He who may not be mentioned: Marx, history, and American business schools

Richard Marens
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Part II

Debates in management and organizational history
He who may not be mentioned: Marx, history, and American business schools

Richard Marens

Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past.

Karl Marx (1852/1972: 595)

“Critical management studies?”

That was Robert Brenner’s 1999 email response to my invitation to speak to the Critical Management Studies Interest Group (later a division) at the Academy of Management meeting that was to be held that year in San Diego, a very pleasant place to visit and one not far from his home in Los Angeles. It was understandable that Brenner, probably the most prominent Marxist historian working at an American university, was puzzled to learn that critical theorists actually have an organized presence within business schools. Very little happens at such schools that would pique the interest of a professional historian of any orientation, although ironically, Sanford Jacoby, perhaps the only American management scholar likely to be read by a Marxist academic, shares a campus with Brenner. While business schools in the rest of the English-speaking world have proven a little more supportive of both history and critical scholarship than their American counterparts, what critical history is produced by business academics outside of the United States is more likely to embrace a Foucauldian rather than a Marxist perspective. Given the neglect of history on the part of business schools, plus the anathema they have placed on even acknowledging Marx, it would be surprising if someone like Brenner paid them any attention at all.

There are two reasons that history has earned so little legitimacy within business schools. First, it does not fit readily into their model of serious research embraced almost universally by American business schools, a model derived from experimental science that presumes the formulation and testing of parsimonious and timeless hypotheses. Decision-makers at such schools are generally oblivious to the reality that such ‘field’ sciences as geology, paleontology, astronomy, and many sub-fields of biology are actually ‘historical’ in their approach to research. Since they cannot conduct controlled experiments to answer a great number of research questions, these fields tend to aim at reconstructing the past of a particular phenomenon in order to explain its present and even predict its future. While this more open-ended approach might appear to
an objective observer as more appropriate for a subject as complex and contingent as business practices and outcomes, it has its disadvantages. First, it does not look like ‘science’ to those who established the research standards of business schools, namely experimental psychologists and physics-envy micro-economists, along with their graduate students. Second, a more historical approach is dangerous precisely because it is not parsimonious. The richness of detail of historical studies threatens to uncover too many specific examples of incompetence, dumb luck, or even rapaciousness on the part of at least some business leaders, a result not likely to be welcomed by potential patrons of business school faculties. While even some academics complain of the fundamental irrelevance of so much published business school research (Teece, 2011), this literature is, at least, innocuous, unlikely to offend anyone important.

As a result, history is just not taken seriously in any American business school that lacks the intellectual self-confidence of a Harvard or MIT. Consequently no jobs are ever posted by business schools which list history as even a secondary specialty, and the Management History Division is consistently the smallest division of the Academy of Management, never obtaining more than about half the membership of even such marginal groups as Critical Management Studies and Spirituality in Management. Given these circumstances, it is hardly puzzling that Joseph Litterer (1963), for example, abandoned his dissertation work investigating the rise of the crucial nineteenth-century ‘systematic’ management movement once he joined the professoriate, reinventing himself as a mainstream organizational behaviorist. Moreover, those few academics housed in American business schools who have published history tend to embrace a ‘great person’ perspective, with Jacoby and JoAnne Yates, MIT’s historian of information technology, providing the significant exceptions. Studies of successful entrepreneurs or influential management thinkers can at least be framed as a kind of case study, an acceptable form of scholarship, albeit one of relatively low prestige. To be fair, the best of this kind of work from the likes of Harvard’s McCraw and Chandler goes beyond simple hagiography and touches upon broader historical trends, but there is little in even their work to challenge the self-image of American executives as heirs to a noble tradition. Since the 1970s, American top management has mobilized against any threat to its autonomy in the form of regulation, organized labor, or even excessive attention to their role in increasing inequality (Clawson, Nuesdatl & Weller, 1998; Malott, 1978). Neither these executives, nor the academics who seek their patronage, are likely to tolerate a body of work that might demonstrate, for example, that government procurement is often the key to corporate success, let alone the more specifically Marxist assertion that prevailing in class conflict through the use of violence against strikers or reducing employee pay has at some time or other proven profitable for many well-known businesses.

