

The Dynamics of Modes of Production and Social Orders

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About one century ago, Marx put forward an interpretation of the historical dynamics of human societies, hinging around the concept of mode of production. These modes define large stages in the evolution of these societies. As is well known, the specific object of Marx's investigation was the capitalist mode of production, the work of an entire life, too short anyhow.

The object of the present study is the further analysis of the relationship between Marx's conceptualization and the notion of *social order* that we introduced in earlier studies. Social orders refer to periods shorter than modes of production. The construction of this framework of analysis allowed us to put forward our class interpretation of neoliberalism. The implications of this theoretical framework are broad, encompassing, at least, the historical dynamics of advanced capitalist countries as in Europe and the United States. The presentation of the institutional framework below is, however, inspired by the history of the United States since the end of the 19th century.

The relationship to Marx's theoretical work is very tight. It can be described as a form of *fundamentalism*. But it is important to stress that there is another facet to this relationship, a form of *revisionism*, whose core component is the transformation of class patterns.¹

This study is made of three broad sections. The two first sections are devoted to the dynamics of forces and relations of production. Thus, the concept of mode of production is central stage. Section 1 recalls the basic principles of Marx's theory of history, and section 2 describes our own framework. The concept of social order is introduced and its relationship to the mode of production discussed in section 3.

1 – The capitalist ownership of the means of production and classes under the test of socialization

A special emphasis is placed here on the notion of socialization. We successively show its key position in the analyses of the internal dynamics of capitalism and the occurrence of crises.

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¹ There is a tight relationship between our analysis and the work of Jacques Bidet, who, during a considerable period of time, has been involved in the construction of new theoretical foundations allowing for the correction of what Bidet denotes as Marx's "error". This convergence is expressed in the common work: J. Bidet, G. Duménil, *Altermarxisme. Un autre marxisme pour un autre monde*, Paris, PUF, Quadrige, Essais-Débats, 2007.

1.1 - Mode of production and socialization

The following notions are familiar. We only briefly recall their contents:

1. *Modes of production – The capitalist mode of production.* The dynamics supporting the historical succession of modes of production are those of *productive forces* and *relations of production*, in close connection with the transformation of class patterns. The first notion encompasses the variegated forces commanding the capability to produce of an economy in a given historical context; the second notion refers to the distinct positions of various social groups with respect to the means of production, which define these groups as *classes*. A production mode is a specific configuration of social relations in these three respects—productive forces, relations of production, and classes—tightly and coherently articulated in a manner that ensures the continuation of this configuration.

The capitalist mode of production is based on the private ownership of the means of production. Two classes are, thus, defined, namely the owners of the means of production, the capitalists, and the sellers of the labor force to these owners, the proletarians. The management of capital requires the conduct of specific tasks on the part of capitalist, whose objective is the maximizing of their profit rates.² The proletarians perform “productive labor” in the production of goods and services and, correspondingly, generate surplus value.

2. *The internal dynamics of the capitalist mode of production: The socialization of production, organization, and coordination.* The capitalist mode of production is at the origin of a powerful development of productive forces. The key concept in the analysis of the transformations involved harks back to a notion that runs through Marx’s entire work, namely the gradual *socialization* of labor and production. (In Marx’s terminology, “social” always means “of the society”.) The central idea is that, with the development of capitalism, production can no longer be understood as the isolated activity of one individual or a well defined group of individuals, and must be grasped as a constantly enlarged process.

From the remote stages of development of human societies, the social character of production has been one of its constant aspects. In a number of respects, the establishment of capitalist relations of production acted as a factor of “de-socialization”. The relevant point here is that market mechanisms—the market being itself a mode of socialization—destroying the early forms of socialization, for example the corporations of the Middle Ages, had to substitute its own new forms of socialization.

Three main facets of socialization can be distinguished:

- *The socialization of production in the strict sense.* Involved is the increasing size of production units, as well as the multiplication of reciprocal interrelations within both « networks » among enterprises and throughout markets, nationally as well as internationally.

² G. Duménil, D. Lévy, « Unproductive Labor as Profit-Rate-Maximizing Labor », *Rethinking Marxism*, 2011, vol. 23, n° 2, pp. 216-225.

- *The socialization of capital.* Production requires the gathering of huge masses of capitals. Thus, even the ownership of capital takes a social character, though confined to the circle of capitalist classes.

- *Central coordination.* Among the various networks, one must also include those hinging around central institutions, government institutions (like the distinct departments), institutions of central governance (like central banks) and, internationally, institutions like the FMI or the WTO. Also involved are variegated systems concerning transportation, the construction and maintenance of infrastructures, health, education, research, and the like.

Within all of these mechanisms, one can separate: (1) “real” relationships (production, consumption, technical change, etc.); (2) financial mechanisms (credit, stock market, securitization, derivative products, etc.); and (3) general administration (the definition and the implementation of policies and regulations).

