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THE RISE OF THE 1%: AN ORGANIZATIONAL EXPLANATION

Jonathan Murphy and Hugh Willmott

ABSTRACT

The paper adopts an organizational perspective to explore the conditions of possibility of the recent re-emergence of overt class-based discourse on one hand, epitomized by the 'We are the 99%' movement, and the rise on the other hand of a populist, nativist and sometimes overtly fascist right. It is argued that these phenomena, reflecting the increasingly crisis-prone character of global capitalism, the growing gap between rich and poor and a generalized sense of insecurity, are rooted in the dismantling of 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.

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

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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 ascendency 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 discusses recent changes in the organizing of economic activity and particularly the dismantling of the 'traditional' capitalist corporation and its replacement by the value chain/'nexus of contracts' approach, underpinned by the rise of a newly aggressive finance capitalism. In exploring the conditions of possibility for these changes, it traces the restructuring of economic relationships to the rise of neoliberalism, a creed that has become the dominant political economic thought style (Fleck, 1979) through its assiduous formation and development of an alliance between anti-socialist intellectuals and influential representatives of business interests. After outlining some of the key nodal points in economic organization that has been fashioned and captured by proponents of neoliberalism, it shows how an erosion of terms and conditions of employment has underpinned enhanced elite value extraction. The paper goes on to discuss how the expansion of socially disembedded, 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 argument 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.

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

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

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

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

In a sequence redolent of the 1930s, a second phase of citizen resistance has combined the same rejection of elite-imposed market globalization with a nativist and even fascist scapegoating of transnational migrants who, as a consequence, have become doubly victims; first, they have been forced to move from their homelands in search of economic survival, and then they are accused of being feckless welfare cheats, petty criminals and even jihadists (Rooduijn, 2014). European elections of 2014 resulted in breakthroughs for political movements of both far right and far left, ranging 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 emergence on the Left of Spain's 'indignados' from street movement to electoral force (Leonard, 2014).

Globally, there is a plethora of official data consistently supporting the 'We are the 99%' hypothesis of growing inequality. In the United States, 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 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 Americans in the middle of the income distribution rose 21 percent. The equivalent number for the richest 0.1 percent rose 400 percent' (Krugman, 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 (Wolff, 2010).

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). 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 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 (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 also noted that during the past generation the United Kingdom has enjoyed progressively less social mobility and that the social benefits and 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 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, 2012).

This phenomenon of a growing gap between elite and average salaries 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, 2009), with in-company ratios of between 250 and 500 times average employee salary not uncommon (Faleye, Reis, & Venkateswaran, 2010). A survey of USA CEO salaries found that average CEO compensation rose by 27% in 2009 (the latest period for which data are available) outstripping share price increases by 10%, bringing into doubt the legitimating argument that elite salaries are tied to share performance (Rushe, 2011).

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

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

The exponential increase in rewards extracted by those at the very top of the income distribution impacts not only on the working and poorer classes but also on the erstwhile middle class, a group created by the complex embedded system of Fordist capitalism and the regulatory state (Ehrenreich & Ehrenreich, 1977). A stable middle class is widely viewed by (mainstream) development economists as a correlate of parliamentary democracy and strong economic performance (Easterly, 2001). Conversely, the disintegration of the middle class has been closely associated with the rise of fascism (Burris, 1986; Guerin, 1936; Lasswell, 1933; Reich, 1933). In the second decade of the 21st century, there are significant and disturbing parallels with the widespread questioning of the moral legitimacy of the social and economic order, and the rise of populist movements including those built through scapegoating of minorities manifest in the social dislocations of the 1930s.

From the Fordist Corporation to Financialized Network Capitalism

The post-war economy was built around the ideal type of the American corporation which internalized much if not all of a production process from product or service conceptualization through production to marketing (Aglietta, 1979; Amin, 1994). Mainstream organization studies has treated this entity as a given, and so has continued to focus on its design, 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'.

