

# **THE MANAGERIAL REVOLUTION: WHAT IS HAPPENING IN THE WORLD**

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May 1, 2022

Who rules? That's what we all want to know. *The Managerial Revolution*, James Burnham's still-influential 1941 book (the subject, for example, of recent pieces by Aaron Renn and Julius Krein), gave that eternal question a fresh answer. Broadly speaking his was, we can see eighty years later, indisputably the correct analysis. Burnham agreed that capitalism, private enterprise as the engine of the ruling class, was dying, the usual opinion in that tumultuous time, but made the entirely new claim that what would replace it was not, as most assumed, socialism, but a new thing. Namely, the ascent of managers, a new ruling class, who would hugely expand government and use it to mold society into new forms for their own benefit.

*The Managerial Revolution* is a cousin to Burnham's 1942 *The Machiavellians*, in which Burnham more completely laid out his theory of the ruling class, through a Gnostic examination of history. In *The Managerial Revolution*, he treats as axiomatic that every society must have a ruling class, but this book looks not backward, rather forward, to what our specific new ruling class will be, and how it will rule. Both books suffer somewhat from a belief that human social and political relations can be reduced to an objective science; in 1941, unlike today, an author could still believe the precision of his predictions was only limited because of the "relatively undeveloped stage at which sociological science today rests." Burnham always aspired to be a pure rationalist, but that made him unable to appreciate that human beings are not machines, and therefore their actions cannot be reduced to the same analysis as physical processes (to be fair, a common error also made by some on today's postliberal Right). Hence, his claims about the future were wrong in many details, but that does not really detract much from the value of his book.

*The Managerial Revolution* has to be viewed through the lens of its precise time and place—after all, its subtitle is "What Is Happening in the World." A key element of men's thoughts eighty years ago was that the world was in flux, a flux that would lead to entirely new meanings

and new ways of existing. The common belief was that anything could happen—unlike today, the gray world of Nietzsche's Last Man was not on the horizon, though certainly not all possible futures were seen as good. Whatever we may think after decades of propaganda, the then-ongoing war was not the crucial element in this flux; for Burnham, certainly, the war was mostly incidental, merely the present most dramatic manifestation of a broader global turmoil. What mattered was the social systems which were being tested in the refiner's fire.

Burnham's basic thesis is that all social systems are converging, in a "social revolution," into what he calls managerialism. He is perfectly well aware that social change is always constantly occurring in every time and place, and of itself is not hugely noteworthy. It is the rate of change that makes a revolution; if change is fast enough, which it is normally not, the resulting tremors, as it were, create a fracture, and a wholesale change in "the most important economic and political institutions, widespread cultural institutions and beliefs, and ruling groups or classes." Such revolutions are not common. The most recent one was the replacement, at the end of the Middle Ages, of feudalism by bourgeois capitalism. In the West, that is; Burnham explains his focus on the West by correctly noting that only what the West does matters, or at least has mattered for a very long time. "The modern world has been the world of [the great powers of 1941], not of Afghanistan or Nicaragua or Mongolia."

What's a manager? When we think "manager," we usually think of private enterprise. We may think of a fast-food chain store manager; or of a middle-manager scrabbling to rise in the professional-managerial elite; or of a powerful executive who is seen as managing a corporation. But that's not what Burnham meant by "manager." He meant enlightened, intelligent men, only incidentally, and usually not at all, tied to private enterprise, who would use the ever-growing power of the state to ultra-competently arrange all economic matters for the benefit of society—and, not incidentally, also for their own benefit. The McDonald's manager, in Burnham's analysis, is a mere wage slave; the executive is irrelevant and subordinate to the real managers, at least once the social revolution is complete.

Managers did originate in private enterprise, as a direct result of the increasing complexity of industrial economies beginning in the

nineteenth century. Most individual tasks of workers in 1941 almost always require less skill than in the past, the result of rationalizations of various types (Burnham does not mention Taylorism, but that is the sort of thing he means). The crucial exception is the task of management, which is necessarily becoming vastly more complex, as enterprises become larger and farther-flung (again, Burnham does not mention it, but in short this is because of economies of scale). The fundamental task of "direction and co-ordination" Burnham calls managing, and those who do it managers—in short, those who manage the actual processes of production.

Managers are thus children of capitalism, though they, like the children of Cronos, are overthrowing their father. Under capitalism there is no central, conscious regulation of the economy as a whole. The result was two broad classes of people in society: those with an ownership stake in instruments of production, the bourgeois or capitalists, who are the ruling class, and the proletariat. Nation states fed by global trade are characteristic of capitalism, with those states being (at least theoretically) limited in their powers over economic life, and those states were politically dominated by the bourgeoisie. The belief pattern, or ideology, that underpins capitalism celebrates individualism, and thus private initiative, as well as supposed natural rights, and maintains a firm belief in progress as both necessary and inevitable. ("Democracy" in this analysis is an irrelevant distraction, and Burnham also rejects any form of parliamentarianism, in an analysis not dissimilar to that of Carl Schmitt, who derided the "endless conversation" of modern parliaments.)