The process of socialization creates the necessity of increased *organization* at various levels. Organization has two facets, namely *coordination* and *discipline*. A first field of exercise is the enterprise itself (and this first aspect echoes Marx’s analysis of cooperation, manufacture, the great industry). The amounts of capital to be collected to finance large enterprises lie beyond the limits of individual ownership, rendering necessary the intervention of financial institutions. The tasks of organization within large enterprises also overstep the limits of individual capabilities, rendering necessary the action of specialized managers. To those, one must also add the policies, regulations, and the coordination from central institutions.

3. *The forces governing the process of socialization.* One fundamental force stimulating the progress of socialization was the determination on the part of capitalist owners to extend the scale of production, the desire to overpass the obstacles to accumulation. These dynamics provoked major institutional innovations, like the creation of corporations or of the large financial institutions such as banks or stock markets. But the states were always key agents in the progress of these social institutions. The major policies aiming at the construction of roads, canals, and railroads, under the aegis of governments were prominent factors in the progress of socialization, but the role of governments was also central in the establishment of financial institutions.

1.2 - Socialization and crises

The relationship is tight between the historical progress of socialization and the occurrence and severity of crises. History is a painful process.

The risks of instability inherent in the advance of socialization are the consequences of cumulative processes, the propagation of disequilibria within social systems of increasingly complex reciprocal relationships. One can first consider “real” mechanisms. An important example is the fact that the decision to cut output on the part of one enterprise provokes a similar decision within other enterprises, as the reduction of production diminishes the demand for inputs and the amount of wages paid out. Financial mechanisms obviously play a crucial role. Chains of lending are involved, and the increasing difficulty to paid back loans in one point of the economy has damaging consequences upstream in the chain. The desire to purchase a security on the part of one investor encourages similar decisions on the part of others, the expression of what is denoted as “mimetic” behaviors. More generally, financial

mechanisms—allowing for the commitment, liberation, and recommitment of huge masses of capitals from one point of the economy to another point, and from one country to another as socialization rhymes with globalization—emancipated capitalists from the rigidities typical of physical investment. Recurrent cumulative collapses testify to the volatility inherent in such systems of reciprocal relationships if they remain uncontrolled.

The function of a number of government institutions is precisely to avoid the propagation of such chains of events. But important lags are often observed in the establishment of such corrective mechanisms, inasmuch as they may contradict immediate individual interests.

The entire history of capitalism manifests the action of such dynamics, as major transformations are often undertaken only in the wake and as consequences of crises. Schematically, since the late 19th century, two major sets of such transformations of historical import can be identified, namely the revolution of the institutions of capitalist ownership and the macroeconomic revolution. They are the object of the following section.

2 – The capitalism of the 20th century

Considerable historical developments occurred since Marx's time. They suggest important theoretical adjustments. In what follows, we move from factual observation to theoretical reformulation and the formulation of basic theses concerning the history of capitalism.

2.1 – The United States in the 20th century: Crises and institutional transformations

The adjustment of the institutions of capitalism to the increasing socialization of production is manifest in two main broad sets of transformations, namely at the transition between the 19th and 20th centuries, the metamorphosis of the institutions in which the ownership of the means of production is expressed, and the macroeconomic revolution after World War II:

1. *The great revolution of the institutions in which capitalist ownership is expressed.* This revolution marked the entrance into the capitalism of the 20th century. Three components can be distinguished, though they must be understood as a coherent whole:

- The collective (within capitalist classes) ownership of capital in the great corporations, that is, the *corporate revolution*.
- The collective private coordination by the large financial institutions (of the Morgans, Rockefellers, and the like), that is, the revolution of financing. These financial institutions were established “upstream”, that is, above the new sector of corporations, assuming the function of institutional capitalists, controlling broad segments of the large financial and nonfinancial capital.
- The conduct of organizational capitalist tasks by a specific category of salaried workers, the managers, in the *managerial revolution*.

The three revolutions would have been impossible in the absence of the revolution of financial mechanisms during the second half of the 19th century in the United States. During

this period, credit mechanisms expanded to unprecedented levels, with the rise of bank accounts and the corresponding increase of the mass of money, up to the 1920s.³ These transformations echoed the development of financial institutions in Europe.⁴ In the United States, the new role assumed by banks would have been impossible without the previous establishment of the large banks of New York and Chicago in the *National banking system*. The same was true of the corporate and managerial revolutions, of which Marx had already analyzed the early forms in Europe.⁵ From within this new institutional framework, the United States conquered a position of dominance over European countries, to a large extent, the foundation of the international hegemony of the country.

2. *The macroeconomic revolution.* This revolution occurred in the wake of World War II. Involved are the emergence of policies—“collective” by definition—aiming at the stabilization of output (monetary and fiscal policies). As could be expected, these policies were supplemented by regulations whose purpose was the control of financial activities, domestically as in the New Deal and, internationally, in the Bretton Woods agreements.

