift, to Deltec's multinational conglomerate and presented claims for $14 million. Swift fought the bankruptcy proceeding, but was fully prepared for the November 1971 verdict declaring the company bankrupt.[32] The bankruptcy had been deliberate. It was a device for ending the company's mounting losses and for recovering the bulk of its property through decapitalization before the Argentine government became alerted to the conspiracy.

The Swift-Deltec strategy of divestment would subsequently be copied by other foreign corporations in Argentina, a strategy initially pioneered and first successfully applied by Bliss against Perón's first government. Bliss died in 1953. In its developed form, his strategy called for the dummy firm to purchase a controlling interest in the company slated to be dissolved because of persisting losses. 'The new "owners" would then proceed to sell all the company's property . . . meantime, the company would be slow in paying its bills. When the process was finished the owners would declare bankruptcy, [but only] after first leaving the country. The workers, suppliers, and tax collector were then left holding an empty bag'.[33] Although the initial steps might be legal, the end result would be to defraud people numbering in the thousands. Such was one surprising feature of the new managerial imperialism.

This story of the penetration and withdrawal by an American multinational operating in a foreign country would be incomplete unless we also examined the outcome of Bliss's strategy at home.[34] Beatrice Foods bought International Packers' parent company, Swift and Co. of Chicago, in the 1970s. Donald Kelley, former Swift head became head of Beatrice, a conglomerate of some three hundred food companies specializing in packing and canning. Other Swift holdings were divided between Swift Independent (slaughterhouses), Swift-Eckerd, and a gravel company that owned the land on which Pebble Beach Golf and Country Club and two adjacent golf clubs had been built in California. Tom Taylor, the last chairman of the board of Deltec who had married into the Swift family, became president of Pebble Beach Golf and Country.

Swift divested because it was no longer competitive. Its plant had become obsolete and by going out of business it evaded its contractual obligations to the meat cutters union. Since Beatrice was a company as yet ununionized, it too escaped from paying the union scale of wages. Unlike Swift International, Swift and Co. did not have a record of 'hired guns' on its payroll for intimidating rebellious workers, but it remained true to form by continuing to evade the law. That it had become a socialist enterprise had not made it any less rapacious.

While the American economy as a whole went through a second managerial revolution during the 1950s, the big corporations that led the advance had crossed the threshold at least a decade earlier. By 1965, when the ratio of wages and salaries to capital income for the overall economy was 3.5:1, the corresponding ratio for the top 61 nonfinancial corporations averaged around four times as much.[35] Swift was among them.

The contrast with Argentine business was nothing less than startling. As late as 1979 Argentina had yet to match the state of the American economy on the eve of the Great Depression — a 1:1 ratio of employee compensation to capital income.[36] Although American imperialism through Swift's operations drained the country of a significant portion of its surplus, it also pioneered a new postcapitalist order in Argentina. The nationalization of Swift de la Plata was not responsible for its socialist character, nor did the prospects for socialism in Argentina improve when America's meatpackers were obliged to leave the country.

Part of the culture of imperialism is a sense of national and racial superiority. Corporate socialism is no exception to the general rule and the families of American executives in Buenos Aires were blatant examples of it. The general sentiment within the American community in the Belgrano suburb where I grew up was that anything Argentines might do, Americans could do better! The nationalized oil company, Yacimientos Petrolíferos Fiscales (YPF), became a symbol to Americans of Argentine managerial incompetence. To children in the American Grammar and High School, which boasted a curriculum and quality of instruction superior to that in Argentine private as well as public schools, the acronym stood for 'You Poor Fool!'

Marxists were among the first to depict the multinational corporations as the advanced guard of contemporary imperialism. Beginning with Lenin's *Imperialism*, they turned their attention to the developing nations as the primary locus of the export of capital. Only recently have they begun to concede that since World War II, the relentless search for markets as well as profitable investment opportunities has been directed toward the highly industrialized countries.[37] The markets for automobiles, business machines, and new technologies, for example, are located mainly in Western Europe.

'The imperial tendencies of the modern technostructure', writes Galbraith, 'are extensively misunderstood'. Economic affluence in the major world powers has made 'imperial concern for markets in the poor countries largely obsolete'. Markets in the Third World are limited to a narrow range of elementary producers' and consumers' goods. Rather than a sales outlet, the poor countries have become a major source of raw materials: crude oil, iron ore, copper, bauxite, natural gas, and forest products. 'It follows that, so far as the technostructure has imperial tendencies in the poor countries, they are manifested much more on behalf of materials than of markets'.[38]

Dependence on supplies of raw materials rather than on markets in the Third World is a distinguishing feature of the new world order.[39] But there is a danger of exaggerating this dependence. Technology has relentlessly found substitutes in the form of laboratory-produced synthetics, notably plastics. Supplies of raw materials have tended to abundance, so that their prices have sagged. Although this trend may ultimately be reversed, the presently weak bargaining position of the supplying countries has yet to be remedied. Adverse terms of trade define the present role of imperialism in the Third World. 'It is an extension of the relationship between the planning and the market systems in the advanced country. . . . The result is the same tendency to income inequality between developed and underdeveloped countries as exists within the industrial country between the planning and the market systems'.[40]

Contrary to Marxist perceptions, the multinational firms constitute a planned sector of the American economy. Control over prices and output by a technostructure that eludes description as capitalist lies at the heart of the planning system. Opposite it is the market system of small and medium-size, individually and family owned enterprises and partnerships dependent on outside financing and a supply and demand beyond their control. Unlike the corporations, they cannot bend government policy to suit their special interests. The market system is highly competitive, so that many firms periodically go to the wall. The planning system can depend on the federal government to bail it out in the event of threatened bankruptcy. Trade between the two sectors favors the planning system to the disadvantage of the market system. The 'market system buys at prices which are extensively subject to the power of the planning system . . . [while] an important part of its products and services are sold at prices . . . [regulated by] the planning system'. One result of this unequal bargaining position is 'a relatively secure and favorable income for participants in the planning system, a less secure and less favorable return for those in the market system'.[41]

The so-called new world order is at bottom the transnational system of the multinationals. It is not market-dependent. To overcome the uncertainties of the international market and the uncontrolled actions of national states in establishing import quotas and other trade barriers, the multinational has recreated itself abroad. Consequently, it 'enters into the same understanding on prices with other market participants in the foreign country that it has on its home turf'. Meanwhile, 'the reciprocal movement of foreign firms into its own territory eliminates the hazards of price-cutting and allows the same control there'. Since the multinationals can arrange production where labor and other costs are lowest, they can ensure against their foreign rivals' obtaining a comparative advantage in international trade.[42] This does not exclude increasing rivalry and competition among them.[43]

Under the old world order, corporations benefited not so much from free trade as from protection. Thanks to economic protection of various kinds, the barriers to foreign competition contributed to their growth into industrial giants. In sharp contrast, tariff barriers in the new world order act as fetters on transnational operations. This explains why, paradoxically, free trade has become the preferred option of the planning system internationally, just as protection was the preferred option in replacing the market system nationally. The transnational system internationalizes the relationship between the national planning and market systems. 'This, if one insists on the term, is the true shape of modern [contemporary] imperialism'.[44]

Free trade spells the ruin of the market system in the developing countries, which is to say that it is a potentially anticapitalist strategy for the spread of managerial society. Marxists typically forget that Marx avidly supported free trade as a mechanism that would not only cheapen corn in the British Isles through competition with French imports, but also undermine the power of the British landowning oligarchy. He also believed that free trade would enable capitalism to penetrate the markets of backward economies and serve as a pioneer of capitalism there.[45] Today, free trade has a revolutionary impact in breaking down the walls of import-substitution that protect capitalism in the Third World from transnational competition. From threatening the rule of landowners in the 19th century, it has become a threat to capitalists in the 20th century.[46]

Since World War I the government of the United States has played a leading role in extending not only its influence, but also that of America's corporations. As long as the market and planning sectors were in relative equilibrium, the state enjoyed a degree of autonomy and played off one against the other. By the middle fifties the planning sector began calling the tune, and since then global reach has increasingly impaired the state's autonomy. Increasingly, the sovereignty of national governments has been eroded through 'accommodation of the state to the purposes and needs of the corporate technostructure'. Whether or not Marx accurately described the state in England and France as the executive committee of the bourgeoisie, it is assuredly no longer that in the advanced industrial countries. It is 'more nearly the executive committee of the technostructure'.[47]

It was not because of the capitalist nature of the U.S. economy that American foreign policy aimed at containing the influence of the Cuban Revolution during the 1960s and 70s. There was a managerial rationale for propping up reactionary bourgeois regimes in Latin America. Just as in the past the nascent capitalist economies benefited from favorable terms of trade with weaker, precapitalist modes of production, so today America's nascent socialist economy feeds on and suctions off the surplus of weaker capitalist nations dependent on the uncertainty and agony of the open market.[48] It was because President Perón relied on state intervention to offset the disadvantages of Argentina's dependent market economy that the U.S.-dominated meat industry chose to disinvest. Contrary to the Marxist reading of U.S. imperialism since World War II, the preservation of capitalism in Latin America has contributed to strengthening the socialist sector at home.

Inasmuch as the planning system is managerial, so are its transnational operations. Galbraith calls it 'socialism' without control by society. But he hedges in using the term, because he prefers to use it for the state or public sector. In the latter, conventionally accepted usage, 'Socialism is not something that commends itself to the technostructure'. That is because, having won autonomy from the capitalists, the technostructure covets its independence and tries to elude subordination to the state.[49]

Galbraith's scenario has much to recommend it, because it does not go beyond the facts. Paradoxically, that is its principal weakness. It tells us that managerial imperialism embodied in the transnational corporations is what imperialism has become, not where it is leading. There is a strong current of rationalism in Galbraith's account of the new economic order which suggests that economic considerations will prevail in the world of the future. Political considerations are relegated to a subordinate role.

Wrote Oswald Spengler during the Great Depression: 'The exploited world is beginning to take its revenge on its lords. The innumerable hands of the colored races . . . will shatter the economic organization of the whites at its foundation. The *accustomed* luxury of the white workman, in comparison with the coolie, will be his doom'. This scenario, along with the impact of the scientific and technical revolution in making the white proletariat increasingly superfluous, raises the prospect of a less friendly future than that pictured by Galbraith. It is the specter of socialist imperialism in which force replaces fraud as the only means of saving American civilization from the combined ravages of class and race wars, from a white world-revolution within and a colored world-revolution from without.[50] In the face of this challenge, the 'foxes' in the technostructure are virtually helpless because the 'lions' in uniform are called upon to rule.

That a racist imperialism with fascist overtones may resurface is a possibility not to be taken lightly.[51] The case for 'friendly fascism' in America has been recently argued, but a revival of unfriendly fascism is possible. That could mean a revival and 'justification of imperial conquest, rampant militarism, brutal repression, and unmitigated racism' in the name of 'ethical socialism'.[52]

The scenario of a fascist version of socialism has found increasing acceptance among serious thinkers. Only rigorous and authoritarian measures, writes Jacques Ellul, can cope with the problems posed by modern technology. Regional and continental planning are required to respond successfully to the escalating costs of supplying the new technology, to the worldwide threat of water, earth, and air pollution, and to the problems attending the need for population control. 'That is to say, appeal to dictatorial state action is indispensable'.[53]

To this acknowledgment of the renewed relevance of fascism, another commentator adds that in 'a world in which "global ghettoes" can be anticipated, in which incredibly large numbers of people will be maintained at marginal subsistence levels, in which militarism becomes a style of life for emerging nations, all the fascist arguments concerning "living space" have immediate relevance not only for the underdeveloped but for the postindustrial societies'. Nothing less than an American variant of fascism, replacing anti-Semitism with white racism toward native blacks and the horde of illegal aliens and colored invaders of our American space, would be required to meet the growing problem of a deteriorating American quality of life.[54]

As Robert Heilbroner sadly concedes, the greatest challenge to the new economic order remains the threat of ecological disaster and a worldwide growth in population threatening the life-carrying capacity of the planet. In response to the prospect of famine, the threat of energy depletion, worldwide competition and outright war for scarce oil reserves and other fuels, he envisions a centralized regime for America, 'one that blends a "religious" orientation with a "military" discipline . . . [and ultimately] a variety of responses similar to those that followed the fall of the Roman Empire'.[55]

The fitful history of the 20th century has cut the ground from under Lenin's theory of imperialism. The British model of imperialism did not and could not last. As the archetype of capitalist imperialism, it hinged on the formal possession of colonies throughout the globe, on a 'relationship of the home country as money lender, investor and banker to the colonies'.[56] The resentment of other would-be imperial powers led to its undoing, because of the challenge by Nazi Germany, Fascist Italy, and the Soviet Union, and because of Britain's inability to continue paying for the internal administration and defense of its far-flung possessions.

The protectionist system devised by these new political and economic regimes has in turn given way to the panacea of free trade. Even Marxists have been won over to the benefits of free trade in modernizing the Third World.[57] Free trade not only devours local capitalists in the backward areas, but also cannibalizes the market system. In effect, the proclaimed 'End of the Third World' means the advent not of universal capitalism but of a transnational managerial world order. The challenge of the future is whether this new imperialism will become increasingly political in responding to the groundswell of revolt, the 'rebellion of the under-man' and the 'rising tide of color'.[58]

Notes

1 Marx (1988), p. 73; and idem (1958a), p. 384.
2 Engels (1976, 1977), Vol. 6, pp. 471, 527, and Vol. 8, p. 365; and Engels to Karl Kautsky (London, 12 November 1882), in Feuer (1959), p. 452.
3 Lenin (1975d), p. 241; and Alfonsín (1980), p. 9.
4 Lenin (1975d), pp. 223, 225.
5 Ibid., 243-44, 272-73.
6 Warren (1980), pp. 66, 67.
7 Kuznets (1967), p. 327; and Warren (1980), pp. 63-64.
8 Warren (1980), pp. 64-66.
9 Ibid., pp. 68-69.
10 Ibid., pp. 65, 70, 79.
11 McCarthy (1972), p. xvii; and Warren (1980), pp. 66-67.
12 Hudson (1972), pp.2-4, 34.
13 Ibid., pp. 5, 67.
14 Ibid., pp. 38, 44.
15 Ibid., p. 48.
16 Ibid., pp. 50, 52-53.
17 Ibid., pp. 36, 218-19, 266.
18 Lenin (1975b), p. 333; and Academía de Ciencias de la U.R.S.S. (1966), pp. 255-57.
19 Rumiántsev et al. (1982), p. 285.
20 Universidad Lomonósov (1966), pp. 811-21, 822.
21 Baran and Sweezy (1966), pp. 66-67.
22 Baran and Sweezy (1971), pp. 72, 75, 77-78.
23 Academía de Ciencias de la U.R.S.S. (1966), pp. 255-56.
24 Lewis (1990), pp. 41, 43.
25 The foregoing and immediately following data on Swift and Co., Swift International, and International Packers, Ltd., are from telephone interviews with Robert C. Zircher, former vice-president and director of International Packers and then of Deltec International, at his retirement home in Miami, 23 December 1994, 6 January 1995, and 16 October 1995.
26 Hodges (1988), p. 3-4.
27 Cited in Hodges (1991), p. 16. The Chicago butchers, Swift and Armour, were front runners in packinghouse brutality. See the harrowing scenes in Sinclair (1964), pp. 39-44, 61-66, 100-2, 111-12.
28 Hodges (1988), pp. 277-78.
29 From data supplied by John Gereaue, former executive of Companhia Swift do Brasil, 10 September 1991, reaffirmed during a second interview in Tallahassee, Florida, on 14 September 1995.
30 The data on Swift International and International Packers, Ltd. are from a telephone interview with Robert C. Zircher, 13 September 1991,

reaffirmed during a telephone interview on 20 December 1994.

31 Lewis (1990), pp. 321, 324; and data provided by John Gereaue.

32 Ibid., pp. 319, 320. By a unanimous vote of its directors, Deltec also liquidated its Brazilian subsidiary in 1975 and its other holdings in 1977.

33 For a full account of the Deltec-Swift case, see Lewis (1990), pp. 319-28, 365. The data on Bliss's financial strategy are from Gereaue, who had worked under him in Chicago before going to Brazil.

34 The following account of Swift and Company's divestment is from telephone interviews with Robert C. Zircher on 20 December and 23 December 1994.

35 Burch (1972), pp. 37, 40-42.

36 Hodges (1988), pp. 279-80.

37 Mandel (1978), pp. 317-20.

38 Galbraith (1973), pp. 123, 124.

39 Dean (1971), pp. 139-54.

40 Galbraith (1973), pp. 124, 125.

41 Ibid., pp. 44-50, 50-51.

42 Ibid., pp. 167, 168.

43 Mandel (1978), pp. 330-42.

44 Galbraith (1973), p. 175.

45 'Speech of Dr. Marx on Protection, Free Trade, and the Working Class', appended to Frederick Engels, 'The Free Trade Congress and Brussels' (October 1847); Karl Marx, 'The Protectionists, the Free Traders and the Working Class' (September 1847); and idem, 'Speech on the Question of Free Trade' (9 January 1848), in Marx and Engels (1976), Vol. 6, pp. 280, 287-90, 457-65.

46 See my reasons for depicting the Argentine operations of Swift International and International Packers as instances of socialist rather than capitalist imperialism, Hodges (1988), pp. 276-78, 280.

47 Galbraith (1973), p. 172.

48 Ibid., pp. 124-25, 175, 252.

49 Ibid., pp. 167, 275, 279-85.

50 Spengler (1963), p. 102; and idem (1934), pp. 81, 204.

51 See Stoddard (1922), pp. 220 f.

52 Gross (1980), p. 25; and Yockey (1969), pp. 566-71, 583, 592, 608-11.

53 Ellul (1964), p. 237.

54 Gregor (1974), pp. 418, 419-23.

55 Heilbroner (1991), pp. 119, 176-77, 190.

56 Dennis (1940), pp. 149-50, 153.

57 Harris (1988), pp. 19-20, 167-69, 188-90, 200.

58 Stoddard (1922), pp. 142, 177; and idem (1920).

5 The condition of labor

> We're not anti-Communists. But we sure as Hell kicked them out of our union! (United Steelworkers Institute, Boulder, Colorado, Summer 1963)

The condition of labor in 20th century America underwent a change with the first managerial revolution during World War I and was profoundly altered by a second managerial revolution after World War II. Ordinary workers were the raw materials of the revolution. They were neither its prime agent nor its beneficiary. While undermining the authority of capitalists, the revolution empowered a professional class to manage the rank and file. For Marxists, it turned out to be a labor revolution manqué.[1] But it was a social revolution nonetheless.

With the emergence of a self-perpetuating labor leadership, union members lost control of their representatives and became marginalized like stockholders in the corporations. But there was a salient difference between the new professionals in power and the leaders of American labor. Union leaders did not milk their members like corporate bureaucrats milked the workers. While business executives leave the ordinary worker holding the short end of the stick, labor leaders benefit themselves by serving their constituents. Union dues are the price of improved wages and benefits. Unlike the corporate world that gives the worker less for more, his trade union gives him more for less.

The problem at issue is that trade unions are not revolutionary organizations but mutual benefit associations. They are not in the business of altering radically the condition of labor, but only of providing a full dinner pail and a token share of the economic surplus. Who knows what the ordinary worker deserves. But he goes on demanding more and getting less of what others get, and without union democracy he is likely to get even less.

