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THE RISE OF THE 1%: AN ORGANIZATIONAL EXPLANATION

9 Jonathan Murphy and Hugh Willmott

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ABSTRACT

15 *The paper adopts an organizational perspective to explore the conditions*
17 *of possibility of the recent re-emergence of overt class-based discourse on*
19 *one hand, epitomized by the ‘We are the 99%’ movement, and the rise on*
21 *the other hand of a populist, nativist and sometimes overtly fascist right.*
23 *It is argued that these phenomena, reflecting the increasingly crisis-prone*
25 *character of global capitalism, the growing gap between rich and poor*
27 *and a generalized sense of insecurity, are rooted in the dismantling of*
29 *socially embedded organizations through processes often described as*
‘financialization’, driven by the taken-for-granted dominance of neoliberal
ideology. The paper explores the rise to dominance of the neoliberal
‘thought style’ and its inherent logic in underpinning the dismantling and
restructuring of capitalist organization. Its focus is upon transnational
value chain capitalism which has rebalanced power relations in favour of
a small elite who is able to operate and realize wealth in ways that defy
and often succeed in escaping the regulation of nation states.

31 **Keywords:** Inequality; insecurity; financialization; transnational value
chain capitalism

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Elites on Trial

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INTRODUCTION

This paper adopts an organizational perspective to address the re-emergence of overt class antagonisms. It is argued that corporate restructuring is central to the ascendancy of the neoliberal model of capitalism and in turn to the destabilization of social order in the advanced capitalist countries. Social relations of production sedimented within relatively stable organizational systems are being supplanted by webs of contractual networks, in which economic relationships – and network membership – can be more rapidly reconfigured to reduce costs and circumvent subaltern resistance. The rise of networked economic processes has consolidated and strengthened the position of elites (the 1%), reflected in a dramatic widening of the gap in income, wealth and power between the 1% and the 99%. This has caused class differentials to sharpen, leading to rising dissatisfaction and diverse forms of resistance on the part of the 99%, ranging from leftist popular movements to rapidly growing nativist and neofascist parties.

There has been inadequate attention within organization scholarship to the relationships between the new organization of capitalism, and class and power relationships. The primary focus in mainstream organization studies is on mechanisms for mobilizing networks to increase profits, although much work within the field of critical organization studies has taken a cultural turn, in which considerations of power and identity are decoupled from political economy. However, an important contribution to understanding the dynamics of class and class conflict in neoliberal capitalism can be made by critical organization studies through reconnecting with issues of perennial concern to critical social science. Specifically, this paper considers the wider sociological implications of restructuring of corporations around short-term contractual networks. Our analysis underlines that organizations are intensely politico-economic arenas of action, and that the development of new, networked corporate forms is central to the evolution and also to the problematic reproduction of class domination in contemporary capitalism.

This paper begins by tracing the renewed attention to economic inequality that has accompanied the extended international economic crisis. It briefly explores the outcome of the post-organizational economy in terms of growing inequality and particularly the accelerating enrichment of a small elite. It then goes on to examine how wealth is produced and accumulated within capitalism and the role of corporations in that process. It

1 discusses recent changes in the organizing of economic activity and particu-
3 larly the dismantling of the ‘traditional’ capitalist corporation and its replac-
5 ment by the value chain/‘nexus of contracts’ approach, underpinned by
7 the rise of a newly aggressive finance capitalism. In exploring the conditions
9 of possibility for these changes, it traces the restructuring of economic rela-
11 tionships to the rise of neoliberalism, a creed that has become the dominant
13 political economic thought style (Fleck, 1979) through its assiduous forma-
15 tion and development of an alliance between anti-socialist intellectuals and
17 influential representatives of business interests. After outlining some of the
19 key nodal points in economic organization that has been fashioned and
21 captured by proponents of neoliberalism, it shows how an erosion of terms
23 and conditions of employment has underpinned enhanced elite value
extraction. The paper goes on to discuss how the expansion of socially dis-
embedded, value chain capitalism has been facilitated by such mechanisms
as transfer pricing and the mobilization of unpaid labour in the creation
and branding of products. The paper concludes by summarizing the argu-
ment that the neoliberal project to reorganize capitalism by disembedding
and dismantling organizations has reversed the immediate post-War trend
of declining inequality, shifting power as well as wealth away from the
‘99%’ and towards the ‘1%’, destabilizing the international economy and
precipitating the global economic crisis, and provoking re-emergent class
antagonisms on the one hand and the scapegoating of vulnerable groups
such as immigrants and visible minorities on the other.

25

Economic Crisis, Growing Inequality and the Re-Emergence of Class Conflict

27

The international economic crisis that began unfolding overtly in 2007
29 shows little sign of ending. The overall financial infrastructure of capitalism
has been saved, or reprieved, through state bailouts financed through the
31 subsequent imposition of major cutbacks in the social safety net and in
state services in numerous countries, most harshly in the European periph-
33 ery, as countries seek to repay international stabilization loans and respond
to cutback-induced recession. Rather perversely, rather than tempering
35 neoliberal policies, the crisis has invited their reaffirmation, resulting in a
deepening and hastening of privatization and deregulation as well as a
37 vicious circle of more punitive austerity measures in order to stabilize bor-
rowing costs. By May 2012, 12 European economies were officially in reces-
39 sion (Rooney, 2012), and the Eurozone as a whole remained in recession
through 2013.

1 In this context, for the first time in a generation, radical public dis-
3 courses have re-emerged. At first, these were often articulated through a
5 familiar leftist discourse that challenged capitalism and its class inequalities.
7 Then, in the latter months of 2011, more populist, elite-inflected slogans
9 proclaiming that ‘we are the 99%’ were adopted in protests and occupations
11 that spread rapidly around the globe. The self-serving ‘1%’ was held
13 responsible for causing the crisis and then forcing the ‘99%’ to shoulder
15 the burden of austerity. Meanwhile, the ‘1%’ remained at liberty
17 to enjoy a gilded existence, assisted by the (captured) capitalist state’s dilatory
19 efforts to rein in untrammelled tax evasion and avoidance.