What determines the ruling class, in all times and places, is who controls the instruments of production—control of access and preferential treatment in distribution. The latter usually follows the former, but not always. Capitalism as thus outlined seems "natural" to us; nothing can be further from the truth. Capitalism is dying. Not only is it far from permanent, or the final stage of history, or dictated by human nature, it has only existed "for a minute fragment of total human history." Its imminent death can be seen by the mass unemployment that bedevils capitalism, excessive private and public debt which "cannot be managed much longer," "permanent agricultural depression" resulting in inadequate food supply; failure to properly adopt technology; and most

of all, the impotence of bourgeois ideology in the face of new, powerful ideologies. Collectively, these lead to a fatal loss of self-confidence in the ruling class. “[T]he capitalist organization of society has entered its final years.” One might respond that obviously Burnham was wrong—but he would say that we no longer live under capitalism, whatever the Marxists say, and the problems he lists were solved by the completed transition to managerialism. As we will discuss, the truth is somewhere in-between.

Under managerialism, central, conscious regulation of the economy as a whole is the crucial element. This is required to solve the fatal debilities of capitalism and cannot be accomplished without largely or totally eliminating private enterprise in favor of government central planning. (Friedrich Hayek probably had a stroke, if he ever read this book.) Merely having managers coordinate private enterprise within private enterprise is wholly inadequate. “The basis of the economic structure of managerial society is governmental (state) ownership and control of the major instruments of production. On a world scale, the transition to this economic structure is well advanced. . . . Those who control the state, those whose interests are primarily served by the state, are the ruling class under the structure of state-owned economy.” This is the new ruling class—the managers, who control both access to the means of production and receive preferential distribution of the fruits—though not necessarily in cash, like the capitalists, but more often in-kind, as the result of stratified access to services, privileges, and other fruits of power.

Socialism, what most were predicting would replace capitalism, a society that is classless, fully democratic, and international, has never existed anywhere, and never will. Burnham offers much theoretical discussion on this topic (he was a repentant Trotskyist, only having emerged from its spell in 1939), but it all boils down to that it’s never worked, and is never going to. With the vigor of a recovered cult member, Burnham sneers at those who repeat that “socialism has never had a chance.” Whether it is moral, or more moral than capitalism, is irrelevant. It is not coming.

We are now living through a new revolution, the managerial revolution, which will result in the total replacement, in the time period 1915 to 1965, of capitalism by managerialism. In 1941, what Burnham saw was an ongoing struggle for power, for who will be the ruling class, not

dissimilar to that around the transition from feudalism to capitalism, but foreshortened and the outcome certain. This revolution is and will be world-wide. "The economic framework in which this social dominance of the managers will be assured is based upon the state ownership of the major instruments of production. Within this framework there will be no direct property rights in the major instruments of production vested in individuals as individuals." Managers will not, as individuals, control the means of production; they will control the state, which will control the means of production, and they will modify the institutions of the state in order to further ensure this. They must; without governmental expansion and control by managers thereof; the position of managers will always be precarious. Managers are thus the new ruling class.

As with the rise of capitalism, ideology will buttress this seizure of power; the relevant ideologies "have not yet been fully worked out" but are approximated by Leninism-Stalinism, National Socialism, "and, at a more primitive level, by New Dealism and such less influential American ideologies as 'technocracy.'" (We can debate if the currently ascendant ideology of late-stage leftism is the current such master ideology, but that's a topic for another day.) The term "socialism," as used by these ideologies, has nothing to do with actual socialism; the term "is used for ideological purposes in order to manipulate the favorable mass emotions attached to the historic socialist ideal of a free, classless, and international society and to hide the fact that the managerial economy is in actuality the basis for a new kind of exploiting, class society." Intellectuals will again work out these ideologies, serving, again without meaning to, the new ruling class. This is not mere prediction; it is "an interpretation of what already has happened and is now happening."