In both instances, such transformations were undertaken in the wake of structural crises, respectively the crisis of the 1890s, on the one hand, and the Great Depression and World War II, on the other hand. In all of these respects, resistances to change were met, delaying the required adjustments. Due to the delegation of managerial tasks to managers and the supervision of corporations by financial institutions, the property of the means of production without their control by their owners was perceived as a threat by capitalists.⁶ The same was true concerning the macroeconomic revolution, given the prerogatives conferred on the central bank in the control of credit. The central bank acquired a direct power concerning the creation of purchasing power and capital itself. The opposition to such transformations was very strong in the United States, leading to the late establishment of the Federal Reserve in 1913.

The triple revolution of the institutions of capitalist ownership was at the origin of important gains in efficiency. Paradoxically, it also had destabilizing effects, namely the more efficient management of corporations contributed to the increased macro instability and, more trivially, the progress of monetary and financial mechanisms considerably added to the risks of financial instability.

2.2 - Finance and managers in the capitalism of the 20th century

³ See G. Duménil, D. Lévy, *La dynamique du capital. Un siècle d'économie américaine*, Paris, PUF, 1996, ch. 22.

⁴ The financial revolution in England at the end of the 17th century and at the beginning of the 18th century was marked by the establishment of the Bank of England, the stock market, the development of commercial banks and insurance, and favored the expansion of public and maritime borrowing. In France, the development of large financial institutions culminated during the First and Second Empires.

⁵ Concerning corporations, Marx already saw in banks the “administrators” of lending capital. Concerning the delegation of managerial tasks, Marx wrote: “Capitalist production has itself brought it about that the work of supervision is readily available, quite independent of the ownership of capital. It has therefore become superfluous for this work of supervision to be performed by the capitalist.” (K. Marx, *Capital*, Volume III, Vintage Books, New York, 1981, p. 511. See also G. Duménil, M. Löwy, E. Renault, *Lire Marx*, Paris, PUF, 2009, p. 249).

⁶ A. Berle, G. Means, *The Modern Corporation and Private Property*, Londres, Macmillan, 1932.

The great revolutions of the beginning of the 20th century updated the forms of ownership with respect to the progress of the socialization of production. This section discusses two major consequences of this development concerning class patterns and the transformation of relations of production:

1. *Finance*. The revolution led to the apparition of a new historical agent, “Finance”, of a rather singular nature, to be distinguished from the financial sector. While managerial tasks (production, price fixing, investment) were delegated to managers within enterprises, a number of capitalist functions, such as the collect and allocation of capital among various enterprises and industries were transferred to the new financial institutions, themselves managed by managers. A link was, thus, established between the power of capitalist families, whose property acquired a financial character in the holding of securities, and the power of large banks. In turn, this latter power was supported by variegated other financial institutions (central banks, investment banks managing the wealth of the richest fraction of the population, pension and mutual funds, hedge funds, stock market, the FMI, and the like). We call “Finance” these upper fractions of capitalist classes and *their* financial institutions. The establishment of Finance marked the end of the separation between financial and industrial capitalists. At the beginning of the 20th century, Hilferding had a clear insight of this transformation, which he theorized in his concept of “financial capital”.⁷

2. *Managers: A new class relation*. The transformations that occurred at the transition of the 19th and 20th centuries rendered necessary the distinction between a *property relation in the strict sense* (the right to purchase and sell the means of production and to benefit from the income they generate) and *the forms of both the direct control of decision making inherent in management and the indirect control in central administration*. One of our fundamental theses is that managers constitute a class in the full sense of the term, given the position they occupy within relations of production as a result of their function. Managers are not the upper fraction of an alleged class of wage-earners or, for top managers, part of capitalist classes. They presently occupy an intermediate position within social hierarchies but cannot be defined as a “middle class”, a notion that only obscures the true nature of their position within relations of production.

One can here briefly refer to the income patterns typical of contemporary capitalism and to the ways of life and thinking. The analysis of income hierarchies stresses the importance of the dichotomy between the upper fractions of wage-earners and the bulk of wage-earners. Concerning the levels of income, a form of “surplus” is pumped by the higher income strata, whose size is certainly superior to capitalist incomes (interest, dividends, and capital gains), of which managers also marginally benefit. In addition, the historical dynamics of these high wages strongly differ from those of the wages of other categories.⁸ Within contemporary societies, managers receive an education in the best institutions (schools, universities) and enjoy a certain monopoly of higher knowledge. The fraction of these classes whose intellectual character is expressed in particular careers, such as professors, researchers, journalists, and the like, play a specific role in the formation and propagation of this knowledge. Social norms concerning ways of life (relationships within couples, practices

⁷ G. Duménil, D. Lévy, *The Crisis of Neoliberalism*, Cambridge, Massachusetts, Harvard University Press, 2011, Box 4.1.

