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Review

The Crisis of Neoliberalism, by Gérard Duménil and Dominique Lévy. Cambridge, Mass.: Harvard University Press, 2011.

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In The Crisis of Neoliberalism*, Gérard Duménil and Dominque Lévy argue that the global financial and economic crisis should be understood in terms of shifts in the relationship between finance and nonfinancial firms. In modern capitalism, finance is the representative of the capitalist class as a whole vis-à-vis the management of productive enterprises. The current crisis is distinct because it follows a period of intensified financial hegemony. Unlike previous crises, the crisis of 2007–2008 was not caused by falling profits, nor was it the result of any shortfall of consumption demand. Rather, it was the result of the overdevelopment of financial claims on real activity. The most likely outcome of the crisis, the authors suggest, is a "neomanagerialist" regime in which finance loses much of its power and the managers of nonfinancial firms and national states regain their autonomy.*

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Historical turning points aren't usually visible until well after the fact. But the financial and economic turmoil of recent years may be one of the rare exceptions. If capitalism historically has evolved through a series of distinct regimes—from competition to monopoly in the late nineteenth century, to a regulated capitalism after World War II, and then to neoliberalism after the crises of the 1970s, then 2008 may mark the beginning of another sharp turn.

That, anyway, is the central claim of *The Crisis of Neoliberalism*, by Gérard Duménil and Dominique Lévy. The book brings together a great deal of material, broadly grouped under two heads. First is an argument about the sociology of capitalism, and it hinges on the relationship between capitalists in the strict sense and the managerial class. Second is an account of the financial crisis of 2008 and its aftermath. A concluding survey of possibilities for the postneoliberal world unites the two strands.

For Duménil and Lévy, the key to understanding the transformations of capitalism over the past hundred years lies in the sociology of the capitalist class. With the rise of the modern corporation at the turn of the twentieth century, it became more problematic to follow Marx in treating the capitalist as simply the "personification of capital." While the logic of capital is the same—it remains, in the authors' preferred formulation, "value in a movement of self-expansion"—distinct groups of human beings now stand at different points in that process. In particular "the emergence of a bourgeois class more or less separated from the enterprise" (13) created a new sociological gulf between the ownership of capital and the management of production.

Bridging this gulf was a new social actor: finance. While banks and other financial institutions predate industrial capitalism, they took on an important new role, representing the capitalist class vis-à-vis corporate management—a function not needed when ownership and management were united in the same person. "Financial institutions," Duménil and Lévy write, "are an instrument in the hands of the capitalist class as a whole in the domination they exercise over the entire economy" (57). This gives finance a dual character: on the one hand, it is one industry among others, providing a particular good (intermediation, liquidity, etc.); on the other hand, it is the enforcer or administrator that ensures industry as a whole remains organized according to the logic of profit.

The stringency of this enforcement varies over time. For Duménil and Lévy, the pre-Depression and post-Volcker eras are two periods of "financial hegemony" in which holders of financial claims actively intervened in the governance of non-financial firms, compelling mergers of industrial companies in the first period and engineering leveraged buyouts and takeovers in the second. By contrast, the postwar period was one of relative autonomy for the managerial class, with the owners of capital accepting a relatively passive role.

One way to think of it is that, since it is a process, capital's expression as an active subject can occur at different moments of that process. Under financial hegemony the political and sociological projections of capital emanated mostly from the *M* moment, but in the mid-twentieth century these projections emanated more from $C - C'$. Concretely, this means that firms pursued objectives like growth, technical efficiency, market share, or technological advance rather than (or in addition to) profit maximization—this is the "soulful corporation" of Galbraith or Chandler. Unlike those writers, however, Duménil and Lévy see this corporation-as-polis—balancing the interests of its various stakeholders under the steady hand of technocratic management—as the result of neither a natural evolution nor a normative ideal; instead, it's a specific political-economic configuration that existed under certain historical conditions. In particular, managerial capitalism was the result both of the crisis of the previous period of financial hegemony and, crucially, of the mobilization of the popular classes, which opened up space for top managers to pursue a strategy of "compromise to the left" while continuing to pay the necessary tribute to "the big capitalist families."

Those families—the owners of capital, in the form of financial assets—were willing to accept a relatively passive role as long as the tribute flowed. But a fall in the profit rate in the 1970s forced owners to recohere as a class for themselves. Their most important project was, of course, the attack on labor, in which capital and management were united. But a second, less visible fight was the capitalists' attack on the managers, with finance as their weapon. The wave of corporate takeovers, buyouts, and restructurings in the 1980s was not just a normal competitive push for efficiencies, nor was it the work of a few freebooting pirates and swindlers. As theorized by people like Michael Jensen, it was a self-conscious project to reorient management's goals from survival and growth to "shareholder value." In this, capitalists succeeded—first by bullying and bludgeoning recalcitrant managers and then by incorporating their top tier into the capitalist class. "During the 1980s the disciplinary aspect of the new relationship between the capitalist and managerial classes was dominant," write Duménil and Lévy, but "after 2000 … managers had become a pillar of Finance" (84). Today, the "financial facet of management tends to overwhelmingly dominate," and "a process of 'hybridization' or merger is under way" (85).

