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A VERY SHORT, FAIRLY INTERESTING AND REASONABLY CHEAP BOOK ABOUT

STUDYING ORGANIZATIONS

CHRIS GREY

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SAGE Publications Ltd
1 Oliver's Yard
55 City Road
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SAGE Publications Inc.
2455 Teller Road
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The New Capitalism and the End of Management?

> Well, remember that what an ideology is, is a conceptual framework with the way people deal with reality. Everyone has one. You have to – to exist, you need an ideology. The question is whether it is accurate or not. And what I'm saying to you is, yes, I've found a flaw. I don't know how significant or permanent it is. But I've been very distressed by that fact.
>
> Alan Greenspan

I indicated in the previous chapter that we need to be very wary of the extravagant, generalized claims of those who proclaim a new and unprecedented era of change within which organizations exist and to which they must respond. Such 'epochal thinking' (du Gay, 2003) with its 'cartoon concepts' (Froud et al., 2006: 66) such as post-bureaucracy is at best over-simplified and at worst acts to justify punitive assaults on people's lives and livelihoods. However, it would be equally flawed to claim that, somehow, nothing changes or has changed and to fail to understand organizations within their wider cultural and economic context. But 'context' is far too anaemic a word: organizations are both a cause and consequence of, and so inseparable from, culture and economics.

In this chapter I want, to a greater extent than I have before, to locate the study of organizations within this inseparability. Of course to do this fully would require much more space than I can devote to it – several long books, in fact – so I am just going to sketch some contemporary issues about the kind of society and economy that has emerged over recent decades in the West. Apart from introducing these issues, I also want to underscore what has been a major theme of this book: that when we study organizations we must necessarily be concerned with politics, economics, history and society. It is a major failing of most courses on organizations that they, and knowledge about them, are presented in a way which is denuded of such things, except perhaps in the form of a few trite claims and unstated assumptions. But that failing is part and parcel of treating the study of organizations as a 'technical' matter of delivery, rather than probing the question of what is delivered and why.

the making of the new capitalism

One way of understanding these 'contextual' issues is in terms of what Richard Sennett (1998; 2006) calls 'the new capitalism'. This is a useful term because it reminds us that what is at stake is not some epochal rupture with the past, in the way claimed by the change fetishists: it represents in some ways a continuation of capitalism. On the other hand, the term 'new capitalism' allows us to raise questions about it without falling into an equally useless binary, that of capitalism versus communism – for what is at stake is a particular form of capitalism and its consequences. The new capitalism has many aspects, including the relentless accent upon change and post-bureaucracy discussed in the last chapter. It is manifest in a whole variety of ways including the growing dominance of finance, both in the sense of the global banking and derivatives industries (Stein, 2010) and in the sense of corporate financialization (Folkman et al., 2006; Froud et al., 2006). This latter term carries two meanings. One is the idea that the sole purpose of organizations is the maximization of shareholder value, with businesses having no wider obligations or accountability. The other is the idea that even for firms in the manufacturing sector, a central activity is the use of its assets for purposes of 'financial engineering'. In pursuit of financialization, companies offshore and outsource their activities to countries with the cheapest labour and the most limited protections for employment rights, seeking to 'sweat' their assets – both human and financial – to the maximum extent. Meanwhile, companies themselves are traded and re-traded between investors with little or no long-term interest in them (see Das, 2011 for a readable insider's account of how this financialized new capitalism works).

One of the many organizational consequences of all this is to break the connection between businesses, places and communities. Until relatively recently, the names of organizations often reflected such links. Banks and building societies were, in the UK, called things like the Midland or the Halifax or the Bradford and Bingley. Airlines were national flag carriers for their countries and were, normally, state-owned. And company names reflected not just place but function: they were gas firms or water firms, for example. That naming has either changed or become meaningless. Thus Midland is subsumed into HSBC, Halifax into HBOS and when HBOS collapsed, Lloyds. Bradford and Bingley is owned by the huge Spanish financial conglomerate