The absence of union democracy has facilitated the spread of union corruption. Although union leaders must share some of the blame, so must the rank and file. Membership apathy and the attitude of 'I'll pay dues but it's the union's job to deliver the goods' leave the leaders free to do as they please. As long as unions secure financial benefits for their members, there was an excuse for complacency. But with the decline in labor's fortunes after 1955, there were fewer wage increases, more lay-offs, and a return to union busting until the unions' principal business became the struggle to survive.

The turning point came with labor's giant step by which the AFL and CIO merged and became the single largest and independent confederation of workers in the world, after which it shifted from an aggressive to a defensive strategy of holding on to past gains. The merger was the watershed between the first managerial revolution in American labor and the second. What follows is a discussion of their salient features: the assimilation of the ideology of Scientific Management and the politics of government red-baiting before the turning point; and the advent of a surplus labor society and the transformation of Marx's proletariat into rival working classes after the turning point.

Managing labor discontent

Initially, neither organized labor nor corporate management accepted the ideology of Scientific Management (Taylorism). Eventually, it became assimilated by both. To management it promised an end to 'soldiering', 'featherbedding', and wasted motions on the job, all of which meant decreased productivity and profits. To labor it promised higher wages, fewer hours, improved working conditions in the form of rest breaks, and avenues of advancement into foreman positions and white-collar planning. In fact, it replaced business managers with professional engineers whose authority rested on knowledge of the industry rather than on force, and it broke up labor's monopoly of craft secrets, discretion in rate-setting, and modus operandi. 'Taylorism took control from old-style management just as surely as it had from labor. The manager had left labor as master in its own sphere, but he was master in his'. Scientific Management paved the way toward a new industrial state that subordinated both the functionaries of the capitalists and the work force to the rule of a new white-collar professional class, the so-called technostructure.[2]

Despite organized labor's half-century record of resistance to Scientific Management's program of piece work, speed-ups, elimination of superfluous workers and dismissal of recalcitrant ones, by the 1950s it had thrown in the towel. Piece work came to be accepted as a measure of labor productivity and of a 'fair day's wage for a fair day's work'. From resisting speed-ups and lay-offs, organized labor shifted its allegiance to the 'well-managed enterprise, where both capital and labor contribute to the result'. Despite the fact that it tied employees to their employers' interests, profit sharing also became accepted. Thus labor's adversarial relation to management gave way to a new 'cooperative approach to solving shared present and future problems'.[3]

The once indomitable John L. Lewis, the United Mine Workers President, set the pace in 1952 when he consented to automation in the coal mines and began investing union money in labor-saving, big mine, corporate operations that put the union's members out of work. The King Lear of organized labor and the CIO's first president led the turnabout in an effort to keep up with industrial progress and to upgrade mining skills. The small, less productive mines were forced to close down when the big mines refused to restrict output in response to the dwindling market for coal because of competing fuels, and gave into Lewis's demand for 'an increasing scale of compensation for the ever smaller and ever more hard-driven miners remaining in the pits'. Other unions followed suit by swapping jobs for a sliding scale of wages adjusted to methods of job evaluation having their origin in Scientific Management. In the ensuing decades, the 'bulk of the organized labor movement in production industries followed his lead'.[4]

The long-term effect of Lewis's example was for the trade union to become an ally of its industrial partner. Even more significant, the union leader would become part of the 'control system of management'. He would become, in C. Wright Mills's apt phrase, a 'manager of [labor] discontent'.[5]

The ideology of Scientific Management had so permeated the unions' leadership that labor-management negotiations no longer took the form of a struggle between labor and management, even less one between labor and capital, but between members of the same fraternal order of college graduates. By bargaining away labor's right to strike within the period covered by a contract, union leaders joined with management in bringing peace to industries torn by labor unrest. A select few would 'take their places alongside businessmen in and out of government and politicians in both major parties among the national power elite'. As new men of power they would join with Chamber of Commerce officials in civic enterprises, receive honorary academic degrees, sit on production boards and price-control agencies, and serve as labor attachés in U.S. embassies around the world. They would become reshaped, Pygmalion-like, as 'government-made men, fearing that they . . . [could also] be unmade by government'. Their strategy of maximum adaptation to America's ruling circles would help them to retain and expand their newly-won positions of national influence. In sum, America's top labor leaders would 'join with owners and managers in running the corporate enterprise system and influencing . . . the political economy as a whole'.[6]

Like the corporations, unions have their own professional cadres, their own legal staffs. In an age of increasing government regulations and a growing body of case decisions, the unions must either digest them or fail to negotiate contracts in the membership's best interests. The technical aspects of a union contract have become so complex that professional economists, accountants, lawyers, and industrial relations experts are required to negotiate effectively.[7] Although their control system for disciplining members falls short of that of management, these managers of labor's interests objectively belong to the same professional class as their counterparts in the corporation.

Has the professional staff of organized labor taken over America's unions, just as the corporate technostructure gained control of the corporation? Not exactly, although many union members believe that the lawyer really runs the local and that every major policy decision is made by its general counsel. 'It is just assumed now, routinely in the big internationals, that the lawyer is the real power behind the president'. In some instances, the general counsel has actually dispensed with the president, but for the most part the reverse process prevails. As a manager of discontent, the union officer goes to college, attends night school, and studies labor law. Every staff representative and business agent has been compelled to learn the law and act like a lawyer. 'The entire labor movement is like a giant bar association of nonlicensed attorneys'. The presidents of Big Labor are, if not lawyers, practiced in the law. In any case, they are or have become professionals, like their counterparts in industry. Some have postgraduate degrees. 'Men like Lane Kirkland [the AFL-CIO president] and Lynn Williams, the steelworkers president, look and talk like [professors]. . . . These people have taken over the international unions'.[8]

Despite the decline in union fortunes in the mid-fifties and labor's shift from an offensive to a defensive strategy, union officials were paying themselves five-digit and increasingly six-digit salaries. By the mid-1980s, 'at least 124 teamster officers made over $100,000 a year', not to mention the 500 or so officials of the 17,000,000 AFL-CIO. 'At these salaries, they turn into balloons. They are not capable of collective bargaining. And the ones with the biggest salaries, $300,000 and up, . . . are like sultans, carried in sedans, on pillows'.[9]

Union officials act not only as lawyers, but also as industrial engineers and human relations experts. Management of labor discontent has become a built-in feature of the labor contract. Union stewards on the factory floor handle the grievances of union members. Becoming a part-time shop steward means doing legitimate union business and being paid for lost time on the job. The union arranges for the company to pay the bill, a 'practice [that] may look like bribery, or at least a flagrant conflict of interest'. As one close observer describes the freedom of shop stewards to set their own hours, 'There is a deep, almost libidinal pleasure to be on lost time, to be AWOL, to roam around the plant without permission'. When people who cannot hack it anymore at work become business agents or are promoted to full-time union jobs, they become even better off and leave the rank-and-file world altogether. 'They stop working from nine to five . . . [and] become brothers and sisters' of the union's professional staff of college graduates, attorneys, and accountants.[10]

The legacy of Scientific Management is today the legacy of Big Labor in America. The implications of the new science became evident in increased labor productivity, the intensity of work per unit of time, and speed-up on the assembly line. There were also other consequences not immediately evident. The time in which an operation might be performed could be established scientifically, thus bypassing the bargaining process with organized labor. Wages might be computed by an impersonal standard independent of the class struggle, on the basis of piece work. 'Once work was scientifically plotted, . . . there could be no disputes about how hard one should work or the pay one should receive'.[11]

Taylor's fellow engineer, Frank Gilbreth (1868-1924), was even more rigorous in breaking up the worker's movement into its components. If allowed to have his way, Gilbreth would have required that the worker's left hand should never be idle while its companion worked. Gilbreth isolated eighteen basic units in his motion studies so that, in combination with Taylor's stopwatch, management could develop a package of wage payments based on economies of both time and motion. Their fragmentation of the work process divested the worker of initiative and control over his movements, and simultaneously increased the need for supervision. All possible brainwork was withdrawn from productive labor and transferred to supervisors.

In 1921, when Herbert Hoover was offered a position in President Warren Harding's cabinet, the ideology of Scientific Management spread to government circles. Convinced that low labor productivity and malmanagement lay at the root of social conflict, Hoover led a campaign for national reconstruction 'founded on the familiar Taylorite themes of waste elimination and maximized production'. An engineer like Taylor, he believed it was pointless for organized labor to quarrel over its share of the pie; a management-labor consensus could make the pie larger. Accordingly, he favored collective bargaining and called for 'a new economic system, based neither on the capitalism of Adam Smith nor upon the socialism of Karl Marx'. Toward this end, he favored an enlargement of federal and state employment, government compilations of statistics on national income and the state of the economy, and the mobilization of social scientists to support his technocratic project. In the fall of 1920, even before he became commerce secretary, the leaders of organized labor publicly supported Hoover's campaign.[12]

A major step forward had been taken in determining to management's satisfaction the content of a 'fair day's wage for a fair day's work'. But for wage earners who came under the new dispensation it was a living hell. There was no longer any joy in work nor room for reveries on the job. The intense concentration required by the one best way of moving arms and legs would take its toll in worker apathy, demoralization, and resistance to the new norms. At unexpected moments, the engineer's narrow-minded preoccupation with efficiency might result in a restriction of output. In time, the revolt against industrial engineering became so widespread that a new human relations approach to labor evolved aimed at adjusting the worker to his job and at persuading him that management knew best.

Industrial engineering had reached an impasse but was rescued thanks to the new science of social engineering — the invention of sociologists and human relations experts. Its prophet was an Australian who emigrated to America in 1923 and took up a career at the Harvard Business School. A follower of the French sociologist Emile Durkheim, Elton Mayo acquired world renown through his famous Hawthorne experiments at the Western Electric Company's Hawthorne Works in Chicago. His breakthrough occurred with the discovery that increases in output were linked not to physical and physiological variables, such as improved ventilation, lighting, diet and rest, but to social factors like employee involvement that heightened the worker's sense of self-importance.

Improving human relations on the job would henceforth become the indispensable ally and counterpart of industrial engineering. Mayo and his associates at the Harvard Department of Industrial Research found counseling to be the missing link in the Taylor-Gilbreth system of Scientific Management. As a new method of human control, it helped to relieve pent-up tensions and emotions that interfered with maximum performance. Harassed workers were encouraged to air their grievances. Counseling aimed at shifting the worker's frame of reference, so that grievances might be assessed from a different perspective. As one Hawthorne counselor described the process in the case of a woman employee, her focus of attention was transferred to her unhappy home life, by comparison to which her grievances on the job faded into insignificance. As another Hawthorne researcher put it, the objective of social engineering is to adjust the worker to the job by coddling and the art of persuasion, so that 'the greater will be his self-esteem, the more content he will be, and therefore more efficient in what he is doing'.[13]

In discussing this human relations complement to industrial engineering, Daniel Bell brings out two important points. First, 'we find a change in the outlook of management . . . from authority to manipulation as a means of exercising dominion'. The older methods of direct coercion were replaced by a process that Huxley, in *Brave New World*, called 'advanced emotional engineering'. Second, we find a shift to compensatory consumption, a substitute for real improvements on the job. Thus 'satisfactions are . . . obtained in extracurricular areas: in the group, in leisure pursuits'. If the American worker has been tamed by this 'cow sociology', it is because of the lure, 'the possibility of a better living which his wage, the second income of his working wife, and easy credit will allow' — a veritable credit-buying cornucopia.[14]

The capstone of Scientific Management was the system of wage and salary administration developed during World War II. Going beyond both industrial and social engineering, it sought to establish methods of job evaluation that would pass as scientific, to develop a scale of payments for different kinds of work that would qualify as equitable, and to sell its system of compensation not only to organized labor but to all employees. As a widely used textbook formulates the basic purpose of job evaluation, it is 'to present . . . the philosophy and fundamental guiding principles . . . essential for establishing and maintaining adequate and equitable compensation for all employees in an enterprise . . . to present a philosophy of successful compensation based on fair treatment'. The question workers needed to ask was who would formulate it, employees or their employers? Fellow employees known as 'job analysts' would be trained for that purpose, but 'under the direction of an executive in personnel management'![15]

The prehistory of the new science has been traced to Taylor's first job evaluation study at the Midvale Steel Company in Pennsylvania as early as 1881. In 1909 the Commonwealth Edison Company of Chicago introduced the first job classification plan. In 1925, Merrill R. Lott developed the point method of job evaluation and in 1926 published the first book on the subject. That same year Eugene J. Benge introduced the factor-comparison method. During World War II, after the Economic Stabilization Act froze all wages in 1942, job evaluations became the accepted practice in both industry and government. Thus World War II marked the 'beginning of the modern era of wage and salary administration'.[16]

Among the first large-scale programs for restructuring wages in accordance with the new science was that introduced by the U.S. Steel Corporation in 1947. Based on descriptions of 1,150 benchmark jobs within 152 representative classifications, it took several years to complete and covered 75,000 workers. In the 1950s the Aluminum Corporation of America followed suit. Based on fifty-nine separate variables, its system of wage differentials took three and a half years to complete at a cost of half a million dollars and covered 56,000 jobs.[17]

The human relations aspect of wage and salary administration is evident in a booklet entitled 'Your Hourly Rate' used by the Armstrong Cork Company. Step by step, it explains why different jobs receive different rates of pay as determined by an impartial group of job analysts. The factory payroll is equitably distributed, says the brochure, when any addition to normal work requirements is evenly balanced by additional compensation. Besides added pay for extra time on the job, for above-average physical effort, for troublesome working conditions and accident hazards, special compensation is due for superior skill, judgment, responsibility, and leadership. The guiding principle is 'equal pay for equal services', but on the premise that some services are intrinsically more valuable than others.[18]

One purpose of wage and salary administration is 'to prevent misconceptions, to ease tensions, and to keep employees working together as a cooperative team'.[19] Perceived injustices may disrupt business routine and interfere with optimum performance. Since the differential between top management salaries and the wages of unskilled workers may be as great as 50:1 and even higher for the biggest corporations, the practice of weighting such intangible factors as responsibility, judgment, and leadership plays an important role in the justificatory process. If the weights assigned do not seem to be arbitrary, if they appear to be reasonable, it is because they are based on precedent. But that is simply passing the buck.

The U.S. Department of Labor recognizes four basic methods of job evaluation: the ranking method, job classification method, factor-comparison method, and point system. In the ranking method, jobs are scaled according to difficulty and responsibility from the most difficult and responsible to the least. The job classification method groups jobs into predetermined categories representing different levels of difficulty and responsibility. The factor-comparison method evaluates jobs in terms of five critical factors in selected key positions having a money value or 'going rate': mental qualifications, skill, physical requirements, responsibility, and working conditions. The point system is distinguished by the selection of key factors used for purposes of comparison, by the division of each into degrees, and by the assignment of points or weights to each factor and its degrees. The points are so weighted that managerial, professional, and technical workers become the beneficiaries.[20]

From this brief account, it should be evident that there is no detailed agreement on how to measure what is or is not equitable in matching jobs and wages. There is only a general agreement that superior education, expertise, responsibility, and leadership should be among the guiding principles for determining differences in pay. What the various methods conceal is that the 'pattern of distribution is essentially a political question'. Notions of equity are tied to national customs and traditions with built-in rankings derived from rigid class and social distinctions going back to premodern times, so that all job evaluation claims to impartiality contain an admixture of fraud.[21]

The executives in personnel management and the directors of wage and salary administration of the big corporations have given a free hand in restructuring payrolls to employees especially trained for that purpose. To controvert the independent judgment of job analysts who receive only modest compensation is not like challenging the self-serving decisions of managers who in the past decided all matters of remuneration from the top down. Because the work of job analysts is supposedly impartial, their decisions may go unchallenged. In collective bargaining the union finds itself at a disadvantage, because its negotiators are committed to a wage package for skilled workers as well as unskilled that makes due allowance for pay differentials. For the most part, differentials are kind to the 'haves', not to 'have nots', so that unskilled and semiskilled workers are comparative losers when it comes to collective bargaining.

Having assimilated the principles of job evaluation of their peers in the business world, trade union executives have restructured their own payrolls. The same justifications used by job analysts are used in assigning themselves fat pay checks and perks. Following the example of Scientific Management, their solution to rank and file resentment is to shift the focus of discontent from the distribution of wealth to its multiplication. This strategy may work for the unions' leaders, but at the price of labor militancy and the loss of institutional memory of what the union movement was originally like.[22]

Political agents of despair

Lest too much credit be given to Scientific Management for the shift from labor militancy to business unionism, one should consider briefly the complementary role of government and political repression. In response to the Bolshevik Revolution of October 1917, this country experienced until then its greatest 'Red Scare'. Organized labor in the form of the Industrial Workers of the World (IWW) suffered most of the casualties. For interfering with America's involvement in World War I by a rash of strikes, sabotage, and anti-war propaganda, IWW militants suffered persecution and jail sentences out of all proportion to the offenses. Trials and convictions on charges of criminal syndicalism and violation of the Federal Espionage Act would become the rule for those the government considered to be the backbone of the IWW.[23]

With the end of World War I a new wave of strikes swept the country. The AFL was directly involved, as in the packinghouse strike in 1918 and the Great Steel Strike in 1919, both organized and led by the former Wobbly and future Communist party leader, William Z. Foster. That was only the beginning of the new red menace that brought government persecution in its train.

The American Communist party was born amid 'soviets', or workers' councils, formed in several American cities in anticipation of an imminent revolution and socialist uprising.[24] In February 1919, the Seattle General Strike spawned the first American soviet that reportedly 'scared the wits out of local guardians of law and order'. Two days later, Butte, Montana, followed with a general strike led by copper workers that resulted in a second American soviet. Another soviet appeared in response to a metal workers strike in Toledo, followed by a strike of lumberjacks and a fourth soviet in Portland, Oregon. Altogether, the number of workers involved in strikes in 1919 exceeded 'the total number involved during the next six years'.[25]

The government responded to the rash of strikes with the infamous Palmer raids named after Attorney General Mitchell Palmer. As Foster recalled the night of 2 January 1920 when an estimated 10,000 were arrested, 'the Department of Justice struck nationally in 70 cities, dragging workers from their homes, slugging them, and throwing them into crowded jails, often without proper food and toilet facilities'.[26] In order to carry on their propaganda, those who survived the raids went underground.