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

Any capitalist system is based upon the generation of profit (or in the Marxist version, of surplus value), the quest for which drives continuous innovation and enhanced productivity. The archetypal Fordist industrial corporation permitted the concentration, the standardization and the regulation of this process. However, this came at a price for elites (Mizruchi, 2013). Although the concentration of labour in one place permitted not only the measurement and predictability of labour input costs ~~but~~ it also made it possible for workers to organize together to increase their wages, leading to the creation of powerful industrial unions first in the United States and later elsewhere (Preis, 1972). It also resulted in the growth of a substantial managerial overhead in the form of a burgeoning cadre of managers and supervisors hired to operate the Fordist productive system and, increasingly, to administer the social contract benefits wrested from the corporation by organized labour. The management 'problem' inherent in Fordist production was captured by Berle and Means's (1935) classic description of a growing separation of ownership from control, in which company managers are seen as tending to usurp the leadership of shareholders as they organize and develop corporations in ways that enhance and secure the benefits and prospects of the managerial cadre. Berle and Means argue that because corporate managers' power and prestige is derived from the organization, they have a strong incentive to place organizational growth ahead of profitability. The common interest of managers and workers in the Fordist system, therefore, is in a social contract and form of governance which will enable the organization to grow, enhancing the powerful status of managers as the 'captains of industry', and assuring the relative prosperity and security of workers.

In the Anglo-American context, this contract came under pressure during the late 1960s and early 1970s as the Keynsian post-War settlement began to breakdown, economically and socially, under the weight of its own contradictions. Rising inflation, coupled with increased public expenditure, meant that investment and growth could not keep pace with the rising expectations of workers-as-consumers. State fiscal crisis was then precipitated by the 'oil shock' of the 1970s as soaring energy prices fuelled inflationary pressures, resulting in declining living standards for all but the most protected and well organized of employees. This fiscal crisis signalled the beginning of the demise of the Fordist social contract. It ushered in a new era of global business processes in which mass production is outsourced to locations with repressive labour relations (cf. China) and/or neo-feudal social and economic relationships (cf. India).

When addressing the post-1970s shift in corporate organization, we consider the value chain approach (Gereffi, 2005; Kaplinsky, 1985) to be AU:3 particularly instructive. In value chain capitalism, strategic attention is placed not on the organization but on the process chain, a network of reconfigurable elements. In the loosened regulatory environment that was established during the 1980s as part of the neoliberal strategy to reverse declining profits and stimulate growth, there are multiple opportunities for value chain reconfiguration, a process that has been described evocatively as 'Lego capitalism' (Berger, 2006). By 1993, Fortune magazine AU:4 attributed increased profits to corporate modularization (Tully & Welsh, 1993). What has been characterized as a disarticulation process permits the valuation and marketization of ever smaller chunks of the value chain. In turn, disarticulation facilitates outsourcing and also provides various other opportunities for elite enrichment, including the creation of legal firewalls and transfer pricing to secure greater profit realization in low tax jurisdictions (Prechel, 2000; Prechel & Harms, 2007). The phenomenon of disarticulation is associated with the break-up of large corporate entities into smaller units – units that are themselves regularly combined and restructured, traded between holding conglomerates that may have hundreds of small subsidiaries – what Ackroyd (2011) calls 'capital extensive firms' (CEFs), ~~that form~~ part of reconfigurable value-realizing networks. The management of subsidiaries by their holding company is typically hands-off, being primarily directed to meeting financial targets; in this sense 'financialization' represents and is part of a broader phenomenon than the growth of the financial sector of the economy (Krippner, 2005); it is an integral phenomenon of the ascendant neoliberal thought style (Murphy & Ackroyd, 2013). The post-organizational[2] approach treats each element of the value chain as an independently marketable commodity whose assets can either be sweated and sold on or stripped (and possibly rebuilt) for subsequent disposal. This financial(ized) conception of organizations as disarticulated modules in value chains configured by markets for use in value extracting processes is singularly different from the corporeal conception of organization presented in mainstream management texts.

Corporate structures are strongly influenced by state regulation; for example, New Deal era policymakers' understanding of the dangers of the holding company – subsidiary model resulted in legislation that, until repealed, effectively limited the spread of the model (Prechel, 2000). Management of today's holding companies is strategically focussed and elevated apart from management of the process subsidiaries. The holding companies can be structured in a number of different ways; they may be stock-market traded or private firms attracting pension fund, hedge fund and/or private equity investment or they may be owned directly by private investors (Metrick & Yasuda, 2010). The management strategy pursued by holding companies tends to converge with two key characteristics: substantial and growing rewards to executives and expert intermediaries and a recurrent reconfiguration and restructuring of business processes in search of quick profits (Folkman, Froud, Johal, & Williams, 2007). Holding company 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.

