

(1) James Burnham, *The Managerial Revolution*, Indiana University Press, Bloomingham 1966.¹

{p. v.} PREFACE TO MIDLAND BOOKS EDITION {written at Kent, Connecticut, June 12, 1959}

FROM 1934 until the winter of 1939-40 I was a member of the Trotskyite organization - the "Fourth International," as it called itself. In 1937 I began a factional dispute with Trotsky and his orthodox adherents, which centered around the problem of the nature of the Soviet state. Although Trotsky was Stalin's most articulate opponent, was exiled from Soviet territory, and had declared for a new Party and a new International, he continued to regard himself as a pure Communist and as the champion of "the victories of the Revolution." According to Trotskyite doctrine, the Soviet state, though "degenerated" under Stalin's bureaucratic misrule, was still a "revolutionary workers' state" or "proletarian dictatorship " As such, the Soviet state was "historically progressive" in relation to "reactionary capitalism." Hence it was the duty of revolutionists in all nations, even if they were opponents of Stalin and his regime, to "defend the Soviet Union against any "imperialist" state, including their own fatherland.

For some years I had accepted this empty ideological mumbo jumbo. Then, one day, I tried to relate the formulas to reality. On such a scrutiny it did not take long for the formulas to evaporate. Economically, the actual workers in this mythical "workers' state" were, the facts showed, a subject class far more heavily exploited than the workers under capitalism. Politically, the workers had no power at all. Millions of them were in forced labor camps; all of them were herded and regimented by a pervasive, monolithic police and Party apparatus. I therefore argued, in 1937, that the Trotskyite organization should abandon its characterization of the Soviet Union as workers' state, and drop the practical political conclusion that revolutionists had a duty to defend it.

{p. vi} ... I was on Poland's side against the Hitler-Stalin partnership, and for Finland against the Soviet invaders. Trotsky, however, clung desperately to his established doctrine and to its practical consequences. ...

I wrote *The Managerial Revolution* in 1940; the American edition was published in 1941. ... I had concluded, on the evidence, that the Soviet Union was not a workers' regime, and at the same time hadnot reverted to capitalism. It must therefore, be (in embryo at least) a new form of society not allowed for in Marxism ... This new form I christened "managerial society." ...

¹ Apart from a new Preface (written in 1959), the text is the text of the 1942 British edition published by Putnam and Company; an American edition was published in 1941.

{p. vii} **The analogies were especially convincing in the case of Nazi Germany and New Deal America. I thus arrived at a general hypothesis that world society is in the midst of a major social transformation that may be called "the managerial revolution."** ...

The prediction that with the second World War the old system of many autonomous nations would be replaced by a small number of great political aggregates, or super-states, contending among themselves for the less developed regions of the world, has been confirmed. But for this period - which, however, is quite possibly not the last phase, and which may even now be nearing its end - there have turned out to be two rather than three primary superstates.

Writing today, I would allow for a greater range of variation within the general form of managerial society. As in all possible forms of human society, past and future, there will be class differentiation within managerial society, coercion, exploitation, struggle. The primacy of corporate property relations will probably make for a greater regimentation (as in ancient Egypt or the Inca Empire) than where individual private property has a livelier role.

{Karl Wittfogel, taking Burnham one step further, characterises Egypt and the other ancient empires as "Oriental Despotism", and applies the same label to the USSR; yet the Athenians greatly admired Egypt}

The idea of a perfectly free and equal utopia is an illusion that deceives and defrauds the masses, and serves the interests only of demagogues and tyrants. **But** though perfect freedom and equality are illusory, **human beings can achieve a partial, relative freedom, equality and justice;** and within the developing managerial soci-

{p. viii} eties of the present and future, as within capitalist, feudal and even slave societies of the past, many degrees of relative freedom and justice, ranging from unrestricted tyranny to a measure of constitutional liberty under the rule of law, will be possible. In the conduct of their social and political affairs, **there will always be a better and a worse for human beings to choose; or at least a lesser evil.**

... The managers who control the great power aggregates - big industry, the governmental apparatus, the labor organizations, the military forces - can become, and indeed have already become in most great nations, the dominant class ...

{p. ix} ... Milovan Djilas' book, *The New Class*, which (so far as it goes) is a fairly direct application of the theory of the managerial revolution to Soviet developments, undoubtedly gives expression to ideas widely spread not only in Yugoslavia but elsewhere in the Communist sphere. *The Managerial*

Revoluton has itself been extensively circulated and discussed in eastern Europe, particularly in East Germany, Poland, Czechoslovakia and Russia, and has had the honor of being frequently attacked by the official press and radio.

{p. 30} Continuous mass unemployment is not new in history. It is, in fact, a symptom that a given type of social organization is just about finished. It was found among the poorer citizens during the last years of Athens, among the urban "proletariat" (as they were called) in the Roman Empire, and very notably at the end of the Middle Ages, among the dispossessed serfs and villeins who had been thrown off the land in order to make way for capitalist use of the land. ...