11 On the European periphery, Greece, for example, has faced the brunt of
13 the neoliberal EU ‘recovery plan’, having been allowed to join the
15 Eurozone and subsequently encouraged to ratchet up its debts in a reckless
17 and possibly illegal manner, for which investment banks and advisors were
19 very well rewarded. As we write (2014), Greece is widely reported to be in a
21 state of social breakdown, with one citizen appealing to the International
23 Criminal Court to intervene in what she describes as a genocide of the
25 population mandated by ‘the bond markets’ and implemented by an un-
27 elected ‘technocratic’ government imposed on the country by the EU/IMF
29 (Salemi, 2011)¹. Across Europe, public responses to the pursuit and enforce-
31 ment of neoliberal policies has centred on the differential treatment of
33 the 1% and the 99%, as was the case with the British government’s 2012
35 budget which reduced taxes for the top 1% while cutting senior citizens’
37 tax allowances and imposing VAT on cheap hot food mainly consumed by
39 working class Britons (Midgely, 2012). Activist groups’ campaigns have
41 focused particularly on examples of tax-avoiding corporate elite ‘stars’ such
43 as Topshop’s Sir Philip Green who was enlisted by the UK Conservative-
45 Liberal coalition to advise on cutting government expenditures despite hav-
47 ing notoriously deprived the state coffers of substantial revenues through
49 aggressive ‘tax efficiency’ manoeuvres (Straw, 2010). Despite UK govern-
51 ment claims of economic recovery, between 2013 and 2014 food bank usage
53 in that country rose to record levels (Eaton, 2014).

33 In a sequence redolent of the 1930s, a second phase of citizen resistance
35 has combined the same rejection of elite-imposed market globalization with
37 a nativist and even fascist scapegoating of transnational migrants who, as a
39 consequence, have become doubly victims; first, they have been forced to
41 move from their homelands in search of economic survival, and then they
43 are accused of being feckless welfare cheats, petty criminals and even jiha-
45 dists (Rooduijn, 2014). European elections of 2014 resulted in break-
47 throughs for political movements of both far right and far left, ranging

1 from the overtly neo-Nazi Golden Dawn in Greece, to the first place finish
of the ‘reformed’ Holocaust deniers of the French Front National, to the
3 emergence on the Left of Spain’s ‘indignados’ from street movement to
electoral force (Leonard, 2014).

5 Globally, there is a plethora of official data consistently supporting the
‘We are the 99%’ hypothesis of growing inequality. In the United States,
7 the Congressional Budget Office, examining income trends for the top 1%,
found that in 1980 they earned 9.1% of all income, while by 2006 this had
9 risen to 18.8% of total earned income (CBO, 2009). Paul Krugman notes
that ‘Between 1979 and 2005 the inflation-adjusted, after-tax income of
11 Americans in the middle of the income distribution rose 21 percent. The
equivalent number for the richest 0.1 percent rose 400 percent’ (Krugman,
13 2011). Similar trends exist in terms of accrued wealth; in 2010 the United
States top one percent owned 40% of all wealth, up from 33% in 1985
15 (Wolff, 2010).

17 In the United Kingdom, the Gini coefficient of inequality – a measure
comparing incomes at the top of the income distribution with those at the
bottom – increased from 26 to 40 in the decade to 2009 (Monbiot, 2011).
19 The income share taken by the top 1% doubled to 14.3% between 1970
and 2005 (OECD, 2011). Sikka (2012) reports that while the bottom half of
21 employees earned 16% of GDP in 1977, this had declined to 10% by 2010,
while in the same period the top 10% of earners had increased their share
23 (including bonuses) from 10% to 16%; there had been a direct transfer of
income share from the bottom to the top of the class ladder. The OECD
25 also noted that during the past generation the United Kingdom has
enjoyed progressively less social mobility and that the social benefits and
27 tax systems have become less effective in redistributing income, not least
because in the 30 years between 1981 and 1982 and 2011 and 2012, UK tax
29 revenues as a proportion of GDP declined from 45.5% to 37.8%, reducing
the state’s ambitions and capacity to deliver equal opportunity (Sikka,
31 2012).

This phenomenon of a growing gap between elite and average salaries
33 has also occurred within mainstream corporate life. CEO salaries have risen
10 times as fast as those of the workforce as a whole (Hayes & Schaefer,
35 2009), with in-company ratios of between 250 and 500 times average
employee salary not uncommon (Faleye, Reis, & Venkateswaran, 2010). A
37 survey of USA CEO salaries found that average CEO compensation rose
by 27% in 2009 (the latest period for which data are available) outstripping
39 share price increases by 10%, bringing into doubt the legitimating argu-
ment that elite salaries are tied to share performance (Rushe, 2011).

1 The growth in inequality has sufficiently captured public attention to
2 result in a surprising 2014 bestseller, Thomas Piketty's dense treatise
3 *Capital in the Twenty-First Century*, whose meta-analysis of historical data
4 on income and wealth concludes simply that a 'spectacular increase in
5 inequality largely reflects an unprecedented explosion of very elevated
6 incomes from labour, a veritable separation of the top managers of large
7 firms from the rest of the population' (Piketty, 2014, p. 24). Somewhat
8 overlooked in the debate over Piketty's findings about increasing inequality
9 is his equally important conclusion that while Marx's absolute law of capi-
10 talist crisis is inappropriately deterministic (the system and its internal laws
11 are not immutable), the sanguine belief of mainstream economists that the
12 system is self-correcting is equally naïve. There is no reason why destabiliz-
13 ing tendencies associated with rapidly increasing inequality should natu-
14 rally end. Without reform, Piketty argues, the inequality trend and its
15 attendant deleterious social and economic effects are likely to continue or
16 worsen.

17 Frank (2010) demonstrates that elite capture of societal resources
18 extends beyond finance and includes key factors in generationally
19 transmittable social capital (Bourdieu, 1987) so that, for example, access
20 to elite education is highly correlated to income and social class (Perry &
21 Francis, 2010; Sodha & Margo, 2010). Both Frank and Stiglitz (2011)
22 conclude that large disparities in market power cause wider social
23 changes that are generally deleterious. The wealthy have less need for
24 collective service provision as they can buy services like education and
25 health care privately. In turn, this leaches resources out of public systems
26 so that education quality declines, and minor or preventable health con-
27 ditions go untreated. Frank has focused particularly on the dynamic of
28 'stardom' which has become prevalent. Originating in entertainment fields
29 such as sports and music, mass communications have opened a wide gulf
30 between the incomes of those at the very top in comparison with those
31 even marginally below them in 'marketability' (Appadurai, 1996;
32 Crothers, 2010).

33 The exponential increase in rewards extracted by those at the very top of
34 the income distribution impacts not only on the working and poorer classes
35 but also on the erstwhile middle class, a group created by the complex
36 embedded system of Fordist capitalism and the regulatory state
37 (Ehrenreich & Ehrenreich, 1977). A stable middle class is widely viewed by
38 (mainstream) development economists as a correlate of parliamentary
39 democracy and strong economic performance (Easterly, 2001). Conversely,
the disintegration of the middle class has been closely associated with

1 the rise of fascism (Burris, 1986; Guerin, 1936; Lasswell, 1933; Reich,
3 disturbing parallels with the widespread questioning of the moral legiti-
5 including those built through scapegoating of minorities manifest in the
social dislocations of the 1930s.