These are not entirely new ideas. Duménil and Lévy cite Veblen, certainly one of the first to critically investigate the separation of management and control and to observe that the "importance of securities in ownership of the means of production [gives] … the capitalist class a strong *financial* character." But they make no mention of the important debates on these issues among Marxists in the 1970s, especially Fitch and Oppenheimer's *Socialist Revolution* articles on "Who Rules the Corporations?" and David Kotz's *Bank Control of Large Corporations in the United States*. Most glaringly, they fail to cite Doug Henwood's *Wall Street*, chapter 6 of which gives a strikingly similar account of the revolt of the rentiers; it remains among the best guides to relations between finance and nonfinancial businesses within a broad Marxist framework. And while Henwood's book shares the same basic analysis as *The Crisis of Neoliberalism*, he backs it up with a wealth of concrete examples and with careful attention to the language of the financiers and their apologists. Duménil and Lévy, by contrast—despite their welcome interest in the sociology of the capitalist class—never descend from a high level of abstraction. They would have advanced the conversation more if they had tried to build on the contributions of Fitch and Oppenheimer, Kotz, and Henwood instead of reinventing them.

Still, it's an immensely valuable book. Both mainstream economists and Marxists often imbue capitalist firms with a false homogeneity, as if the pursuit of profit is just a natural fact or imposed straightforwardly by competition. Duménil and Lévy offer an important corrective: that firms (and social life in general) are only kept subordinate to the self-expansion of value through active, ongoing efforts to enforce and universalize financial criteria.

The last third of the book is an account of the global financial crisis of recent years. Many of the specifics will be familiar to readers of the business press, but the central argument makes sense only in light of the earlier chapters: the ultimate source of the crisis was precisely the success of the reestablishment of financial hegemony. In particular, deregulation—especially the freeing of cross-border capital flows—weakened the tools states had previously used to keep the growth of financial claims in line with the productive capacity of the economy. (It's an irony of history that the cult of central banking "maestros" reached its height at the point when they had lost most of their real power.) Meanwhile, increased payouts to shareholders and other financial claimants starved firms of funds for accumulation. A corollary of this second point is that the crisis was characterized by underaccumulation rather than by underconsumption. The underlying demand problem wasn't insufficient funds flowing to workers for consumption—the rich consume plenty—but insufficient funds remaining within corporations for the purpose of investment. Just as investment suffered at the end of the postwar boom when the surplus available to capitalist firms was squeezed from below by rising wage claims, it suffered in the past decade when that surplus was squeezed from above by the claims of rentiers. So higher wages might only have made the crisis worse. This argument needs to be taken seriously, unpalatable though it may be. We need to avoid the theodicy of liberal economists, for whom the conditions of social justice and the conditions of steady accumulation are always the same.

The Crisis of Neoliberalism is not the last word on the crisis, but it is one of the more convincing efforts to situate the crisis in the longer-term trajectory of capitalism. The most likely outcome of the crisis, the authors suggest, is a shift in the locus of power back toward managers. Profit maximization will again be subordinated to other objectives. The maintenance of U.S. hegemony will require a "reterritorialization" of production, which will inevitably weaken the position of finance. There is an inherent conflict between a reassertion of state authority and the borderless class constituted by ownership of financial claims. But there is no such conflict between the interests of particular states and the class constituted by authority within particular firms. "This is an important factor … strengthening of the comparative position of nonfinancial managers."

It's too soon to tell if we are already starting to see the dethroning of finance, a return to the soulful corporation, and a retreat from the universalizing logic of profit. It's interesting, though, to see Michael Jensen, the master theorist of the shareholder revolution, sounding a more soulful note. Shareholder value, he recently told the *New Yorker*, "is the score that shows up on the scoreboard. It's not the objective … Your life can't just be about you, or your life will be shit. You see that on Wall Street." That business serves a higher calling than Wall Street is the first item in the managerialist catechism. We might look at Occupy Wall Street and the growing movement against student debt in the same light: by singling out as the enemy those elites whose power takes directly financial form, these movements implicitly legitimate power more linked to control of the production process. It is strange to think that a movement of anarchists could be heralding a return to power of corporate management. But history can be funny that way.