{p. 31} The volume of public and private debt has reached a point where it cannot be managed much longer. The debt, like the unemployed, sucks away the diminishing blood stream of capitalism. And it cannot be shaken off. Bankruptcies, which formerly readjusted the debt position of capitalism, hardly make a dent in it.

{p. 34} Only the hopelessly naive can imagine that France fell so swiftly because of the mere mechanical strength of the Nazi war machine - that might have been sufficient in a longer run but not to destroy a great nation with a colossal military establishment in a few weeks. France collapsed so swiftly because its people had no heart for the war - as every observer had remarked, even through the censorship, from the beginning of the war. And they had no heart for the war because the bourgeois ideologies by which they were appealed to no longer had power to move their hearts.

{p. 69} **The managers will exercise their control over the instruments of production and gain preference in the distribution of the products, not directly**, through property rights vested in them as individuals, but **indirectly**, through their control of the state which in turn will own and control the instruments of production. The state - that is, the institutions which comprise the state - will, if we wish to put it that way, be the "property" of the managers. And that will be quite enough to place them in the position of ruling class.

{p. 100} **In capitalist society, the role of government in the economy is always secondary.** The government acts in the economy chiefly to preserve the integrity of the market and of capitalist property relations, and to give aid and comfort, as in war or international competition or internal disturbances, when these are needed. ...

{p. 137} **The Congress of Soviets, in 1917, was made up of representatives of local soviets which, in turn, were elected primarily by workers and peasants in the various local districts. In the Congress of Soviets which met at the beginning of November, 1917, the Bolshevik party had a majority. This Congress then declared itself to be "the government": that is to say, it claimed sovereignty and declared that sovereignty was no longer possessed by the Kerensky government which was based upon the remnants of the old Duma. The**

Soviet Congress then proceeded to enact the chief initial measures of the new regime and to elect an executive - the Council of Commissars.

It would seem, then, that sovereignty was still localized in a parliament; and, for a short time, this was more or less the case. But this state of affairs did not last. **Parliamentary sovereignty proved inappropriate for a nation that rapidly developed in the direction of managerial society. Within a few years, well before the death of Lenin and the subsequent exile of Trotsky, the Soviet Congress had lost, one by one,**

{p. 138} **all the attributes of sovereignty.** Its nominal rehabilitation in the "Stalinist" Constitution of 1937 changed nothing and left the Soviet Congress the mere minor propaganda instrument which it continues to be.

The development was indicated at least as early as the so-called "Kronstadt" revolt, which took place in 1921 {[kronstadt.html](#)}. The opposition platform of the sailors and populace of the Kronstadt area had as **its key plank, "new elections to the soviets."** This demand was in reality **an effort to return sovereignty to the soviets and the Soviet Congress** and an implicit recognition that these institutions no longer possessed sovereignty. The demand was rejected by the true sovereign institutions of the soviet state, and the dissidents answered by armed suppression.

{p. 141} **In the new form of society, sovereignty is localized in administrative bureaus. They proclaim the rules, make the laws, issue the decrees.** The shift from parliament to the bureaus occurs on a world scale. Viewed on a world scale, the battle is already over. The localization of sovereignty in parliament is ended save for a lingering remnant in England (where it may not last the next few months), in the United States, and certain of the lesser nations.

There is no mystery in this shift. It can be correlated easily enough with the change in the character of the state's activities. **Parliament was the sovereign body of the limited state of capitalism. The bureaus are the sovereign bodies of the unlimited state of managerial society.**

{p. 164} **Sovereignty for a nation implies that the nation makes laws for itself and recognizes no superior lawmaker.** It means that the nation sets up tariffs and other import and export controls, regulates its own foreign policies and its own currency, and maintains civil, diplomatic, and military establishments. **The simultaneous existence of many sovereign nations in the modern world necessarily means an anarchic situation in world politics.** This must be because, since each sovereign nation recognizes no lawmaker superior to itself, there is in the end no way except by force to mediate the deep conflicts that are bound to arise among the various nations.

{p. 165} Experience has shown that the existence of a large number of sovereign nations, especially in Europe (and with somewhat less acuteness in Latin America), is incompatible with contemporary economic and social needs. The system simply does not work. In spite of the fact that the post-Versailles European arrangements were set up and guaranteed by the most powerful coalition in history, which had achieved victory in the greatest war of history, they could not last. **The complex division of labour, the flow of trade and raw materials** made possible and demanded by modern technology, **were strangled** in the network of diverse **tariffs, laws, currencies, passports, boundary restrictions, bureaucracies, and independent armies**. It has been clear for some while that **these were going to be smashed**; the only problem was who was going to do it and how and when. Now it is being done under the prime initial impulse of Germany.

{p. 166} **Even if**, by a lucky chance, **some one power might win** what would look like **a world victory**, it could only prove temporary. The **disintegrative forces** would be sufficient to **pull it rapidly to pieces**. ... **A world state**

{p. 167} **would presuppose** a large measure of general **social unity among men: in interests, in culture, in education, in material standards of life**. No such **unity exists** ...

The comparatively large number of sovereign nations under capitalism is being **replaced by a comparatively small number of great nations, or "super-states," which will divide the world among them**. Some of the many **nations which are eliminated in fact may be preserved in form**; they may be **kept as administrative sub-divisions, but they will be stripped of sovereignty**. Sovereignty will be restricted to the few super-states. ...