7

9 *From the Fordist Corporation to Financialized Network Capitalism*

11 The post-war economy was built around the ideal type of the American
13 corporation which internalized much if not all of a production process
15 from product or service conceptualization through production to market-
17 ing (Aglietta, 1979; Amin, 1994). Mainstream organization studies has
19 treated this entity as a given, and so has continued to focus on its design,
21 management, and internal life (Daft, 2009; Mintzberg, 1979) as if the
golden age, or golden dream, of the great American corporation in the
1950s continued undisturbed. Many proponents of critical organization
studies have adopted a more sceptical standpoint but have generally
retained the organization as a relevant unit of analysis (Hatch &
Cunliffe, 2006).

Mainstream analysis is built around a kernel that embraces an industrial
vision of capitalism and represents a functional response to the functional
requirement to organize and co-ordinate processes as they become more
complex and machinery- and technology-dependent. This thinking is epitomized
in Taylorist production systems and their contemporary variants and refinements
in which ‘soft’ systems (e.g. teamworking) are designed with the same mechanistic
vision (Young, 1990). ‘Scientific management’ has delivered industrial productivity
and has resulted in a large number of white collar staff responsible for administering
its systems (Andrew, 1981), paralleled by a growth in the regulatory state
bureaucracy. In this established narrative, organizational design is presented as
a largely linear, staged process of growing internal complexity considered necessary
in order to expand scale and scope of production, *largely within the vertically
integrated organization*, identified as Chandler’s (1977) ‘visible hand’. Even
mainstream iterations of post-Fordist organizational design, in which partnerships
and joint ventures are acknowledged to be strategic approaches, emphasize the
need for ‘explicit collaboration mechanisms’ (Anand & Daft, 2007, p. 342);
in other words, the necessary re-construction of productive unity even within
the ‘virtual organization’.

1 Notably, classic theories of the multinational corporation emphasize a
2 staged development in which the process of internationalization is driven
3 by organizational heft, that is in turn built upon an entrenched managerial
4 hierarchy and upon bureaucratic reproduction. The archetypal (multina-
5 tional) corporation is presented as *internalizing* productive inputs that in a
6 traditional liberal capitalist model would be sourced through the market
7 (Hymer, 1970). In early transnational capitalism this approach enabled
8 multinational corporations to operate in less developed environments
9 where efficient markets did not exist (Murphy, 2008).

10 Any capitalist system is based upon the generation of profit (or in the
11 Marxist version, of surplus value), the quest for which drives continuous
12 innovation and enhanced productivity. The archetypal Fordist industrial
13 corporation permitted the concentration, the standardization and the regu-
14 lation of this process. However, this came at a price for elites (Mizruchi,
15 2013). Although the concentration of labour in one place permitted not
16 only the measurement and predictability of labour input costs, but it also
17 made it possible for workers to organize together to increase their wages,
18 leading to the creation of powerful industrial unions first in the United
19 States and later elsewhere (Preis, 1972). It also resulted in the growth of a
20 substantial managerial overhead in the form of a burgeoning cadre of man-
21 agers and supervisors hired to operate the Fordist productive system and,
22 increasingly, to administer the social contract benefits wrested from the cor-
23 poration by organized labour. The management ‘problem’ inherent in
24 Fordist production was captured by Berle and Means’s (1935) classic
25 description of a growing separation of ownership from control, in which
26 company managers are seen as tending to usurp the leadership of share-
27 holders as they organize and develop corporations in ways that enhance
28 and secure the benefits and prospects of the managerial cadre. Berle and
29 Means argue that because corporate managers’ power and prestige is
30 derived from the organization, they have a strong incentive to place organi-
31 zational growth ahead of profitability. The common interest of managers
32 and workers in the Fordist system, therefore, is in a social contract and
33 form of governance which will enable the organization to grow, enhancing
34 the powerful status of managers as the ‘captains of industry’, and assuring
35 the relative prosperity and security of workers.

36 In the Anglo-American context, this contract came under pressure dur-
37 ing the late 1960s and early 1970s as the Keynesian post-War settlement
38 began to breakdown, economically and socially, under the weight of its
39 own contradictions. Rising inflation, coupled with increased public
expenditure, meant that investment and growth could not keep pace with

1 the rising expectations of workers-as-consumers. State fiscal crisis was then
2 precipitated by the ‘oil shock’ of the 1970s as soaring energy prices fuelled
3 inflationary pressures, resulting in declining living standards for all but the
4 most protected and well organized of employees. This fiscal crisis signalled
5 the beginning of the demise of the Fordist social contract. It ushered in a
6 new era of global business processes in which mass production is out-
7 sourced to locations with repressive labour relations (cf. China) and/or
8 neo-feudal social and economic relationships (cf. India).

9 When addressing the post-1970s shift in corporate organization, we
10 consider the value chain approach (Gereffi, 2005; Kaplinsky, 1985) to be **AU:3**
11 particularly instructive. In value chain capitalism, strategic attention is
12 placed not on the organization but on the process chain, a network of
13 reconfigurable elements. In the loosened regulatory environment that was
14 established during the 1980s as part of the neoliberal strategy to reverse
15 declining profits and stimulate growth, there are multiple opportunities
16 for value chain reconfiguration, a process that has been described evoca-
17 tively as ‘Lego capitalism’ (Berger, 2006). By 1993, Fortune magazine **AU:4**
18 attributed increased profits to corporate modularization (Tully & Welsh,
19 1993). What has been characterized as a disarticulation process permits
20 the valuation and marketization of ever smaller chunks of the value chain.
21 In turn, disarticulation facilitates outsourcing and also provides various
22 other opportunities for elite enrichment, including the creation of legal
23 firewalls and transfer pricing to secure greater profit realization in low tax
24 jurisdictions (Prechel, 2000; Prechel & Harms, 2007). The phenomenon of
25 disarticulation is associated with the break-up of large corporate entities
26 into smaller units – units that are themselves regularly combined and
27 restructured, traded between holding conglomerates that may have hun-
28 dreds of small subsidiaries – what Ackroyd (2011) calls ‘capital extensive
29 firms’ (CEFs), ~~that form~~ part of reconfigurable value-realizing networks.
30 The management of subsidiaries by their holding company is typically
31 hands-off, being primarily directed to meeting financial targets; in this
32 sense ‘financialization’ represents and is part of a broader phenomenon
33 than the growth of the financial sector of the economy (Krippner, 2005);
34 it is an integral phenomenon of the ascendant neoliberal thought style
35 (Murphy & Ackroyd, 2013). The post-organizational² approach treats
36 each element of the value chain as an independently marketable commod-
37 ity whose assets can either be sweated and sold on or stripped (and possi-
38 bly rebuilt) for subsequent disposal. This financial(ized) conception of
39 organizations as disarticulated modules in value chains configured by mar-
kets for use in value extracting processes is singularly different from

1 the corporeal conception of organization presented in mainstream management texts.