So far, so coherent. On the other hand, Burnham failed to see that, unlike past social systems, managerialism contains within itself no mechanism to either enforce competency or to limit parasitism, which led him to grossly overestimate the competence of managerialism, especially its long-term competence. Under feudalism, rigid social expectations and limited overall wealth meant that the ruling class had to maintain a basic level of competency and could not engage in stupidity, nor in elite overproduction (hence the medieval focus on what to do with second and third sons). Under capitalism, social expectations were less rigid, but still strong, and the need to turn a profit disciplined the

ruling class and limited its membership. No profit, not a bourgeois for long. But under today's managerialism, and modern giant economies (even if much of those economies is fake), for reasons perhaps unrelated to managerialism, or perhaps indeed related, there are no longer any social expectations, except to burn incense at the altar of globohomo, and there is no discipline of the market, thus allowing managerialism to become, in effect, the largest tapeworm in the Universe. Certainly, today's managers offer no semblance of the rule of law, something Burnham correctly identifies in *The Machiavellians* as a key component of ruling class legitimacy.

For a brief moment in the 1940s, when for ideological reasons dedicated (to one ideology or another), smart young men around the world were pouring into managerial positions, it seemed logical that this was the future, and competence would abound. But, as George Orwell says in a highly critical review/essay reprinted at the front of this book, from 1946, "Second Thoughts on James Burnham," which discusses both *The Machiavellians* and *The Managerial Revolution*, this is just another example of Burnham's besetting sin of always "predicting the continuation of the thing that is happening." (I quote this phrase constantly, applying it far more broadly than to Burnham, especially to the passivist Right.) Expanding on this, Orwell notes that "Power worship [of which Orwell accused Burnham] blurs political judgment because it leads, almost unavoidably, to the belief that present trends will continue." Burnham fell over and over into this trap, which makes him an outstanding analyst and a very flawed prophet.

Seeing, and making explicit reference to, the supposed success of Soviet Russia and National Socialist Germany, Burnham concludes that government expansion is inevitable because government is inherently and always superior to private enterprise. He approves of "centralized state direction, managed currency, state foreign-trade monopoly, compulsory labor, and prices and wages controlled independently of any free market competition," because thereby "the whole economy can be directed toward aims other than profit." The government will be the only major employer, and this will not be slavery, but efficiency. The crises that afflict capitalist economies will disappear. The long-term production curve will go up, instead of down, as it is under capitalism. Private enterprise simply is unable to ever produce the amount of

goods necessary for the modern world (leaving aside what goods those are). The masses will be far better off under managerialism than under capitalism (though no doubt the ruling class will fight among itself, and try to extend its privileges relative to the masses, just as does any ruling class). Five-year plans and ten-year plans created by centralized planners, the new sovereigns, are wonderful and are the future. Russia and Germany are showing the way—whether we like it or not. As always, Burnham violently rejects any moral overlay and any moral judgments.

Crucially, Burnham sees America as behind in this important process—behind Russia, behind Germany, even behind Italy. As government expands ever more into the economy, the capitalist sphere necessarily shrinks, and that of managers expands. Some of this is actual government enterprise; even in America, “half or more of the population is dependent wholly, or in determining part, upon government for the means of living.” Even more of it is government regulation, which also necessarily reduces capitalist sway. Regulation is wonderful; it is only inefficient when the capitalists dare to interfere with it. America, under Roosevelt, is working toward managerialism, but needs to accelerate the process.

With the benefit of decades under our belt, we can see that Burnham was right about managers being the new ruling class, but very wrong that this would be a more efficient system. Those who suffered through the “management” of our response to the Wuhan Plague with open eyes, for example, can no longer have any faith whatsoever in managers. But that’s only one of millions of examples, and really, he should have known better, because history shows that rule by bureaucrats may have a brief efflorescence, usually during what John Glubb called the Age of Pioneers of a civilization, but always quickly becomes sclerotic and corrupt, from Cleopatra to the Ottomans. Burnham places a great deal of emphasis on the Germans and their success in management, and maybe that’s a counter-example, but I’m increasingly convinced that using Germans as historical examples of anything is a mistake, because they are, or they were, you know, Germans.

It’s just about now that we’re seeing that we’re going to have to pay the piper for eighty years of managerialism, but better late than never, I suppose, to get the inevitable over with. Facile and simple minds might object that capitalism is still very much with us; what about the Lords

of Tech, with their massive profits? But they are not capitalists at all, of course; almost all of today's "capitalists" are managers in disguise, who manipulate the government to achieve profits, using various forms of rent extraction to line their pockets. The name for this is corporatism, and in corporatism, it is the government that calls the tune. And even when there is no such direct cooperative manipulation today, there is still no free enterprise, because the managers, that is, the government, minutely dictate in all instances what free enterprise is permitted to do, and what, if any, profits may be kept. That's not even mentioning the enormous amount of simple stupidity that is the fruit of managerialism, because smart people are few and far between, and hard-working smart ones even rarer. We have, whatever Burnham hoped, in fact declined into the worst possible kind of governance—a "technocracy" of dumb people who spend all their time stealing.