Advanced industry is concentrated in three, and only three, comparatively small areas: the United States, especially its north-eastern and north-central regions; Europe, especially north-central Europe (Germany, the Netherlands, Belgium, northern France, England); and the Japanese islands together with parts of eastern China. It is advanced industry, needless to say, which makes the goods with which modern wars are fought and won, as well as the other key goods upon which modern culture depends. The economic map suggests dramatically what is probable on many other grounds: that **the world political system will coalesce into three primary super-states**,

{p. 168} **each based upon one of these three areas of advanced industry**.

This does not necessarily mean that these three super-states will be the United States, Germany, and Japan as we know them to-day. This may well be the case, but it need not be so. In these nations there may be internal convulsions which, together with foreign military struggles, will seem to break their continuity

with the past. **New names may be used.** This would, however, be of secondary importance in the long run.

It should go without saying that the mechanism whereby this new political system will be built is and will be war.

{p. 169} From **the war of 1939** are coming more major political leaps. But this **is only the first, not the last, war of managerial society.** There will be much still to be decided after the present struggle is over - though, since war and peace are no longer declared, it may be hard to know when this struggle is over and the next one begins. The immediate war will not even complete the consolidation of the managerial structure of society; and after it is completed there will still be wars, for there will remain plenty to fight about.

{p. 169} The fundamental theme of the wars of the future - into one of which the second world war was already evolving by the latter part of 1940 - will be the clash among

{p. 170} the three areas which constitute the three main strategic bases. Ostensibly these wars will be directed from each base for conquest of the other bases. **But it does not seem possible for any of these to conquer the others; and even two of them in coalition could not win a decisive and lasting victory.** What will be actually accomplished by these wars will not be a decision as to who is to rule the bases - for Americans are going to rule here, Europeans in Europe, and Asiatics in Japan and East China - but decisions as to what parts and how much of the rest of the world are going to be ruled by each of the three strategic centres. ...

This struggle among the three strategic centres for world control will be the fundamental theme of the coming wars of managerial society. ... And the consolidation of the three super-states, even within their immediate strategic areas, is not by any means finished. In

{p. 171} Europe, for example, even if Germany were fully victorious in the present war, there would still remain Russia and Italy; and Russia is also in Asia along with Japan.

Everyone knows, however, that Italy is a subordinate, incapable of a really independent sovereign policy. **There is every reason to believe** (as we shall discuss in Chapter XIV) **that Russia will split apart, with the western half gravitating toward the European base and the eastern toward the Asiatic.** But **even if a coalition of the future, combined with internal disturbances, should overthrow the Germany of the present, this would be secondary to the main scheme. The result of such a development would not alter the political system toward which managerial society tends. It would merely change the name and some of the leading personnel of one of the super-states.**

The coming years will also include wars of another type - indeed, these began several years ago: wars of the metropolitan centres against backward areas and peoples. The backward areas, which include a majority of the territory and people of the world, are not going to line up automatically behind one or another of the three centres or merely stand aside while the three fight over them. ... **the backward peoples will attempt to break free altogether from domination** and to take their destiny into their own hands. Often such uprisings will occur in connection with wars among the chief managerial powers. However, **it is doubtful that any of the backward peoples will be able to win independence (except, perhaps, in form and title)**. They do not have the technological resources to conduct modern war successfully or to compete more or less evenly from an economic point of view - which is also necessary for independence to-day. **They will have to gravitate toward one or another of the great camps**, even if they have some temporary success in a struggle for independence.

{p. 174} The United States is consolidating its strategic base in the northern two-thirds of this hemisphere and preparing to do battle against either or both of the two great rivals - the European centre and the Asiatic centre - for its share in the new world.

{p. 181} We already have examples, Fascism-Nazism and Leninism-Stalinism (communism or Bolshevism) are types of early managerial ideologies which have been given organized expression and have already had great success. In this country, **Technocracy and the much more important New Dealism** are embryonic and less-developed types of primitive, **native-American managerial ideologies**.

{p. 184} **I have listed "Leninism-Stalinism," but not "Marxism" as an example of a managerial ideology.** This raises the question of the relation of Marxism to Leninism and of Leninism to Stalinism. Historically, the social movement, which both in organization and ideas traced its source to the activities and writing of Marx, separated, through a division which started during the last years of the nineteenth century and culminated in 1914, into two main streams: a reformist, "social-democratic" wing; and a revolutionary wing in which for the first decade after 1914 Lenin was the most conspicuous figure. I do not any longer consider it fruitful to dispute over which of these is "genuine" Marxism. Historically, they both spring from Marx.