3 Corporate structures are strongly influenced by state regulation; for
5 example, New Deal era policymakers' understanding of the dangers of the
7 holding company – subsidiary model resulted in legislation that, until
9 repealed, effectively limited the spread of the model (Prechel, 2000).
11 Management of today's holding companies is strategically focussed and elevated
13 apart from management of the process subsidiaries. The holding
15 companies can be structured in a number of different ways; they may be
17 stock-market traded or private firms attracting pension fund, hedge fund
19 and/or private equity investment or they may be owned directly by private
21 investors (Metrick & Yasuda, 2010). The management strategy pursued by
23 holding companies tends to converge with two key characteristics: substantial
25 and growing rewards to executives and expert intermediaries and a
27 recurrent reconfiguration and restructuring of business processes in search
29 of quick profits (Folkman, Froud, Johal, & Williams, 2007). Holding company
31 executives often have considerable shareholdings and are part of an
international executive elite. Even large organizations that remain formally
intact such as BT have effectively been disembowelled through the wholesale
outsourcing of previously internalized functions (Colwill & Gray,
2007), while other former traditional giants have reinvented themselves to
fit into the value chain model. IBM, for example, has become a specialist
both in providing business process reengineering solutions (Miozzo &
Grimshaw, 2011) and in delivering shared (outsourced) services.

25 These changes form part of the overall process of capitalist reinvention
27 which is typically described in shorthand as financialization. While the
29 term is widely used, there is no common understanding of its core meaning.³
31 Here we deploy it to indicate how decisions about the application of
industrial capital, as invested in processes which produce and distribute
goods and services, has become increasingly geared to the short-term
pursuit of shareholder value.

33 In most accounts of the 'new capitalism', the driving force for the emergence
35 of these financialized models is assumed to be the financial sector itself.
37 Particular attention is placed, for example, on changes in financial sector
39 regulation in the United States – driven by financial sector lobbying –
that provided much greater scope for development and marketing of
financial instruments (~~Brown, 2009~~; Davis, 2009). The possibility for securitization
is in turn often attributed to advances in IT which permit development
of far more complex and sophisticated investment modelling than
had previously been possible (Schiller, 2003). While these regulatory and

1 technological changes provided the mechanisms whereby a shift towards
2 financial or value chain capitalism could be implemented, *it is argued here*
3 *that the conditions of possibility for this shift to the ‘financialization’ of cor-*
4 *porations lie in the ascendance of the neoliberal thought style, and its under-*
5 *pinning of a reinvigorated elite hegemony beginning in the 1970s (Gamble,*
6 *2009), that enabled, and indeed invited, the financial sector to become*
7 *dominant. It is to the rise of neoliberalism that we now turn.*

9
10 *Neoliberalism and the Conditions of Possibility for Value Chain Capitalism*

11
12 Within any sphere or field of thought, certain ways of viewing the world
13 tend to predominate only to be replaced by other, similarly predominant
14 perspectives. There have been various attempts to explain the process
15 whereby different structuring world views arise and are then replaced. One
16 of the more flexible approaches is the ‘thought style’ typology conceived
17 by Ludwik Fleck, a Polish mid-20th century biologist who noted that a
18 number of competing broad understandings of the nature of disease struc-
19 tured the way groups of scientists adhering to these competing viewpoints
20 went about creating tests for its presence. The predominance of one per-
21 spective over another was not necessarily reflective of the merits of the
22 perspective but was dependent instead on the power, prestige, resources
23 and effective organization of the nuclei of scientists (‘thought collectives’)
24 adhering to the different ‘thought styles’. In other words, the merit attrib-
25 uted to ideas was contingent upon a number of broadly ‘political’ consid-
26 erations. From Fleck’s perspective, the development of scientific
27 approaches is linked both to power (pre-existing resources) and the assidu-
28 ousness with which certain thought collectives advocate their approach.
29 Douglas (1986) developed and refined Fleck’s ideas by specifying the ways
30 in which thought styles structure thinking about its sphere of interest.
31 Specifically, Douglas underlined how thought styles not only frame the
32 way issues are addressed but also close off alternative and incompatible
33 perspectives. In this light, the emergence of value chain capitalism, and
34 the consequent rebalancing of power and resources towards the elite, can
35 be viewed as an outcome of the establishment of a neoliberal hegemony or
36 thought style that is itself responsive to historical circumstances (Douglas,
37 1986; Fleck, 1935), echoing Weber’s notion of an elective affinity of mate-
38 rial and ideal interests.

39 From the 1940s a small group of economists, including prospective
luminaries such as Hayek, von Mises and Milton Friedman, gathered in

1 the Mont Pelerin Society (MPS) (Mirowski & Plehwe, 2009) and in a small
2 number of other think tanks and associations. Supporters of MPS success-
3 fully organized the capture of a number of prestigious university economics
4 departments from erstwhile Keynesian domination in America and beyond
5 (van Horn & Mirowski, 2009). By the late 1970s the International
6 Monetary Fund and the World Bank had also come under neoliberal domi-
7 nation, as evident in an about-turn in economic development orthodoxy
8 (Kapur, 2000). The subsequent rise of neoliberalism is often presented, par-
9 ticularly by its advocates, as the victory of a disinterested intellectual move-
10 ment over its adversaries. However, from an early stage, the neoliberal
11 movement was deeply intertwined with business interests that were
12 attracted by the material benefits as well as the ideological confirmation
13 which implementation of the MPS doctrine promised to provide. Financial
14 support was provided directly by politically active businesspeople and
15 indirectly through right-wing foundations established to promote business
16 interests; this occurred on both sides of the Atlantic (Cockett, 1995;
17 Phillips-Fein, 2009).

18 Neoliberal intellectuals promoted the idea of ‘free markets’ as an inte-
19 gral part of a philosophic defence against ‘the road to serfdom’ (Hayek,
20 2001), but its business supporters welcomed neoliberalism for its potential
21 to restore and extend the power and wealth of established elites in the face
22 of a perceived socialist threat. This can be seen in the MPS debate on
23 monopoly (Van Horn, 2009, 2011) where neoliberals within MPS margina-
24 lized classical, old-school liberals such as Jacob Viner, who advocated the
25 break-up of monopolies in order to permit the operation of competitive
26 markets. From the early days of their movement, or thought collective, the
27 neoliberals were conscious advocates of a general right-wing *political*
28 agenda in which the discipline of ‘free’ markets is *selectively* applied to
29 transform workers into individualized producers and consumers, resulting
30 in a concentration of power in the hands of business elites (Van Horn,
31 2011). This agenda was reflected both by changing attitudes towards regu-
32 lation depending on whether it was assessed to facilitate stable profit reali-
33 zation (Prechal & Harms, 2007), and in support by prominent members of
34 MPS for brutal dictatorships such as that of Pinochet in Chile when they
35 were perceived to be pursuing business-friendly policies (Valdes, 1995).