Funeral rites for labor militancy did not take place overnight. The Great Depression witnessed a revival of union radicalism centered in its initial stages around John L. Lewis and the United Mine Workers. A complex and charismatic character, his 'force of personality helped revive the old IWW call for One Big Union'. In 1933 he unleashed a mammoth membership drive into shipbuilding, automobiles, and the steel industry that owned the captive mines. In 1934 a 'series of radical strikes . . . put the labor movement on its strongest footing since the Socialist-Wobbly heyday before World War I'.[27] In 1935, when the AFL showed that it could not assimilate the new labor militancy and influx of unskilled workers, a vanguard led by Lewis founded the Committee for Industrial Organization, precursor of the Congress of Industrial Organizations (CIO) founded in October 1938.[28]

The contrast between the old unionism adapted to the struggle between labor and capital and the new unionism involving a struggle between labor and management stands out in bold relief in the IWW's response to collective bargaining. The kingpin of the new unionism was the collective contract between labor and management. While not averse to collective bargaining in principle, the IWW opposed pattern bargaining that imposed the same wage agreement on all firms in the same industry. It forbade time agreements that excluded strikes during the period of the contract. It opposed the closed shop unless accompanied by exclusive hiring by the union; otherwise, the company's personnel office would be in a position to select the union's membership. It resisted collective bargaining away from the job by union functionaries in the nation's capital. It opposed fringe benefits, including health care and old-age pensions, for 'tying workers to one employer, . . . a new industrial serfdom with virtual adscription to the job'. It resisted automatic check-off of union dues by management as tending to make union officials dependent on the good will of the corporation. And it defended the right of union locals to set their own wages independent of the Internationals.[29]

In the CIO's new unionism the IWW perceived a variant of the strategy of class collaboration practiced by the AFL. Despite the surge of labor militancy and class struggle among the CIO's rank and file, its top leaders preferred to collaborate with management and to extract concessions through reasonable discussions across the conference table. This clash of revolutionary and reformist currents was especially bitter during the CIO's organizing drive in 1936 and 1937, when 'strikers revived the spirit of the Wobblies by occupying the plants rather than picketing them'. The earliest reported sit-down strike, the tactic that captured the nation's imagination during the heroic years of the CIO, dates from the strike at the Goodyear plant in Akron, Ohio, in November 1935. The example proved contagious when it was followed by similar action against Firestone in January 1936. The workers stayed overnight, several nights until the company capitulated. This victory generated a tidal wave of sit-down strikes and factory takeovers that did not level out until 1937, when the courts increasingly branded them 'illegal'.[30]

The effort to pacify American workers and to integrate them into the larger society reached a landmark when CIO President Philip Murray, Lewis's successor, called for a guaranteed annual wage in January 1944. The Steelworkers adopted the proposal, but the War Labor Board turned it down in December. It then became the subject of a commission set up by President Roosevelt, which spent most of the next decade studying its feasibility. It did not reappear on the CIO's agenda until Walter Reuther revived it at the Autoworkers' convention in May 1953. But the Steelworkers dropped the demand for a guaranteed annual wage during their 1955 negotiations with the steel companies, while the autoworkers negotiated an even less favorable contract in order to avoid a showdown battle.[31] If successful, it would have had the effect of almost completely sanitizing the relations between labor and management, which is why the IWW opposed it.

Labor's 'Giant Step' was supposedly the reunification of the prodigal son and its parent, the 1955 merger of the CIO and AFL that brought twenty years of bitter split and rivalry to a close. The IWW's dream of 'One Big Union' was thereby realized, but with an unanticipated and completely altered content. Representing some 15 million workers at the time, the new labor body signified a 'giant step forward from class atomization to a class organization never equaled in size or surpassed in picket-line and shop militancy' with the notable exception of the IWW. Only twenty years earlier the two organizations together had barely four and a half million members, less than the CIO alone at the time of the merger.[32] But there was a damper to predictions that the One Big Union, actually a Confederation, would bring a new era of progress and prosperity for American workers.

By then, the CIO had become a pale image of its former self. Walter Reuther, its new head after 1952 and a labor leader with socialist leanings, had moved steadily to the Right until he could be counted on by the AFL to adhere to the politics of class collaboration. Leaders of both organizations agreed to eliminate from their new constitution the historic preamble to the old AFL constitution, a preamble discarded in practice but formally in effect since 1886. The AFL's language was out of kilter with the professional bias of the new managers of labor who proposed to work within the two party system instead of organizing an independent labor party. The old preamble had said 'A struggle is going on in all the nations of the civilized world between the oppressors and the oppressed of all countries, a struggle between the capitalist and the laborer'. Times had changed and the struggle between labor and capital had given way to that between labor and management. But that was not what the new leaders of labor had in mind. The new constitution summoned workers to take a stand against their would-be emancipators, to protect the labor movement from the 'undermining efforts of Communist agencies and any and all others who are opposed to the basic principles of our democracy'.[33]

What is one to think of a labor organization whose preamble to its constitution baldly states that the AFL-CIO is not a narrow class organization but one that responsibly serves the interests of the American people? Where is the call to labor militancy in the appeal to Divine guidance to 'combat resolutely the forces which seek . . . to enslave the human soul'? Subsequent amendments to the 1955 Constitution spelled out the nature of these sinister forces. No organization officered or dominated by the Communist party would be permitted to join the AFL-CIO. 'No individual shall be eligible to serve either as an Executive Officer [President or SecretaryTreasurer] or as a member of the Executive Council [twenty-seven Vice Presidents later upped to thirty-three] who is a member of the Communist Party . . . or who consistently pursues policy and activities directed toward the achievement of the program or the purposes of the Communist Party'. To cope with Communist infiltrators, the Executive Council 'shall have the power to conduct an investigation' by its own House Un-American Activities Committee. As the February 1955 Merger Agreement declares, the 'merged federation shall establish appropriate internal machinery with authority effectively to implement this constitutional determination to keep the merged federation free from any taint of corruption or communism'.[34]

The ravages of anticommunism in the labor movement and the great fear communism inspired in the halls of Congress had for its prime victim the half-million strong United Electrical, Radio and Machine Workers of America (UE). The UE became the largest union to be taken over by Communists when Julius Emspak, its first secretary-treasurer, and James B. Mattles, its director of organization, engineered the defeat in 1941 of its first president, James B. Carey. Carey was replaced by Albert Fitzgerald, the UE's new president, who submitted to the Party line but protected himself by speeches sprinkled with anti-Communist epithets. Emspak and Mattles ran the union until Emspak's death in 1962, when Mattles succeeded him as secretary. Meanwhile, the embittered Carey used his leverage as Secretary-Treasurer of the CIO to attempt to regain control by accusing the UE leadership of being a transmission belt for the American Communist Party.

Unsuccessful in driving Communists out of the union, the CIO created a rival, the International Union of Electrical Workers (IUE), and expelled the UE in 1949. The immediate outcome of this anti-Communist purge was that within a year the UE was virtually wiped out of big industry. The IUE even employed 'scabs' to cross its picket lines. By 1955 the UE's membership had fallen to 90,000, whereas the IUE's membership had climbed to some 300,000. That same year the UE was declared 'Communist-infiltrated' by the federal government. In response to this new harassment, four district presidents and about thirty international staff members and local business agents decided the game was up. Along with some 50,000 members they deserted the UE for the IUE or were enticed away by other union raiders.[35] Like the Palmer Raids, union red-baiting was an augury not of hope but of despair.

To inject a personal note into this account, I was an assembly worker and a member of the UE at a General Electric plant in Bridgeport, Connecticut, before the purges got underway. The local's business agent and other officers were Communists. After they arranged for me to become a shop steward, they recruited me into the party. Like others of my generation, my motives for joining were traceable not to self-interest, but to youthful idealism, a Christian upbringing, and the example of the Good Samaritan in Luke 10:29-37. However, for this indiscretion I had to pay dearly when, in the summer of 1946, my past caught up with me and a warrant for my arrest was issued by the FBI. On giving myself up, I was charged with violating the Smith Act and threatened with five years in prison. The Smith Act, passed by Congress during a new 'Red Scare' in 1940, made it a crime to advocate the overthrow of the government by force or violence.

But for my father's intervention and corporate credentials as a shield for Jim Joyce, the undercover agent employed by Compañía Swift de la Plata during the 1940s, I might have served time. But the matter did not end there. In April 1954, the government refused to grant me a passport to visit my ailing parents in Brazil. Notwithstanding my expulsion from the party for factional activity against its change of face, the anemic Communist Political Association scuttled in June 1945, I continued to be harassed by periodic visits from the FBI and by having my telephone bugged throughout most of the Vietnam War.

For some labor leaders anticommunism was a matter of prudence rather than principle. In the case of the Steelworkers, it aimed to improve their public image and bargaining power with management and was even an excuse for labor militancy.[36] But by the mid-1960s, the Automobile Workers were having second thoughts about the anti-Communist purges that had reduced the AFL-CIO to a handmaid of the American government. The Cold War and the purge of CIO affiliates had as their long-run consequence the removal from public debate of the last vestiges of ideological radicalism in the American labor movement. Even before the merger of the AFL and CIO, says one chronicler of labor's and the government's witch hunts, 'the American trade-union movement had become the most conservative and ideologically acquiescent among the capitalist democracies'.[37] Thus, when Reuther belatedly acknowledged the insidious effect of twenty years of anticommunism in inducing the AFL-CIO into supporting the Vietnam War, he took his Automobile Workers out of the CIO.

The turning point in managerial unionism

Prior to World War I, the trade unions defined their role as a contest between labor and capital. So-called social or revolutionary unionism, the prevalent form from 1860 to 1880, gradually gave way to 'business unionism', the bread-and-butter unionism favored by the AFL. Founded in 1880, the AFL represented the mainstream of American labor. Beginning in 1905, the IWW and later the CIO momentarily halted the spread of business unionism. Not until World War II did it finally prevail. By then the technostructure was firmly in control of the big corporations, so that collective bargaining had become a contest between labor and management.

By 1955, a critical year for American labor, the IWW's philosophy of direct action against the class enemy had given way to the reunified AFL-CIO's philosophy of collaboration. The IWW had been a haven for cynics, but there was no place for cynicism in the AFL-CIO. Cynics mistrusted appearances. 'If the boss accedes to the demands of the workers for higher wages, it is only because he has something sinister up his sleeve, such as higher prices or speed-ups'. 'What they [the bosses] call honest toil is a mug's game'. The employer is on top of the ant-heap because he has a 'racket'.[38] There could be no labor peace with this kind of philosophy.

More than any other union officials, shop stewards are in touch with the rank and file and serve the primary interest of union members in handling grievances. They share the lot of the ordinary worker, speak with the same voice. But they lack a foothold in the union's power structure and carry little weight beyond the factory floor. The year of the merger put an end to their brief period of influence during the rash of strikes and organizing skirmishes of the CIO.

The year of the merger was a symbolic one for organized labor. *Time* magazine proclaimed that 1955 marked the 'flowering of American capitalism'. 'Deflowering' would have been more accurate. In any case, prosperity had arrived with America's six percent share of the world's population consuming half of the world's industrial wealth, while corporate millionaires were being created by the thousands.[39] It boded ill for American labor.

1955 was a boom year for corporate America. 'Corporate profits, after taxes, ranged from a low of $16.8 billion in 1954 to a high of $26 billion in 1955'. The corporate elites took full advantage of their takeover of the corporations and the corporations' takeover of the American economy. In 1955 'thirty-six corporate executives were awarded bonuses of over $250,000 each for the year — this, on top of annual salaries that often topped $100,000'. The next year saw another important step in the post-World War II emergence of a new economic order. 'The year 1956 . . . marked the first in which the number of white collar jobs in the U.S. exceeded the number of blue collar ones. . . . [This heralded] the postindustrial era, a new age in which information would replace industrial goods as the staple of the economy'.[40]

The leaders of the One Big Union shared more in common with white collar workers and corporate managers than with the blue collar workers they had left behind. As one commentator described the composition of the December 1955 unity convention of the AFL-CIO, the delegates were 'several times removed from the workers . . . paid functionaries many years away from the trade or industry they presumably represent today . . . many whose hands have never touched a tool or machine in production'.[41]

A huge gap separated the top leaders of organized labor from shop stewards in the factory. Writes another commentator, 'Long absent from the place of work, the top leaders live in an atmosphere that makes it easy for them to accept or tolerate management philosophies'. None of the signatories of the 1955 merger agreement so much as envisioned a class-oriented strategy for American labor. Why should they? Labor's impotence in politics meant that the cards were stacked against it from the beginning. Later, in the 1960s and 1970s, management realized that the National Labor Relations Board (NLRB) was a weakling and that the workers' right to organize and bargain collectively could be violated with impunity. 'A whole profession of "labor consultants" had grown up, to tell them how to do it'.[42] Labor leaders were powerless to resist them.

The term 'business unionism' had become misleading. It raised the specter of George Bernard Shaw's quip that trade-unionism is the capitalism of the proletariat. A more accurate term is 'managerial unionism'. The salaries and perks of union bosses do not by any means qualify them for membership in the same class with owners of the means of production. They have much more in common with the corporate technostructure.

Isolated spurts of labor militancy might still be seen, as during the greatest single strike in American history — the 116-day national steel strike under AFL-CIO auspices in 1959. On 16 June, during the protracted but failed negotiations leading up to the strike, Reuther charged that the managers of the steel industry had spearheaded a 'class struggle . . . precisely as Karl Marx wrote that it would be waged'. If the labor movement takes up the challenge, he added, 'we will prove together that Karl Marx was right'. To succeed, labor had to escalate its struggles by closing down entire industries. But the AFL-CIO did not resolutely take up the challenge. Thirty years later the few strikes it sponsored typically ended in disaster. During the decade prior to the merger into One Big Union, there were 43,000 strikes in round numbers for an average of 4,300 per annum. In 1972 there were one-tenth as many and in 1989, onehundredth as many — the same as the number of prison riots that year.[43]

A major factor in labor's decline was the government's response to the wave of strikes after World War II. Under public pressure to curb the increasing power of unions blamed for the wage-price spiral by people miffed by labor's mounting share of the surplus, Congress passed the Labor-Management Relations Act of 1947, or Taft-Hartley Act named after its sponsors. Passed over the veto of President Harry Truman, the new legislation outlawed the closed shop, increased the amount of worker support required for the union shop, prohibited the use of secondary boycotts, sympathetic strikes, and jurisdictional strikes, and authorized the separate states to pass so-called 'right-to-work laws' further curbing the powers of unions. Labor leaders repudiated it root and branch as a 'slave labor act'. However, there were more profound roots to the demise of American labor after 1955 than this legislative setback in 1947.

In 1958, the Supreme Court handed down decisions on three cases known as the Steelworkers Trilogy. Every dispute during the life of a contract, it ruled, is subject to compulsory arbitration by a neutral third party. Arbitration became touted as America's new system of industrial self-government. But what did it mean concretely? asks labor lawyer Thomas Geoghegan. It meant 'mini-lawsuits, millions of them, jam-packed in big backlogs, going back for years'. Actually, organized labor wanted the Steel Trilogy, but the price turned out to be prohibitive. Arbitration can be just as long and expensive as a lawsuit. 'An arbitrator, unlike a judge, can charge by the hour, so for the union, which is broke, there are two meters running, the arbitrator's and its lawyers. Just one arbitration can cost a little local union (of say, fifty members) tens or thousands of dollars and literally bankrupt it'.[44]

Strikes were effectively banned except for so-called window periods between contracts. The new men of power had bargained away the right to strike by negotiating long-term agreements with management. In the 1960s, leaders of the United Steelworkers justified these contracts on the grounds that wage increases had become less important to its members than job security and the accompanying fringe benefits. What could be gained by wage increases, they argued, that were being paid for by lay-offs and were being eroded by the rising costs of health care outside the bargaining contract? Instead of wage increases, they tried to get management to agree to contractual guarantees of stable employment and company-funded programs of health insurance.

Not until the Reagan presidency did class war return to America. As Reuther anticipated, it was at the initiative of management, but with the encouragement of the federal government. Some historians have labeled it the 'Reagan counterrevolution', a partial revival of the capitalist sector combined with a withering assault on the poor, nonwhite, female, and working class populations.[45] Although the assault on the poor led to the proliferation of a new underclass of homeless people measured in millions, the principal target was organized labor.

By the end of Reagan's term in office, the United States had a smaller proportion of workers organized in unions than any other advanced nation. Following the President's successful strike-breaking efforts against the Professional Air Traffic Controllers Organization (PATCO) in the summer of 1981, America's trade unions lost some three million members and signed concessionary contracts surrendering some of labor's most important gains. The President's draconian response to the strikers pointed the way toward a tougher policy by management aimed at breaking strikes through replacement workers ('scabs'), lock-outs, legal rules, and police power. For labor it meant the negotiation of new contracts on less favorable terms known as 'givebacks' under the pressure of unemployment, new labor-saving technologies, and company downsizing. The concessions might be substantial, in some instances reducing union wages by as much as one-fourth. Prior to the nationwide Greyhound strike in 1990-91, the negotiation of successive three-year contracts by the union pruned a top driver's wages of $45,000 in 1980 down to $33,000 during President Reagan's second term. Thus the 'factors that had operated during the 1970s to reduce union density, enhance employers' resistance to unionization, and strip labor of political influence returned with a vengeance during the 1980s'. This explains why in the 1990s labor was 'flat on its back'.[46] In effect, the Reagan presidency encouraged employers, the American vanguard of world managerialism and the transnational economy, to emulate the tactics of capitalists during their heyday.

Meanwhile, trade unions were beginning to resemble corporate fiefdoms administered by a professional staff, but in which one-man management was the rule. Union democracy was becoming a sham. By the early nineties, according to Geoghegan, 'there were only two unions, the Steelworkers and Mineworkers, that let the rank and file vote'. That is an exaggeration. In any case, unions do not have regular opposition parties. 'Every local is like a one-party state, and normally, one gets into power like an apparatchik'[47] — another exaggeration but not without some credibility.

Elections for union officers almost invariably return the incumbents. Geoghegan believes they are rigged. Stuffed ballots are superfluous; it suffices that thousands of them disappear. Election protests drag on through the Labor Department and the courts. With most union voters apathetic, officers can get re-elected with a fraction of the eligible votes. Geoghegan does not blame them for stealing elections. The loss of union office is catastrophic. 'It is down, straight down, into the rank and file, and there is nothing to break the fall . . . it's back to the mill or the plant'. Although corruption is the exception rather than the rule, after six months in coats and ties these former workers would do anything not to return to their old jobs. Even in some progressive unions, like the Automobile Workers (UAW), 'they stuff ballot boxes and fix elections'. From the moment he takes office, the union official, 'Whether he knows it or not, . . . is a sworn bitter blood-enemy forever of union democracy'. There was a saying among the Mineworkers, 'He's tasted the forbidden fruit'.[48]

The tendency for trade-union officials to divest power from the rank and file was also apparent in PATCO, like the UAW a model of union democracy. 'I see it as a major problem in almost all unions adversely affecting the labor (non)movement', says Jack Maher, one of PATCO's two cofounders. Like Geoghegan, he blames it on forbidden fruit.[49]

After surveying the infractions of union democracy in the immediate aftermath of World War II, one historian concludes that even then they were not rare. Locally elected officials might be suspended and removed by the national or international president. In some instances, the union president named the district officers; in others, his control of the convention machinery made it possible for him to seat delegates not elected by the locals. Conventions for the election of national officers were sometimes held only over lengthy and irregular intervals, 'as in the International Hod Carriers, Building and Common Laborers Union of America, which held only two conventions in forty-five years'. As the union grew in size and influence, its elected officers became independent of the membership. Although created by the workers to 'make their bargaining more effective, [the union] has now become so powerful that it has reduced [its members] . . . to a subordinate position'.[50]

The turning point in managerial unionism came when labor became 'Big Labor', when the big unions became informal partners of the corporations. Together, they would build up the workers' pension funds into the single largest pool of capital in America. 'At $500 billion and growing at 10 percent a year, pension funds already own between 20 percent and 25 percent of the stock of companies on the New York and American exchanges'.[51] That was in the middle seventies.