Santander. Airline ownership is largely dispersed: they now rarely have a connection with the country they reference, or have names that don't reference a country at all (Virgin, easyJet, etc.). Thames Water and Yorkshire Power belong to a German company, RWE; Cadbury's belongs to Kraft; the British Airports Authority belongs to the Spanish firm Ferrovial; British Gas is owned by Centrica. British names such as HP sauce, Beefeater Gin, P&O, Weetabix, Jaguar, Rolls-Royce, Hamley's, OXO, The Body Shop, Bass beer, even Harry Ramsden's fish and chips shops – and hundreds of others – are now owned by international companies or consortia.[1] Those interested in football (personally I've never been able to get into it) might wish to consider the way that football clubs – at least the elite clubs like Manchester United and Chelsea – now have little connection either in their ownership, their players or their fan base with the localities to which their names bear testament: they are global 'brands'.

The takeover of Cadbury's confectionary by Kraft, mentioned above, is a particularly clear example of how the new capitalism works. This was a firm with a history dating back to the nineteenth century and marked by a strong interest in worker welfare. In 2009 a hostile takeover bid from Kraft, a giant US food corporation, was rejected but subsequently, in 2010, a deal was agreed. The deal generated an estimated £240 million in fees for the investment banks and advisers involved (Blackhurst, 2010). One especially controversial aspect was that Cadbury's had had plans to close its factory in Somerset and move production to Poland, but Kraft undertook that this would not happen if they took over. However, after the takeover the factory was closed in favour of the Polish location, and amongst the hundreds laid off were families who had worked for Cadbury's for decades (Kelly, 2011). So here a workplace rooted in a history and a community were eviscerated. Is this just 'the way things are'? No, because such situations arise from particular regulatory regimes and, as the former chairman of Cadbury's has argued, the UK regulation of overseas takeovers is especially lax (Wearden, 2010).

This isn't a nostalgic, nationalistic lament, nor is it parochialism. Rather, I use these examples because Britain has, indeed, been especially willing to see its companies sold off and this is because, in a sense, just as Britain was in the vanguard of the industrial revolution, so too – along with, in particular, the USA – it was one of the first developed economies to embrace the new capitalism. It has certainly been one of the most enthusiastic adherents of a new capitalist economy based upon financial services, financial engineering, offshoring and outsourcing. But as I will indicate below, similar and related things have occurred in many other countries.

The relaxed attitude to the internationalization of ownership of what were once UK companies reflects a distinctive attitude to organizations. Understood merely as 'brands', ownership doesn't really matter – indeed, many of the brands I have alluded to continue to exist, even though their ownership has changed. But understood as the products of organizations, it most certainly does. The link between ownership, work and community is a complex one, which the language of brands fails to account for. A localized employer, rooted in an area with a workforce that has longstanding personal and familial ties with that product and that employer, is an important source of community. Once the link is broken, then not only are workplace practices likely to change but so too is the meaning of work itself. So too is the meaning of ownership: why should a dispersed, international ownership 'care' about a business above and beyond its financial value? So too is the relationship between business and politics: can individual governments regulate such organizations or must they rather compete to attract them?

Of course there have always been takeovers and mergers of companies, but within the new capitalism companies are traded and re-traded endlessly so that there is never a moment of stability in which ownership patterns settle down. There is a constant reshuffling of the corporate card deck, as if the players of a game of Monopoly were not only suffering from attention deficit disorder but were also taking amphetamines. And remember that what is being traded isn't cards, it isn't even brands – it is the lives and livelihoods of the people who work for these companies. These are the chips being played with in what the late Susan Strange evocatively described as the 'casino capitalism' which emerged from the wholesale deregulation of financial markets in the 1980s (Strange, 1986; see also Das, 2011).