⁸ *Ibid.*, ch. 3 et 5.

concerning food, culture, leisure, and the like) are now defined by these groups, the managerial class rather than the bourgeoisie.

Overall, the entrance into the capitalism of the 20th century coincided with the emergence of a tripolar class pattern: (1) a new capitalist class, whose ownership of the means of production is supported by securities, bonds and stock shares, at a certain distance from production; (2) a class of managers; (3) popular classes of clerical-commercial and production workers. (This classification leaves aside the traditional class of small owners.)

2.3 – A new mode of production: Managerialism

The emergence of a new class from within the capitalist mode of production led us to formulate the hypothesis of the gradual genesis of a new mode of production:

1. *Managerialism*. The continuation of the process of socialization and the rising power of the new class of managers are the manifestations of the emergence, from within the capitalist mode of production, of a new *mode of production* that we denote as “managerialism”, since its upper class is the managerial class. The development of such a mode of production would confirm the increasingly parasitic character of capitalist classes, no longer assuming any function; socialization would have finally led to the transformation of relations of production to the point of their actual mutation “beyond capitalism”.⁹ As variegated categories of capitalists (notably, big and small) and forms of capitalism exist, the subcategories of managers are distinct in some respects (more or less high within hierarchies, technical or financial managers). The same is true concerning the forms of managerialism. Managerialism is compatible with a broad variety of distinct political regimes, namely dictatorships, democracies, etc. The establishment of such features can only be the outcome of class struggle.

It is clear that, to a considerable extent, we are prolonging here the specifically revisionist component of our relationship to Marx’s thinking. But such analyses were not alien to Marx. Marx wrote, for example:

*Capitalist joint-stock companies as much as cooperative factories should be viewed as transition forms from the capitalist mode of production to the associated one, simply that in the one case the opposition is abolished in a negative way, and in the other in a positive way.*¹⁰

2. *Managerialism, socialism, and communism*. Marx directly linked the continuation of the process of socialization to the establishment of socialism and communism. Our interpretation implies that neither one is the necessary immediate successor of capitalism.¹¹

In our opinion, the societies defining themselves as socialist or communist were non-capitalist class societies. They were *managerial* societies since the ruling class was a class of managers. Very schematically, the two following aspects are involved: (1) concerning economic

⁹ G. Duménil, D. Lévy, *Au-delà du capitalisme ?*, Paris, PUF, 1998.

¹⁰ K. Marx, *Capital*, Volume III, Vintage Books, New York, 1981, p. 572.

¹¹ Unless socialism is understood as a managerialism, but we will not enter here into this discussion.

mechanisms, bureaucratic planning; and (2) concerning politics, the fact that the ruling class proved unable to establish a class democracy—the ultimate expression of the failure of the program of reform—and, even more so, a democracy to which popular classes would have been associated.¹²

2.4 – Managerial *capitalism* and capitalist *managerialism*

Contemporary societies must be analyzed as transition societies, from one mode of production to the next, namely from capitalism to managerialism. What we trivially denoted in other contexts as “modern capitalism”, or “organized capitalism”, should, thus, more rigorously be called “managerial capitalism”, the expression of the hybrid features typical of this transition.¹³ The domination of capitalist classes defines a form of “standard configuration” within managerial capitalism, inasmuch as the capitalist social relationship remains dominant. Gradually, as this domination will gradually be superseded, it will become necessary to refer to a form of “capitalist managerialism”.

The transition between capitalism and managerialism is necessarily a lasting process, as was the case of the transition between feudalism and capitalism.¹⁴ In this latter transition, the network of reciprocal relationships was dense in the economic or cultural spheres. One can mention: (1) the purchase of land estates by the members of the bourgeois class and the involvement of feudal lords in commercial or industrial ventures; (2) the imitation of aristocratic social and cultural practices by the bourgeoisie; (3) the establishment of constitutional monarchies, etc. The same is true within capitalist managerialism: (1) the purchase of securities by managers and the participation of the members of capitalist families in the management of large corporations; (2) the convergence of ways of life and cultural practices, etc.

The great union between emancipation and organization, which Marx was calling for, requires very advanced forms of democracy, well beyond the “representative” democracies in present-day managerial capitalism. Involved are the conception and implementation of a political system, the expression of an actual compromise between, on the one hand, the managers of the private and public sectors and, on the other hand, popular classes. The objective would be twofold: (1) the elimination of capitalist ownership; and (2) the mastering of the (class) contradictions between managers and popular classes. Obviously, basic questions remain to be settled. What would be the outcome, a democratic form of managerialism, managerial socialism, or socialism? How should such alternative social configurations be defined?