What happened seems to be the following: The views of **Marx**, in their implications and consequences, were historically ambiguous. In addition, he **proposed a social goal - a free, classless international society - which cannot be reached in the present period of history.** Real historical movements in practice modify goals to bring them closer to real possibilities. The Marxist movement separated along the lines of the great division of our time, capitalist society and managerial society. Both wings of Marxism retained, as often happens, the language of Marx, though more and more modifying it under new pressures. In

practice, the reformist wing lined up with the capitalists and capitalist society, and demonstrated this in all social crises. **The Leninist wing became one of the organized movements toward**, and expressed one of the ideologies of, **managerial society**. The reformist wing is a somewhat inconsistent defender of capitalism, it is true, because by its retention of much of the ambiguous language of Marx it also contributes to popularizing managerial concepts. But this is the main line of the division.

Lenin died, and Stalin headed the managerial wing. The ideology and practices were further modified. There has been much dispute over whether Stalin is the legitimate heir of Lenin; and I, for some years active in the Trotskyist

{p. 185} political organization, long took part in that dispute. I have come to the conclusion, however, that the dispute has been conducted on a pointless basis. The historical problem is not whether Stalin or Trotsky (or someone else, for there are many other claimants) comes closer to the verbally explicit principles enunciated by Lenin. A dispute on such a level has never been and will never be settled, since Lenin said many things and did many things. It is like arguing over the legitimate interpretation of the Bible or the Koran. So far as historical development goes, there really cannot be much question; **Stalinism is what Leninism developed into** - and, moreover, **without any sharp break** in the process of development.

{p. 200} We must not make the mistake of supposing that the Russian changes were dependent merely on the presence of one or another individual, on the personal wickedness or nobility (depending on our point of view) of, for example, Stalin. **If Lenin himself had lived, there is no reason to think that the process would have differed greatly**. After all, there is more than passing significance in the fact that, for many years, probably the most intimate colleague of Lenin's, the man with whom he exercised hidden control over the Bolshevik party underneath the party's formal apparatus, was the brilliant and successful engineer - the manager - Krassin. But the death of all the early leaders was an important ritual act in establishing the mass attitudes of managerial society and in strengthening the foundations of the managerial institutions.

The pattern of the Russian way to the managerial revolution is illuminated by the history of the revolutionary concept of "workers' control." **"Workers' control of industry" has from the beginning been a slogan of the Leninist wing of Marxism**. The reason why is easy to understand. According to the formal ideology of socialism, private ownership (control) in industry is to be eliminated - that is, as socialism understands it, control is to be wrested by the masses as a whole. The crucial revolutionary act, therefore, would presumably be the actual taking over of control in industry by the workers themselves. Hence the slogan.

Now, **in the course of the Russian revolution** (as in the

{p. 201} many other attempts at mass revolution which followed it during the past twenty-three years), the workers acted quite literally in accordance with the slogan of "workers' control." **In the factories, shops, mines, and so on, the workers, through committees elected from their own ranks, simply did take over control. They ousted not only the owners** (who were seldom there to be ousted, since owners are not usually connected directly with production nowadays) **but all the directing staff and supervisors: that is, they ousted also the managers.** The workers thought, in their own way, that the revolution was designed to rid them of all rulers and exploiters. They recognized that the managers as well as the owners were among the rulers and exploiters both of the past and, above all, of the future. **The workers set about running the factories themselves.**

This state of affairs did not, however, last long. Two issues were at stake. In the first place, **the separate factories and other instruments of production were not run very well under workers' control exercised at the source; and there were even greater difficulties in the co-ordination of the efforts of various factories.** It is needless to speculate on exactly why this was so. Elected committees of the workers themselves, the members of which are subject to momentary recall and who have, besides, no technical training for, or background in, the managerial tasks, do not seem to make a good job of running modern factories or mines or railroads. It is even harder for them to collaborate effectively in directing entire branches of industry or industry as a whole. Perhaps new democratic mechanisms and sufficient time to gain experience would overcome the troubles. As things actually work out, time is not granted, and the mechanisms are not available.

Second, the perspective of workers' control of production at the source, if it should be proved in the end successful, would mean the elimination of all privilege, all differentials of power in society, would mean, in short, a classless organization of society. Thus the drive for class power in society needs to get rid of workers' control, and finds rational motivation in the evidences of the inefficiency of workers' control -

{p. 202} above all, because the movement toward workers control occurs in periods of intense social crisis, or war and civil war; when efficient industrial organization seems an imperious need.

If the temporary workers' control is replaced by the old control of capitalist owners (as happened in the two revolutionary crises in Germany at the end of, and a few years after, the first world war), then society, after a crisis, has simply returned to its previous capitalist structure. **If workers' control is replaced by the de facto control of the managers backed by a new kind of state, then capitalism, after a transitional crisis, has changed into managerial society.** The latter, through a series of intermediary steps, is what happened in Russia.

For a while after the revolution in Russia, in many factories and other enterprises - for a very short while - the factories were run by the workers through their elected committees called "Factory Committees." Then the "technical" direction of operations was turned over to "specialists" (that is, managers), with the Factory Committees remaining in existence and still exercising substantial control through a veto power over the managers and jurisdiction over "labour conditions." Meanwhile, bureaus and commissions and individuals appointed from above by the new (soviet) government were beginning to take over the job of co-ordinating the efforts of various factories and branches of industry. Gradually the powers of the managers and managerial co-ordinator, increased, necessarily at the expense of "workers' control" and the Factory Committees. The Factory Committee lost their veto powers. Their prerogative, "labour conditions," became more and more narrowly interpreted. The Committee composition was changed to include one state representative, one managerial representative, and one man nominally representing the workers. Finally, even these Committees lost all their real power and remained as mere formalities, to be dropped altogether in 1938.