As result, any display of appreciation of a Marx-connected idea is simply too dangerous to consider using, even if the particular concept is actually far removed from Marx’s own personal ambition to destroy capitalism. Schumpeter’s theory of creative destruction, for example, appears frequently in the management literature, and the ABI/Inform database of business-related periodicals lists 1,178 articles that cite him. While Schumpeter was relatively conservative politically, he was quite open about explicitly acknowledging his intellectual debt to Marx (1942). Nonetheless, Karl Marx is mentioned only 59 times among these articles, a bit more than 5 percent of the total. Apparently, those business school professors who claim to address creative destruction are either too lazy or frightened to dig deeper into a construct that they seemingly rely upon so often.

For those sincerely interested in explaining either the structuring or functioning of business, this avoidance behavior is unfortunate, since, as Schumpeter understood, the manner in which Marx and his intellectual descendants approach history could contribute greatly to the understanding of business. Marxian historiography has had a major impact on the larger discipline of
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history, and, if given the opportunity, could similarly contribute to a better understanding of business in at least four different ways. First, Marxist historians pioneered a powerful method of embedding the agency of individuals within the constraints of the material and relational conditions under which they operate, thus avoiding either the extreme of overreliance on individual genius on one hand or the determinism of social or economic forces on the other. Second, the dialectical nature of a Marxian approach can endogenize the causes of change over time, reducing the need to depend upon fortuitous events or trends to explain change. Third, Marxist historians have highlighted a social reality that has played an indisputably central role in the evolution of management: the existence of class interests and the resulting conflicts that arise from these. Finally, because the substantive concern of many Marxist historians has been a detailed analysis of the origin and development of capitalism, they have accumulated a great deal of knowledge about the workings of business over time, and such pertinent data can only lead to further understanding to those with the courage to apply it. This chapter will consider each of these potential contributions of Marx-influenced historiography in turn, and these are followed by a fifth section that briefly considers how these four potential contributions can also work to enrich other theoretical perspectives.

Structure and agency: together again

There is a popular misconception that Marxian history is necessarily grounded in economic determinism and is methodologically shaped by a teleological presumption of progress. This criticism is not without validity with regard to at least some work within the Marxist tradition, including a portion of Marx's and Engel's own seminal writings. Engels himself was apologetic about this in private correspondence, excusing his and Marx's excessive reliance on economic explanations as a polemical response to historians who either relied on the activities of great men, or viewed the history of ideas emerging mysteriously from the brows of brilliant thinkers (Hollander, 2011). Over the last 60 years, however, this criticism has rarely fit academically trained historians who have been influenced by Marx. These academicians have generally attempted to balance structure and agency, and they have proven more successful doing so than either the economic determinists of the new institutionalist economic history and the historical accounts of successful entrepreneurs most famously associated with Alfred Chandler (1977).

Marxian history is imbued with what Kaye (1984) calls “possibilism,” a concept similar to but somewhat more specific than path dependency. As suggested in the quote from Marx himself that begins this chapter, men and women do indeed act, but their choices are necessarily constrained by both the physical resources available to act with, and the social structures that they must act within. This insight applies, not only to tangible actions, but also to the development of ‘consciousness,’ the ways actors are likely to view and think about their world. If the production of physical objects is the base upon which the (super)structures of social interactions are built, it is not because this productive base is totally determinant of everything less concretely material, but because what a society produces and how it produces such material objects as food, clothing, shelter, and prestige goods both constrains and encourages possible choices for behavior, even when such choices are not directly connected to production. As Marx himself explained, “writers of history have so far paid little attention to the development of material production, which is the basis of all social life” (Marx, 1967a: 286). Since then, and especially after the Second World War, historians influenced by Marx have literally labored to correct that error.