Before the turning point, almost everybody believed that capitalists owned the bulk of America's wealth-producing facilities, that America was privately owned. 'It no longer is. Pension funds, the new source of capital, are neither privately owned nor publicly owned'. They are a quasi-public trust, like the corporations, which are only nominally property of the stockholders. Almost all such funds are 'handed over to a third party, usually a bank, sometimes an insurance company or independent asset manager, to invest on behalf of the beneficiaries'. With collective assets worth over $4 billion in the middle seventies, the unions could have used them to finance a nationwide organizing campaign to boost union growth. Instead, they chose to invest in the American economy. 'From adversary of capital to junior partner with capital to owner and manipulator of capital — for some old-time AFL-CIO organizers who remember first-hand the bloody street battles of the 1930s, the transformation of the giant has been difficult to accept'.[52] Their chief consolation is that unionized workers today own hundreds of billions in social capital. They forget that workers have virtually no control over it.

A surplus labor society

Unemployment has become the principal thorn in the side of American labor. The AFL-CIO wants wage security, not the abolition of the wages system. What bothers it is the export of jobs, hard-core unemployment, and lay-offs. 'The United States is a labor surplus society, a society with a persistent shortage of jobs . . . manifest in excessively and persistently high unemployment'. For every high-tech job created by robots in the factory, word processors in the office, scanners at the check-out counter, push-buttons at the bank, and computers in business transactions, two or more jobs are lost in traditional employments. The result is a two-tier work force where for each job upgraded others have been down-graded to low-paying, high-turnover, dull, routine tasks in a nasty work environment.[53]

The AFL-CIO's distinction between an upper and a lower tier of wage earners dovetails neatly with the distinction made in chapter three between workers who receive less than the average paycheck but more than the minimum wage and those who receive the minimum wage or less. In effect, the upper tier corresponds to a new labor aristocracy of regularly employed, full-time workers who share in the wage surplus but are nonetheless exploited, while the lower tier is cut off from any share in the surplus.

The prospect is not a happy one. 'Between these two major tiers will be fewer and fewer permanent, well-paid, full-time, skilled, semi-skilled, and craft production and maintenance jobs which in the past have offered hope and opportunity and upward mobility to workers who start in low-paid, entry-level jobs . . [while] many middle management jobs will also be gone'. In the AFL-CIO's ranking of income classes, so-called middle America is slated for a slow death. In a 1983 report by the AFL-CIO's Committee on the Evolution of Work, we read the following dire prediction for the coming decade: 'There are estimates of 500,000 surplus college graduates in 1990 — people who cannot find jobs which use their education and skills'. The chances are that they would be over-qualified for any other job. But they were only a drop in the bucket. 'Below the two-tier work force is the labor surplus underclass, the workers who don't have jobs and don't have job prospects'.[54] There were millions upon millions of them.

So what is America's future in the 21st century? 'What happens to a society increasingly polarized by wide earnings and income gaps between those who work? And what happens to a society in which the income gap between low-pay workers and the jobless, labor surplus underclass becomes smaller and smaller?' The answer is waste of human and material resources, an erosion of the American standard of living, human suffering and increased dependency because of joblessness and part-time employment, family breakdowns, crime, and social unrest. 'Under the current wage system for valuing workers' contribution there are clearly going to be a lot of poor working people'.[55]

To understand fully why labor is flat on its back, one must probe deeper into the conditions behind its relatively steady decline since the mid-1950s.[56] Trade unions, Galbraith argues, have a 'drastically reduced function in the [new] industrial system'. The adversarial relationship is gone. The 'increasingly conciliatory character of modern industrial relations . . . has come about because interests that were once radically opposed are now much more nearly in harmony'.[57]

During the age of family-owned and managed enterprises, American workers came face to face with capitalists concerned with maximizing profits and reducing wages as part of overall costs. Meanwhile, workers sought to maximize wages at the expense of profits. Under those circumstances, the trade union could force employers to accept a reduction in profits by threatening even greater losses through a protracted strike. It was a zero-sum contest in which the employer feared the growing power of labor, and workers had every reason for becoming organized. Union busting and labor militancy had their raison d'être.

The huge growth in the American labor movement coincides with the managerial phase of capitalism from roughly World War I to the merger of the AFL and CIO in 1955. During this period the technostructure made its debut for control of the corporation at the expense of the owners. It desisted from waging a war on two fronts against both capital and labor, because it needed labor as an ally and feared the consequences of unpredictable labor unrest. As Galbraith notes, the technostructure and organized labor shared certain basic goals. Neither labor nor the technostructure was primarily interested in maximizing profits. Their first concern was security through growth. The technostructure was more than willing to trade profits for protection. Why not, since periodic concessions to the unions in the form of higher wages and productivity increases were, in the worst of cases, subtracted from stockholders' dividends rather than the technostructure's salaries? Besides, 'no reduction in profits may be required from yielding to the union'.[58] The technostructure could safeguard dividends simply by increasing prices and passing on potential losses to consumers.

With the socialization of the corporation in America, the unions' goals became increasingly identified with those of the technostructure. The union's lawyers, accountants, economists, and human relations experts shared basically the same outlook and interests as their peers in the corporation. They found themselves benefited by a technostructure that was essential to economic growth and to the welfare of wage earners in ways that capitalists were not. Labor militancy was on the wane if only because the introduction of labor-saving technologies had changed the composition of the work force in favor of white-collar employees. These worked in close proximity to their employers, who were not capitalists but employees like themselves. As Galbraith sums up the changes making for industrial peace: 'Power passes to the technostructure and this lessens the conflict of interest between employer and employee. . . . Capital and technology allow the firm to substitute white-collar workers and machines that cannot be organized for blue-collar workers that can'.[59]

The unions became powerful in America thanks in part to the technostructure. But what it conceded with one hand might be retrieved by the other. Once firmly seated in the saddle, the technostructure stopped making concessions. Henceforth, it became the unions' worst enemy, compelling them to give ground through concession bargaining. For the first time in recent memory, unions were on the defensive.

Meanwhile, much to labor's credit, social legislation had brought about changes that rendered the union less essential to the worker. What government and the corporations had granted under union pressure might also be granted without it. By the mid-1980s, wage settlements in nonunionized employments occasionally meant higher pay and better conditions of work than in unionized shops and offices. 'The regulation of aggregate demand, the resulting high level of employment [before 1970] together with the general increase in well-being . . . make the union less necessary'.[60] Such was the case even before the Reagan presidency. Paradoxically, the success achieved by unions in welfare legislation and state regulation of the economy before 1955 contributed to their decline.

Galbraith's 1960s scenario of near-full employment in a society of shared affluence had its origin in the Great Society, a prosperous America that promised a better life for everybody. Affluence alone made workers less dependent on the trade unions. But the Great Society's dream of a postscarcity economy must today face up to the reality of a deficit one. A deficit economy means a '"labor surplus society", a fear that seems to be confirmed by trends in unemployment since 1969'. Since then, the hard core unemployment rate has been rising steadily. The unemployment rate during the recovery of 1969 was 3.4 percent. In each successive recovery the rate increased until in the recovery of 1984-86 it was 6.8 percent. Thus, 'what would have been called a deep recession (almost a depression) in the early 1970s is now called a "recovery"'.[61]

With labor on the defensive, collective bargaining turned into reverse gear. Instead of negotiating for gains, the unions tried to minimize their losses. Wage settlements reflected this survival bargaining, which replaced both the adversarial bargaining of the 1930s and the aggressive bargaining of the 1950s. The new pattern of bargaining integrates workers into the company through gainsharing and bonuses for increased productivity, through qualified tenure tied to productivity, through union and employee identification with the company's performance and resulting profits, and through employee participation in quality circles and shared responsibility for performance.[62] For this loss of allegiance to the union, not to mention layoffs and loss of union dues, unions have had to pay dearly.

Today, the corporation takes a tougher stand in wage negotiations because global competition no longer permits the former option of a highly structured settlement linking wages and benefits to macroeconomic factors. Free trade and the erosion of tariff barriers mean that each separate company must sink or swim. As a result, 'companies and unions are now bargaining benefits and wage increases based on microeconomic factors related to company or industry specific performance'. The old approach to collective bargaining, which made allowances for inflation and changes in the cost of living index, no longer holds.[63]

The advent of a surplus labor society spelled disaster for organized labor. In a second report by the AFL-CIO's Committee on the Evolution of Work, we are told that the trade unions have demonstrated a noteworthy resiliency in responding to these destabilizing changes. But the facts speak for themselves and belie any optimism that labor may recover lost ground. Indeed, the report underscores the obstacles to recovery: first, almost 90 percent of new jobs during the 1970s were in the service sector which was only 10 percent organized; second, the growth in the work force has been and will continue to be in the Sun Belt states where the percentage of organized workers barely exceeds that in the service sector; third, the percentage of workers holding part-time jobs during the 1970s was roughly 20 percent and on the rise, so that working people are less likely than in the past to have long-term, full-time jobs.[64]

These interrelated changes in the nature of work in the United States have had an adverse effect on collective bargaining. In 1935, Congress enacted the Wagner Act guaranteeing employees the right to bargain collectively through their chosen representatives. By the 1960s, this right had become widely accepted by employers who contributed to improving their employees' wages, hours, and working conditions. Once workers became unionized, employers generally complied with the legal duty to bargain. However, since the 1960s, this trend has been reversed. 'The norm is that unions now face employers who are bent on avoiding unionization at all costs and who are left largely free to do so by a law that has proven to be impotent and a Labor Board that is inert'.[65]

The technostructure's strategy toward organized labor had undergone a turn of 180 degrees. Since the 1960s, employees who have won a union election and established a bargaining unit have been unable to negotiate a contract in approximately 35 percent of the cases. Managers with long-standing collective contracts began shutting down their unionized plants, diverting work to plants in nonunionized areas, and establishing dummy companies or 'paper corporations' to do the same work. They also engaged in intransigent, bad-faith bargaining and increasingly provoked strikes in order to replace superfluous employees and to oust the bargaining unit.[66]

The AFL-CIO links the reversal in the fortunes of organized labor to the emergence of a surplus labor society and government's acquiescence to the demands of employers. That would explain the appointment under President Reagan of a new chairman of the National Labor Relations Board who was openly hostile to the Wagner Act for having destroyed free competition in the labor market.[67] It would also explain increasing pressure from Congress to repeal legislation establishing a minimum wage. In the global market, the minimum wage is not competitive. Since workers in underdeveloped countries are paid subsistence wages for producing sophisticated goods and services for the more developed nations, wages even in these occupations have ceased to be competitive.

The fundamental explanation of labor's downturn is economic rather than political. The labor surplus in America is the long-term consequence of the huge increase in labor productivity, beginning with the post-World War II 'scientific, technological, economic revolution every bit as significant as the industrial revolution of the nineteenth century'.[68] Nonetheless, political factors have made a difference.

That the federal government sides with the technostructure in the informally declared war against organized labor lends credence to Galbraith's thesis that, from having been an instrument of private-sector capitalists, the government has come under control of the technostructure and has shifted to serving its interests. Canada, which lags behind the United States in several respects, has yet to experience the same labor decline. Union membership surged to over 40 percent of the work force after the mid-sixties, while it fell to less than 20 percent here. Part of the explanation is that labor laws in Canada cannot be violated with impunity as they can in the United States.[69]

Collective bargaining did not fully pinch the corporate sector until the turning point in 1955. By then, retirement benefits were cutting into dividends and also potential raises in salaries and bonuses for management. Passing on the costs in higher prices to consumers made American goods less competitive on the world market. President Reagan's new appointee as NLRB Chairman was on target when he publicly announced that 'the price we have paid [for collective bargaining] is the loss of entire industries and the crippling of others'.[70] Something had to give as the earlier positive-sum game between labor and management turned into a contest between winners and losers.

Three 'working classes'

There remains the question of a new working class or new working classes in America. The principal theories of a new working class appeared during the third quarter of the 20th century, but history has since passed them by.[71] The best guide to the transformation of the old working class during those years is still Frank Tannenbaum's *Philosophy of Labor*, published more than forty years ago. However, the technostructure's new strategy toward organized labor did not become apparent until the 1970s and has made his description obsolete.

Tannenbaum was among the few during the 1950s who accurately perceived the replacement of the labor market by the administrative pricing of various skills adjusted through collective contracts. With the trend toward industry-wide bargaining, the growing monopoly of management was faced by a growing monopoly of labor, so that trade unions and the former range of competitive freedoms proved incompatible. 'A new body of rights and disciplines, which greatly change the substance of a free society, has come into being'. Thus, one can almost agree with Tannenbaum that 'Every activity of organized labor is a denial of both the philosophy and the practice of a free market economy'.[72]

What must be revised in Tannenbaum's account are the specific features he ascribed to a new working class that distinguish it from the proletariat of the former capitalist society. First, unlike the old fluid or 'free' working class, Tannenbaum describes workers in managerial society as quasi-tenured, tied to particular jobs, and dependent on the corporations. Second, he claims that the new working class has acquired limited rights not only of tenure, but also to fringe benefits of fundamental importance, including medical and accident insurance, maternity leave, vacations with pay, displacement wages, and old-age pensions tantamount to the 'worker's right to his job'. Third, he notes the substitution of a 'life contract for a temporary contract' and the cumulative benefits that make the worker's current wage a decreasing part of his total income as his years of service lengthen and the company's services expand. Fourth, he shows how workers have acquired limited rights of participation in managerial functions, further reinforcing their stake in the corporation. Fifth, he points to the collegial relations between labor and management, since 'workers must share with management some of the burdens of reducing costs, improving quality, and increasing production'.[73]

These features still, by and large, depict the situation of workers belonging to the 'upper-tier' of long-term, full-time workers who have not become casualties of corporate down-sizing or rehired on short-term contracts. But what shall we say of the tens of millions of workers who have only verbal assurance of the length of employment, who may be eligible for limited benefits, but whose relation to their employers is not a contractual one? It would be more accurate to say that there are two new working classes in America and an underclass to boot!

The differences dividing these two working classes are a matter of kind rather than degree. While the so-called upper tier has acquired limited rights of property in the corporation, notably in the form of pension funds, the lower tier is virtually dispossessed and, in this crucial respect, shares more in common with the underclass. This split into two working classes has been accentuated by incompatible ideologies. The upper tier continues to believe in the 19th century shibboleths of industrial progress and democracy; the lower tier does not. Workers cut off from a share of the economic surplus are more likely to be cynical. How else should one interpret such comments as 'The only reason a man works is to make a living' and 'Sometimes you feel like jamming things up in the machine and saying good-bye to it!'[74]

Other attempts to describe the change from an old working class to a new one stress the shifting social composition of manual workers and their relationship to a third working class of managerial, professional, and technical workers. As Bell observes, the change from social to business unionism was not simply a matter of strategy on the part of labor leaders concerned with 'making it' and building careers for themselves; it also reflected objective changes in the economy. On the one hand, 'the *proletariat* is being replaced by a *salariat*, with a consequent change in the psychology of the workers . . . [who] do not speak the old language of labor . . . [and cannot] be appealed to in the old class-conscious terms'. On the other hand, the salariat of highly qualified, educated workers constitutes a 'new middle class'—actually, a new ruling class— in a new social formation tantamount to a 'post-industrial' or 'knowledge society'.[75] The chief objection to this account is that, like Tannenbaum, Bell did not foresee the further fractioning of the working class that became apparent only after these lines were written.

Drucker's description of the new realities follows the same general lines as Bell's. Postcapitalist society is not only postbourgeois, he tells us, but also postproletarian. In the new knowledge or information society that replaced capitalism, 'even low-skilled service workers are not "proletarians"'. 'Around 1950, the industrial worker . . . [was] no longer "proletarian" but still "labor"'. However, 'with the onset of the Management Revolution, labor's numbers began to decline'. The waning proletariat of capitalist society had bifurcated into two new classes of employees: a dwindling class of manual laborers hired by and subservient to a growing class of knowledge workers. Meanwhile, both classes were acquiring property rights that challenged the sway of capital. 'Collectively, the employees own the means of production . . . whether through their pension funds, through mutual funds, through their retirement accounts'. Those who manage these funds are also employees.[76]

Drucker should have qualified these remarks. The industrial workers who are no longer 'proletarian' but still 'labor' constitute two separate classes, an upper tier of semiprivileged wage earners and another tier below it that shares none of its privileges. To these should be added a third working class of professionals with and without managerial responsibilities. Because control of the economic surplus is in the iron grip of knowledge employees, they appropriate the biggest share of privileges for themselves. The upper tier of skilled laborers pockets the smallest share. The lower tier of unskilled workers is cut off from the surplus and remains outside the pale.

To be sure, there is some overlapping. A unionized driver for Greyhound with top take-home pay of $45,000 in 1980 earned more than most university professors. Although a skilled manual worker, he would have graduated from labor's upper tier by appropriating more than the average surplus. Lower-level professional workers and knowledge employees at the commencement of their careers are another case in point. Because they generally earn less than the average surplus, that places them in the same camp as the upper tier of exploited manual workers. But, unlike the latter, they have the prospect of climbing their career ladders.

Like the Third Estate after the Great French Revolution, the decomposition of Marx's proletariat has given rise to a new form of class antagonism. Rather than labor versus capital, there is the struggle on the part of two new classes of exploited workers against the monopoly of the economic surplus by knowledge employees. While there are some grounds for antagonism between labor's upper and lower tiers, they share a common enemy.

Bazelon's surmise of three decades ago has turned out to be prophetic. '[T]he amoeba that was Marx's proletariat has developed into the Under Class, the Unionized Worker, and the New Class. . . . *The working class is dead. Long live the memory of the working class*!'[77]

The picture is a dour one that points to in-house complacency, to labor's unwillingness to organize as well as to technological change and other external factors beyond labor's control. 'Labor has known for decades that it is suffering from within. Jurisdictional overlap, nonexistent boundaries of jurisdiction, and lack of cooperation between unions have all led to a decline in labor's ability to organize'. A fragmented labor movement and the absence of a centralized and unified chain of command complete the picture of organized labor in retreat.[78]

But is there no promise of renewal? This gloom-and-doom scenario must be weighed in the balance against the alternative of a recently touted labor resurgence, a new robust unionism based on the union merger movement and the organization of white-collar workers.

The 1981 defeat of PATCO, one of the new professional unions dating from 1970, signaled what was widely heralded as the beginning of labor's demise. Yet six years later the Phoenix supposedly arose from its ashes in the reinvigorated body of the National Air Traffic Controllers Association (NATCA), a union of mainly former strikebreakers but affiliated to the same unlikely parent, the 35,000 member Marine Engineers' Beneficial Association (MEBA). As a MEBA staff member characterized the turnabout: 'The annals of history will perhaps recognize that the renewal of the postindustrial labor movement started with the same vocation — air traffic control — that for six fleeting years represented a symbol of labor's ostensible decline'.[79] But can the victory of a 'scab' union be credibly called a labor renewal?