Workers' control had been transformed into managerial control.

{p. 203} This development did not take place without incident, including violent incident. **The workers, or some of them,** sensed its meaning: that the freedom and end of privilege, which they had thought the revolution was to bring, were giving way to a new form of class rule. They tried to prevent power from getting out of the hands of their Committees. They **refused to accept the managers, sometimes drove them out or even killed them. But at each decisive step, the state** (the "workers' socialist state"), **whether under Lenin or Stalin, backed not the workers but the managers.** A wide campaign of "education" was undertaken to show the people why "workers' rule" meant, in practice, managers' rule. Where necessary, the education by the word was supplemented with education by firing squad or concentration camp or forced labour battalion.

Lenin and Trotsky, both, in the early years of the revolution, wrote pamphlets and speeches arguing the case of the specialists, the technicians, the managers. Lenin, in his forceful way, used to declare that the manager had to be a dictator in the factory. **"Workers' democracy" in the state, Lenin said in effect, was to be founded upon a managerial dictatorship in the factory.**

Perhaps **Lenin** did not realize the full irony of his position. He, as a Marxist, **believed - correctly - that the roots of social power lie in the control over the instruments of production.** And he, as the head of the new state, **helped to smash workers', popular, control over those instruments and to substitute for it control by the managers.** And, of course, **the managers of individual plants became subordinate to the big managers, to the boards and bureaus directing entire sectors of industry and governing industry as a whole.** Interestingly

enough, these managers under the new state included many of those who had been managers under the old capitalist rule. Lenin and Trotsky poured scorn on "infantile leftists" who were against making use of the "services" of the "bourgeois specialists" (as they called them). The workers needed them - to run the plants. Lenin regretted that there were so few left and that in Russia there had never been an adequate

{p. 204} staff of trained specialists. Most favourable terms were given to foreign "bourgeois specialists" who were willing to come to work under the new regime. The class of managers that steadily rose was not altogether a new creation; it was the development and extension of the class which, as we have seen, already exists, and is already extending its power and influence, under capitalism, especially during the latter days of capitalism.

We shall deservedly place the greatest stress upon what happened to "workers' control." Moreover, the Russian experience is plainly typical. There have not yet been any other revolutions just like Russia's; but there have been a dozen revolutionary situations of the same general nature. In them all, the same tendencies are displayed. In them all - Germany, the Balkans, China, Italy, Spain - **the workers, in the crisis, start to take over control of the instruments of production, to take it over directly, into their own hands on the spot. Always a formula is found to explain to them why this cannot continue; and, if the formula is not enough, the guns come later.**

The question for us is not whether it is a "good idea" for the workers to take control. We are concerned merely with noticing, first, that **they try to take control; and, second, that they do not succeed in maintaining control.** Their inability to maintain control is one more demonstration that socialism - a free, classless society - is not now scheduled. **The control, and the social rule which goes with it, when it leaves the hands of the capitalists, goes not to the workers, the people, but to the managers, the new ruling class.** A parallel of the Russian process can be observed with particular clarity in connection with the events in Loyalist territories during the recent Spanish Civil War, above all in Catalonia. There, just as in Russia, the workers and peasants began taking over direct control of the factories and railroads and firms. There too, not at once, but during the course of the first two years of the Civil War, the de facto power slipped from the workers' hands, sometimes voluntarily given up at the persuasion of a political party, sometimes smashed by

{p. 205} arms and prison. It was not the troops of Franco who took control away from the people of Catalonia; they had lost control well before Franco's army conquered.

These experiences have, as a matter of fact, received recognition in Leninist doctrine (both the Stalinist and Trotskyist variants), not so much in public

writings as **in the theories elaborated primarily for party members. "Workers' control," the doctrine now reads, is a "transition slogan,"** but loses its relevance once the revolution is successful and the new state established. By calling it a "transition slogan" it is meant that **the slogan, and the act, of establishing workers' control are useful in arousing mass sentiment against the existing capitalist regime and in bringing about the downfall of the capitalist order** - both undoubtedly the case; **but that, when the new regime is functioning, workers' control must, naturally, step aside.**

The ideological explanation offered by Leninism for this turn-about is that, while **workers** must rightly defend themselves with the help of workers' control against the enemy capitalist state, they **will have no need to defend themselves against the new regime which be "their own" state, a workers' state** busily constructing a true socialist society. This explanation is to be interpreted in the same manner we interpret all aspects of all ideologies. What is really involved is a very important consequence of the pattern of the Russian way to managerial society, which we are here studying. This pattern, we saw, calls for first reducing the capitalists to impotence and then curbing the masses. The masses are of course used in accomplishing the first step and **"workers' control" is a major manoeuvre in breaking the power of the capitalists. But workers' control is not only intolerable for the capitalist state: it is, if long continued and established, intolerable for any state** and any class rule in society. Consequently, the consolidation of managerial power in the new state requires the breaking down of workers' control, which was so important an influence in finishing up the old society.