The result of these efforts that Marxian historians – ‘Marxian’ in that they have been influenced by Marx but have not necessarily embraced all of his major concepts or political views – have led the way in making individual choices central to historical accounts, but within a context
of the limitations and incentives generated by a social structure generated by the actions of previous actors. Thus, ‘human agency’ has a collective meaning for Marxian historians: it is the legacy generated by the aggregated behavior, not only of the leaders of organizations, but of the countless anonymous individuals who support, acquiesce, resist, or even outright oppose the political or organizational choices made by those same leaders, including the leaders of dissident organizations. The value of applying such a broad view of individual choice to business history should be clear: Businesses succeed or fail not only because of the decisions made by executives, or even the choices of executives plus politicians, labor leaders, and financial professionals, but also the way these decisions are perceived, supported, or rejected by their constituents or potential constituents: voters, workers, consumers, investors, etc.

One historical puzzle that Marxian history is especially equipped to address is the relatively sudden emergence of a significant number of large, geographically dispersed, publicly-traded corporations in the United States around the turn of the last century, a trend that cannot be entirely attributed to economies of scale (Roy, 1997). This is a highly relevant question for understanding contemporary corporations, since explaining why these giants emerged ought to shed light on why a once highly successful organizational form has undergone recent transformations after so many decades of stability (Edwards, 1975; Fligstein, 1990). A mainstream economic historian might approach the question by focusing on the ability of giant corporations to reduce transaction costs relative to competitors by avoiding market failures or hold-ups, while a historian of entrepreneurs would see his or her subjects as taking advantage of the market opportunities and organizational innovations generated by the building of railroads, not so much to dominate existing markets, but to establish new ones (Chandler, 1977). The first explanation suffers from excess abstraction, even circularity, since transaction costs are notoriously difficult to compare and often measured by the very outcomes they are intended to explain (Bryer, 2013). The latter cannot by itself explain either the timing or location of the simultaneous emergence of so much large-scale managerial entrepreneurship (Roy, 1997).

An explanation that mixes agency and structure in a Marxian (though not necessarily Marxist) manner could go something like this: Entrepreneurs could not vertically integrate or geographically extend their firms until a cadre of middle managers trained in standardized practices capable of coordinating the activities of the new corporate giants appeared, and these middle managers were themselves an offshoot of professionalized engineers trained in the new railroad and manufacturing steam-based technologies (Marens, 2005). Moreover, these same railroads were in large part both built to serve a growing class of commercial farmers and their suppliers, and they were simultaneously beneficiaries of the success of these same farmers (and suppliers), whose profits, deposited in local banks, eventually flowed into major financial centers (Ott, 2011). In a fuller article-length explanation, a scholar could extend this brief explanation of aggregated agency by examining its interaction with limiting and enabling structures imposed by government, finance, markets, and technology, for example how land grants to railroads and agricultural universities facilitated some of these trends.

The utility of combining agency and structure has been recognized by any number of important historians who were themselves anything but full-blown Marxists, much as a Weberian theorist of bureaucracy need not embrace all of Weber’s other concepts or political views. A. H. M. Jones, at one time the world’s leading authority on the economics of the classical world, was no Marxist, but he appreciated this structure-cum-agency approach sufficiently to work with historians who were then literally card-carrying communists in order to help them establish that highly influential journal of social and economic history, Past and Present (Hill, Hilton & Hobsbawm, 1983). Such relatively conservative figures as Schumpeter, Douglas North, and Ferdinand Braudel all explicitly acknowledge an intellectual debt to Marx when it came to
explaining economic development. In North’s words, “[i]n contrast to current neoclassical econom-ists, Marx had an integrated perception of the totality of societal relations. Institutions, the state, and ideology are all part of his analysis. Marx makes clear that if our thinking is to go beyond surface manifestations of an economy, we must explore the integrated relationships of all its parts” (North, 1987: 58). Braudel, who explicitly framed his own economic history in opposition to much of Marxist theory, could still find inspiration from this passage from Capital, sans vitriol, for his own explanation of the growth of world commerce, an intellectual project of his that would produce several thousand published pages:

Thus the villainies of the Venetian thieving system formed one of the secret bases of the capital-wealth of Holland to whom Venice in her decadence lent large sums of money. So was it with Holland and England. By the beginning of the 18th century … Holland had ceased to be the nation preponderant in commerce and industry. One of its main lines of business, therefore, [became] the lending out of enormous amounts of capital, especially to its great rival England. [And the] same thing is going on to-day between England and the United States. (Marx, 1967a: 754)

Dialectical thinking

Another highly useful aspect of Marx-infl uenced historiography is the manner in which it relates historical events and trends dialectically, offering insight into how change generates further change in a coherent, sometimes predictable manner. One does not have to embrace the labor theory of value, for example, to understand that the giant corporations of the end of the nineteenth century not only successfully reduced the transaction costs of conducting business by internalizing markets, they then used the economic power they accumulated through these efforts to further increase their cost advantage by (a) endowing educational institutions to train the managerial staff they depended upon, (b) lobbying state government to expand the right to merge and acquire other firms, (c) supporting transportation systems that extended their reach, and (d) influencing local, state, and federal government officials to suppress individual legal and organized mass resistance on the part of their employees (Marens, 2013a; Roy, 1997). Triumph, as Marx himself would have put it, creates the ‘seeds of its own contradiction,’ dialectically leading to a new set of problems and obstacles.

The triumph of American corporate giants illustrates this principle as well. During the early twentieth century these firms succeeded in suppressing unionization, taking control of training, and reducing the legal rights of their white-collar employees. These managerial achievements, however, ultimately led to a new set of personnel-related problems. Having won control of the workplace, corporate management found itself responsible for maintaining a sufficient level of employee satisfaction to prevent slacking and turnover, while also establishing the social legitimacy of its employment practices to a skeptical public (Leiserson, 1929; Marens, 2013b). Turnover became a particularly serious problem precisely because firms could no longer rely on pre-trained artisans and professionals supported by unskilled laborers to rapidly fill jobs (Slichter, 1921; Stone, 1974). As a result, companies developed a set of benefits under the rubric of ‘corporate welfare’ and began training managers and supervisors in ‘human relations’ in order to limit turnover and improve morale. Furthermore, the success of top corporate management at reducing the bargaining power of employees contributed to a shortfall of demand that become one factor in triggering the 1930s depression that led to further changes. This particular example also exemplifies another potential contribution of historical work influenced by Marx: reestablishing class conflict as an important driver of history.
Talking class

It is because neither the connecting of agency to structure nor the dialectic of historical change is necessarily tied to any particular political stance that so many historians have embraced these to one degree or another. When one historian complained, “we are all Marxists now” since even mainstream historians had followed Marxists in de-emphasizing the actions of public figures (Himmelfarb, 1987: 34), what she actually meant was that ‘all’ historians had become ‘Marxian’ in their analytic methodologies. Full-blooded Marxists have remained a minority within the field of history, distinguishable for their placing class interests and the resulting class conflicts and ongoing struggles at the explanatory center of their work. It is my contention that business scholars have much to learn from this smaller group of historians as well, without necessarily following them in embracing class conflict as their central explicans of all major historical change.

For Marx and those who have followed him, the operational definition of class conflict goes beyond Weberian or pluralistic acknowledgments of the occasional importance of the clash of economic interests between social groups. Marx offered a more specific and dynamic perspective, emphasizing the fundamental role of the production and distribution of the surplus of a society in shaping one’s class position and ultimate class interests. What Marx labels “the ruling class” is that group who exploits others by siphoning off the lion’s share of this surplus, that portion of wealth that the direct producers are unable to claim for themselves. A number of important historians have fruitfully applied this Marxian definition to understand a particular phenomenon more deeply. To illustrate: the author of The Making of the English Working Class (Thompson, 1963: 9) begins his definition of class in the general Weberian manner – “Class happens when some men, as a result of common experience (inherited or shared) feel and articulate the identity of their interests as between themselves, and as against other men whose interests are different from (and usually opposed to) theirs” – but then adds, “the class experience is largely determined by the productive relations into which men are born – or enter involuntarily.” Furthermore, as the author of Class Struggle in the Ancient Greek World explains, classes are able to aggregate in advancing their particular interests without necessarily relying on deliberately organized collective action – which is often not even logistically possible – simply because similarly situated individuals will be constrained and channeled in similar ways under similar sets of class relations (De Ste. Croix, 1981).