36 Emergent neoliberalism was remarkable for the breadth of its interests.
37 Quite deliberately, the MPS from its earliest days organized groups and ses-
38 sions on issues as diverse as macroeconomics, the power of unions, interna-
39 tional development, the structure of global governance institutions, etc.
40 Action on these wide-ranging preoccupations added up to a multi-faceted

1 assault on the Keynesian class compromise that had underpinned the New
2 Deal in the United States, and subsequently the Bretton Woods system
3 which was established to manage global capitalism after World War II
4 (Helleiner, 1996, p. 3). The various strands of neoliberal initiatives and
5 their interconnections are important in understanding the logic and
6 dynamics of neoliberalized global capitalism (Morgan, 2014). We will
7 briefly explore six core elements – what Grinspun and Kreklewich (1994)
8 describe as the necessary ‘conditioning framework’ – of the neoliberal
9 agenda which, we argue, interacted to make value chain capitalism possi-
10 ble; free trade, privatization, marketization, deregulation, restructuring the
11 legal framework of economic relationships and reinventing international
12 development.

13 A key formal element of the neoliberal agenda is the implementation of
14 *free trade arrangements* at the national, bilateral, regional and global levels
15 (Krueger, 1985). Notwithstanding the impact of free trade on overall
16 national economic performance, it intensifies competition by exposing pro-
17 duction processes to international cost comparison. This permits imports
18 from low-wage economies, undercutting prices in developed countries with
19 the (largely invisible) impact of undermining the bargaining power of work-
20 ers while enhancing the capacity of those in work to consume. Free trade
21 agreements also typically entail limits of the scope of state action, for exam-
22 ple, to maintain state-run healthcare and education systems or to maintain
23 national control of resources like water (Barlow & Clarke, 2002). Free
24 trade is a prerequisite for the creation of transnational business processes
25 and for the operation of value chain capitalism. Notably, the accession of
26 countries such as China to the WTO facilitates FDI and the integration of
27 their citizens’ low-wage labour into the global economy.

28 *Privatization* of state services is another central element of neoliberalism.
29 While it originated as a response to perceived inefficiencies in state-run pro-
30 ductive enterprises, it now extends into the heartland of state services
31 including prisons (Dolovich, 2007) and even waging war (Singer, 2003).
32 Privatization is integrated into the infrastructure of international law,
33 whether through trade agreements as noted above, in the conditionalities of
34 international financial institution support – such as the ‘best practice’
35 guidelines of institutions like the OECD,⁴ or in accession requirements for
36 transnational projects such as the European Union (Zile & Steinbuka,
37 2001). Countries bankrupted by the scale of the global economic crisis
38 made possible by neoliberalism which sanctified unchecked financialization
39 are, ironically, required, as a condition of financial support, to engage in
40 further privatizations and other neoliberal restructuring (Gabor, 2010). In

1 most dramatic form, this medicine has been applied in Greece as well as in
several other Eurozone countries, leading to further economic damage and
3 serious social unrest (Wolff, 2011). Restrictions on state-operated organiza-
tions strengthen the neoliberal corporate norm, and privatization typically
5 weakens trade unions and worker protections in general. Frequently, priva-
tized services are disassembled in a series of value chain processes, some of
7 which can be outsourced, including offshore. For example, when British
Rail was privatized it was broken up into a variety of processes as well as
9 geographic service companies, with ticket booking and customer enquiries
offshored to India (Nadeem, 2009).

11 *Marketization* – closely linked to privatization – is typically defined as
the introduction of market incentives in public services. Neoliberals such as
13 the Chicago School economist Friedman (1997) urged the introduction of
education vouchers, thereby allowing parents of children in State schools
15 to ‘choose’ their children’s school. Marketization changes the nature of the
citizen’s relationship to the state into one of individualized consumer. The
17 introduction of substantial fees for university education, for example,
instrumentalizes learning as a monetary investment that is calculated to
19 reap a financial reward later (Latimer et al., 2011), rather than a social
good. Teachers and professors are expected to facilitate students gaining
21 their diplomas and are disciplined through ‘measurement by results’.
Marketization tends to de-professionalize and potentially proletarianize
23 these employees as their scope for self-regulation, and exercise of discretion,
is circumscribed and harnessed to metrics imposed by an elite managerial
25 cadre. Market discipline has of course long been a management tool in the
private sector, involving the routinization of tasks, permitting outsourcing
27 and/or deskilling and thereby curtailing labour costs (Braverman, 1974).
Public sector marketization expands the opportunities for value chain
29 capitalism and limits or precludes the possibility for alternative models of
economic organization.

31 *Financial deregulation*, another key demand of neoliberals, underpins the
logic of value chain capitalism. Deregulation, combined with currency con-
33 vertibility and internationally enforceable property rights, permits speedy
cross-border capital flows. It thus facilitates rapid reconfiguration of value
35 chains, with operations shifted seamlessly from location to location.
Deregulation also simplifies securitization, severing dependence on internal
37 capital reserves, and again permitting business processes to be re-
engineered and sold on. Financial deregulation enables elites to easily evade
39 labour rent-seeking efforts by reorganizing the productive process to
bypass real and potential resistance points (Soederberg, 2011).

1 Another important strand of neoliberal activism involves *restructuring*
2 *legal relationships* to fit neoliberal ideological precepts. In early neoliberal-
3 ism, two aspects were particularly emphasized: limitation ~~in~~ the freedom of
4 action of trade unions (Hayek, 2001) and definition of property rights to
5 exclude collective initiatives (Alchian & Demsetz, 1973). The objective in
6 both areas was not only to simply facilitate capitalist economic activity but
7 also to change the ways in which people conceptualized the world around
8 them. The naturalization of individualized economic relationships (as
9 opposed to collective or class relationships) and the aspiration to home
10 ownership (as opposed to social rights to secure and affordable living
11 space) invite acceptance of the neoliberal world view as a whole. Most
12 recently, neoliberal legislative reform campaigns have resulted in the con-
13 struction of a corporate legal personality that grants quasi-human rights to
14 the corporation (such as the right to engage in politics) and also insulates
15 corporate executives from legal and moral responsibility for corporate
16 actions (Veldman, 2011).

17 Concerning trade unions, Hayek emphasized the need to end what he
18 considered harmful ‘collusive’ relationships between employers and unions
19 (Richardson, 1993), where both sides aimed to balance their differing inter-
20 ests (in the vein of the so-called ‘German model’). Neoliberal thinking
21 influenced governments to ‘take on’ unions in set-piece disputes, particu-
22 larly in the Anglo-American context, such as in the Reagan administra-
23 tion’s 1981 conflict with air traffic controllers (Farber & Western, 2002),
24 and the Thatcher government’s mid-1980s dispute with the National Union
25 of Mineworkers (Towers, 1989). The defeat of trade unions in these dis-
26 putes decisively recast common understanding regarding the nature of
27 labour relations along neoliberal lines, entrenching another key aspect of
28 the neoliberal thought style in politico-economic thinking. In the European
29 context, unions have tended rather to be co-opted into permitting outsour-
30 cing and offshoring in return for job and social protection guarantees,
31 although this negotiation is again structured by the constructed ‘inevitabil-
32 ity’ of neoliberal globalization. The defeat, or co-optation, of unions has
33 been critical as they potentially presented a serious barrier to outsourcing
34 and the creation of global value chains.