¹² G. Duménil, D. Lévy, *Au-delà du capitalisme ?*, Paris, PUF, 1998. Concerning the class nature of Soviet Union and the failure of reforms, see the major work of Mosche Lewin, *Le siècle soviétique*, Paris, Fayard, Le Monde diplomatique, 2003.

¹³ [Note to the English translation. The phrase “managerial capitalism” has been used in the United States to designate the first postwar decades, the 1960s and 1970s, in which managerial classes enjoyed a significant degree of autonomy in the management of corporations and the definition of policies, vis-à-vis capitalist interest. It is certainly not in the United States that these managerial features were the strongest, but this is where the term was coined. This period was one expression of the much larger transition considered in the present section, under the favorable circumstances of the postwar compromise.]

¹⁴ G. Duménil, D. Lévy, R. Lew, « Cadrisme et socialisme. Une comparaison URSS-Chine », *Transitions*, 1999, vol. 40, n° 1-2, pp. 195-228.

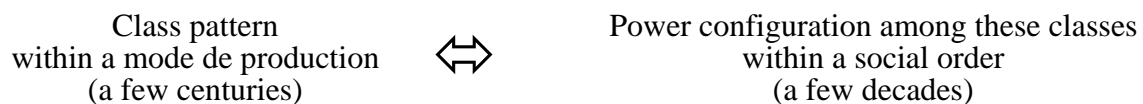
3 – Social orders

The history of capitalism since the late 19th century cannot be interpreted as a smooth and regular movement along the axis socialization/organization/coordination. In all of their aspects—the transformation of relations of production, the adjustment of the corresponding institutions, capital accumulation, and the course of class struggle—the pace of these dynamics is marked by ample pulsations. In these movements, we emphasize the succession of structural crises and *social orders* (which we also call “power configurations”), a notion that must now be defined.

3.1 - Dominations and class alliances

Within capitalism, the *slow dynamics that govern the succession of the two modes of production* manifest themselves in the progression of the hybrid forms typical of managerial capitalism. Concerning class patterns, involved is the transition from the bipolar to the tripolar configurations, the consequence of the transfer of managerial tasks, traditionally capitalist functions, into the hands of managers, whose action is supported by that of lower ranking employees. Simultaneously, “central” economic functions emerge within state and quasi-state institutions.

A clear separation must be made between the viewpoint of these class patterns and the viewpoint of the *dominations and alliance between classes*, typical of great historical junctures. On the basis of a same class pattern, distinct power compromises and hierarchies can be established. For example, the domination of capitalist classes may be exclusive or moderated by specific power relations. One, thus, moves from the sphere of class patterns to the sphere of class struggle, more specifically to the consequences of these struggles concerning the exercise of domination. “Order” is meant here in its meaning within a phrase like “maintaining the order”. A given “order” is maintained in a society by the imposition of discipline and forms of governance by one or several classes, within a given power configuration. The crucial distinction is as follows:



To the notion that class struggle is the engine of history, the concept of social order adds the rather obvious supplement that these struggles lead to the establishment of power configurations, namely social orders, like wars redraw the contours of countries, empires, redefine alliances, and the like. Simultaneously, the time frame is distinct. While the transformation of class patterns unfolds over periods of one, two, or more centuries, the alternative configurations of the power relationships between the components of these class patterns last a few decades.

3.2 – The three social orders of managerial capitalism

This section is devoted to the periodization of managerial capitalism into three major social orders separated by structural crises:

1. *Four structural crises.* Since the end of the 19th century, we distinguish four large structural crises—the crisis of the 1890s, the Great Depression, the crisis of the 1970s, and the crisis of

neoliberalism.¹⁵ These crises are about ten-year long phases of perturbations, whose periodicity is about four decades. They are marked by the occurrence of recessions and depressions, as well as financial crises. To these features, one can add more specific disruptions like the crisis of competition in the 1890s and the wave of inflation in the 1970s.

The first and third of these crises (in the 1890s and 1970s) were caused by phases of decline of the profit rate—profitability crises. The second and fourth were major explosions, the expression of the riskiest financial innovations and disequilibria, crises typical of specific social orders—crises of financial hegemony (that is, crises resulting from the hegemony of Finance).

These four large structural crises were separated by three periods of about thirty years, in which given social orders stabilized. The transition from one social order to the next occurs within the circumstances and given the opportunities created by structural crises, under the pressure of class struggle—popular classes against capitalist classes—but are also determined by the interplay of on-going tensions and alliances between capitalist and managerial classes, or between managerial classes and popular classes.

The three social orders can be characterized as follows:

1. *The first financial hegemony.* From the structural crisis of the 1890s to the Great Depression, the hegemony of Finance remained rather unchecked. A form of compromise existed with the classes of managers of the private sector (in full development) and of the government sector (still few).