These changes form part of the overall process of capitalist reinvention which is typically described in shorthand as financialization. While the term is widely used, there is no common understanding of its core meaning.[3] 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.

In most accounts of the 'new capitalism', the driving force for the emergence of these financialized models is assumed to be the financial sector itself. Particular attention is placed, for example, on changes in financial sector 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 technological changes provided the mechanisms whereby a shift towards financial or value chain capitalism could be implemented, *it is argued here that the conditions of possibility for this shift to the 'financialization' of corporations lie in the ascendance of the neoliberal thought style,* and its underpinning of a reinvigorated elite hegemony beginning in the 1970s (Gamble, 2009), that enabled, and indeed invited, the financial sector to become dominant. It is to the rise of neoliberalism that we now turn.

Neoliberalism and the Conditions of Possibility for Value Chain Capitalism

Within any sphere or field of thought, certain ways of viewing the world tend to predominate only to be replaced by other, similarly predominant perspectives. There have been various attempts to explain the process whereby different structuring world views arise and are then replaced. One of the more flexible approaches is the 'thought style' typology conceived by Ludwik Fleck, a Polish mid-20th century biologist who noted that a number of competing broad understandings of the nature of disease structured the way groups of scientists adhering to these competing viewpoints went about creating tests for its presence. The predominance of one perspective over another was not necessarily reflective of the merits of the perspective but was dependent instead on the power, prestige, resources and effective organization of the nuclei of scientists ('thought collectives') adhering to the different 'thought styles'. In other words, the merit attributed to ideas was contingent upon a number of broadly 'political' considerations. From Fleck's perspective, the development of scientific approaches is linked both to power (pre-existing resources) and the assiduousness with which certain thought collectives advocate their approach. Douglas (1986) developed and refined Fleck's ideas by specifying the ways in which thought styles structure thinking about its sphere of interest. Specifically, Douglas underlined how thought styles not only frame the way issues are addressed but also close off alternative and incompatible perspectives. In this light, the emergence of value chain capitalism, and the consequent rebalancing of power and resources towards the elite, can be viewed as an outcome of the establishment of a neoliberal hegemony or thought style that is itself responsive to historical circumstances (Douglas, 1986; Fleck, 1935), echoing Weber's notion of an elective affinity of material and ideal interests.

From the 1940s a small group of economists, including prospective luminaries such as Hayek, von Mises and Milton Friedman, gathered in the Mont Pelerin Society (MPS) (Mirowski & Plehwe, 2009) and in a small number of other think tanks and associations. Supporters of MPS successfully organized the capture of a number of prestigious university economics departments from erstwhile Keynesian domination in America and beyond (van Horn & Mirowski, 2009). By the late 1970s the International Monetary Fund and the World Bank had also come under neoliberal domination, as eviden~~t~~ in an about-turn in economic development orthodoxy (Kapur, 2000). The subsequent rise of neoliberalism is often presented, particularly by its advocates, as the victory of a disinterested intellectual movement over its adversaries. However, from an early stage, the neoliberal movement was deeply intertwined with business interests that were attracted by the material benefits as well as the ideological confirmation which implementation of the MPS doctrine promised to provide. Financial support was provided directly by politically active businesspeople and indirectly through right-wing foundations established to promote business interests; this occurred on both sides of the Atlantic (Cockett, 1995; Phillips-Fein, 2009).

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

Emergent neoliberalism was remarkable for the breadth of its interests. Quite deliberately, the MPS from its earliest days organized groups and ~~sessions~~ on issues as diverse as macroeconomics, the power of unions, international development, the structure of global governance institutions, etc. Action on these wide-ranging preoccupations added up to a multi-faceted assault on the Keynesian class compromise that had underpinned the New Deal in the United States, and subsequently the Bretton Woods system which was established to manage global capitalism after World War II (Helleiner, 1996, p. 3). The various strands of neoliberal initiatives and their interconnections are important in understanding the logic and dynamics of neoliberalized global capitalism (Morgan, 2014). We will briefly explore six core elements – what Grinspun and Kreklewich (1994) describe as the necessary 'conditioning framework' – of the neoliberal agenda which, we argue, interacted to make value chain capitalism possible; free trade, privatization, marketization, deregulation, restructuring the legal framework of economic relationships and reinventing international development.