35 Similarly, in relation to home ownership, the UK Thatcher govern-
36 ment’s ‘right to buy’ policy, providing tenants of government housing
37 (‘council houses’) with a legal right to purchase their homes at preferential
38 rates, was a highly effective tool in cementing and universalizing attitudes
39 towards home ownership and, more generally, class orientation (Jacobs,
40 Kemeny, & Manzi, 2003). The expanded marketization of the real estate

1 sector also provided expansive opportunities for financialization and securi-
2 tization. Indeed, it was the extension of real estate markets into the highly
3 speculative field of mortgages designed expressly to attract the poor and
4 insolvent – particularly in the United States and United Kingdom –
5 which, as a consequence of securitization, massively inflated the unsustain-
6 able bubble that ultimately exploded into the sub-prime crisis and set off
7 the global recession (Roubini, 2008; Willmott, 2011). More generally, a
8 consequence of unleashing the neoliberal thought style has been an expansion,
9 concentration and deregulation of financial institutions, and especially
10 the banking and insurance sectors. Their core business is debt and its insurance,
11 and their exponential growth since the late 1980s reflects the explosion
12 of indebtedness by individuals and states as well as the high leveraging
13 of assets by corporations.

14 Finally, neoliberals placed considerable emphasis on *restructuring the*
15 *international political economy*, particularly through domination of the
16 International Monetary Fund, World Bank and WTO, as well as regional
17 development banks and institutions such as the OECD. During the 1980s,
18 several leading neoliberals secured senior management positions in the
19 IMF and World Bank, and set about reshaping the theory and practice of
20 international development. Developing countries were no longer encouraged
21 to pursue national industrialization policies but would rather be
22 expected to seek export markets for their (mainly primary) goods. They
23 were also required to shrink the size of their state administration and
24 reduce investment in higher education (Murphy, 2008; Plehwe, 2009).
25 These policies were enforced through ‘policy conditionality’, a new interna-
26 tional development funding modality that was rapidly adopted as an inter-
27 national norm by most bilateral and multilateral international development
28 organizations. Policy conditionality tied provision of aid to adoption of a
29 broad range of neoliberal policies (~~Cammack, 2001~~; Cooke, 2004; Mosley,
30 Harrigan, & Toye, 1995). This renegotiation of development paradigms has
31 been a more important feature of the neoliberal project than is generally
32 acknowledged. ~~Whether purposefully or unintentionally,~~ neoliberal policies
33 have permitted the integration of third world workers into the bottom rung
34 of the global labour force, creating the final, essential condition for the full
35 implementation of value chain capitalism. This has resulted in a strong
36 downward pressure on wages worldwide (see discussion of global labour
37 arbitrage below). For advocates of neoliberalism, the integration of develop-
38 ing economies, even those nominally under ‘Communist’ governments
39 such as China and Vietnam, into a global neoliberal economic system has
the welcome effect of reducing or even eliminating the risk of alternative

1 economic and social paradigms being embraced. As the neoliberal thought
2 style comes to dominate the field, its general acceptance effectively pre-
3 cludes consideration of alternatives (Douglas, 1986), at least until the point
4 at which its contradictions can no longer be contained (e.g. the need for
5 huge state bailouts to avert financial meltdown).

6 While neoliberalism can be considered in terms of its constituent aspects,
7 as explored above, it would be a mistake to regard it as a complex net-
8 worked programme of conspiratorially planned actions. The core principles
9 of neoliberalism are simple, even if advocates and opponents alike might
10 quibble over their wording. Harvey (2005, p. 2) defines it as the belief that
11 ‘human well-being can best be advanced by liberating individual entrepre-
12 neurial freedoms and skills within an institutional framework characterized
13 by strong private property rights, free markets and free trade’. In ~~the con-~~
14 ~~text of~~ established capitalist economies, or in other contexts where people
15 aspire to what these economies deliver, this conception of the key to well-
16 being has an appeal that is largely blind to its politico-economic implica-
17 tions and contradictions. The neoliberal thought style is concentrated initi-
18 ally in the economic field, but its logic reaches into deeper attitudes and
19 perspective on politics and society. The thought style provides a ‘condition-
20 ing framework’ as discussed above, that shapes and animates actors’ atti-
21 tudes and actions in their domains of interest and intervention. Moreover,
22 the thought style notion provides a structuring explanation for elite
23 conduct that offers an alternative to critical scholars’ attribution of self-
24 interested and systemically perilous behaviour to individual executives’
25 personal wickedness (Perrow, 2010). In each of the six key targets of neoli-
26 beralism explored above, the neoliberal thought style promotes organiza-
27 tional restructuring which extends from a ‘free trade’ reorientation of
28 economic activity vis a vis export markets, to the sphere of family life
29 where freedom and autonomy is instantiated in the privatization of hous-
30 ing. We next turn to the interactions between the neoliberal thought style,
31 organization and the reinforcement of elite domination.

33

*Organizing Exploitation: Elite Domination, Value Extraction
and Tax Avoidance*

35

37 The supplanting of institutionalized, Fordist relationships by reconfigur-
38 able value chain processes, we have argued, is manifest in a cascade of
39 impacts on the organization of the economy as well as on relationships
between different economic actors (Davis, 2009; Lounsbury & Hirsch, 2010).

1 The eclipse of the integrated, Fordist corporation, as well as the dismantling of the integrated state, have further skewed power relations within
3 economy and society in favour of elites as the resources mobilized by oppositional forces have been destroyed or outlawed and forms of critique have
5 been recuperated (Boltanski & Chiapello, 2005).

AU:5

7 We now explore more directly how the disembedding and disarticulation of organizations operates to the benefit of the 1%, as we contend that a primary impact of the neoliberal thought style has been to change how surpluses are allocated by reinventing the system of production and distribution, extracting it from its institutionalization in the vertically integrated organization. By relying more heavily upon markets within and
9 between organizations, the mutuality that existed within the institutionalised corporation has been eroded, thereby permitting enhanced profits that, further, are increasingly exempt from socialized tax obligations.