2. *The postwar social compromise.* Within advanced capitalist countries, the strength of the worker movement and the occurrence of the Great Depression led to the formation of various social configurations, from Fascism and Nazism to the Popular front and the New Deal. In these two latter instances, a social compromise was established in which the managers of the private and public sectors enjoyed a large degree of autonomy, given their strength resulting from the alliance with popular classes, an alliance to the Left. Thus, after World War II, the power and income of capitalist classes was significantly limited. This period can be characterized as a “social-democratic” or “Keynesian compromise”. Given the underlying favorable conditions of technical and organizational change, these decades allowed for the progress in the purchasing power of popular classes, as well as the development of education and welfare. The management of corporations was aiming at investment, and policies at growth and full employment.¹⁶

Thus, the creation of the new institutions of capitalist ownership provoked the emergence and the gradual rise of enterprises’ managers. The Great Depression, the New Deal, and the war economy suddenly conferred a prominent role on the action of the managers of the government sector during the postwar compromise.

3. *The second financial hegemony in neoliberalism.* The decline of the worker movement was determined by two main categories of factors: (1) the failure of the social experience claiming

¹⁵ The crisis of the 1890s came in the wake of other major perturbation, like the crisis of 1873 in the United States.

¹⁶ These “progressive” features should not conceal the productivist and imperialist aspects of this social order.

the intellectual legacy of Marx, metamorphosed into official ideology by a managerial class within the specific power configuration typical of countries defining themselves as “socialist” or “communist”; and (2) the conditions created within capitalist countries by the crisis of the 1970s. This setback allowed capitalist classes to recover their former hegemony and to ground it in a social alliance with managerial classes, an alliance to the right. Nationally and internationally, all barriers to the power and wealth of these classes were lifted, as expressed in the stagnation or diminution of the purchasing power of popular classes, the degradation of working conditions, the erosion of welfare protection, the opening of international trade and financial frontiers, financial deregulation, and the like. Up to the crisis of neoliberalism, this restoration was very successful and resulted in what is cautiously denoted as the “growth of inequalities”.

The repetition of financial hegemony at a distance of 80 years (1900-1980), despite the major transformation of capitalism, is noteworthy. The basic aspects shared by the contemporary crisis and the Great Depression testify to these common social roots. During the two financial hegemonies, capitalist classes engaged into perilous processes of innovation and deregulation. But in both instances, these mechanisms acted in combination with other heterogeneities and disequilibria, which can be described as “real”, in which technical change, investment, consumption, and foreign trade are involved.

Box 1 briefly discusses the relationship between our notion of « social orders » and the « regulations » of the theory of Regulation.

Box 1 – Social orders and regulations

The common point between the two notions is that both social orders and regulations refer to periods of intermediate duration, shorter than modes of production. In our framework of analysis, we emphasize the direction of history, the increasing socialization of production, class compromises, and power configurations. Within the Regulation school, a regulation is defined as a coherent set of institutions and mechanisms concerning demand, monetary mechanisms, and technical progress. The succession of such regulations does not follow any particular “direction”.

One of the important factual statements of the Regulation school with which we basically disagree is the importance given to the “wage relation” within the “Fordist regulation” (Fordism). The pegging of real wages on labor productivity is, thus, conferred a pivotal role in the determination of demand levels. This thesis echoes the interpretation of the Great Depression by the Regulation. The Depression is pinned on a divorce between wages and labor productivity, and the ensuing excess of profits, while empirical calculation do not confirm such tendencies in the United States. These analyses were prolonged into the interpretation of neoliberalism as a “regime of patrimonial growth”, allowing for the adjustment of demand levels by the rise of stock-market indices.¹⁷

¹⁷ M. Aglietta, *Régulation et crises du capitalisme*, Paris, Calmann-Lévy, 1976 ; M. Aglietta, *Le capitalisme de demain*, Paris, Notes de la Fondation Saint-Simon, n° 101, 1998 ; R. Boyer, *La théorie de la Régulation : une analyse critique*, Paris, Agalma-La Découverte, 1986 ; G. Duménil, D. Lévy, *The Regulation School in Light of One Century of the U.S. Economy*, 1989, <http://www.jourdan.ens.fr/levy/dle1989k.pdf>; G. Duménil, D. Lévy, « Les Régulationnistes pouvaient-ils apprendre davantage des classiques ? : Une analyse critique de quatre modèles », *Économie et Sociétés (Série Théorie de la régulation)*, 1993, vol. 6, pp. 117-155 ; G. Duménil, D.

3.3 – Interlocking the two dynamics

There is a basic relationship between the two dynamics, respectively those of relations of production and the succession of social orders.