An example from business of how a Marxist view of class differs from a more pluralistic one can be found in the different understanding of the conflict between corporate executives and wealthy investors. A Weberian or pluralist might place them in different classes based on function, which would likely lead at times to some conflict based on a divergence of interests (e.g. Davis, 1994). By contrast, a Marxist would view such disputes as an intra-class conflict that is triggered by shifts within a more fundamental and ongoing struggle. It is not that Marxists would dismiss disputes between executives and shareholders as irrelevant or unimportant any more than they would regard the War of Roses as trivial. What a Marxist would assert is that a full understanding of the dynamics and timing of elite conflicts requires an analysis of deeper changes in central productive relationships. In the case of the War of the Roses, that would mean analyzing the changing relationship between peasants, lords, and royalty, and for investors vs. executives, it would involve understanding the changing interconnections between the exploitation of employees, the rise of new competition, and the failure of Keynesian amelioration (Arrighi, 1994; Brenner, 2002; Bryer, 2013; Sweezy, 1953).

A scholar need not become monocausal in outlook to understand the important role of class conflict in understanding many business-related phenomena. Returning to our example of the rise of large American corporations, one can easily observe class interests at work as
even competitors united in pressing politicians, judges, police, and even the military to support them a century ago in their conflicts with labor, often quite violently. This response explained, in part, the origins of both much of the coordination of corporate involvement in politics and the parallel political retreat on the part of organized labor (Hattam, 1993). One can further find other less obvious examples of the causal role of class conflict in the dispute between the executives of the National Civic Federation and the owner-operators of the National Association of Manufacturers over corporate welfare, or the diverging reactions to a resurgent United Steel Workers on the part of ‘big’ and ‘little’ steel during the 1930s, a divergence largely predictable based on whether a steel company relied primarily on government orders or the weak consumer markets of the depression years.

Clearly, class conflict cannot explain every twist and turn in the history of business, but its potential application can be a good deal more subtle and indirect than violent conflicts with unions or disputes between a burgeoning corporate elite and a battered petite bourgeoisie. There is a literature that dates at least to Gramsci’s (1985) depression-era prison notebooks that ties the rise of mass consumer markets and popular entertainment to such conflicts in a variety of relatively subtle ways, which, while sometimes excessively didactic, can help provide a deeper understanding of these crucial modern trends. Or, to return to a previous example, a complete understanding of the connection between the emerging commercial family farming and the development of the American railroads, one would need to examine both the ‘old country’ class conflicts that encouraged immigration to these farmsteads in the first place, as well as the causes of the brutal conflicts with Native Americans that made this homesteading possible.

Nor does identifying class conflict as a major source of historical change require an exclusive focus on the struggle between an industrial working class and the management of their employing firm. Even writing before the dramatic twentieth-century multiplication of professional and intermediate levels of managerial employees (Stone, 1974), Marx (1967b) late in his life noted the trend among the then emerging corporations to both separate share ownership from control and to more finely divide managerial authority. A Marxist historical analysis can be constructed, for example, to account for the evolution of the class conflict between software workers and top management as agents of stockholders. According to a case study by Vicki Smith (1990), a student of a Marxist sociologist who actually did study shop-floor resistance (Burawoy, 1979), top management at a financially troubled major bank sought to increase the rate of exploitation of their various middle-managerial subordinates. The information systems managers, however, were uniquely able to resist due to their subordinates’ near monopoly of the skills and knowledge that were paradoxically relied upon by top management to intensify exploitation elsewhere. Since then, however, this bank, along with many other American firms, learned the lesson of this defeat by using outsourcing and immigration to undermine the countervailing power of their programmers (Hira & Hira, 2005). Yet, the narrative continues to unfold in a dialectical manner as the very success of this process has led to critics and would-be reformers in India questioning whether outsourcing has really proven to benefit to the Indian nation, both its workers and its taxpayers (Nadeem, 2011).