A combination of different strategies, including union mergers, has been the only effective response to management's new 'get tough policy' toward organized labor. Frustrated during the 1980s by the National Labor Relations Board's laxity in enforcing laws covering the right to unionize and by its refusal to curb corporate union-busting, a small but growing number of unions responded with a diversified and comprehensive campaign of targeting corporate vulnerabilities both inside and outside the workshop. An interlocking web of related interests that included banks, creditors, stockholders, and boards of directors were placed under 'severe pressure, through informational picketing, leafleting, and other [innovative] strategies'. In a war of attrition on two fronts, this outside-plant strategy was combined with an inside-plant strategy of calculated interruptions and disturbances that stopped short of an open strike and enabled workers to remain on the job. A rash of mass grievances, overtime refusal, sickouts, and strict compliance with cumbersome and obsolete rules of work threatened management with slowdowns in the face of an urgent need to meet tight deadlines. This new strategy bore fruit in labor's successful organizing campaign against J.P. Stevens, in a twelve-union coordinated effort against Litton Industries, and a two-union effort against Beverly Enterprises, the nation's largest nursing home operator.[80]

The rise of conglomerates in the 1970s mandated a new kind of bargaining for which labor was unprepared. A single conglomerate might have a half-dozen negotiated contracts with as many unions that bargained separately and without getting their act together. Under such adverse bargaining conditions, 'labor's only hope was to develop its own conglomerates to reduce the hundred and more national and international unions to a manageable six or seven giant ones based on the AFL-CIO's structure of departments'.[81]

Restructuring through a concentration and centralization of union power and decision-making was the only adequate response to management restructuring and down-sizing. The IWW's call for labor solidarity through 'One Big Union' had been realized in name only. The next step would be to follow it up by combining local and craft unions into industrial unions and these into industrial departments of related industries. 'In 1905 . . . elaborate plans were laid for 13 industrial departments, but later revision reduced the number to six'.[82] For America's new breed of union organizers, the time is finally ripe for implementing the IWW's dream and for restructuring the AFL-CIO on the basis of its nine trade and industrial departments.[83]

The only effective response to corporate mergers is union mergers. 'More have occurred in the past ten years [1980-1990] . . . than in any period since World War II'. Since the big merger of the AFL and CIO in 1955, mergers have contributed to reducing the number of national and international unions from 135 to 90. Considering that more than half of these AFL-CIO affiliates have fewer than 50,000 members and another thirty have fewer than 100,000, their lack of pooled resources makes them prime candidates for further mergers. So what does the future hold for most of them? 'Many smaller unions, especially those with fewer than thirty thousand members, are likely to pursue absorption via mergers as a means of survival . . . [also some big unions] rather than face employer opposition to organizing campaigns or the costs and delays of NLRB election procedures'.[84] Varied and numerous union mergers may be anticipated in the coming years even by big unions as part of their growth strategy of shuffling partners, instead of the far more risky undertaking of organizing the unorganized.

As a general rule, mergers occur not through some well thought-out plan, but in an improvised and slipshod way tantamount to 'muddling through'. Entrenched union interests and sinecures are at stake with the result that potential mergers are sometimes clipped in the bud. 'Who merges with whom will be determined more by whether mutually attractive merger agreements can be proposed than by whether the merger fits into some broad scheme for uniting unions in related trades or industries'.[85] It is too much to expect from the merger movement that the overall structure of the AFL-CIO will be reshaped according to some rational design. Mergers are more likely to be plainly opportunistic. Jurisdictional concerns are less relevant than the prospect of presenting a bigger fist at the bargaining table.[86]

At issue in this struggle for survival are the trade-offs, the sacrifice of local autonomy and the further erosion of union democracy. The merger into union conglomerates, whether in related or unrelated geographical regions, markets, and industries, adds to the responsibilities of executive officers and becomes a pretext for bolstering their salaries. At the same time, thanks to mergers, ordinary workers can count on a fuller dinner pail. A major cause of corporate hostility to unions generally is that 'unionists in 1990 enjoyed a wage-benefits differential of about $180 a week more than nonunionists'. In the case of the nation's clerical workers, for example, those who were unionized earned a median weekly salary of $409 compared to $249 for their nonunion counterparts.[87]

It is clear that unions have not outlived their usefulness. For the first time after 14 years of steady erosion, union membership increased in 1993. This feat was repeated in 1994 when union membership reached 16.7 million, almost a return to the level in 1955. But the increase of some 300,000 over a two-year period signified only partial recovery. Although the tendency to labor decline may have been halted, there is no indication of labor's resurgence.

As a sign of labor renewal, optimists cite the recently announced merger of the 1,300,000 members of the United Automobile, Aerospace and Agricultural Implement Workers, the 870,000-strong International Association of Machinists and Aerospace Workers, and the United Steel Workers with some 650,000 members. While it will take several years to complete the legal details and to implement the merger, this new labor conglomerate points to a centralizing tendency within labor that may check in part the overriding powers of management. But the merger movement represents at most a concentration of powers, not an expansion of the scope of trade unionism. So the pessimists are right in highlighting the main drift of labor decline.

Professional unionism

Although the AFL-CIO's organizing efforts have not kept pace with the growth of the work force, the flourishing of new professional unions since 1970 suggests a robust future. But are professional unions a plus or minus for organized labor? What is a professional union? It is an association of peers for maintaining professional standards and regulating wages, hours, and working conditions. The question is whether it is also a cabal for extorting a privileged, above average share of the economic surplus.

The media would have us believe that professional unions, like their counterparts in organized labor, are mainly 'out for grabs'. But do they really fit the image of the American Medical Association? The professionals most likely to become unionized are among the least privileged, notably those in the public sector, teachers, and health care workers. By demanding a voice in management and a larger slice of the pie, they make possible a redistribution that cuts into the authority and challenges the incomes of the professional upper crust and managerial elites. Hospital administrators feel threatened by nurses' unions, school administrators by teachers' unions, but are nurses and teachers asking for special treatment or what they perceive to be their fair share of the surplus? It is a beggar's philosophy that would expect the average share to be handed out on a silver platter through the largesse of their supervisors. Experience shows that every inch on the turf of the privileged must be fought over with tooth and nail. Remember Joe Hill's response to judicial murder proceedings against him by the State of Utah: 'Don't mourn for me. Organize!' For whom, then, should one mourn? In the words of jailed Wobbly leader Ralph Chaplin, for 'the apathetic throng — the cowed and the meek — who see the world's great anguish and its wrong and dare not speak'![88]

In May 1995 the administration of Tallahassee Memorial Regional Medical Center, the third largest employer in the capital of the State of Florida, unilaterally announced its decision to reduce the compensation and benefits of employees in response to a projected cut in Federal subsidies to the nation's health care facilities. In June the disaffected nurses announced their intention of joining a union to defend their interests, the United Nurses of Florida, an AFL-CIO affiliate. The union's director, John Seddon, responded in a way that illustrates the thesis that wage and salary differentials can become a thorn in the side of American workers. In a 'Message from the Director', *UNF Bottom Line* (July 1995), he charged administrators with behaving like 'Robin Hood in reverse', with 'stealing' from nurses in order to 'pad the pockets of those responsible for bad decisions'. Although the administration promised to freeze executive salaries, Seddon underscored the 'big difference between pay cuts for employees and the freezing of already disproportionate high level salaries enjoyed by the administration — not to mention the quarterly bonus the executive officers continue to enjoy'. That they were sharing the burden of cuts 'insulted the intelligence of every employee at the hospital'.[89] Fair treatment demanded that 'executive officers should reduce their salaries and freeze their bonuses', that those 'dollars should be returned to the general fund and distributed amongst the employees responsible for patient care'. In other words, concessions should start at the top, not at the bottom.

One of the striking features of employee-management disputes involving professional workers is the accumulated resentment against not only management's arrogance and arbitrary dictates, but also its perks. Another novel feature is the resistance to peer evaluation and to the devices used to divide and bamboozle employees through deception, intimidation, and insinuations of disloyalty. PATCO's decade of struggles against the Federal Aviation Administration is a classic example of this new pattern in adversarial relations. But can its record of militancy and confrontation with the government, its spirit of sacrifice and solidarity, ever be duplicated by other professional workers? 'PATCO was not just a union, it was a way of life'.[90]

'The only way to change the law is by violating it!' This adage of PATCO militants is unlikely to be welcomed by professional workers whose careers are at stake. But increasingly supernumerary and with their backs to the wall, they suddenly begin to organize. That isolated individuals cannot defend themselves against exploitation without becoming unionized is true not only for the lower and upper tier of manual laborers, but also for border-line knowledge workers. They too are losers in the competition for the average surplus. The 'enemy' is not a capitalist, but the fellow worker in a grey flannel suit.

The fastest growing sector of the American workforce in the 1990s consisted of white-collar employees and related professional workers. While membership in industrial unions continued to fall and jobs in the rust belt disappeared overseas, membership in professional unions underwent a growth spurt spurred by organizational innovations. The recently created Federation of Physicians and Dentists (FPD), an affiliate of the 450,000 strong National Union of Hospital and Health Care Employees (NUHHCE), is a showcase of the extraordinary progress being made in this area.[91] But a professional union is neither a trade nor an industrial union, and to include professionals within organized labor is to blur distinctions. At most, professional unions can become loyal allies of organized labor.

Professionals work with their brains rather than with their hands, which is what distinguishes them from manual workers. Having seldom, if ever, labored in their lives, they have an exaggerated sense not only of their worth, but also of how hard they work. They are astonished to learn that the energy consumed in a normal eight-hour day from exercising some of the most complex professional skills is about one-twentieth of the energy required merely to sit at a desk. Industrial physiologists acknowledge in all seriousness that the daily energy lost in purely mental activity can be recouped by eating a handful of salted peanuts![92]

Like trade and industrial unions, professional unions negotiate contracts with management in the interest of their occupational group. But that is where the likeness ends. For the most part, the negotiated contracts for professionals siphon off a larger chunk of the surplus than that negotiated for manual and other white-collar workers. Nurses and teachers are the conspicuous exception. They are lucky if they get the average surplus.

Labor leaders and industrial relations experts agree that 'To prosper in the 1990s, labor has to achieve unprecedented success in organizing professional employees'.[93] Why is it so imperative that the AFL-CIO concentrate on organizing and expanding professional unions that do not even qualify as labor? Because the commanding heights of American unionism are controlled by professionals whose vested interests mandate their identification with professional workers. No less imperative is their need to forge a united front of manual and professional workers against their common enemy personified as management.

Despite the doom-and-gloom forecasts of labor leaders and their ivy-league lawyers in the rust belt, there is reason for optimism concerning the AFL-CIO's campaigns aimed at organizing professional workers. But does this mean that the scenario of labor's rise and fall is misleading? On the contrary, the decline is measured in absolute figures as well as percentages. U.S. Bureau of Labor Statistics data show that the percentage of unionized workers in the AFL-CIO and independent unions steadily fell from 33 percent in 1955 to 16 percent in 1990. Although measured in five-year periods union membership steadily increased from 16.8 million in 1955 to peak at 20.1 million in 1980, a catastrophic decline between 1980 and 1985 reduced this figure by some 3.1 million. As a result, in 1990 the number of unionized workers was back where it had been almost four decades earlier. To cap this dismal picture, many, if not most, of those who have become unionized since 1980 defy any reasonable classification as 'labor'.

The attitude of the AFL-CIO old guard has changed when it comes to organizing professional workers, but has it altered their approach to organizing ordinary workers? Little has changed since George Meany spoke for other labor leaders in the 1960s: 'Why should we worry about organizing groups of people who do not want to be organized?'[94] Today, as then, the missionary and proselytizing spirit of the original CIO has been thrown overboard. Even the most radical organizers wait for leads and worker initiatives aimed at becoming organized. They do not waylay workers outside factory gates to induce them to join a union. Pressured to support a vigorous organizing campaign during periods of recession, union bureaucrats respond that times are hard and unripe for organizing workers worried about their jobs. Pressured during periods of economic recovery, their reply is no less ingenuous: conditions are unripe for organizing when workers are complacent and economically secure. Although there is plenty of leverage for organizing professional workers, in the face of this kind of reasoning there can be no leverage for organizing other workers.[95] Organized labor has its fair share of fighters. 'But what it needs is a general, faithful lieutenants, and an army. The question is where are the leaders?'[96]

Jack Maher sees the 1981 lockout and permanent replacement of PATCO's members not as the beginning of labor's demise, but as the 'most visible event accelerating an already existing decline'. When the union was broken at such high government levels and with such visibilty, 'the floodgates were opened and accepted as a fact of life, thereby chilling work stoppages'. The AFL-CIO was unable to protect the controllers, thus reinforcing fears and raising the risk of stoppages to too high a pitch to make them acceptable. According to data supplied by Maher, in the year preceding PATCO's debacle there were some 2,800 work stoppages nationally, a figure that dropped abruptly to 1,300 by 1984 and kept plummeting until there were only about 500 a decade later. As for big stoppages involving more than 1,000 workers, the *Statistical Abstract of the United States* sets the number at 187 in 1980 and at barely 62 only three years after the PATCO disaster. Although Maher concedes that the possibilities of organizing groups of professional workers are still numerous and exciting, because of this traumatic experience he concludes that 'the body of labor is inert'.[97]

In summary, the managerial revolution in American labor accomplished more than one tour de force. The long-run effect of Scientific Management was not only to increase labor productivity, but also to develop a system of job classification and ratings that effectively bypassed the labor market and set the boundaries for negotiations over wages and hours. Second, by shifting the focus of trade unions from the division of the surplus to its multiplication, it guaranteed labor an increasing absolute if not relative share of the national income, a stake in economic growth and indirectly the national interest, and effectively identified labor's upper tier with the interests of professional managers and the corporations. Third, with the shift from revolutionary trade unionism to managerial unionism, rank and file members were divested of power in a takeover by union bureaucrats, a move comparable to the takeover of corporations from their legal owners. Fourth, the new relations of production resulted in the displacement of the old laboring class by a split formation tantamount to two different classes of exploited workers, each defined by a different relationship to professional management. Finally, neither the recent merger movement nor the growth of professional unions has done more than stem the occasionally fitful but mostly steady decline in American unionism.

Notes

1 See Kautsky (1925), pp. 15, 22, 27.
2 Merkle (1980), pp. 27, 30, 32.
3 AFL-CIO Committee on the Evolution of Work (1985), pp. 5-6.
4 Bell (1962), p. 214; and Braverman (1974), p. 150.
5 Bell (1962), pp. 214-15.
6 Mills (1963), pp. 97, 100-101, 104-105, 108-109.
7 Thompson (1955), p. 187.
8 Geoghegan (1991), pp. 161, 162-64.
9 Ibid., pp. 148-49.
10 Ibid., pp. 173-74.
11 Bell (1962), p. 233.
12 Alchon (1985), pp. 46-47, 60, 64-67. From Herbert Hoover's 'Address Before the Federated American Engineering Societies at Washington,

D.C.', 19 November 1920.
13 Bell (1962), pp. 247, 248-49, 250.
14 Ibid., pp. 251, 254.
15 Zollitsch and Langsner (1970), p. iv.
16 Lott (1926); and Zollitsch and Langsner (1970), pp. 25, 55.
17 Bell (1962), pp. 236-37.
18 Zollitsch and Langsner (1970), p. 100.
19 Ibid., p. 98.
20 The point system was introduced into Yugoslavia in the 1950s at the wholesale commercial house 'Tekstil' and stocking and sock factory 'Dnarnik' in the industrial city of Zranjanin, Serbia. For other systems of job evaluation in Yugoslavia, see Hodges (1977), pp. 53-63.
21 Barjonet (1961), pp. 101-5; and Wooton 1964), pp. 4, 7, 50-55, 66-67.
22 Hodges (1961), p. 483.
23 Thompson (1955), pp. 124-26.
24 Klehr (1984), p. 3; and Draper (1986), p. 16.
25 Thompson (1955), pp. 128-31.
26 Bart et al. (1979), p. 5; italics deleted.
27 Wasserman (1983), pp. 152-53.
28 Preis (1964), pp. 44-45.
29 Thompson (1955), pp. 176-77, 180, 188-90, 193.
30 Ibid., p. 50; Wasserman (1983), p. 153; and Preis (1964), pp. 45, 63-64.
31 Preis (1964), pp. 215, 486, 490, 494; and Weir (1970), p. 467.
32 Preis (1964), pp. 15-16, 70-71, 519.
33 Ibid., pp. 516-17.
34 AFL-CIO, *Constitution* (Washington, D.C.: AFL-CIO, n.d.), pp. 1-2, 5, 10, 22, 27-28; and AFL-CIO, 'Agreement for the Merger of the AFL and CIO', appended to the *Constitution*, p. 68.
35 Caute (1978), pp. 376-79.
36 From my interviews with Cass Alvin, the Steelworkers West Coast Public Relations and Educational Representative, and Maurice Schulte representing the union's national office in Pittsburgh, at the 17th Annual United Steelworkers Institute at the University of Colorado, Boulder, July 1963. See my report on the proceedings (Hodges, 1965b), pp. 271-79.
37 Zieger (1986), p. 100; and Caute (1978), p. 352.
38 Hodges (1970b), pp. 441, 444-45.
39 Wasserman (1983), p. 179.
40 Jezer (1982), pp. 135, 203; and Wasserman (1983), p. 180.
41 Preis (1964), pp. 517-18. From an article by Art Sharon in *The Militant* (12 December 1955).
42 Weir (1970), p. 500; and Geoghegan (1991), pp. 251-52, 253-55.
43 Geoghegan (1991), p. 231.
44 Ibid., pp. 55, 164.
45 Wasserman (1983), pp. 252, 261-66.

46 Dubofsky (1994), pp. xii, 227.
47 Geoghegan (1991), pp. 62, 82, 184.
48 Ibid., pp. 185-92, 197.
49 From the annotated comments on this chapter by Jack Maher, former air traffic controller and cofounder of PATCO.
50 Tannenbaum (1951), pp. 130, 171-72.
51 Rifkin and Barber (1978), p. 81.
52 Ibid., pp. 83, 129, 146-47, 165.
53 AFL-CIO Committee on the Evolution of Work (1983), pp. 3, 7-8.
54 Ibid., pp. 8-9.
55 Ibid., pp. 5, 9, 12.
56 Goldfield (1987), p. 221; and Troy (1986), p. 80.
57 Galbraith (1967), pp. 262-63.
58 Ibid., p. 265.
59 Ibid., p. 274.
60 Trowbridge (1986), p. 409; and Galbraith (1967), p. 274.
61 Tyler (1986), p. 378.
62 Trowbridge (1986), p. 410.
63 Ibid., pp. 409, 417.
64 AFL-CIO Committee on the Evolution of Work (1985), pp. 5, 9.
65 Ibid., p. 10.
66 Ibid., pp. 10-11.
67 Ibid., p. 11.
68 Ibid., pp. 6, 11.
69 Zieger (1986), p. 196.
70 AFL-CIO Committee on the Evolution of Work (1985), p. 11.
71 For the thorny theoretical issues posed by redefinitions of the 'working class', see especially Mills (1956), pp. 71-73, 75, 295-98; Bell (1973), pp. 69-72, 148-50, 212-14; Braverman (1974), pp. 25-26, 351-56, 403-9, 428-35; and Hodges (1971), pp. 11-32.
72 Tannenbaum (1951), pp. 113, 136, 141, 176.
73 Ibid., pp. 160-63, 166-67, 178, 182.
74 Hodges (1970b), p. 441.
75 Bell (1962), pp. 221-22; and idem (1973), pp. 112-19, 211-12.
76 Drucker (1993), pp. 5, 67.
77 Bazelon (1967), p. 357.
78 From an unpublished paper, 'Union Structure for the Future' (1985), pp. 1-3, by John Seddon, currently Executive Director of the Federation of Physicians and Dentists (FPD) and Vice-President of the National Union of Hospital and Health Care Employees (NUHHCE). A former air traffic controller, Seddon held a series of union positions in PATCO from 1970 onward, including that of President, PATCO New York (1977-79), and Deputy Director of Field Activities, PATCO East (1979-80).
79 Cited by Shostak (1991), p. 71.