To a large extent, the succession of social orders is stimulated by the transformations of relations of production, inasmuch as these transformations determine the actors of class struggle, as well as their importance and comparative functions. In this respect, the diagram in section 3.1 remains too simple, as the first term to the left points to the “mode of production” (capitalism) and the corresponding class pattern (capitalists and the proletarian class). Within managerial capitalism, the tripolar relationship (capitalists/managers/popular classes) must be gradually substituted for the bipolar relationship (capitalists/proletarian classes). This transformation and, specifically, its degrees lay the social foundations on which the social orders are based, namely alliances to the Right and to the Left. But there is a feedback effect, since social orders necessarily have an impact on the dynamics of relations of production. To a large extent, the hierarchies of power prevailing within social orders determine the policies and institutional transformations along which long-term trajectories are drawn. Below, we provide a few illustrations of such relations:

1. *The gradual advancement of managerial functions within managerial capitalism.* The evolution of relations of production creates new conditions, more and more favorable to the exercise of the potential power of managers. The managers in the 19th century did not have the opportunity to constitute themselves as social force. The situation was thoroughly different in the capitalism of the 20th century when complex social organizations were more and more under the leadership of managers. The control of the action of these managers by capitalists became a central issue. The postwar social compromise—the outcome of class struggle on the part of popular classes—conferred on managers an unprecedented enlarged degree of autonomy, a first version of what could be the setting aside of capitalist classes.

2. *The feedback effect of power configurations on the trajectories of relations of production.* The increased autonomy of managers during postwar decades was a vector in the progress of relations of production in particular directions suggestive of possible trajectories of evolutions of production relations in managerial capitalism. The rise of state-controlled or partly state-controlled institutions, the creation of large central institutions in various fields such as research, education, health, and the like, as well as the conduct of strong economic policies, notably macro policies (fiscal and monetary), paved the way to the strengthening of the power the managers of the government sector. The “financial repression”, the outcome of the set of decisions made during the New Deal, contributed to the capability that the managers of private enterprises acquired to free themselves from the power of shareholders.

Neoliberalism had an important effect on the progress and forms of socialization. In sectors such as education, transportation, and health, the emphasis was placed on privatization. Large segments of governance systems were transferred into the hands of institutions freed from the constraints of mechanisms typical of contemporary republics. It was so of central banks, the European commission, the IMF, or the WTO. Concerning managers, transformations

symmetrical to those undertaken during the postwar decades were observed, as in the hierarchies between technical and financial managers, now to the benefit of the latter.

3. *Neoliberal trends against the direction of history.* The relentless character of the historical dynamics of production relations and the advances in the process of socialization are such that neoliberalism was only able to “redirect” earlier trends, instead of stopping them. A straightforward indicator of these constraints is the fact that neoliberalism was not able to check the growth of the share of public expenses in GDP. Even more fundamentally, in the political sphere, the continuous enhancement of the social position of managers within relations of production explains why the capitalist endeavor in capitalism *would have been impossible* had not the alliance with managers been stricken. Capitalist can no longer rule alone, the outcome of the dynamics of productive forces and relations of production.

4. *Neoliberalism as a “restoration”.* These constraints did not hamper the establishment of neoliberalism. The endeavor appears “reactionary” in two basic respects. On the one hand, considering politics in the common sense of the term, neoliberalism broke the “progressive” dynamics inherent in the previous social order based on a social alliance of which popular classes were one component. On the other hand, concerning the underlying dynamics of relations of production and the transition to capitalist managerial, the prevalence of a social order based on the leadership of capitalist classes clearly runs counter the direction of historical evolution. The capitalist-managerial transition implies the progress of managerial historical trends, even if this movement is made in alliance with capitalist classes. In this latter respect, one can see in the contemporary crisis the manifestation of the internal contradictions of neoliberalism, the convulsions resulting from the incompatible character of, on the one hand, the advance of socialization, which requires the progress of forms of organization and coordination and, in the other hand, the establishment of neoliberalism.

5. *Current stakes.* At stake in contemporary capitalism is a renewed political configuration of class dominations and alliances that will govern the trajectories in the forthcoming decades. Two basic questions are posed: (1) Given the conditions created by the crisis of neoliberalism, will managers conquer a social leadership? (2) Would this leadership be set up in alliance with capitalist or popular classes? The direction of history has important implications concerning the first question. Despite the demonstration made by neoliberalism of the possible ample detours of history, the course of history paves the way to the rise of managers. But there is no implication of the direction of history concerning the second issue. One can even interpret Marx’s message as meaning that, in the absence of a victorious struggle of popular classes, managers will remain ensnared in their alliance with capitalist classes. Such tendencies can be interpreted as the expression of the basic trends already observed in the transition between feudalism and capitalism, namely the forces in favor of the perpetuation of class domination, which—beyond their specific contents—govern the continuation of dominations from one mode of production to the next. The emancipation of popular classes does not result, and will never result, from forces coming from the upper components of social hierarchies.