15 In the neoliberal mythology of free market capitalism, contractual relationships are always between equals. However, by breaking down value
17 processes into ever smaller chunks that can be performed by production units located anywhere in the world, and in the context of the free international movement of capital, goods and services, those controlling the strategic configuration of value chains are able to maximize *their* share of overall
19 income to the detriment of others who are squeezed by the threats posed by capital mobility. Costs are incurred in low-wage economies and revenues are realized in high priced markets. This advantage, which is enjoyed disproportionately by elites, leads to growing income and wealth disparity. It
21 also produces increased instability in the economy. In the context of wholesale outsourcing of production, income declines in the high-wage economies where, historically, the engine of growth has been fuelled. For several
23 years, declining income was concealed, or offset, by exponential growth in personal credit, a bubble whose bursting triggered the current global crisis but also, with few exceptions, perversely consolidated the dominance of
25 financial institutions in relation to nation states. This dominance of financial institutions and the associated continuation of financialization is evident in the simultaneous bail-out of banks, the squeeze on public services
27 in order to pay for the bailouts and the reliance on credit to compensate for the absence, or falling value, of wages.

31 It is often argued by mainstream economists and organization scholars that outsourcing simply reflects the creative destruction inherent within
33 capitalism as economic functions are carried out in the location of maximum economic efficiency. In this perspective, it is anticipated that manufacturing jobs in the West will be replaced by higher value employment, for
39

1 example, in design and innovation. It is imagined that the world can profit-
2 ably be divided between, ‘Those who grow; those who make; those who
3 create; those who coordinate’ (Czinkota & Ronkainen, 2005, p. 117). When
4 some areas of the West lose jobs, such as America’s Rust Belt or Britain’s
5 West Midlands, other areas gain, like Silicon Valley or London’s City. This
6 win-win account obscures the potential for elite extraction of additional
7 value through the dynamics of global value chains. Stephen Roach,
8 Morgan Stanley chief economist, noted as early as 2004 that, ‘Wage rates
9 in China and India range from 10% to 25% of those for comparable-
10 quality workers in the United States and the rest of the developed world.
11 Consequently, offshore outsourcing that extracts product and/or services
12 from relatively low-wage workers in the developing world has become an
13 increasingly urgent survival tactic for companies in the developed econom-
14 ies’ (Roach, 2004).

15 Smith (2008, 2011) extends this argument in a more critically radical
16 direction, noting that although an increasingly large proportion of consu-
17 mer goods are produced in developing countries, only a small proportion
18 of the overall value of the goods is realized in those countries. There are
19 numerous accounts of different finished goods that are largely produced by
20 developing country labour but the bulk of their value is realised in devel-
21 oped countries, of which the iconic Apple Corp. products are probably the
22 best known example (Xing & Detert, 2011). Kraemer, Linden, and Dedrick
23 (2011) calculate that only around 2% of the cost of the iPad and iPhone
24 actually contributes to China’s GDP: ‘Much of the value in high-end pro-
25 ducts is captured at the beginning and end of the process, by the brand and
26 the distributors and retailers’ (Barboza, 2010). Similar calculations for pro-
27 ducts such as shoes manufactured in Central America reveal a similar pic-
28 ture of a miniscule proportion of product value remaining in countries such
29 as the Dominican Republic (Smith, 2011). Despite modestly rising wages in
30 China and other developing countries, these remain many multiples below
31 Western levels – the *purchasing power* of Chinese workers’ salaries in 2010
32 was only 6% of that of US workers with the nominal income even smaller
33 as a proportion (De Regil, 2010). Chinese workers provide their labour in
34 conditions of repressed free speech, restrictions on physical movement and
35 absence of free trade unions (Pun & Smith, 2007) – undermining the cred-
36 ibility of the neoliberal argument that their incorporation in the global
37 economy reflects ‘efficiency’ rather than simple exploitation. Similarly, in
38 India, the major service outsourcing location, global economic integration
39 occurs in a society still widely structured according to feudal social rela-
40 tionships, so that the labour released to function in global enclaves is

1 underpinned by a caste-oppressed underclass of support workers (Murphy,
2010). Again, the neoliberal argument of a global ‘free’ labour market is
3 not well grounded.

Global labour arbitrage substantially increases the surplus value that
5 accrues to elites controlling transnational value chains. A key feature of
value chain capitalism is also, however, the increasing proportion of value
7 assigned to intangibles such as branding and other ‘intellectual property’.
Lego capitalism’s value chain disarticulation has resulted in a relative
9 decline in the status of the physical production process – which, as we
have noted, can be reconfigured largely at will – and a substantially
11 increased share of value captured in the branding process (Willmott,
2010). This phenomenon is significant not only because it provides a vehi-
13 cle for further strategic elite value capture but also because of the intangi-
ble nature of intellectual property whose value can therefore be realised
15 anywhere. Although under Fordist capitalism the corporation had little
choice but to realize its profits in production and/or sales locations, brand
17 property can be vested in offshore corporations in tax havens, and increas-
ingly in pseudo-havens such as the Irish Republic with very low corpora-
19 tion tax rates (Desai, Foley, & Hines, 2006). Just as outsourcing under
Lego capitalism undercuts workers’ bargaining power, so states’ bargain-
21 ing power is undermined by the ability of holding corporations to re-
assign value realization locations at will and thus realize profits in the
23 most advantageous location, leading to the transfer of tax burden from
corporate to individual tax and state financing crises (Avi-Yonah, 2000).
25 Declining state revenues and consequent budget deficits increase pressures,
and amplify calls, to reduce state administration costs, driving a vicious
27 circle of privatization and outsourcing, thereby more deeply embedding
value chain capitalism and the neoliberal thought style into the heart of
29 state decision-making.

The developments discussed above indicate how corporate restructuring =
31 ~~for example, Lego capitalism~~ operates to shift wealth from its producers
to corporate investors. This wealth is then retained, rather than redistribu-
33 ted, through the use of tax havens by major corporations and members of
the global elite to shield their wealth from taxation and public scrutiny.
35 Such havens have been used for the past 100 years but their importance in
the global economy has grown exponentially since the 1970s. They have
37 been associated with rapid movements of capital and with global financial
instability (Larudee, 2009). Ninety-eight of the ‘blue chip’ FTSE 100 com-
39 panies have tax haven subsidiaries, with many having several hundred

1 (ActionAid, 2011). It is well known that corporations involved in major
fraud scandals have made extensive use of tax havens – such as Enron
3 (Larudee, 2009), WorldCom (Sikka, 2010), Stanford Financial
Corporation (Dhesi, 2010) and Madoff Investment Securities (Palan,
5 Murphy, & Chavagneux, 2010). However, their use is by no means
restricted to ‘rogue capitalism’. For example, GlaxoSmithKline has used
7 tax havens to reduce tax exposure on drugs going off-patent during the
2000s. The three major banana suppliers Dole, Chiquita and Fresh Del
9 Monte minimized global taxation through distribution via a Bermuda-
registered subsidiary, and Honda made use of tax holidays offered by the
11 Chinese government to attempt to reduce its tax exposure in higher rate
jurisdictions (Sikka & Willmott, 2010). Aggressive use of tax havens has
13 become the norm and is used widely by the iconic giants of contemporary
international capitalism such as Google, Amazon and Starbucks (de
15 Graaf, 2013).