{p. 208} **The Russian Revolution was not a socialist revolution** - which, from all the evidence, cannot take place in our time - **but a managerial revolution.**

{p. 209} **Who are the rulers of Russia?** They are, of course, **the men who are running its factories and mines and railroads,** the directing members of the commissariats and subcommissariats of **heavy and light industry and transportation and communication, the heads of the large collective farms, the expert manipulators of the propaganda mediums, the chiefs of the dozens of "mass organizations," the managers** in short: these and their bureaucratic and military and police associates. The power and privilege are under their control. For them the capitalists at home have been got rid of or reduced to impotence; and for them the capitalists abroad were fought off and forced to an uneasy truce. It is they who have curbed the masses and have instituted a social

{p. 210} structure in which they are on top, not by virtue of private property rights in the instruments of production, but through their monopoly control of a state power which has fused with the economy. It is they who now await the contests of the future with the other sectors of the world managers.

It is these managers, with their political and military associates, who have been extending their regime beyond Soviet boundaries during the course of the second world war. The events in the little border nations have reproduced on a laboratory, and somewhat grotesque, scale the pattern of the Russian Revolution; and, also like a laboratory experiment, the events have done so under the firm guidance of the experimenter, not at their own sweet will. **The local workers and peasants (in the Baltic nations, eastern Poland, Bessarabia), as the Red Army marches, begin to take control of the local industries and farms and to oust the capitalists who have not already fled.** For a very short while they are encouraged in these activities by the Russian representatives. **A semblance of "workers' control" appears.** The first part of the triple managerial problem is solved - the capitalists are reduced to impotence - which is not so major a task in the tiny states concerned. Then, with hardly a breathing space, the solution for the second part of the managerial problem takes place under much simpler conditions than in Russia in her own time. **The masses are curbed** - to-day the army and the GPU that supervise the curbing are large and experienced in solving this part of the problem. **The new rulers** - not new capitalists, naturally, but Russian **managers and their representatives** - **walk in to run their newly acquired factories and mines and banks. Workers' control is transformed into a name,** and the soldiers and police back the dictates of the managers. **The whole process, which took in Russia itself so many strenuous years, is completed in a couple of months.**

{p. 212} **The advantages which the managerial structure gave Russia against capitalist nations disappear when Russia is confronted with other managerial or near-managerial states which are not burdened by Russia's weaknesses.**

{postwar Japan seems an example} There seems good reason to believe, as I stated in Chapter XII, that during the course of the next years **Russia will split apart into an eastern and western section, each section gravitating toward one of the key areas which constitute the strategic bases of the super-states of the future.**

{Burnham thought that Germany would win the war. But after the Cold War, his scenario looks possible again}

Indeed, this process has already started. **Siberia** is so far away from Moscow and so badly connected with European Russia that it **naturally swings toward the East** as it has for some years been conspicuously doing. **Its future brings it into always-closer integration with the East Asian central area of advanced industry.** And **similarly**, at an increased rate since the Nazi-Soviet pact, **European Russia swings toward the central European area.** Feelers move out from both sides of the border. The Russian boundaries advance toward the west. At the same time, economic and social relations with Germany increase. **German technicians, managers, move into the Russian industrial enterprises.** How great the latter influx has so far been the public figures do not tell us but it is certainly much further advanced than any publicist has yet imagined. **This infiltration of German managers is a large step in the road toward fusion of**

European Russia with the European centre. We may be sure that the completion of the fusion, under whatever nominal auspices it comes, will find Russia subordinated to European centre, not, as the spinners of Bolshevik nightmares tell us, the other way around. The development of the fusion begins in a dozen ways, beneath the surface. Its accomplishment will, presumably, include war, one or more

{p. 213} of the managerial wars of to-morrow, the preparations for which are so plainly around us. {in 1941 }

Note. - In spite of the Russo-German war, it has seemed to me advisable to leave the text as it was written in 1940, and first published in the Spring of 1941. The intent of this book is not journalistic but scientific. From a scientific standpoint, the theory of the managerial revolution is much better tested by its ability to make events intelligible before they happen, rather than by the ease with which it can doctor up references to what has already occurred.

The outbreak of the Russo-German war, and its course, seem to me a confirmation of the fundamental analysis precented in this chapter, and in particular of the political analysis summarized in Chapter XII. This war, to use the language of the theory, is part of the means whereby the western half of Russia is being "integrated into the European super-state." However, the impression that the text gives is of a later beginning of war between Russia and Germany than actually turned out to be the case - and, so far as I can recall, this impression corresponds with the opinion I held in 1940. I believe that this error in "time schedule" resulted from a too schematic application of the sociological and economic analysis to the problem, with insufficient attention to strictly military considerations. That a large part of Russia should be drawn within the west-European orbit, and that war would be part of the process of fusion, followed from the whole course of contemporary history. Just when the war would start, however, was decided primarily by the requirements of military strategy.