The transformation of the corporate landscape to one of freewheeling globalized financial deals is part and parcel of what the Australian writers Gee et al. (1996) neatly call the 'fast capitalist story', in which constant transformation of organizations, and constant speeding up of work within those organizations, is mandatory to organizational survival in ways that clearly echo my discussion of post-bureaucracy and change in Chapter 4. In calling it a 'story' they do not mean that it is untrue, but rather that it is an ideology with real effects: that is, to the extent that the story is accepted and acted upon, then the consequences will be real for organizations and individuals who are not 'fast enough', and they will be *punitive*. Gee et al.'s analysis is consistent with a rash of related observations made by several influential commentators on the nature of contemporary society and capitalism, such as Edward Luttwak (1999), who popularized the now widely used term 'turbocapitalism' to denote these developments, and Boltanski and Chiapello's (2007) analysis of 'the new spirit of capitalism'. Whilst all of the works I have referred to in this paragraph are nuanced in different ways, use different terminologies and have different modes of explanation, they are all, I think, circling a similar set of issues to that which Richard Sennett calls the new capitalism.

Sennett (2006: 37–41) himself locates these developments in the unleashing of huge amounts of investment capital following the collapse of the Bretton Woods Agreement (the system which had regulated international trade and currency movements since the end of the Second World War) in the 1970s. This in turn led to a period of massive restructuring through mergers and acquisitions. Stability, indeed, became seen as a sign of weakness and companies had 'to look beautiful in the eyes of the passing voyeur [by] demonstrating signs of internal change and flexibility' (Sennett, 2006: 40). One might say that the display of this beauty became one of the 'symbols' of the economy of disorganized capitalism identified by Lash and Urry (1994). Such a capitalism is no longer primarily concerned with the production of useful goods and services, but is rather about the promulgation of brands and the pursuit of 'value'.

At the same time as the collapse of the Bretton Woods Agreement was beginning to have effects, a new kind of political analysis was emerging, especially in the UK and the USA, in reaction to the post-Second World War settlement. Inspired by the Chicago School economics of Milton Friedman and a (highly partial) reading of the eighteenth-century economist Adam Smith, this has become known as neo-liberalism, and its basic precepts are that individuals are rational self-interested actors, markets are the best allocator of resources, and the state is both inefficient and immoral in restraining individuals and markets. Translated into policy, this meant deregulation of the private sector, privatization of – or creation of internal markets within – the public sector, breaking the power of trade unions and promoting global free trade. In the USA this agenda informed the 1980s' governments of Ronald Reagan, in the UK those of Margaret Thatcher. Prophetically, the very first policy decision of the 1979 Thatcher government was the abolition of exchange controls that limited the flows of capital into and out of the UK. And although for many students now these names and dates will seem almost prehistoric, it's important to understand that the basic agenda initiated at this time was accepted by subsequent administrations in those countries up to the present day. Moreover, it had a huge impact on the economic policies of just about every country on the globe, especially following the collapse of the Soviet Union which seemed to imply not just that capitalism was the only game in town but, moreover, that neo-liberal or new capitalism was that game. History had 'ended'. Of course there is much more to neo-liberalism than this (see Steger and Roy, 2010 for an accessible introduction; Crouch, 2011 for a provocative commentary). It's really impossible to understand organizations in today's world without having some grasp of neo-liberal ideas and policies.

the crisis of the new capitalism

Early indications that something might be rotten at the heart of the new capitalism came with the now notorious case of the US company Enron. Roberts and Armitage (2006) depict Enron as having developed, since its foundation in 1985, from being a 'modern' organization, specializing in gas distribution, to a 'hypermodern' organization by the end of the twentieth century. As a hypermodern organization, its business became ever more diversified and moved away from being based upon tangible assets, such as gas pipelines, to being a complex web of financial engineering and brand management. In this way, Enron may be said to exemplify Lash and Urry's (1994) insights into disorganized capitalism, in which physicality (actually producing 'things') gives way to an economy of symbolic manipulation ('leveraging the brand'). Enron was in a continuous and continual process of reorganization; work practices were constantly changing, staff turnover was massive. It was lauded as exactly the kind of innovative firm that summed up the supposed virtues of the new capitalism. In 2001 Enron collapsed, mired in a scandal which also destroyed its auditor, Arthur Andersen – then one of the leading global accounting firms which, not coincidentally, shared many organizational features with Enron.