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

Privatization of state services is another central element of neoliberalism. While it originated as a response to perceived inefficiencies in state-run productive enterprises, it now extends into the heartland of state services including prisons (Dolovich, 2007) and even waging war (Singer, 2003). Privatization is integrated into the infrastructure of international law, whether through trade agreements as noted above, in the conditionalities of international financial institution support – such as the 'best practice' guidelines of institutions like the OECD,[4] or in accession requirements for transnational projects such as the European Union (Zile & Steinbuka, 2001). Countries bankrupted by the scale of the global economic crisis made possible by neoliberalism which sanctified unchecked financialization are, ironically, required, as a condition of financial support, to engage in further privatizations and other neoliberal restructuring (Gabor, 2010). In most dramatic form, this medicine has been applied in Greece as well as ~~in~~ several other Eurozone countries, leading to further economic damage and serious social unrest (Wolff, 2011). Restrictions on state-operated organizations strengthen the neoliberal corporate norm, and privatization typically weakens trade unions and worker protections in general. Frequently, privatized services are disassembled in a series of value chain processes, some of 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 geographic service companies, with ticket booking and customer enquiries offshored to India (Nadeem, 2009).

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

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

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

Concerning trade unions, Hayek emphasized the need to end what he considered harmful 'collusive' relationships between employers and unions (Richardson, 1993), where both sides aimed to balance their differing interests (in the vein of the so-called 'German model'). Neoliberal thinking influenced governments to 'take on' unions in set-piece disputes, particularly in the Anglo-American context, such as in the Reagan administration's 1981 conflict with air traffic controllers (Farber & Western, 2002), and the Thatcher government's mid-1980s dispute with the National Union of Mineworkers (Towers, 1989). The defeat of trade unions in these disputes decisively recast common understanding regarding the nature of labour relations along neoliberal lines, entrenching another key aspect of the neoliberal thought style in politico-economic thinking. In the European context, unions have tended rather to be co-opted into permitting outsourcing and offshoring in return for job and social protection guarantees, although this negotiation is again structured by the constructed 'inevitability' of neoliberal globalization. The defeat, or co-optation, of unions has been critical as they potentially presented a serious barrier to outsourcing and the creation of global value chains.

Similarly, in relation to home ownership, the UK Thatcher government's 'right to buy' policy, providing tenants of government housing ('council houses') with a legal right to purchase their homes at preferential rates, was a highly effective tool in cementing and universalizing attitudes towards home ownership and, more generally, class orientation (Jacobs, Kemeny, & Manzi, 2003). The expanded marketization of the real estate sector also provided expansive opportunities for financialization and securitization. Indeed, it was the extension of real estate markets into the highly speculative field of mortgages designed expressly to attract the poor and insolvent – particularly in the United States and United Kingdom – which, as a consequence of securitization, massively inflated the unsustainable bubble that ultimately exploded into the sub-prime crisis and set off the global recession (Roubini, 2008; Willmott, 2011). More generally, a consequence of unleashing the neoliberal thought style has been an expansion, concentration and deregulation of financial institutions, and especially the banking and insurance sectors. Their core business is debt and its insurance, and their exponential growth since the late 1980s reflects the explosion of indebtedness by individuals and states as well as the high leveraging of assets by corporations.