80 Ibid., pp. 8, 20.
81 Interview with John Seddon at FPD/NUHHCE headquarters in Tallahassee, Florida, 29 June 1995. NUHHCE is affiliated to the American Federation of State, County, and Municipal Employees (AFSCME), an AFL-CIO conglomerate with 1.4 million members.
82 Foner (1975), Vol. 4, p. 133.
83 Seddon, 'Union Structure for the Future', p. 2. The nine departments of the AFL-CIO defy a single, rational principle of classification: (1) Building and Construction Trades; (2) Food and Allied Service Trades; (3) Industrial Unions; (4) Maritime Trades; (5) Metal Trades; (6) Professional Employees; (7) Public Employees; (8) Transportation Trades; and (9) Union Label and Service Trades. Not only is there considerable overlapping, but union representation in the departments is on a voluntary basis. See the AFL-CIO *Constitution*, 32-34.
84 Shostak (1991), pp. 284, 287.
85 Chaison (1986), p. 157.
86 Shostak (1991), pp. 287, 288.
87 Ibid., pp. 59, 93.
88 Chaplin (1976), p. 57.
89 Consider the following gem in a publication by the Tallahassee Memorial Regional Medical Center (March 1995). In answer to the question, 'WHO'S THE BOSS?' it reads: 'There is only one boss. . . . It's the Customer. . . . The man who works inside a big office building or plant might think he works for the company that writes the paycheck, but he doesn't. He is working for the person who buys the product at the end of the line. In fact, the Customer will fire everybody in the company from the president down . . . simply by spending his money somewhere else'.
90 John Seddon, 'PATCO — A Perspective', M.A. Thesis, State University of New York, Empire State College, 1990, p. 156. See Kenneth Mannix, 'PATCO: A History of the Professional Air Traffic Controllers Organization (1968-1980)', an unpublished history commissioned by PATCO's Executive Board (Washington D.C.: 27 March 1981); and Shostak and Skocik (1986).
91 Freeman and Medoff (1984), pp. 244-45. See Mitchell (1995).
92 Riedman (1950), pp. 156-57; and Benedict and Benedict (1950), p. 567.
93 Shostak (1991), p. 72.
94 Ibid., p. 59.
95 Interview with Seddon, 3 July 1995.
96 Seddon's annotated comments after reading this chapter.
97 From Maher's annotated comments; and *Statistical Abstract: 1991*, Table 694. Maher's role in the founding and direction of PATCO is described in the union's official history and in Seddon, 'PATCO — A Perspective'.

6 What happened to the social question?

> First Panhandler: What do you mean by the 'U. S. of A.'? Second Panhandler: This country of spies and informers, the 'United Sneaks of America'! (Los Angeles Freeway, Summer 1958)

In response to the managerial revolution in American business, the social question came to be understood as the control and management of social ills underlying labor unrest. At issue was not a humanitarian concern, but the avoidance of a social explosion and real or imagined threats of social revolution. Trade union chieftains as well as corporate managers shared a similar stake in preserving the peace necessary to economic stability. Meanwhile, American workers had to carry on their backs the consequences of a dismal system of exploitation that was no longer essentially capitalist, but whose secrets were jealously hidden. Completely lacking knowledge of the workings of the new economic order, they were easily deceived into accepting the image for reality.

The social question at any given time is simply the most urgent and consequential of various social problems having an objective component along with clashing interpretations. A social problem may be defined as 'a situation affecting a significant number of people that is believed by them . . . to be a source of difficulty or unhappiness, and one that is capable of amelioration'.[1] The persistent social problems in modern America have included criminal behavior, racial and ethnic prejudice, unemployment, poverty in the midst of plenty, and industrial strife. In addition to these traditional problems, others have acquired prominence during the past three decades, notably sex discrimination, survivals of patriarchal customs, air, water, and earth pollution, desertification, and widespread famine. However, by specifying that social problems must have a remedy and that the corresponding situations must be capable of amelioration, this textbook definition rules out situations that have no final solution and no half-way solutions worth talking about.

With the onset of the machine age, the most pressing and consequential sources of human misery have led to social unrest. Besides the labor question, which addresses the exploitation of workers who must sell themselves for a pittance and drudge away their lives merely to survive, there is the property question of what to do about the few who monopolize and control the means of production. By the end of the 19th century and throughout the first half of the 20th, these two problems virtually defined the social question.

This is no longer the case.

The Marxist formulation

England in the 19th century was among the first countries to be marked by concern for the social question — 'the Condition of England Question, as it was called'. As then formulated, the social question had several dimensions. Poverty and its train of human misery, unemployment, homelessness, malnutrition, overwork, unsafe and unsanitary working conditions, disease, demoralization, crime, prostitution, and premature death were part of the picture. In an August 1844 essay on the social question, Marx called the danger of pauperism England's 'national epidemic'. In February 1845, Engels warned that there could be a '*bloody* solution of the social problem . . . [unless we] make it our business to contribute our share towards humanizing the condition of the modern helots'.[2]

The principal casualties belonged to the class of wage earners only partly absorbed by the capitalist system. In 1845 Engels wrote one of the first books on the subject based on first-hand contacts with English workers, *The Condition of the Working-Class in England*. 'The condition of the working-class is the real basis and point of departure of all social movements', he wrote, 'because it is the highest and most unconcealed pinnacle of the social misery existing in our day'. In England, the social question became acute owing to the workers' growing awareness that something was amiss. Popular movements of protest were appearing that threatened the social fabric. Engels had already warned of an imminent social revolution, an '*open war of the poor against the rich*'. Within four years this dire prediction would be borne out. 'In 1848, when revolutionary uprisings blazed their way across most of Europe, the three great problems of the day were the "social question", the "national question", and the "political question"'.[3]

The movements of reform and the revolutionary parties with a final solution to the social question were the first sprouts of modern socialism. 'The central notion around which the term *socialism* and its derivatives and cognates developed . . . was *concern with the "social question"* . . . the plight of the masses of people in the new society of growing industry and bourgeoisification, and the need to do something about it'. Initially, the new term literally stood for '*social*-ism' and could be applied to 'any ideas and proposals about reforms directed to the 'social question'. Socialism did not originally mean socialization or nationalization of the means of production, but referred to a much broader movement concerned with general social issues. Only later did it come to signify the abolition of bourgeois property, or capital, as distinct from private property in personal possessions. The abolition of private property in personal possessions implied community of goods, 'and provided the core distinction for the differentiation of communism from the broader penumbra of socialism'.[4]

The *Communist Manifesto* and *Capital* contain Marx's mature formulation of the social question. Section one of the Manifesto sets the stage: 'The history of all hitherto existing society is the history of class struggles'. Throughout history the propertied and the propertyless, oppressors and oppressed, 'stood in opposition to one another, carried on an uninterrupted, now hidden, now open fight . . . that each time ended, either in a revolutionary re-constitution of society at large, or in the common ruin of the contending classes'. *Capital* takes this argument one step further: 'The essential difference between the various economic forms of society, between, for instance, a society based on slave labor, and one based on wage labor, lies only in the mode in which . . . surplus-labor is in each case extracted from the actual producers'.[5] In effect, the history of civilization is the history of the social question, a history of political oppression, economic exploitation, and class struggles.

'In proportion as the bourgeoisie, *i.e.*, capital, is developed, in the same porportion is the proletariat, the modern working class developed — a class of laborers who live only so long as they find work, and who find work only so long as their labor increases capital'. While the bourgeois reap what they do not sow, proletarians sow what they do not reap. That is the essence of exploitation, but it should not be confused with injustice: 'according to the law of value which governs the productive system, the "surplus value" is due not to the working man but to the capitalist'.[6] Although labor is appropriated gratis, what is exchanged is labor-power for which the worker receives an equivalent. Only when put to use by the capitalist does living labor yield a surplus that costs no equivalent. Thus the buying and selling of human beings piecemeal for a limited period of time, a disguised form of slavery, lies at the bottom of Marx's formulation of the social question.

The social question becomes more or less acute depending on the extent of capital accumulation. The greater the functioning capital and therefore the extent of human exploitation, the greater also is the mass of unemployed workers waiting to be employed. Since its misery is in inverse ratio to its torment of labor, the social question is not reducible to the capitalist's getting something for nothing.

Paradoxically, the greater the social wealth, the more extensive are the Lazarus layers of the proletariat and the greater is official pauperism. As for the lucky ones who are exploited, every advance in technology that increases productivity 'mutilates the laborer into a fragment of a man, degrades him to the level of an appendage of a machine, . . . subjects him to a despotism the more hateful for its meanness . . . and drags his wife and child beneath the wheels of the Juggernaut of capital'. The result is an accumulation of misery, agony of toil, slavery, ignorance, brutality, and mental degradation proportional to the accumulation of capital, so that 'the lot of the laborer, be his payment high or low, must grow worse'.[7] Such was Marx's mature formulation of the social question as modified by the workings of the capitalist system.

The practical question is how workers should go about overcoming their condition of wage-slavery. Since patchwork reforms by government and improvements in wages and hours leave the essential powers of capital intact, Marx called for its abolition. Proletarian revolution was supposedly the answer, a movement to sweep away by force the conditions for the existence of class antagonisms and of classes generally. As Marx's final solution to the social question, it was built into the question he posed.

It was Marx's choice of the proletariat as revolutionary agent and humanity's savior that in part 'distinguished his from the myriad other socialist and social theories of the 1830s and '40s'. His socialism was unique also in its claim to being scientific. There could be no final solution to class conflicts, he argued, without the objective conditions to back it up. But Marx stretched the facts in assuming, first, 'that the class struggle necessarily leads to the *dictatorship of the proletariat*'; and second, that this dictatorship in turn leads to 'the abolition of all classes and to a classless society'.[8]

By communism Marx did not mean 'a *state of affairs* which is to be established, an *ideal* to which reality [will] have to adjust itself'. The communism he supported was 'the *real* movement which abolishes the present state of things'. Its aim was fundamentally negative, to remove the cancerous growth of exploitation, to abolish bourgeois property, to put an end to wage-labor. 'Instead of the *conservative* motto, "*A fair day's wage for a fair day's work*" they [the workers] ought to inscribe on their banner the *revolutionary* watchword, "Abolition of the wages system"'. As for Marx's positive goal, a higher form of socialism was his final solution to the social question — not a community of goods.[9]

Since far more was involved than he could perceive at the time, Marx's formulation was not the last word on the subject. He mistakenly assumed that the abolition of bourgeois property signified the abolition of the wages system, that it constituted a final solution to the labor problem. This was a mistake with disastrous consequences for the labor movement.

The fitful history of the social question in America begins with Gronlund's 1884 *Cooperative Commonwealth*. Like Marx, he believed the labor question and the property question were its two chief components. Private ownership was responsible not only for industrial crises, he contended, but also for the existence of parasites and vampires who fleeced their workers and deprived them of the proceeds of honest toil, a prelude to social crises.

Gronlund did not mince words. The process of fleecing, of stripping workers of their flesh and eating up their life energy, he likened to 'Cannibalism, that poisonous tooth the extraction of which would immensely relieve society'. His final solution to the social question was to expropriate the expropriators, to deflesh the cannibals. By opting for a socialist rather than communist solution, he believed he was being realistic. A communist solution called for a community of goods and the abolition of private property in its entirety, not just in the means of production. It would be more than the American public could bear. On this score he followed Marx, who had eschewed a communist solution for the same reason — paradoxically, in the name of communism.[10]

The Marxist formulation of the social question acquired currency in the ranks of American labor with the help of a manifesto adopted by the Chicago Conference of Industrial Unionists in January 1905. All workers who agreed with its principles were invited to meet in convention in

Chicago in June. It was thus that the Industrial Workers of the World, the notorious Wobblies, came into being. On the back of each printed copy of the manifesto was a statement of the ultimate purpose of the new labor organization. As a 'final solution of the labor problem', it demanded the 'complete surrender of industry to the organized workers'.[11]

As the IWW's preamble presented the social question, the workers and the capitalists have nothing in common. 'There can be no peace so long as hunger and want are found among millions of working people and the few, who make up the employing class, have all the good things of life. Between these two classes a struggle must go on until the workers of the world organize . . . , take possession of the earth and the machinery of production, and abolish the wage system'. In the words of the IWW song:

> Are you poor, forlorn and hungry?
> Are there lots of things you lack?
> Is your life made up of misery?
> Then dump the bosses off your back.[12]

During the early 1920s, the Communist party revived this Marxist formulation that had animated the IWW. The party found itself strengthened in 1920 by the adherence of a group of former Wobblies headed by 'Big Bill' Haywood, general secretary of the IWW, and in 1921 by a group of militant trade unionists who had practiced Foster's strategy of 'boring-from-within' the AFL. But the Marxist formulation lost currency in response to the shift from the old to a new economic order.

Why the Marxist formulation lost out

In more than one respect the rise and demise of the Soviet Union and its party of labor is a history of American labor writ large. It teaches the same lesson, that the educated flower of professional workers is a reliable ally only in labor's struggle against king capital and the propertied class. In order to 'make it' on the road to class power, the professional elites begin by championing the cause of the underdog. But after capital is dethroned, their chief competitor for swallowing up the surplus is organized labor. Their change in attitude toward their former allies is undoubtedly a betrayal, but not by members of the same fraternal order. It has objective roots in the dissolution of Marx's proletariat and follows the emergence of new class interests.

Once they arrive, professionals have no more use for exploited workers and no longer reason to fan the flames of social discontent. From supporting unions they turn into union busters, into knifing working stiffs in the back. In 1969 only a handful of law offices and consulting firms specialized in combating labor organizations. Two decades later there were more than seven thousand attorneys and consultants making a business of union busting. 'At a billing rate of $1,000 to $1,500 a day per consultant and $300 to $700 an hour for attorneys, the war on organized labor is a $1 billion-plus industry'.[13]

If the capitalist revival of the 1980s has an economic explanation, it is that professional people generally have less to lose from returns to capital than from the high cost of government welfare and the wage packages demanded by organized labor. This realization undergirds their recent support of deregulation and managerial autonomy in opposition to government constraints and labor representation on boards of directors. On the one hand, managerial socialism must contend with two rival socialisms gnawing away at the old economic order, that of state socialism from above and labor socialism from below.[14] On the other hand, it need no longer contend with capitalism for supremacy, which explains its modus vivendi with people of property.

Marx's version of the social question became obsolete with the decline of American capitalism and the dawning of a different set of problems and a new set of priorities. It passed away with the dissolution of the former proletariat into three new classes: a privileged salariat confronted by an aristocracy of labor with a share in the wage surplus and a propertied stake in postcapitalist society, in turn confronted by a marginalized working class with no stake of any kind. This marginalized tier found itself doubly handicapped because it lost not only numbers, but also the 'brains' of its former leaders who had either graduated into the labor aristocracy or become co-opted by the salariat.

The Marxist formulation gave way before a combination of objective and subjective factors. Initially, it was eclipsed because of 'the modification of late capitalism by welfare legislation, redistributionist taxation, the consolidation of powerful unions, and the acceptance by all political parties of Keynesian full employment policies'. Disillusionment with the apocalyptic vision and bloody outcome of Communist attempts to force the Gates of Heaven account for what is widely believed to be 'The End of Ideology'. But only a particular cluster of ideologies became passé, among them Marx's final solution to the social question. Otherwise, ideological thinking still shows signs of vitality. What we see today is not an end to ideology, but the triumph of the ideology of consensus over its rivals.[15]

'Paradoxically', writes Peter Drucker, 'the force that underlay the meteoric rise of the industrial workers ultimately caused their fall: knowledge'. The Scientific Management Movement was a movement of educated workers on the upper margins of the work force with interests of their own. It was they who defeated Marx and Marxism by their advanced technology, by 'working smarter', by providing avenues of escape from the old working class, a stake in economic growth for the upwardly mobile and an ideology of consensus. They promoted industrial peace by pushing for wage increases scaled to productivity and by diverting attention from the division of the economic pie. The founder of the Movement, Frederick W. Taylor, 'refused to take a factory as a client unless the owners first substantially raised wages'. Thanks to Taylorism, increasing numbers of American workers became middle class in their style of life and standard of living, while the more they enjoyed the benefits of the incoming new order the less reason they had to become revolutionaries.[16]

Like Marx, Taylor sought a solution to the social question as it presented itself in the 19th century, the class war between labor and capital. Rather than abolish the wages system, he endeavored to reform it. Increased productivity for Taylor was not an end but a means, the indispensable condition for raising wages and improving the lot of the worker. Skilled workers opposed his reform because of his claim that all work, whether skilled or unskilled, could be analyzed and reformed along the same lines. In place of the craft union ranking of work into skilled, semiskilled, amd unskilled with corresponding differences in pay, Taylor reclassified manual workers into those willing and unwilling to work according to the new norms of industrial engineering. Henceforth, there would be 'first-class men' deserving a first-class wage and 'second-class men' deserving of second-class wages, be their work skilled or unskilled. The shift from time to piece wages, then to prime wages (for Taylor's 'one best way') is a story not only of rising wages, but also of increasing labor intensity and exploitation out of all proportion to the benefits. Nonetheless, because he demanded that job analysis be done in consultation with workers and that authority in the plant be based on knowledge of the work process possessed by engineers rather than owners, he came under attack by the owners for being a 'trouble-maker' and a 'socialist'.[17]

Marx's formulation of the social question lost out because the labor movement in America made its peace with the Establishment. Socialism lost its appeal when the upper tier of skilled manual workers adopted the ideology of their new employers and sought to emulate them. Most wage earners share the patriarchal values of their forebears, tribal customs from a distant past that account both for their docility toward superiors and their arrogance toward inferiors in the chain of command. The trade unions inherited this dubious legacy and made it an integral part of their way of life.