Despite this high profile corporate disaster, few at the time were willing to see it as anything other than an anomaly, something caused by the greed and corruption of individuals rather than indicative of any wider systemic problem. Some were more far-sighted. For example, the respected business journalist Simon Caulkin (2007) discussed developments at ICI, one of the world's leading pharmaceutical companies. He pointed out that its global dominance had been built on investment in very long-term research and development work. Yet, under the impact of pressure to conform to the business model of the new capitalism, ICI had transformed itself into a company concerned with deal-making – mergers, demergers, acquisitions, divestments – and the whole panoply of what Caulkin called '… the approved nostrums of financial management … the institutionalised bad management of the kind that ticks all the boxes of the narrow playmakers by whose rules the UK's corporate economy now runs' (Caulkin, 2007). In other words, rather than being an organization to allow the gradual, long-term building of real products, Caulkin saw ICI as becoming a shell for the rapid, short-term generation of shareholder value. He was right: in 2008 ICI was taken over, dismembered and ceased to exist.

Others were prescient in identifying the deepest flaw within the new capitalism: it is predicated upon massive personal, corporate and state indebtedness. For example, in 2006 the economist Ann Pettifor wrote these prophetic words:

> This book foresees a time, in the not too distant future, when the so-called First World will be mired in … debt. (Pettifor, 2006: 1)

Similarly, Elliott and Atkinson (2007) identified the 'Fantasy Island' economics which had developed in the UK by that date. That is, it is an economy built upon individual consumer spending, which in turn was built upon debt, which in turn was based upon rising house prices which were themselves financed through debt. In 2007 personal debt in the UK for the first time exceeded the annual GDP of that country, and most of the consumption it financed was imported from abroad and in particular from China. In contrast, China and some other countries were running huge budget surpluses and thus, in effect, lending developed nations the money to buy their industrial output. But of course it was not just in the UK that this was happening. In more extreme form, a similar process was under way in the USA in the so-called sub-prime mortgage market (or, more piquantly, 'Ninja' mortgages for those with 'no income, no job and no assets').

Even more precariously, these loans were being packaged up by investments banks into complicated financial instruments which were then used as the basis to leverage further borrowing. The fragility of all of this and the way in which it fell spectacularly apart is now well-known and has been described very fully elsewhere (see Lanchester, 2010 for a readable but incisive account). A few key events of this debacle include, in the UK, Northern Rock, the former mutual building society with roots back to 1850 which demutualized in the 1990s to become a bank, which collapsed and was nationalized in February 2008; and the Royal Bank of Scotland, founded in 1727 and following aggressive takeovers in the 1990s became the largest bank in the world, which was effectively nationalized in October 2008. Meanwhile, in the USA, investment bank Bear Stearns, founded in 1923, and which went public in 1985, went bankrupt in March 2008. Lehman Brothers, an iconic investment bank which had been a family firm from 1850 until as recently as 1969, collapsed in September 2008 whilst in the same month the massive US insurance company AIG, a private company from 1919 until, again, 1969 was in effect nationalized to prevent its collapse. These of course were only a few of the highest profile failures in the financial sector, and do note the common pattern of long-established, stable banks which were transformed in the new capitalist era and fell apart in the crisis.

So familiar is all of this to us now that it is worth recalling that almost until the moment that the financial crisis happened, the model of the new capitalism from which it grew was enthusiastically espoused by most business leaders, economists and politicians. In 2007 Gordon Brown, the then British Prime Minister, not only lauded the ingenuity and creativity of the City of London, but saw it as providing a template for how Britain and other developed countries should structure other areas of activity and as the harbinger of a 'new world order'. Whilst I am making a political point here, it is not one of narrow 'party politics' (indeed it is vital to understand that the main political parties in the UK and the USA shared in these respects the same ideology). For example, in 2006 George Osborne, the former Conservative Chancellor of the Exchequer, heaped praise on the Irish 'Celtic Tiger' economy, urging its financial deregulation as a model for others to follow. Within two years that economy was in tatters and its main banks bankrupt. Pointing these things out is not, or not simply, an exercise in point-scoring. It matters because it shows how comprehensively accepted was the culture of the new capitalism. Though it is easy for people now to pontificate knowingly about 'flawed business models' and 'inadequate regulation', not only did they largely fail to do so at the right time but also, as I will suggest later, the flawed thinking espoused before the financial crisis has by no means disappeared as a result of subsequent events. At the very least, the way in which the new capitalism was presented as unquestionable common sense might embolden us to be more sceptical about current and future claims about what *is* unquestionably common sense. Especially, perhaps, when made by the very same people.