Finally, neoliberals placed considerable emphasis on *restructuring the international political economy*, particularly through domination of the International Monetary Fund, World Bank and WTO, as well as regional development banks and institutions such as the OECD. During the 1980s, several leading neoliberals secured senior management positions in the IMF and World Bank, and set about reshaping the theory and practice of international development. Developing countries were no longer encouraged to pursue national industrialization policies but would rather be expected to seek export markets for their (mainly primary) goods. They were also required to shrink the size of their state administration and reduce investment in higher education (Murphy, 2008; Plehwe, 2009). These policies were enforced through ‘policy conditionality’, a new international development funding modality that was rapidly adopted as an international norm by most bilateral and multilateral international development organizations. Policy conditionality tied provision of aid to adoption of a broad range of neoliberal policies (~~Cammack, 2001;~~ Cooke, 2004; Mosley, Harrigan, & Toye, 1995). This renegotiation of development paradigms has been a more important feature of the neoliberal project than is generally acknowledged. ~~Whether purposefully or unintentionally, n~~eoliberal policies have permitted the integration of third world workers into the bottom rung of the global labour force, creating the final, ~~essential~~ condition for the full implementation of value chain capitalism. This has resulted in a strong downward pressure on wages worldwide (see discussion of global labour arbitrage below). For advocates of neoliberalism, the integration of developing economies, even those nominally under ‘Communist’ governments such as China and Vietnam, into a global neoliberal economic system has the welcome effect of reducing or even eliminating the risk of alternative economic and social paradigms being embraced. As the neoliberal thought style comes to dominate the field, its general acceptance effectively precludes consideration of alternatives (Douglas, 1986), at least until the point at which its contradictions can no longer be contained (e.g. the need for huge state bailouts to avert financial meltdown).

While neoliberalism can be considered in terms of its constituent aspects, as explored above, it would be a mistake to regard it as a complex networked programme of conspiratorially planned actions. The core principles of neoliberalism are simple, even if advocates and opponents alike might quibble over their wording. Harvey (2005, p. 2) defines it as the belief that ‘human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade’. In ~~the context of~~ established capitalist economies, or in other contexts where people aspire to what these economies deliver, this conception of the key to well-being has an appeal that is largely blind to its politico-economic implications and contradictions. The neoliberal thought style is concentrated initially in the economic field, but its logic reaches into deeper attitudes and perspective on politics and society. The thought style provides a ‘conditioning framework’ as discussed above, that shapes and animates actors’ attitudes and actions in their domains of interest and intervention. Moreover, the thought style notion provides a structuring explanation for elite conduct that offers an alternative to critical scholars’ attribution of self-interested and systemically perilous behaviour to individual executives’ personal wickedness (Perrow, 2010). In each of the six key targets of neoliberalism explored above, the neoliberal thought style promotes organizational restructuring which extends from a ‘free trade’ reorientation of economic activity vis a vis export markets, to the sphere of family life where freedom and autonomy is instantiated in the privatization of housing. We next turn to the interactions between the neoliberal thought style, organization and the reinforcement of elite domination.

Organizing Exploitation: Elite Domination, Value Extraction and Tax Avoidance

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

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

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 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.

In the neoliberal mythology of free market capitalism, contractual relationships are always between equals. However, by breaking down value 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 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 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 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 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 in order to pay for the bailouts and the reliance on credit to compensate for the absence, or falling value, of wages.

It is often argued by mainstream economists and organization scholars that outsourcing simply reflects the creative destruction inherent within 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 example, in design and innovation. It is imagined that the world can profitably be divided between, 'Those who grow; those who make; those who create; those who coordinate' (Czinkota & Ronkainen, 2005, p. 117). When some areas of the West lose jobs, such as America's Rust Belt or Britain's West Midlands, other areas gain, like Silicon Valley or London's City. This win-win account obscures the potential for elite extraction of additional value through the dynamics of global value chains. Stephen Roach, Morgan Stanley chief economist, noted as early as 2004 that, 'Wage rates in China and India range from 10% to 25% of those for comparable-quality workers in the United States and the rest of the developed world. Consequently, offshore outsourcing that extracts product and/or services from relatively low-wage workers in the developing world has become an increasingly urgent survival tactic for companies in the developed economies' (Roach, 2004).

Smith (2008, 2011) extends this argument in a more critically radical direction, noting that although an increasingly large proportion of consumer goods are produced in developing countries, only a small proportion of the overall value of the goods is realized in those countries. There are numerous accounts of different finished goods that are largely produced by developing country labour but the bulk of their value is realised in developed countries, of which the iconic Apple Corp. products are probably the best known example (Xing & Detert, 2011). Kraemer, Linden, and Dedrick (2011) calculate that only around 2% of the cost of the iPad and iPhone actually contributes to China's GDP: 'Much of the value in high-end products is captured at the beginning and end of the process, by the brand and the distributors and retailers' (Barboza, 2010). Similar calculations for products such as shoes manufactured in Central America reveal a similar picture of a miniscule proportion of product value remaining in countries such as the Dominican Republic (Smith, 2011). Despite modestly rising wages in China and other developing countries, these remain many multiples below Western levels – the *purchasing power* of Chinese workers' salaries in 2010 was only 6% of that of US workers with the nominal income even smaller as a proportion (De Regil, 2010). Chinese workers provide their labour in conditions of repressed free speech, restrictions on physical movement and absence of free trade unions (Pun & Smith, 2007) – undermining the credibility of the neoliberal argument that their incorporation in the global economy reflects 'efficiency' rather than simple exploitation. Similarly, in India, the major service outsourcing location, global economic integration occurs in a society still widely structured according to feudal social relationships, so that the labour released to function in global enclaves is underpinned by a caste-oppressed underclass of support workers (Murphy, 2010). Again, the neoliberal argument of a global 'free' labour market is not well grounded.