Independently of the possible political orientations—to the left or to the right—of the new social configurations that might follow from the dead-end that neoliberal capitalism is now confronting in Europe and in the United States, the analysis of these tendencies suggests that the managers of state institutions will probably play a major role—at least temporarily, a very strong role. A new “grasp” from above is required concerning economic and social dynamics. It will come from the center, under the form of regulations and policies, or will never happen.

One, obviously, thinks here of the New Deal, but one can also remember that Marx saw in state institutions in the Ancient regime an instrument used by the rising bourgeois class.¹⁸

3.4 – Social orders and states

A last link remains to be introduced. The theory of social orders is tightly connected to the theory of the state. There is unquestionably a relationship between the state and the domination of upper classes, since the state is the agent of the power of these classes. This is mainly what Marxist theoreticians learned from Marx, notably from Marx's political work.

The direct relationship that makes of the state a mere tool in the hands of capitalist classes is, however, too simple. The notion of social order jointly refers to class dominations and alliances, and this feature accounts for the fact that we designate social orders as *power* configurations. As such, this notion may contribute to the clarification of the relationship between class patterns and states. We define the state as the set of institutions and mechanisms by which the complex system of class hierarchies and alliances is constituted and perpetuated within social orders. These mechanisms are highly centralized but not fully. We are not far from Marx's analysis (Box 2).

The state, in the strict sense, does not have a monopoly of state functions. A broad set of other institutions also contribute to this process (of constitution and perpetuation), for example central economic and financial institutions, such as central banks, the IMF, and the WTO. Finally, an even broader set of institutions, notably within education, judiciary, and religious systems, are involved in the *exercise* of power thus constituted (rather than its *configuration*, in the active sense of the term).¹⁹

During the first decades that followed World War II, the social-democratic social order conferred a relative overriding position to the alliance between managers and popular classes within the state (combined with more or less advanced forms of financial repression). The « presence » of dominated classes within state institutions during the first postwar decades aroused a significant degree of emotion among Marxist theoreticians of the state, since the narrow definition given of the state *a priori* ruled out this potentiality.²⁰ Within neoliberalism, the alliance between the capitalist and managerial classes was also established within state institutions. Popular classes were excluded, hence the alleged “end of politics”, a misleading expression that refers to a political bias, the expression of the concentration of powers in the hands of upper classes to the detriment of the democratic components inherent in social-democracy.

¹⁸ G. Duménil, D. Lévy, *Au-delà du capitalisme ?*, *op. cit.*, pp. 55-56.

¹⁹ L. Althusser, *Sur la reproduction*, Paris, PUF, 2011, ch. VI, VII et VI II.

²⁰ See the debate between Étienne Balibar and Nicos Poulentzas (E. Balibar, « Communisme et citoyenneté. Réflexion sur la politique d'émancipation à partir de Nicos Poulentzas », *Actuel Marx*, 2006, vol. 40, pp. 136-155).

Box 2 - Marx, the state and the compromises between the fractions of upper classes

Such a conception of the state surfaces in Marx's political work, in the analysis of the French bourgeoisie in the middle of the 19th century. The power of this bourgeoisie was shared by all fractions, but under the leadership of specific components:

This bourgeois mass was, however, royalist. One section of it, the large landowners, had ruled during the Restoration and was accordingly Legitimist. The other, the aristocrats of finance and big industrialists, had ruled during the July Monarchy and was consequently Orleanist. The high dignitaries of the army, the university, the church, the bar, the academy, and the press were to be found on either side, though in various proportions. Here, in the bourgeois republic, which bore neither the name Bourbon nor the name Orleans, but the name capital, they had found the form of state in which they could rule conjointly.²¹

The central idea here is the formation, in the active sense of the term, of *an alliance* between various fractions of classes within state institutions, of which Marx stresses the difficult emergence. Either one fraction had successively assumed the leadership in the monarchy, while the republic allowed them to govern in common. Thus, this republican state, when considered in relation to its class foundations, must be understood as a more adequate institutional form in which the on-going social compromise could be grounded. But, underlying this analysis, is also the view that the legitimist and Orleanist monarchies were already the instruments of the same alliance.

Our framework applies this analysis to capitalists and managers in contemporary capitalism. We consider these two groups as *two* distinct classes fundamentally typical of two modes of production, but coexisting within managerial capitalism. To the contrary, in the above quotation, Marx considered landowners from the viewpoint of capitalist relations of production (as member of the bourgeoisie together with capitalists). The parallel remains, however, very strong, given the broadening of Marx analytical framework that we suggest, in the parallel between landowners/capitalists on the one hand, and capitalist/managers on the other hand. In both cases, the two poles refer to two transitions between distinct modes of production: feudalism/capitalism on the one hand, and capitalism/managerialism on the other hand.

²¹ Karl Marx, *The Eighteenth Brumaire of Louis Bonaparte*.

<http://www.marxists.org/archive/marx/works/1852/18th-brumaire/ch02.htm>