Still, all of what Burnham says is interesting, including his now-heretical summary of the world of 1941. The turn to managerialism is playing out in the war that began in 1939, "the first great war of managerial society." Precisely how the globe will be organized remains to be seen; what is certain is that every dominant nation will be a nation whose ruling class is managers. Large nations dominant over much of the earth are inevitable, however, since those are efficient and most capable of being centrally run by managers. National Socialism in Germany was not the result of "terrorism and skilled propaganda," though those played a minor role. The major role was played by that the masses preferred the ideology, and results, offered by National Socialism to the ideology offered by capitalism. France was defeated because the masses "could not be stirred to enthusiasm for a war for 'democracy' (that is, capitalism)." In America, the masses have similar opinions, because "the capitalist ideologies are now wearing out." They managed to hoodwink the Americans, though, after Burnham wrote.

The necessary implication of Burnham's analysis, combined with the history of managerialism's actual rule, is that the hand of government will become ever heavier and ever more incompetent, ending in some variation of Paul Kingsnorth's all-consuming "Machine." As managers multiply like Tribbles, they will (and they have) search out and gobble every bit of society's seed corn, more recently aided and abetted by quasi-governments such as thousands of rabidly parasitical NGOs,



including disguised ones such as BlackRock. But if Burnham is right, the managerial revolution is irreversible. After all, if modern society is necessarily extremely complex, private enterprise will inevitably give way to government power. One could call for more virtuous managers, a better but structurally-unchanged ruling class, but that's a forlorn hope—even if America were wholly remade, history shows us that strangling bureaucracies, for that is what Burnham's managerialism is, even if he could not see it, are the death of a nation, and can never be reformed.

No, the problem has to be addressed at its root. That means sharply limiting, in the new America, the reach of government, by simply ruling most of society completely out of bounds for any kind of government action or impact. We need a government of very limited ends, though with unlimited means for those ends (such as national defense, which does not include one dollar for the defense of Ukraine). Burnham, however, correctly points out that managerialism arose as a consequence of private enterprise becoming gigantic, so we have to address that root problem as well. Paradoxically, the solution is government action to limit private enterprise firm size—extremely aggressive antitrust action, such that no entity is ever allowed, for any reason, to have, let's say, more than a five percent share of its market, defined narrowly. Any larger, and it is forcibly broken up, with stiff criminal penalties for any evasion or failure to comply, and confiscation of any profits obtained.

Many would argue, and Aaron Renn so argues, that very large enterprises are inevitable, because of economies of scale. I'm not sure that's true. As Tim Wu has pointed out, diseconomies of scale are just as real as economies of scale, and many of the reasons that we have large entities now have nothing to do with either efficiency or profit. A major reason for the existence of large enterprises is in order to have the heft to manipulate government to the firm's benefit, or to manipulate society using the enterprise to ends demanded by the government, and those reasons will, in the future I want, disappear. And modern communications technology allows efficient coordination of separate, smaller, firms at arms' length to achieve common objectives, something that could not be done until very recently. Bill Gore (no relation to Al Gore), who set up the company that makes Gore-Tex fabric in 1958, had a rule. When the number of employees in one of his business units reached

around 200, he split the unit into two totally separate units, because efficiency dropped dramatically above then (probably something tied to Dunbar's Number, the maximum number of people one can actually know personally in any meaningful way, and thus maintain group cohesion), and bureaucratic sclerosis set in. I suspect that if we simply forced enterprises to be a lot smaller than they are now, we'd be surprised that not only would we not pay any significant economic price, we'd get massive net economic benefits.

If we did these things, we'd necessarily have a new ruling class—we would, in effect, return to some type of aristocracy, with its exact outlines depending on many imponderable factors. Perhaps military—Burnham wrongly thought that military men would be prominent in the managerial ruling class, but military men in the ruling class has a long and respectable pedigree, so maybe that will be the future. Just not the simpering fat men and ridiculous women who are our top military “leaders” today. Or perhaps, like nineteenth-century America, many localized aristocracies will spring up, based on success in local private enterprise. Every society must have a ruling class; this was Burnham's point, very well made, in *The Machiavellians* (where he was far more negative about America's future than he is in *The Managerial Revolution*). In whatever form, the Iron Law of Oligarchy will assert itself; the default in dying societies where the ruling class must be replaced wholesale is Caesarism, or the closely-related Bonapartism (and next year Ridley Scott is releasing a film biography of Napoleon; coincidence?) How the replacement will get traction, in the form of the growth of new elites, is the key matter. Perhaps some meditation on Yevgeny Zamyatin's *We* will shed some light on such a replacement. Whatever happens, it's clear to all now that managerialism has turned out not to be the end of history, after all, but maybe Burnham, the eternal realist, would not be that surprised.