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

The developments discussed above indicate how corporate restructuring ~~– for example, Lego capitalism –~~ operates to shift wealth from its producers to corporate investors. This wealth is then retained, rather than redistributed, through the use of tax havens by major corporations and members of the global elite to shield their wealth from taxation and public scrutiny. 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 been associated with rapid movements of capital and with global financial instability (Larudee, 2009). Ninety-eight of the 'blue chip' FTSE 100 companies have tax haven subsidiaries, with many having several hundred

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

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

Notwithstanding the substantial leakage of potential tax revenues – 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 corporations (TJN, 2005) – and the parlous state of state finances globally, the UK government in its 2011 budget introduced a special tax rate of 5.75% instead of the then standard rate of 23%, for companies running their internal banking through a tax haven subsidiary. This move, apparently 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 bid down their tax rates for both corporations and wealthy elites, and also the complicity of governments with elites using globalization to evade taxation.

CONCLUSION

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

The organizational transformations and power rebalancing entailed in value chain capitalism have received inadequate attention within both organization studies and political economy. For organization studies, this weakness in tracing and understanding broad transformations in organizational structuring and their connection with wider political economy is an inevitable outcome of the narrow internal focus of most scholarship in the field, even of the critical variety (Morgan, Froud, Quack, & Schneiberg, 2011). Although most theories of organizational change acknowledge the existence of an 'external environment' that has some impact on organizations (Kezaar, 2011), the role of politics and power in structuring that 'environment', to which corporate elites directly or indirectly contribute (e.g. through the Mont Pelerin Society and the neoliberal movement as a whole), is generally marginalized, perhaps because many contributions to this field take the focus of organization studies to be the de-politicized 'organization' abstracted from its politico-economic conditions of possibility and reproduction. Yet, as we have shown, the impact on organizations of the ascendency of neoliberal thought style has been extensive and pervasive and has led to thoroughgoing transformations in their forms and processes.

Organization of any kind embodies and sediments dominant ideology and power relationships. However the market-based contractual relationships that are at the core of the neoliberal thought style release elites from the social contracts inherent in socially and geographically embedded institutionalized organizations, providing unimpeded control of the (re) configuration of transnational value chains. The thought style also provides a moral justification and policy rationale for elites to relentlessly advance ~~further and~~ ever more comprehensive neoliberal restructuring of economic and social relationships. The neoliberal ideology or thought style facilitates the empowerment and enrichment of the elite through the systematic disavowal and dismantling of relationships of mutuality. Within a weak regulatory environment, itself conditioned by the hegemony of the neoliberal thought style, alternative, subaltern strategies are systematically disavowed and undermined. To be clear, we are not arguing that work organization(s) are reducible to a conveyor belt for class relationships; they are also a locus for the enactment of broader social relationships and frictions, and impacted by the configuration of forces and dominant ideologies. However, conflict over power and resources between 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 organization(s) when such study is located within the field of critical social science.

NOTES

1. The United Nations independent expert on foreign debt and human rights, Cephas Lumina, has warned that, "the austerity measures and structural reforms proposed to solve Greece's debt crisis may result in violations of the basic human rights of the country's people" (UN, 2011).
2. Post-organizational as viewed in mainstream organization studies terms; in which the organization is invested with quasi-corporeal qualities (Cornelisson, 2005).
3. Financialization refers to at least three interconnected and interdependent phenomena. The first is the tendency for the financial industry to assume an ever

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

4. See OECD Global Network on Privatisation and Corporate Governance of 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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