While class analysis can hardly explain everything about business, it can illuminate behavior that might prove puzzling otherwise. Efforts to offer some form of universal health insurance provide a good example. As Marxist theorists have long argued, one vital function of government is to find ways to solve the collective problems of the politically dominant class when divergent personal or professional (but not class) interests make it impossible for individual members to arrive at a consensus (Milliband, 1983). From a pluralistic perspective it is hard to fathom why the leaders of those firms with expensive health insurance plans would not support a government-run and funded system, such as extending Medicare coverage to everyone. This
would remove a major administrative headache while reducing a large and volatile expense that foreign or less generous competitors do not have to deal with.

Viewing the broader class interests of top executives can solve this puzzle. After the crisis-filled decade of the 1970s, corporate executives and major investors coalesced politically around a few commonly-held principles of political action that reflected shared class interests regardless of other areas of disagreement (Clawson, Neustadt, and Weller, 1998). The first is that employees’ bargaining power should never be increased, and a healthcare system no longer tied to one’s employer would reduce worker dependency on one’s employer. Second, all business leaders should oppose, or at least try to limit, any proposed government programs that legitimize the power of government to tax and regulate. Third, a tacit agreement evolved that a firm or industry would tend to avoid interfering with the important political goals of another, and private insurers opposed any extension of direct government insuring because of the business they would lose as a result. Some corporate executives might have preferred no healthcare plan at all, but given the pressure from below for government to do something to solve the healthcare problem, it would be difficult to imagine a proposal that does less to empower employees and government or interfere with profits than the one that passed. Politicians succeed in passing the new healthcare plan largely because any alternative would have been even more damaging to ruling-class interests.

Similarly, a historically based class analysis that understands this function of government to look out for collective ruling-class interest can solve the puzzle of high levels of American peace-time military procurement, much of it unjustifiable by any national security concerns, and apparently in conflict with both free-market ideology and the commercial interests of civilian-oriented firms whose potential customers have to pay the taxes or inflation necessary to maintain this military-industrial complex (Cypher, 2007; Melman, 1987). After the Second World War, when many business leaders, fearful of a return to depression conditions that followed government of limited economic involvement, supported some degree of Keynesian demand management, military spending was the ideal form of such expenditures, and even the Interstate Highway Act was framed as a defense initiative. On the other hand, military procurement appeared to provide both a floor on demand and a permanent subsidy for technological innovations that was applied to a dizzying variety of civilian products (Marens, 2013a). It also offered a stream of rents extracted from taxpayers that can be shared with the most organized and threatening of industrial workers without empowering the entire working class in the manner of a full-scale welfare state. Moreover, as military production both moved to Southern states and became increasingly automated, organized labor’s share of Pentagon rents could be shaved accordingly, a decline that recently culminated with the end of defined-benefited pension plans at the Boeing Corporation, the country’s second biggest defense contractor, a result of threatening to move to a more union-hostile location. To the extent that such spending was actually useful militarily, it could be aimed at nations or groups hostile to American business. Hence, despite the end of the Cold War and expressed concerns over federal budget deficits, military spending remains quite high, including expensive Cold War weaponry never designed to meet current threats (Murray, 2005).

Knowledge of capitalism

The applications of Marxian or Marxist historiography that I have discussed up to this point have been largely methodological: the relationship of agency to structure, the dialect nature of change, the significance of viewing class interests and class conflict as central causes of social, organizational, and economic change. But the example of military spending indicates yet another potential area in which studying this literature can contribute to the understanding of business; historians who have been inspired by Marx present a great deal of information about the topics
they study precisely because they emulate Marx’s own efforts to understand as much as he could about both the past and current dynamics of capitalism. One can learn a great deal about the history of business from Marx-influenced historical research without necessarily accepting the conclusions of a particular scholar or even the causal priorities he or she assigns to various factors. Eric Hobsbawm has been one of the most widely read historians in the English language during the post-war era, and he is also nearly unique even among Marxist historians in spending his entire adult life as a member of the Communist Party. Nonetheless, one would be hard pressed to find a trace of didacticism, economic determinism, or teleology in his most popular books, and even conservative historians have professed respect for the importance and thoroughness of his work on the industrial revolution in England (Ferguson, 2002).