The use of tax havens has been driven by the activities of major consulting/
17 audit/accounting companies that design tax avoidance vehicles, frequently
making use of offshore financial centres and in particular transfer pricing,
19 described euphemistically by KPMG as ‘Tax Efficient Supply Chain
Management’ (Sikka & Hampton, 2005). Tax havens are also associated
21 with innovative corporate structuring such as ‘cell companies’ that isolate
liability in a plethora of ‘cells’ within an overall ownership umbrella
23 (Sharman, 2006). The tax and liability avoidance mechanisms developed in
tax havens are also available within developed country jurisdictions
25 (Sharman, 2011). It can also be seen how this ‘cell’ approach to tax minimi-
zation dovetails with the structure of value chain capitalism in which hold-
27 ing companies control hundreds of units or cells.

Notwithstanding the substantial leakage of potential tax revenues –
29 already estimated 10 years ago by the UK-based Tax Justice Network at
\$255 billion on the \$11.5 trillion-plus of assets held in offshore financial
31 corporations (TJN, 2005) – and the parlous state of state finances globally,
the UK government in its 2011 budget introduced a special tax rate of
33 5.75% instead of the then standard rate of 23%, for companies running
their internal banking through a tax haven subsidiary. This move, appar-
35 ently driven by a desire to attract more corporate headquarters to the City,
is indicative of the impact of tax havens in encouraging legitimate states to
37 bid down their tax rates for both corporations and wealthy elites, and also
the complicity of governments with elites using globalization to evade
39 taxation.

1 CONCLUSION

3 Proceeding through three stages of analysis, the first part of this paper
4 explored the evidence regarding a growing gap between a small elite and
5 mass of the population. There has been a demonstrable, substantial shift
6 in income and wealth towards the ‘1%’ – a shorthand for a small elite
7 that has benefited disproportionately from the new global economy. Shifts
8 in the global economy were then linked to the emergence and eventual
9 domination of the neoliberal ‘thought style’ built through the assiduous
10 advocacy of its adherents. A central focus of the neoliberal programme
11 was the dismantling of institutionalized organizations, including the tradi-
12 tional corporation, where stubborn residues of extra-market relationships
13 of mutuality are embedded. Key arenas of neoliberal interventions – the
14 promotion of free trade, privatization, marketization and deregulation,
15 restructuring the legal frameworks governing economic relationships and
16 redefining the international development agenda – were then examined.
17 The redefinition of international development to emphasize integration
18 into global production processes was crucial in order to draw new actors
19 into the lower reaches of an emergent global value chain economy. The
20 stretching of value networks across national boundaries in a loosened reg-
21 ulatory environment has provided opportunities for global labour arbitrage –
22 driving labour costs down by incorporating new and vulnerable
23 sectors into a globalized workforce – and the use of offshore havens
24 where the elite can maximize their wealth largely free of scrutiny, regula-
25 tion or taxation. These phenomena account for the shifting balance in
26 wealth and power in favour of the 1%.

27 The organizational transformations and power rebalancing entailed in
28 value chain capitalism have received inadequate attention within both orga-
29 nization studies and political economy. For organization studies, this weak-
30 ness in tracing and understanding broad transformations in organizational
31 structuring and their connection with wider political economy is an
32 inevitable outcome of the narrow internal focus of most scholarship in the
33 field, even of the critical variety (Morgan, Froud, Quack, & Schneiberg,
34 2011). Although most theories of organizational change acknowledge the
35 existence of an ‘external environment’ that has some impact on organiza-
36 tions (Kezaar, 2011), the role of politics and power in structuring that
37 ‘environment’, to which corporate elites directly or indirectly contribute
38 (e.g. through the Mont Pelerin Society and the neoliberal movement as a
39 whole), is generally marginalized, perhaps because many contributions to

1 this field take the focus of organization studies to be the de-politicized
3 ‘organization’ abstracted from its politico-economic conditions of possibi-
5 lity and reproduction. Yet, as we have shown, the impact on organizations
of the ascendancy of neoliberal thought style has been extensive and perva-
sive and has led to thoroughgoing transformations in their forms and
processes.

7 Organization of any kind embodies and sediments dominant ideology
and power relationships. However the market-based contractual relation-
9 ships that are at the core of the neoliberal thought style release elites from
the social contracts inherent in socially and geographically embedded
11 institutionalized organizations, providing unimpeded control of the (re)
configuration of transnational value chains. The thought style also pro-
13 vides a moral justification and policy rationale for elites to relentlessly
advance ~~further and~~ ever more comprehensive neoliberal restructuring of
15 economic and social relationships. The neoliberal ideology or thought
style facilitates the empowerment and enrichment of the elite through the
17 systematic disavowal and dismantling of relationships of mutuality.
Within a weak regulatory environment, itself conditioned by the hege-
19 mony of the neoliberal thought style, alternative, subaltern strategies are
systematically disavowed and undermined. To be clear, we are not arguing
21 that work organization(s) are reducible to a conveyor belt for class rela-
tionships; they are also a locus for the enactment of broader social rela-
23 tionships and frictions, and impacted by the configuration of forces and
dominant ideologies. However, conflict over power and resources between
25 competing class interests is a central and enduring theme in the politics of
organization and so must become a key preoccupation of the study of
27 organization(s) when such study is located within the field of critical social
science.

29

31

NOTES

33

1. The United Nations independent expert on foreign debt and human rights,
Cephas Lumina, has warned that, “the austerity measures and structural reforms
35 proposed to solve Greece’s debt crisis may result in violations of the basic human
rights of the country’s people” (UN, 2011).

37

2. Post-organizational as viewed in mainstream organization studies
terms; in which the organization is invested with quasi-corporeal qualities
(Cornelissen, 2005).

39

3. Financialization refers to at least three interconnected and interdependent phe-
nomena. The first is the tendency for the financial industry to assume an ever

1 greater influence in economic policy-making (Phillips, 2006, 2008). The second is
 2 the emergence of marketized finance as the primary source of corporate investment,
 3 in place of accumulated capital (Hudson, 2010). Finally, financialization is used to
 4 refer to the tendency for the financial industry and its instruments (such as real
 5 estate) to represent an ever greater share of economic activity in comparison with
 6 productive industries such as manufacturing (Crotty, 2009).

7 4. See OECD Global Network on Privatisation and Corporate Governance of
 8 State-Owned Enterprises, available at http://www.oecd.org/document/56/0,3746,en_2649_34847_40097080_1_1_1_1,00.html

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