{p. 219} She {Germany} had been stripped of

{p. 220} her colonies, her merchant marine, and her navy; and her army was reduced to a minimum figure. Her people had been exhausted by the war and by the famine which occurred during its last year. She was saddled with reparations not merely in money - which she could and did pay largely through borrowings - but in kind, which latter meant the loss of material goods. **Her opponents had carved up all the juiciest slices of the world in what they took to be their own interests. It is against this background that we must place contemporary Germany.**

Nazi Germany eliminated unemployment within a couple of years from Hitler's ascension to power. The means whereby this was done are irrelevant to our inquiry;

the fact that it was done is crucial. Mass unemployment is the primary indication of the collapse of a given form of society. The great capitalist powers have proved that they cannot get rid of mass unemployment under capitalist institutions. **Even after a year and a half of war, after more than half a year of the "Battle of Britain," there were still, according to official figures - which probably understate the facts and besides do not include so-called "unemployables" - nearly a million unemployed in England.** Nazi Germany's elimination of unemployment is, in and by itself, a sufficient proof that Germany has left the basis of capitalism and entered the road of a new form of society. Everyone knows and many have stated that it is not by virtue of the capitalist elements remaining in German culture that unemployment has been got rid of, but through the introduction of non-capitalist methods.

Similarly, Germany has broken through the restrictions of capitalist finance. **According to all the "laws" of capitalism, Germany should have been bankrupt five years ago; its currency should have gone into a wild inflation; it should have been impossible for the state to finance its vast undertakings. But, under the state control of finance, none of the "laws" held. Again, through state control of imports and exports, Germany has been able to carry on foreign trade without the means, according to capitalist standards,**

{p. 221} **of doing so.** And huge outlets - primarily in state enterprises - have been found for the investment funds that sit idly in the banks of the great capitalist powers.

{p. 222} **We find in Germany to an ever-increasing degree those structural changes which we have discovered to be characteristic of the shift from capitalism to managerial society. In**

{p. 223} the economic sphere, there is a steady reduction, in all senses, of the area of private enterprise, and a correlative increase of state intervention. There was a brief period, immediately following the Nazi accession to state power, when the trend seemed to be in the opposite direction, when even a few enterprises which had been under state operation in the Weimar Republic were handed back to private capitalists. But this quickly reversed. The state intervention in the economy occurs in numerous directions. **Outright state ownership and operation, advancing in all fields, are particularly ascendant in the extensive areas of new enterprise** opened up during the Nazi rule. However, to confine attention to outright ownership and operation with all legal formalities would be deceptive. **Virtually all economic enterprise is subject to rigid state control;** and it is control which we have seen to be decisive in relation to the instruments of production. Legal forms, even income privileges, are in the end subordinate to de facto control.

Even where private owners still exist in Germany, the decisions about "their" property are not in their hands. They do not decide what to make or not to make. They do not establish prices or bargain about wages. They are not at liberty to buy the raw materials they might choose nor to seek the most profitable markets. They cannot, as a rule, decide how to invest or not invest their surplus funds. In short, they are no longer owners, no longer effective capitalists, whatever certificates they may have in their deposit boxes.

The regulation of production in Germany is no longer left to the market. What is to be produced, and how much, is decided, deliberately, by groups of men, by the **state boards and bureaus and commissions**. It is they that **decide whether a new plant shall be built or an old plant retired, how raw materials shall be allotted** and orders distributed, **what quotas must be fulfilled** by various branches of industry, **what goods shall be put aside for export, how prices shall be fixed and credit and exchange extended**. There is no requirement that these decisions of the bureaus must be based on any profit aim in the capitalist sense. If it is thought expedient,

{p. 224} for whatever reason, to produce, for example, an *ersatz* rubber or wool or food, this will be done even if the production entails, from a capitalist point of view, a heavy loss. Similarly, in order **to accumulate foreign exchange or to stimulate some political effect in a foreign nation, goods will be exported regardless of loss**. A factory may be compelled to shut down, even though it could operate at a high profit. **Banks and individuals are forced to invest their funds with no reference to** the private and voluntary opinions about "risks" from a profit standpoint. It is literally true to say that **the Nazi economy, already, is not a "profit economy."**

{The similarity with postwar Japan should be obvious; Japan's problems began when, buying up assets in the West, it was forced to open its economy to foreign capitalists. Although postwar Japan pursued "butter not guns", its tribalism was a threat to others}

The workers, on their side, are no longer the "free proletarians" of capitalism. Under Nazism **the workers** are indeed, free from unemployment. At the same time they cannot, as individuals or through their own independent organizations, bargain for wages or change jobs at will. They **are assigned to their tasks, and their labour conditions are fixed, by the decisions of the state bureaus and commissions**. Millions of them are allotted to the vast state enterprises. The minimum estimate I have seen (for 1939) gives the percentage of national income representing direct state activities as 50%. With the reduction in the area of private enterprise and the increase of state enterprise, goes also a corresponding reduction in the social position of the private capitalists. So far as control over the instruments of production goes, the capitalists are already near the bottom. As to income privilege: **a recent estimate by a New York statistician gives as a mere**

5% the share of the German national income going to profits and interest.