Examples abound of scholars, inspired by Marx, who have made important contributions to our understanding of the history of business. One can learn a great deal about the circumstances surrounding the emergence of various accounting practices from the work of Bryer (2013) without necessarily endorsing his polemical argument regarding which of these practices constitute full-scale capitalism. Stone’s (1974) seminal article not only chronicled a major defeat of craft labor within manufacturing, it offers an explanation for the subsequent rise of middle-class corporate occupations. Baran and Sweezy (1966) influentially explained the explosion of expenditures on the part of corporations on such seemingly non-productive services as advertising as resulting from a need to stabilize the political economy of the United States after a depression and a world war. Others have collected, organized, and theorized upon a great deal of information to explain the collapse of this very same stability over the last generation (Arrighi, 1994; Brenner, 2002; Lash & Urry, 1987; Pollin, 2003).

Moreover, Marxist historians have not only applied theory to their narratives, but have used historical work to extend theory’s ability to explain the development of capitalism. Brenner (1976), for example, is far better known and influential for his theory of European capitalist development than his specialized research of the political behavior of seventeenth-century English merchants. Nor does such theorizing begin and end with understanding the origins of capitalism. Over the past century, Marxist theorists have tried to refine and extend Marx’s own theory of capitalist development by creating models of cyclical or secular changes in the system (e.g. Hilferding, 1981). While such models involve a degree of abstraction, they are better grounded in reality than the naïve neoclassical assumptions of an essentialist background of free exchanges depended upon enforceable property rights within competitive markets. Some Marxists have argued that capitalism has moved historically through stages that depend to varying degrees on competition or monopoly, finance or military force, government stimulation or wage cutting. Others have suggested that there is an cyclical oscillation between such stages: relatively laissez-faire eras tend to generate destructive mismatches between supply and demand, which then leads to demands for greater government involvement in the economy, but then Keynesian policies set off inflation and inhibit private investment, which causes the pendulum to swing back toward laissez-faire (Jessop, 1997).

One relatively recent theory in particular combines both a secular and cyclical element, and it deserves the attention of business scholars since it successfully predicted both the financialization of the American economy and the rise of East Asian manufacturing. Arrighi (1994) argues that the capitalist world is characterized by century-long waves of dominance centered upon a single economic power: first Genoa, then Holland, England, the United States, and perhaps China in the near future. Each wave differs in a number of respects, such as the size of the dominant power, but each also repeats three stages in running its course: first a rising stage powered by commercial and/or industrial leadership followed by a second period of global political and cultural domination effectively paid for by this economic success, and ending with a generation
of financial dominance aimed at extracting previously accumulated wealth, during which time the fading dominant power finances its successor’s rise. This particular theory can explain a great deal of what we have observed both recently and historically.

The overall point here is a simple one, but one that is too often overlooked. Many Marxist historians are excellent scholars whose work provides a great deal of pertinent information regarding the evolution of business. Similarly many Marxist social scientists have used historical research to build useful models regarding how capitalism and those businesses that operate within it evolve over time. Such work provides a valuable resource in our own era of volatile change, and one that should not be disparaged because of fear or political differences.

Applying the principles to other theories

Business schools in particular apply a variety of organization theories in attempting to explain business organization and performance, and certainly, there is no particular reason to assume that any theory, including Marxism, can reasonably claim a monopoly on usefulness in explaining business behavior and outcomes. As Harris, Johnson, and Souder (2013) have argued, powerful models of human behavior often combine multiple theories, and Marxian historiography can add explanatory power to any number of models in conjunction with other theories. Both resource dependency and population ecology depend on environmental pressures and opportunities, for the former to bring certain expertise to the fore, in the latter case, to explain the birth and death rates of various organizational forms (Pfeffer & Salancik, 1978; Hannan & Freeman, 1977). Marxian historians internalize this social environment within their analyses, explaining how these metaphorical resources and toxins within the social environment that resource dependency and population ecology rely upon are not given but are actually socially constructed over time, often by the collective actions of various organizations that these other theories regard as essentially the dependent variable at the mercy of environmental forces.