The fate of Marx's version of the social question is tied not to a questionable end of ideology, but to the absence of a mass socialist movement in America. In a letter to Friedrich Sorge (31 December 1892), Engels traced the political ideology of American workers to their opposition to the feudal trappings of British royalty by comparison to which the bourgeois regime in America appeared to be enlightened and progressive. American workers were acquiescent, a characteristic he attributed to the Anglo-Saxon peoples and to their unique history of economic success and relative absence of class confrontations. But he did not give up hope. The coming end of transfers of public land to homesteaders and the beginning of industrial expansion, he believed, would revolutionize people's minds and stimulate the growth of a strong socialist movement — as in Germany. America had also to catch up to industrial development in England, where 'class struggles . . . were more turbulent during the period of development of large-scale industry and died down just in the period of England's undisputed industrial domination of the world'. America's coming social turbulence, Engels anticipated, would eventually raise the social question and Marx's final solution to a position of prominence.[18]

Writing at the turn of the century, Werner Sombart was no less sanguine in concluding that 'All the factors that till now have prevented the development of Socialism in the United States are about to disappear or to be converted into their opposite, with the result that in the next generation Socialism in America will very probably experience the greatest possible expansion of its appeal'! It was not long before he swallowed these words. The power of capitalism to seduce the workers by economic concessions convinced him that workers were venal by nature and could not be expected to play a regenerative role. In the end, he concluded that the American proletariat was incapable of emancipating itself.[19]

What were the fundamental factors that explained, according to Sombart, the political backwardness of American workers? First, there were the political conditions peculiar to the trans-Atlantic republic, a favorable attitude toward the American system of government because of universal male suffrage, a resulting blind respect for majorities within the framework of the Constitution, and America's established two-party system that made it difficult to mount a labor or socialist party that might interfere with the expression of majority opinion. Second, there were the economic conditions unique to the new republic, the workers' favorable attitude toward capitalism because of its success in supplying their material needs. Third, there were the country's fluid social conditions, the widespread reception and assimilation of middle class values, the upward social mobility that defused labor militancy and siphoned off potential agitators, the friendliness of employers, the respectful treatment of workers as people with equal rights, and the presence of a frontier that permitted the 'workers' escape into freedom'.[20]

Missing from Sombart's account were two additional factors anticipated at the time, but that made their appearance only several decades later. Welfare reform would play a role in damping socialist agitation through adequate nutrition, sanitation, housing, and shorter hours of work, 'guaranteed [to provide] enough energy to release starving faculties' and to integrate the marginal population into the mainstream of American life. Public education would do the rest. Cultural and recreational activities would extend the worker's horizon of interests and gratifications, so that he might find 'new incentives to the work that provides them' and an 'emotional correction of the barren industrial grind'. This vision of an American Welfare State would become reality with the New Deal, when the 'technocratic ideas of Rexford Tugwell and Francis Perkins (both students of the progressive academic Simon Patten) became popular'.[21]

The trio of Scientific Management, its brain-child technocracy, and the human relations approach (social engineering) ultimately acquired a fourth member: scientific philanthropy or welfare management. What Frederick Taylor was to industrial engineering, Veblen to technocracy, and Elton Mayo to social engineering, Simon Patten was to America's new philosophy of welfareism. A professor of political economy at the Wharton School of Finance and Commerce of the University of Pennsylvania, Patten belonged to the same 1850s generation as Dewey, Bellamy, Taylor, and Veblen. In America's stock of natural resources Patten included human beings. As he reformulated the social question, 'how shall society utilize the workingman's latent vitality in order to increase his industrial efficiency and give him the rewards of energies, now ineffective, within his body and mind'. The fundamental social problem was to rescue human energies from the depressing and disabling effects of poverty. Those living in poverty and below the poverty line not only lacked the surplus energy to improve themselves, he warned, but also threatened to degenerate and to become wards of the state.[22]

Welfare management meant a revival of the ancient Roman program of 'Bread and Circuses'. These were two indispensable modes of consumption for renewing and tapping human energy and for preventing it from going to waste. By amusing the underlying population, they would contribute to pacifying it. Patten's widely acclaimed *New Basis of Civilization* presented the argument for a 'pleasure or surplus economy' that would replace the 'vanishing age of deficit'. He believed that his reforms might nullify the ancient and tragic pattern of civilization and decay. The extension of civilization downward promised to overcome the 'social obstacles which divide men into classes'. He sought to reduce extremes of wealth and poverty, because poverty starved people and excess wealth provided no motive for social improvement. Workers should be provided with incentives to consume more. In this way the 'stragglers of industry, the guerrillas of the subsistence line', might be overcome and incorporated into the 'steady ranks of disciplined producers'.[23]

Patten was the father of the philosophy of consumerism. It would become the new morality. Expanding consumption would compensate the worker for necessary drudgery and keep him on the job. It would encourage him to 'endure the deprivations of this week in order to secure the gratifications of a coming holiday'. The principal task of education is to integrate him into the life of modern society, 'to make him aware of that life, and to arouse him to participation in it through . . . the amusements and recreations of parks, theatres, "Coney Islands", [and] department stores'. In the words of Patten's protégé, Rexford Tugwell, 'the gains [must] seem to most people . . . to outbalance the losses', so that they 'find relief from otherwise intolerable conditions in higher wages, more leisure, better recreation'.[24]

The philosophy of consumerism contributed not a little to seducing American workers into endorsing the dominant values of capitalism. Acceptance of the status quo became even more pronounced with the surge in economic growth after 1900. 'Intense class conflict, for instance, occurred in the earlier rather than later stages of capitalism'. Acceptance of both the political and economic systems in America was obtained by fraud rather than by force. 'Subtle but pervasive ideological control, not direct political coercion, became the primary means of perpetuating capitalism'.[25] A policy of palliatives aimed at satisfying the workers' immediate needs so softened resistance that they turned to following their leaders like sheep.

Along with Sombart and Patten, Veblen was led by his studies to virtually the same conclusion: American workers were not equipped to emancipate themselves. Veblen's grounds were basically anthropological. The persistence of predatory habits and customs from the ancient past had retained their force under civilized conditions. These accounted for the ease with which workers had been bought off by material concessions. There were also other factors accounting for it: first, 'nationalism', or the worker's civic pride in his country's institutions, his civic integration at the expense of class consciousness; second, 'natural rights', especially the natural right to property in a country where workers, unlike their European counterparts, held titles to the land; third, 'salesmanship', as a result of which they became seduced by a cornucopian existence from taking more than a spectator's interest in politics.[26] For all of these reasons, American workers tended to emulate instead of resent their social betters.

Veblen made no bones about including the trade unions along with corporations among the Vested Interests, and labor leaders as well as financial leaders among the Guardians of the Vested Interests. The AFL, he noted, is 'an organization for the strategical defeat of employers and rival organizations, by recourse to enforced unemployment and obstruction . . . , skilled in the ways of bargaining with politicians and intimidating employers and employees'. But the corporate world has little to fear from this essentially 'business organization with a vested interest of its own, for keeping up prices and keeping down the supply, quite after the usual fashion of management by the other Vested Interests'. The corporations' fears are centered rather on 'those irresponsible wayfaring men of industry who make up the I.W.W.'.[27] They were the principal threat because they remained outside the system.

For Veblen, the property question had ceased to be a matter of concern for labor only. It was also a crucial issue for the new class of technicians and engineers. Rather than the abolition of the wages system, they sought to remove the fetters obstructing the continuous production of wealth, to dissociate production from the profit motive. The causes of social dissension were not limited to the struggle between labor and capital. There was also the struggle of absentee proprietors in collusion with the guardians of the vested interests against the general staff of industry, the work force, and the underlying population. Henceforth, there would be at least two social questions, not just one.

Thoroughly disillusioned with the prospect of a revolutionary takeover by America's exploited workers, Veblen traced its failure to the phenomenon of cultural lag, the carry-over from a patriarchal and servile past accentuated by luxury consumption and conspicuous display as evidence of superior force. Without invoking the theological doctrine of original sin, he underscored the role of its secular equivalent. Under conditions of modern civilization a final solution to Marx's social question is near to impossible owing to the 'elements of human nature handed down from an earlier phase of life'.[28] So, he shifted his hopes for a social revolution to a different revolutionary subject, to professional engineers and technicians.

The social question ceases to be class oriented

The shift from capitalist to postcapitalist society in America did not change the country's self-image and accepted myth of free enterprise. What it did was to transform the social question into a pale image of the class war between labor and capital to the point of eliminating its class-oriented focus. There would be no question of continuing the class war against modern management. Hitherto, the social question had been given a narrowly economic interpretation revolving around class interests. But with the emergence of the Civil Rights Movement and a New Left during the 1960s, other interests made themselves felt. The focus shifted from class antagonisms to conflicts centered on racial, ethnic, age, and gender differences, and ultimately to an ecological common endeavor to save the biosphere from biocide. Although the issues raised by the New Left came in response to the wave of professionalism that led to the new order, in the unchanged conviction that the old order was still intact these problems were laid at the door of American capitalism.

With the advent of the Cold War, anti-Red hysteria, and America's 'Dark Ages' from roughly 1945 to 1960, the social question in its Marxist version was displaced by the peace movement and growing fear of a nuclear catastrophe.[29] During the fifties concern over internal conflicts receded before the overwhelming threat from without — more imaginary than real. As the capitalists faded into the background, a new consensus emerged that paralyzed criticism. Reflecting upon the disappearance of social radicalism in opposition to the Liberal Establishment, Herbert Marcuse observed that containment of social change was perhaps the most singular achievement of advanced industrial society. What happened was a peace treaty between former antagonists: 'the general acceptance of the National Purpose, bipartisan policy, the decline of pluralism, the collusion of Business and Labor within the strong State testify to the . . . overriding interest in the preservation and improvement of the institutional status quo'.[30] The undisputed sway of the technostructure had resulted in what Marcuse described as a totalitarian-repressive society.

Meanwhile, other forces were at work that gradually broke with the Cold War mentality and began gnawing away at the new order. A new phase ensued characterized by the breakdown of social cohesion. The Civil Rights Movement was followed by a widespread student rebellion and resistance to the Vietnam War, in turn followed by the countercultural, feminist, and ecological movements. Marcuse, who had become the guru of the student movement and of the New Left, was among the first to perceive the liberating forces that were challenging the 'totalitarian tendency'.[31] But renewed social dissonance did not mean a reaffirmation of the class struggle and the social question in its Marxist form. Instead, it gave a new content to the social question compatible with the basic consensus that remained unbroken.

The New Left and the countercultural, feminist, and ecological movements led to a series of significant changes in America, but at the price of keeping a lid on industrial strife and the kinds of class war that had torn apart capitalist society. There was a tacit and unacknowledged social pact between the established culture and the counterculture not to reopen Pandora's Box. In banding together and redefining America as a multicultural society, Afro-Americans, Hispanics, and Asian-Americans joined forces with white feminists to dispute the culture and politics of 'dead, white, European males'. But in doing so, they left untouched the fundamental pact between management and labor so assiduously pursued and implemented by the Scientific Management Movement and its heirs. As one commentator characterized this unwritten pact: 'Industrial pluralism combined with neo-Keynesian economics — that is, the practice of the "politics of productivity" — wrote an end to the struggle over the distribution of income and wealth. . . . A political economy of growth conquered one based on the redistribution of wealth and income'.[32]

Although the new conflicts that emerged were in some respects economic, they did not rise to the level of class struggles. As the old disputes between workers and employers dissolved, 'new issues emerged to roil industrial relations and to disturb both unions and employers'. African Americans and women demanded equal treatment at work, while 'questions of race and gender came to dominate industrial relations policy'. The Civil Rights Movement and the struggle for Black Liberation, followed by the mobilization of feminists for political action during the 1970s, became a focus of attention in domestic politics with unintended results for both labor and federal labor relations law.[33] Craft unions and basic collective bargaining agreements disadvantaged ethnic minorities and women workers alike by obstructing their promotion from lower-skill and lower-paid jobs and by enabling male workers to earn more on the same jobs. These disparities eventually contributed to reforming the system, but they did nothing to fuel the struggle between labor and management. Quite the contrary, they contributed to consolidating the new order.

Marcuse did as much as anyone to reformulate the social question and to endow it with a radical content. In an effort to make revolution viable in America, he called for a 'revolution from within', a cultural transformation aimed at breaking through the barriers of established ideology. The creation of a new man with a new sensibility, he argued, was a precondition of a final solution to the labor and property questions.[34] But assimilated by his student followers and by the New Left, his focus on a cultural revolution resulted in the abandonment of the social question as an economic issue. 'Spokesmen for socialism in the West have increasingly noted the need for a redefinition of socialism in noneconomic terms. Thus in both the United States and the Soviet Union they have disseminated a new image . . . of socialism in which overcoming self-alienation and educating for leisure are the new goals of the labor movement'.[35]

Marcuse's project for a cultural revolution had the effect of tying the social question to social regimentation and the suppression of dissent. The emergence of a mass society in which people of all classes are manipulated by the media, public education, radio, television, the entertainment industry, advertising and salesmanship had effectively shifted the locus of social problems from production and distribution to matters of consumption. The focus of social discontent was no longer on fundamental issues of economic exploitation and unequal wealth. A fundamental problem for Marcuse was the proliferation of artificial needs, the increasing consumption of junk, consumption as an induced necessity rather than a condition of self-cultivation. At issue was the question of what is fit for human consumption.

His alternative to the invisible repression of the Welfare State and its philosophy of consumerism was a total transvaluation of values. Marcuse hoped that a new sensibility would not only liberate people from their addiction to consumption, but also 'reduce human ferocity, violence, and cruelty'. Convinced that a final solution to Marx's social question remained a condition of human emancipation, he looked upon the emerging counterculture as a catalyst of the long awaited labor revolution that would shift the focus back to the proletariat and the economy.[36]

The New Left became the soil that nourished the radical feminist and ecological movements of the 1970s and 1980s. Going beyond Marcuse, Mary Daly made the woman question the key to the social question. The abolition of patriarchy rather than the abolition of capitalism or the abolition of exploitation, she argued, constituted the only final solution to human venality. In the institution of patriarchy she discovered both the root of human exploitation and the equivalent of original sin.[37]

More than any other factor, the ecology movement replaced concern for the labor and property questions. Initially, it had a Marxist content and was firmly attached to the Left, until ecology acquired a life of its own.[38] One of its spin-offs was a revived interest in vegetarianism. The beef industry became targeted as the single, most sinister and destructive threat to the environment, a primary cause of soil erosion and desertification spreading across the globe.[39] Another spin-off was deep ecology. Deep ecologists, like David Forman of Earth First, challenged Murray Bookchin's brand of social ecology by focusing on human beings and their unchecked breeding as the fundamental obstacle to survival. For this contention, Earth Firsters have been accused of misanthropy and widely mocked as 'animal lovers', if not 'animal liberators'.[40]

Meanwhile, America was becoming a nation of health freaks and granola crunchers for whom health and physical fitness were on a par with ecology. One used to hear of 'better living through chemistry', a slogan since replaced by 'better living through recycling'. If Marx was generally right in supposing that the dominant ideology at a given time is the ideology of the dominant class, then the concern for physical fitness, managed growth, and environmental protection is the ideology par excellence of the technostructure.

Belatedly, the philosophy of welfare associated with the technostructure's bid for power gave way to the new philosophy of environmental protection corresponding to the consolidation of the new order and the technostructure's changed role as the principal beneficiary of the economic surplus. The social question underwent a metamorphosis from being social-and-class-oriented to becoming nature-and-health-oriented. If too much waste was being produced by industry, then the demand for it had to be curtailed by reducing not only the addiction to consumerism, but also the number of consumers endangering our living space and quality of life. A labor surplus society called for nothing less.

Ironically, the human right to reproduction was killing the earth and threatening the death of the human race. Cries of genocide and abortion, the contemporary equivalent of infanticide, began to boomerang when shown that 'murder' contributes to preserving human life. Meanwhile, efforts to find a solution to the population question were being made behind the backs of superfluous humanity. Already in the mid-fifties, when conservative America regained control of Congress after decades of Democratic rule, there were signs of a turnabout in sympathy for the poor and homeless. Dismissed as 'vagrants' and 'ne'er-do-wells', they were a sore sight in decent neighborhoods. California was overrun with them. In Los Angeles one no longer answered the doorbell in response to panhandlers. One called the cops.

The technostructure continues to be concerned with economic questions, but they are not those that troubled Marx. The core problem today is not how the working class can overcome exploitation and dispossess the capitalists, but how *not* to pay for feeding, clothing, and housing the unemployed and unemployable who have become wards of the state. The technostructure is even more averse to financing universal health care. As the chief beneficiary of the wage surplus, it wants tax relief and a slash in welfare spending. The 1994 mid-term elections revealed that the New Deal era is over and that retrenchment is the order of the day.

Since the 1980s neoliberalism and neoconservatism have become the two dominant political ideologies in America. Neoliberals ousted liberals from leading positions in the Democratic Party, while neoconservatives plied their wares within the Republican Party. Although they differ in principle, they converge in practice. Both neoliberals and neoconservatives believe that a new postindustrial society has dawned. Neoliberalism privileges economic growth at the expense of welfare programs, whereas neoconservatism is mainly a political and cultural response to the breakup of the old society.

Together they provide a rationalization for compassion fatigue and for turning one's back on the poor and homeless. Both lend themselves to calm but hard-hearted acceptance of poverty as part of the natural order of things, of increasing misery as the 'inevitable result of a market system that will eventually outgrow such little imperfections'. The Welfare State's expansive and expensive promises of employment, housing, and healthcare for all are dismissed as fantasy. Too much government has become the reigning problem, too much federal spending, regulation, and bureaucracy. Meanwhile, with more hands available than there are jobs, wages confront downward pressures even as the safety net has more holes in it. 'Liberated at last from the communist menace, it is almost as though the Free World . . . is moving to exacerbate the social suffering that helped call communism into being in the first place'.[41]

As a former Marxist and intellectual precursor of neoconservatism, Burnham's political trajectory serves as a barometer of what happened to the social question. To the expansion of the Soviet Union after World War II he added in the 1960s two new problems of Western civilization: 'first, the jungle now spreading within our own society, [the savagery] . . . in our great cities; second, the explosive population growth and political activization within the world's backward areas . . . occupied by non-white masses'. Domestically, liberals are civil righting our civilization to death, while internationally their dream of world democracy based on the one-man, one-vote principle 'implies, by simple arithmetic, the subjugation of the West'. Since the members of Western civilization are a small minority, Burnham warned, the logic of liberalism threatens the 'reduction of Westerners to hunger and poverty'; it leads to nothing less than 'suicide of the West'.[42] In February 1983, in reward for his defense of the Free World, he became the first American philosopher (Hook was the second) to receive the Presidential Medal of Freedom from President Reagan. The citation read in part, 'James Burnham has profoundly affected the way America views itself and the world'.

The social question as Marx formulated it is obsolete. Although people still widely believe that the common man will eventually inherit the fruit of all the inventions now being made, there is room for skepticism. 'Over whose dead body?' asks Henry Miller. 'Looking at the rank and file . . . does any one honestly believe that these men and women will dictate the future of America? Can slaves become rulers overnight? These poor devils are begging to be led, and they are being led, but it's up a blind alley!'[43]

Socialism arrived in an altogether different form than Marx anticipated. Although it ceased to be class oriented, it was not class neutral. It was socialism for the rich, not the poor, the socialism of the corporations rather than of organized labor, the socialism of the technostructure, not of the New Left, much less the Old. It was the socialism of federal bail-outs, systematic price-fixing, noncompetitive bidding, and the guarantee of government intervention when needed.