This is a substantial reduction from the 1933 figures, in spite of a huge increase in the total national income, which, under capitalism, would normally be accompanied by a percentage increase in profits. **In the United States, profits and interest are 20% of the national income**, even excluding all so-called "entrepreneurial profits." Moreover, of the German capitalists' 5%, the greater part is appropriated by the state as taxes and "contributions." The statistics, however - which are, in any case, not reliable - fail to indicate the full meaning.

{p. 225} How strange that it has not yet been remarked how seldom we find a manager among the voluntary or forced exiles from Nazi Germany! There are artists and writers among the exiles, ideologists and politicians, unassimilable foes of the new regime, storekeepers and professionals and teachers, and not a few capitalists, both Jews and Christians. But almost never a manager. It is strange that this has not been remarked but not strange that it is the case. For the managers realize that the society which is developing is their society. In short! **Germany is to-day a managerial state in an early stage.** Structurally, it is less advanced along managerial lines than Russia; it retains as yet more capitalist elements.

{p. 226} **But, though structurally less advanced, Germany is without most of those major weaknesses which we noted in the case of Russia. Its industrial and technological foundation is far stronger; the rising managerial class is much larger, better trained, more able.**

{p. 232} The first part of the second world war, up to the fall of France in June, 1940, was in reality the continuation of the strategic extension begun in 1935. This phase, the consolidation of the European base, was completed with France's surrender. It is completed irreversibly and can no longer be undone whatever the outcome of the succeeding phases of the war, which are really other wars. **This consolidation fundamental to the world politics of managerial society, is not going to be dissolved, not even if the present German regime is utterly defeated. The day of a Europe carved into a score of sovereign states is over;** if the states remain, they will be little more than administrative units in a larger collectivity.

{p. 233} ... a deal between Germany and England would be much more advantageous to the European super-state of the future than to have England conquered by Germany. With a deal in which England would necessarily be subordinate, the tendency would be for the British Empire to keep attached to the European central area. **In the course of the military conquest of England, most of the Empire tends to drop off to the spheres of the United States and the Asiatic central area. But the English capitalists weighed the costs and decided to keep on fighting.**

Thus the second phase of the war, really a second war, goes on as I write.

{p. 234} By the end of 1940 it was clear that the focus of the war was shifting, that the result of the European struggle was in fundamentals decided, and that a new, third, phase was beginning wherein the mighty opponents of the future - the three political structures based on the three central areas - were undertaking their first trials of strength. These wars of the developing super-states will not end with the end of this war. Their results, we have noted, is sure to be inconclusive, since none of the three central areas can firmly conquer any of the others.

{p. 248} **From her continental base, the United States is called on to make bid for maximum world power as against the super-states to be based on the other two central areas. ...**

First, there is the consolidation of the main strategic base. In Europe this consolidation meant smashing the Continental political system. In the Americas, most of the base is already included within the boundaries of the United States. ...

{p. 249} Next comes the protective extension of the base with the aim of making it invulnerable for defence and convenient for attack. This, in current terms, is the policy of "modified hemisphere defence," to draw a ring around all of North America and northern South America. The second stage is already well advanced. It was prepared for by the series of Pan-American conferences and agreements and by what is propagandistically referred to as the "Good Neighbour Policy." It has gone forward through such measures as the establishment of air lanes throughout Latin America, the visits of warships and war planes, the projection of the Pan-American Highway, the strengthening of the Panama Canal, reciprocal military agreements with Latin-American nations, the defence alliance with Canada which in effect subordinates Canada's sovereignty to the United States, and the deal with Britain which secured outlying bases in the Atlantic. Naturally, this stage will not stop with these moves. It will issue in a situation comparable to what Hitler aims at in most of Europe: **the de facto elimination of independent sovereignty in all nations and colonies of the area except the United States**, and thus the creation of a single interrelated territory so far as de facto political sovereignty goes. There is every reason to suppose that this stage will be successfully accomplished.

The third and grandiose stage, which, though it has already begun for the United States, will extend many decades into the future, and for which the first two stages are preparation, is the bid for the maximum of world power against the claims of the European and Asiatic central areas. The United States is forced to begin this third stage before the preparatory first two stages are finished.

The first great plan in the third stage is for the United States to become what might be called the "receiver" for the disintegrating British Empire. (We are not, of course, interested in the propagandistic terms that are used in current references to this action.) The attempt is to swing the orientation of the Empire

from its historical dependence on Europe to dependence on and subordination to the American central area.

{p. 250} **Along with the United States' receivership plan for the British Empire go still broader aims in connection with the rest of South America, the Far East (including conspicuously the Far Eastern colonies of formerly sovereign European states) and in fact the whole world.** The struggle which has begun is the world struggle of the super-states of the future. This struggle, as I have remarked, is bound to be inconclusive. No one of the three central areas is able to conquer definitely the other central areas, and therefore no one state power can in fact rule the world. This will not, however, prevent the struggle from taking place.

{p. 268} The new world political system based on a small number of super-states will still leave problems - more, perhaps, than a unified single world-state; but it will be enough of a "solution" for society to keep going. {end of text}