There are other organizational theories that could use an assist from a Marxian perspective. For example, the choice in organizational learning between further exploiting the tried and true versus exploring new products and processes is affected by such factors as the cost of labor, the robustness of a consumer class that is willing to spend on new products, and the availability of government procurement or funding to cover the cost of experimentation, all trends that Marxian history deals with well. Institutional theory focuses on pressures toward continuity (DiMaggio and Powell, 1983), while Marxian historiography is the chronicling of change despite such pressures. Some organization theorists have noted this apparent complementarity and have suggested a fusion of the two approaches (Clemens & Cook, 1999; Seo & Creed, 2002). Stakeholder management (Evan & Freeman 1993) has failed to develop as a theory because it has not adequately addressed the central questions as to who can make a claim to stakeholdership and how these stakeholders formulate, express, and negotiate demands upon management. Marxist history can explain why one group or another is considered a legitimate stakeholder at one time or another, and how they pursue their interests, consciously or not, whether as aggregated individuals acting independently or as organized collectivity.

A Marxist historical perspective is especially suited to shed light on the rise of one particular stakeholder group: shareholders. On first glance, it is puzzling as to why economists should presume that shareholder well-being is the sole legitimate concern of top management (Jensen, 1989) since there is no basis for this view in legal history, nor even a venerable tradition within the managerial literature that executives should only consider what is best for shareholders (Sweezy, 1953; Heald, 1970). In fact, the nineteenth-century expansion of corporate rights and privileges could never have been sold politically had such a principle been
expounded by its advocates (Roy, 1997). A scholar familiar with Marx-influenced historiography, however, would understand that it was only when American industrial primacy was seriously challenged in the 1970s that the perception was propagated that corporate employees, as the beneficiaries of supposed excessive compensation and job security, were a large cause of these difficulties, which arose, according to disgruntled investors and their academic allies, supposedly because executives neglected their duty to utilize employees only to advance the interest of shareholders (Arrighi, 1994; Brenner, 2002; Pollin, 2003; Roy, 1997). At this point, top management, many of them rising to the top because they publicly embraced this view of the corporation, intensified the exploitation of their workforce, treating their own companies with almost the same ruthlessness as a corporate raider (Useem, 1996). Professing to look after shareholders, even if such concern was sometimes honored in the breach (Partnoy, 2003), allowed top management to justify squeezing or replacing their employees for their own enrichment through stock options.

Conclusion: bringing in Marx

In this chapter, I have tried to argue that there is an enormous amount of intellectual value in Marxist historiography that would aid any scholar interested in using history to achieve a deeper and richer understanding of business practices and its structural evolution. Some possible contributions are methodological. Marxist historians have developed an especially powerful grasp of the relationship between agency and structure as well as a deep understanding of how social change leads to further change, often in paradoxical or ‘contradictory’ ways. The works of Marxist historians illuminate a path that treads between reliance on overly abstract theorization or the fortuitous appearance of important individuals, while also providing a dialectical model of change in which social forces act as both cause and effect, not merely unexplained exogenous trends that appear somewhat arbitrarily in the narrative.

Some of the other contributions of Marxist historiography are substantive. The very best work of Marxist historians and social scientists brings exactly the same benefits that come from studying the work of other great scholars: they provide the basis on which to conduct further scholarship. More specifically, business school academics need to overcome their fears and prejudices and be willing to consider the historical significance of class conflict, the main preoccupation of Marxist scholars. One does not have to agree with orthodox Marxists as to its absolute centrality to finally admit during an era of Occupy Wall Street and its various successors that conflict between classes is an important factor in understanding social relations and historical change. Such an admission does not require abandoning other theoretical approaches, since a Marxist perspective on class relations can complement other theories, not simply replace them. Embracing some aspects of Marx’s legacy has the potential of significantly contributing to the explanatory powers of multi-theoretical models. It is past time to find out if this potential can be realized.

References


Richard Marens


He who may not be mentioned