As one astute commentator describes the socialist reality behind the capitalist image, the American economy is federally subsidized and has less in common with the ideology of free enterprise than with the 'financial workings of a Soviet collective farm or a Bulgarian steel mill'. In the case of the savings and loan banks that clothed their venality in false reports of unalloyed success, the 'operative economic principle was socialist, not capitalist'. The federal government 'conferred an urgent subsidy on an industry that certainly would have gone bankrupt if it had been left to the decision of . . . a free market'. Grateful for the bail-out, the recipients in Texas and California, as in Belorussia and the Ukraine, 'professed their fervent loyalty to the socioeconomic cant that enjoyed the blessing of the party in power'. Missing was the acknowledgment that almost 'three in every ten Americans live in a household receiving direct payments from the government; [and that] four of the remaining seven probably work for an enterprise dependent on the federal dole'. What keeps politicians in power is their skill in redistributing the national income to pressure groups, to their patrons, clients, and constituencies. 'They trade in every known commodity — school lunches, tax exemptions, water and mineral rights, aluminum siding, dairy subsidies, pension benefits, highway contracts, prison uniforms'.[44] That is the American way of life under managerial socialism — capitalism in words, socialism in deeds.

There is a broad consensus today that socialism is a failure, capitalism a success. But on close inspection, the agreement is deceptive. The talk is about free markets and private property, but the reality is about a planning system and quasi-public, corporate property. In the words of Milton Friedman, 'it is only a little overstated to say that we preach individualism and competitive capitalism, and practice socialism'.[45]

Notes

1 Rose (1956), p. 452.
2 Kimber (1955), p. 413; Marx (1975), p. 193; and Engels (1975a), p. 263.
3 Engels (1975b), p. 302; and idem (1975a), p. 262; and Clark (1955), p. 452.
4 Draper (1977-90), Vol. 1, pp. 97-98.
5 Marx (1988), p. 55; and Marx (1906), p. 241.
6 Marx (1988), p. 61; and idem, 'Notes on Adolf Wagner's *Textbook of Political Economy*' (1880), cited by Rubel and Manale (1976), p. 320.
7 Marx (1906), pp. 707, 708-9.
8 Lovell (1988), p. 12; and Marx (n.d.), p. 86.
9 Marx and Engels (1976), p. 49; Marx (1988), pp. 67-69; idem (1958c), p. 446; and idem (1978c), pp. 529-31.
10 Gronlund (1965), pp. 46, 47, 94-95.

11 Proceedings of the First Convention of the Industrial Workers of the World (New York: n.p., 1905), pp. 6, 7; and Foner (1975), Vol. 4, p. 148.
12 'Preamble' of Industrial Workers of the World (1976), p. 1; and Brill (1976), p. 16.
13 Levitt (1993), p. 5.
14 Wolfson (1984), pp. 35, 41, 80-81, 97-103; and Gilbert (1972), pp. 6-8, 36-38, 58-61.
15 Wrong (1968), pp. 117-19; Hodges (1968), pp. 373-88; and idem (1966c), pp. 427-28, 432.
16 Drucker (1989a), pp. 188-89.
17 Drucker (1993), pp. 34-36; and Barjonet (1961), pp. 81-88, 91-94.
18 Marx and Engels (n.d.), p. 535.
19 Sombart (1976), p. 119; italics deleted.
20 Ibid., pp. 29-31, 38-43, 105-6, 111-18, 119.
21 Patten (1907), pp. 127, 132, 208; and Lustig (1982), p. 34.
22 Merkle (1980), pp. 232-33; and Patten (1907), pp. 73, 123.
23 Patten (1907), pp. 9-10, 69, 128, 186.
24 Ibid., pp. 125, 141. For the Tugwell citation, see Lasch (1991), pp. 70-71.
25 Cantor (1978), p. 7.
26 Veblen (1923), pp. 11-39, 40-67, 284-325.
27 Veblen (1963), pp. 97-99.
28 Veblen (1961), pp. 23-24.
29 Jezer (1982), pp. 295-96.
30 Marcuse (1968), pp. xii-xiii.
31 Wasserman (1983), pp. 191-212.
32 Dubofsky (1994), pp. 198, 208.
33 Ibid., pp. 198, 223, 225.
34 Marcuse (1969), pp. 20-22, 36-37, 41-42, 46-47; and idem (1972), pp. 5-6, 39-41.
35 Hodges (1966c), p. 434.
36 Marcuse (1968), p. 236.
37 Daly (1985a), pp. 38-39; idem (1985b), pp. 163-64, 175-76; and idem (1978), pp. 9-11.
38 Gorz (1980), pp. 40-50, 130-45; and Bookchin (1991), pp. xiii-lxi, 62-88, 119-23.
39 Rifkin (1992), pp 185-230, 241-43.
40 Bookchin and Forman (1991), pp. 48-54, 66-75, 89-95, 107-19.
41 Pike (1995), pp. 338-39.
42 Burnham (1964), pp. 283, 287-88.
43 Miller (1947), p. xviii.
44 Lapham (1990), p. 7.
45 Friedman (1994), p. xvii.

Postscript

> This does not mean that I am indifferent to the plight of the poor for all their gullibility, servility, and bestiality . . . I believe that only by protesting or rebelling against an essentially cruel, even if 'natural' scheme of things, can man preserve his dignity and perhaps reduce by a few degrees the temperature of the hell in which the majority of the human race is condemned to live. (Max Nomad, *Dreamers, Dynamiters and Demagogues*)

The foregoing theory of managerial or corporate socialism in America stands or falls on the evidence supporting it, but that is not its sole interest. Whether warranted or unwarranted, its claims also raise questions for the historian of ideas.

Burnham's *Managerial Revolution* became the springboard for more than one theory of America's new order. Writing in the early 1970s, Daniel Bell noted that, despite its artful and sweeping simplicity, Burnham's book 'has had a continuing influence since its publication thirty years ago'.[1] Having briefly examined its influence, we turn next to an investigation of its origins.

Besides its economic sources, Burnham's book was politically motivated and had a foundation in modern political theory. But is the political patrimony he sketched in *The Machiavellians* a fair sample of his indebtedness? Does the legacy of the Franco-Italian school of Realpolitik, of Georges Sorel, Vilfredo Pareto, Gaetano Mosca, and Robert Michels, come near to exhausting the political premises of his economic theory? To follow Burnham's admonition, one should not take what he says at face value.

Burnham's more astute readers were quick to point out the intellectual debt he owed to Bruno Rizzi's *Bureaucratization of the World.* Although there is no evidence that he had access to Rizzi's privately published and elusive tract, he had become familiar with its theory of bureaucratic collectivism through Trotsky's discussion of it in 'The USSR in War' (September 1939).[2] Rizzi's book appeared at the end of August, but in response to the Soviet-Nazi Nonaggression Pact signed a week earlier, the French government almost immediately banned, impounded, and pulped it. Only a few copies survived, including the one Rizzi forwarded to Trotsky in Mexico.[3]

But is that the end of the line? Or are there other sources of Burnham's theory that, to have acknowledged them, might have discredited it and proved to be politically embarrassing?

Bell recalls that in 1959 Rizzi publicly charged Burnham with plagiarism, for which there is still no proof. More to the point, the source of many of the ideas common to Burnham and Rizzi go back to the theories of the Polish anarcho-syndicalist Waclaw Machajski (1866-1926). Initially a revolutionary Marxist, in 1898 Machajski arrived at a novel critique of Marxism as the theory and practice of an emerging new class of intellectuals, professional, technical, and whitecollar workers with higher education as their specific 'capital'. His underground essay, 'The Evolution of Social Democracy', claimed that 'socialism was a masked ideology of discontented intellectuals who were using the proletariat as a vehicle to gain power'.[4] Although the source of this critique is traceable to Bakunin, Machajski was the first to develop Bakunin's hunches into a fully documented theory.

From a chance acquaintance with Holley Cantine Jnr, bearded prophet, artist, craftsman, political philosopher, and editor of the neoanarchist journal *Retort* (1942-51) published in Bearsville, New York, I first learned of Burnham's anarchist connections. In the fall of 1944 he visited the Department of Philosophy at New York University, Washington Square College, to solicit an article from Burnham. He surprised me by linking Burnham's theory of managerial revolution to the writings of Max Nomad (1881-1973), a political exile, former typesetter and underground propagandist who had turned proof-reader, teacher of languages, journalist, writer, and lecturer. Nomad was not only an anarchist, but also Machajski's most articulate disciple.

Nomad believed that Burnham owed an unacknowledged debt to Machajski's theory of managerial society, a system of state capitalism without capitalists. Although Machajski defined the new order somewhat misleadingly as a system of industrial management based on the invisible capital of educated workers, it definitely broke with the old order based on the private ownership of visible capital. The elements of Machajski's theory were sketched by Nomad as early as 1932.[5] Two decades later, in *A Skeptic's Political Dictionary*, he gave this account of Burnham's *managerialism:* 'The theory that the office-holder and manager, not the worker, is going to take over the inheritance of the doomed capitalist. First briefly hinted at by Michael Bakunin, later developed by the Polish revolutionary Waclaw Machajski, subsequently presented to the American public by this writer in his *Rebels and Renegades* (1932) and *Apostles of Revolution* (1939), it became the subject of a best-selling book by an author who gave no credit to his predecessors. He was a teacher of ethics'.[6] But what kind of ethics? In his class on ethics at New York University Burnham vigorously defended the moral anarchism, or amoralism, of Max Stirner's *The Ego and His Own*. Stirner refused to take moral precepts and ideals at face value and contemptuously dismissed them as 'spooks'.[7]

Burnham acknowledged an intellectual debt to anarchist political theory. In agreement with Georges Sorel, the theoretician of anarcho-syndicalism, he noted that 'the open acceptance of violence, when linked with a great myth [the General Strike], in practice decreases the total amount of actual violence in society'. This observation underlies one of the main principles of anarchism as well as Machiavellism, that only power restrains power. Given the presence of a political opposition and the organized pressure of the masses, the power of rulers and the privileges of elites can be at least partly constrained.[8] Did Burnham assimilate this wisdom only after reading Sorel and other more moderate Machiavellians? Or did he fail to give credit where credit was due, to Nomad's principle of 'permanent revolt against any status quo: capitalist exploitation of today, as well as socialist inequality of tomorrow'?[9]

Burnham, according to Nomad, had been one of his '"Disciples" Who Went Wrong'. The evolution of two of these ex-disciples turned out to be particularly painful for him. 'One of them seems to have had a soft spot for me; he mentioned my name several times in his articles and book reviews which were widely read; and I still think of him with affection. The other contrived to write a best seller by using one of the basic ideas underlying my writings — yet absolutely refused to acknowledge the source of his "inspiration"'. As a result, students at New York University who were unfamiliar with Nomad's writings would occasionally ask him why he gave no credit to Burnham.[10]

Other theorists of postcapitalist society have openly acknowledged the influence of Nomad and Machajski on their writings. A prominent journalist and literary critic, V.F. Calverton made a point of introducing Nomad's ideas to a broad readership. His 1937 anthology, *The Making of Society*, includes Nomad's essay 'Masters — Old and New' along with Nomad's translation from the Polish of selections from Machajski's *The Intellectual Worker*.[11]

In *The End of Ideology*, Daniel Bell mentions Nomad's influence on his own reassessment of socialism, ideas that later bore fruit in his theory of postindustrial society. Nomad first came to his attention with the publication of 'White Collars and Horny Hands' in Calverton's journal *Modern Quarterly* (Autumn 1932). From Nomad's early books and the essays in Calverton's anthology, Bell assimilated the essence of Machajski's critique of Marxism with which he basically concurred.[12]

Bell further calls attention to Nomad's influence on Harold D. Lasswell, a leading American political scientist and articulator of one of the first American theories of a new class. 'Lasswell expounded the theory that the revolutions of the twentieth century have been led by intellectuals who, in the name of the myths and symbols of socialism, used these revolutions to place themselves in power'. Nomad's influence is explicitly acknowledged by Lasswell in his widely read *Politics: Who Gets What, When, How* (1936).[13]

The theorists of intellectual and cultural capital, Alasco and Gouldner, rely on Machajski's critique of finance capitalism but do not take his dim view of the New Class. Alasco, in particular, defends the high salaries of managers and professionals in industry. In agreement with Marx's economic postulates, he argues that in our time the bulk of capital is 'created and expanded by . . . privileged, not . . . underprivileged labor'. Consequently, if justice demands the expropriation of the owners, 'their capital should be appropriated by the intellectual workers who have created it'.[14]

The implications of Machajski's theory were summarized by Nomad in three startling propositions. First, 'exploitation is just as much possible under socialism as under any other previous social system'. Second, 'the coming universal form of exploitation of man by man, as foreshadowed by Russia's system of government ownership and inequality of income, will simply be called socialism'. Third, 'fascists in power, in spite of the reverence they show towards all the taboos of the past, are not just flunkeys of the capitalist class, as most of the socialists and communists believe . . . [but] are their major partners'.[15]

This brings us to the intellectual trajectory of Bruno Rizzi (1901-77). A member of the Italian Communist Party in the 1920s and an associate of French Trotskyists in the 1930s, he owed to Trotsky an indirect acquaintance with the gist of Machajski's theory. In his *Autobiography* Trotsky recalled that, during his first banishment to Siberia at the beginning of the century, the Polish revolutionary's three hectographed essays were read and discussed with great interest among the exiles. The first essay exposed the opportunism of German Social Democracy. The second essay criticized the economic system of Marx, ending with the disturbing 'conclusion that Socialism is a social order based on the exploitation of the workers by a professional intelligentsia'. The third essay replaced Marxist political strategy with 'anarchist syndicalism'. On Trotsky's testimony, they produced in him a 'powerful innoculation against anarchism, a theory very sweeping in its verbal negations, but lifeless . . . in its practical conclusions'.[16] Nonetheless, some of Machajski's theses appear to have rubbed off on him. Machajski's 'idea of an *immediate* anticapitalist revolution' was later elaborated by Trotsky into a full-fledged theory of 'permanent revolution'.[17] Although this theory had earlier sources, including Marx's 1850 Address to the Conunununist League, Machajski was among the first to revive it.

Rizzi's first book *Dove va l'URSS* (1937) came in response to his reading of Trotsky's *The Revolution Betrayed*, which appeared in a French translation in late 1936. Printed at the author's expense in Milan, his book is mainly a paraphrase and in some instances a direct translation of Trotsky's work. Through Trotsky he became conversant with Christian Rakovsky's 1928-29 theory of a 'new "class of rulers"' benefiting from a novel form of exploitation, a class whose economic basis was a 'type (also new) of private property; the possession of the state power'.[18] That Rakovsky's theory contained traces of anarchist influence is not surprising in a Left Communist. For the Left Communists, like the Workers' Opposition in the Bolshevik Party, had shown a continuing interest in Machajski's writings.[19]

In *The Revolution Betrayed*, Rizzi found the premises for his theory of bureaucratic collectivism. Trotsky's detailed explanation of the workings of bureaucratic exploitation in the USSR shares common ground with Machajski's conclusion that managerial society is based on the exploitation of manual by intellectual workers. Trotsky's division of the income of each citizen into two parts, dividends plus wages, and his focus on the unequal shares of each as 'not less, but greater than in capitalist countries', leads to the same conclusion. The same may be said of his critique of the socialist principle of distribution. 'In the Soviet Union the principle of socialism is realized: *From each according to his abilities, to each according to his work.* This inwardly contradictory, not to say nonsensical, formula . . . finds itself obliged to keep in force the system of piecework payment, the principle of which may be expressed thus: "Get out of everybody as much as you can, and give him in exchange as little as possible"'. Little wonder that Rizzi discovered a basis for his theory in Trotsky's discussion of bureaucracy in the Soviet Union and in Trotsky's thesis that the new Soviet Constitution 'creates the political premises for the birth of a new possessing class'.[20]

Hardly less noteworthy is Rizzi's intellectual debt to Bakunin. In his preface to the 1967 Italian edition of the *Bureaucratization of the World,* he acknowledged that 'Bakunin, more intelligent and intuitive but less systematic and profound than Marx, predicted where the state in the hands of political leaders, whether red, black, or brown, would lead a hundred years later'. To this he added, in his discussion of Isaac Deutscher's Trotsky trilogy, that Marxists have yet to take seriously 'Bakunin's warnings against the danger of the state and of centralized power in the hands of a political party'.[21] Whether Rizzi's acquaintance with Bakunin's writings antedated the publication of his 1939 tract is still a mystery, but it is a safe guess that he was at least indirectly familiar with Bakunin's theses through a reading of Marx's annotated version of the Russian's *Statism and Anarchy*.[22]

We arrive, then, at the conclusion that Burnham's theory of a managerial revolution and its principal offsprings have an intellectual ancestry traceable, whether through Nomad, Trotsky or Rizzi, to Machajski and ultimately to Bakunin. From this it follows that they have an anarchist pedigree. Belatedly, some two decades after *The Managerial Revolution* first appeared, Burnham acknowledged his debt to at least two of these controversial precursors, 'the romantic anarchist, Makhaisky, and the eccentric ex-Trotskyite, Bruno Ricci'.[23]

As the sociologist Irving Louis Horowitz aptly observes, 'The collapse of anarchism as a social movement does not signify its annihilation as an intellectual force'. The rebirth of anarchist theory and its challenge to intellectuals at the turn of the century, by a peculiar twist of history, gave rise to a new form of sociological intellectualism underlying the principal theories of America's new managerial order. Through a cross-fertilization of anarchy and intellect, the Franco-Italian school of anarchism spawned the 'Franco-Italian school of social and political science — sometimes referred to as the "neo-Machiavellian tradition"'.[24]

Notes

1 Bell (1973), pp. 91, 94-96.
2 For Trotsky's discussion of Rizzi's work, see 'The USSR in War' (Trotsky, 1942), pp. 10-11, 13-16. The most comprehensive discussion is in the collection of essays edited by Bruno Rizzi (1967).
3 Westoby (1985), pp. 17 n.18, 20, 22.
4 Bell (1973), pp. 96-97 n.69. For a full exposition of Machajski's theory, see Nomad (1959), pp. 96-117.
5 Nomad (1968), pp. 206-8, 392-406.
6 Nomad (1959), p. 15 n.3.
7 Stirner's defense of freedom, according to Nomad, 'justified any action that benefited the individual . . . [with the result that] the followers of the new gospel behaved as if Machiavelli's text-book had been written not for princes, prime ministers, and diplomats, but also for the malcontent manual workers and white-collar slaves' (Nomad, 1968, p. 26).
8 Burnham (1943), pp. 130, 225-26, 246-47.
9 Nomad (1937). pp. 890, 893.
10 Nomad (1964), pp. 233, 234.
11 Machajski (1937), pp. 427-36; and Nomad (1937), pp. 882-93.
12 Bell (1962), pp. 355-57, 433 n .128.
13 Lasswell (1965), pp. 117, 124-25, 129-30, 219.
14 Alasco (1950), pp. 14-15, 16; Gouldner (1976), pp. 29 ff.; and idem (1979), pp. 98-99.
15 Nomad (1937), pp. 886, 888; italics deleted.
16 Trotsky (1931), pp. 129, 143.
17 Nomad (1961), pp. 319-20.
18 Westoby (1985), p. 30; and Trotsky (1965), pp. 88, 100-2, 141, 271.
19 Nomad (1959), p. 116; idem (1961), pp. 351-52.
20 Trotsky (1965), pp. 240-41, 258-59, 272.
21 Rizzi (1967), pp. 48, 184.
22 Marx (1978d), pp. 542-48. See also Hodges (1960), pp. 259-74.
23 Burnham (1960), p. viii.
24 Horowitz (1964), pp. 11, 64.

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