That aside, the ramifications of the financial crisis continue to be felt and, indeed, there is every reason to think that there will be further such crises, as the respected financial journalist Martin Wolf (2014) has argued. In the UK, as in many other countries, personal debt still hovers at or above 100 per cent of annual GDP. There are still not billions but trillions of dollars' worth of obscure financial derivatives in the system, and there is every chance of further banking collapses.[2] In the meantime, what began as a private banking crisis has become a sovereign debt crisis – that is to say a crisis of national indebtedness. In many ways this has come about either directly or indirectly because of the financial crisis. Directly, to the extent that states had to bail out banks in order to prevent their complete collapse and the massive social and economic dislocation which would have followed. It is important to remember this because some free-market ideologues are now claiming that the problem was that of state intervention, and that all would have been well had the banks been allowed to fail. But it is not that policy-makers at the time, such as the then US President George W. Bush, had a sudden conversion to socialism. It is that the limits of the free-market theory – the 'flaw' so coyly identified by hard-core neo-liberal Alan Greenspan in the quote that opened this chapter – they espoused had become so obvious that there was no other realistic option. Equally, it is sometimes now said that because the government deficits are higher than the actual money spent on bailouts then 'therefore' these deficits are not mainly attributable to the financial crisis. But this misses the indirect effects of the financial crisis, namely that it caused a global recession, inevitably depressing tax revenues whilst causing increased spending on benefits and so causing spiralling state budget deficits.

And there are other, more complex, connections between financial and sovereign debt crises. Greece was the EU country perhaps hardest hit by the sovereign debt crisis, yet it was relatively uninvolved in the global banking crisis. On the other hand, the fact that it was able to get into so much debt in the first place was partly due to its use of complex financial derivatives to conceal the extent to which it had become indebted, and its adviser in this matter was one of the biggest global investment banks, Goldman Sachs (Balzli, 2010). The financial engineering of the new capitalism was not just something done by companies: whole nations were doing it.

Another important connection between the banking crisis and the sovereign debt crisis is the role played by the world's three major credit-rating agencies. These agencies, it should be recalled, approved the worthless packages of sub-prime debt as having a 'triple A' credit status and so bear a considerable responsibility for the financial crisis (Asia Development Bank Institute, 2010). Now they have become important players in assessing the creditworthiness of countries, making almost daily pronouncements on this, even though they have no democratic accountability (Kettle, 2010). Whilst purporting merely to 'report' risk to lenders, they also have a role in creating self-fulfilling prophecies because as they downgrade the credit ratings of countries, the cost of those countries' borrowing rises, making them more likely to default on their debts and so worsening their credit rating. From a policy point of view, this places elected governments in a near-impossible position. If they seek to reduce deficits by cutting public expenditure and/or increasing taxes, as has happened in all major Western economies since the financial crisis, then their lack of growth prospects makes their capacity to service their debt reduce and their credit rating is threatened. If they seek to borrow more in order to invest and promote economic growth then their debt levels are seen as unsustainable and their credit rating is threatened. In effect, although the globalization of markets arose largely as the result of decisions taken by sovereign states, those states are now subservient to globalized markets, posing major challenges for democratic accountability. The case of Greece is again instructive, with the anti-austerity Syrizia government having to accept massive spending cuts in 2015 in order to receive a bailout without which it faced complete financial collapse.

The Eurozone crisis has a number of causes, of course, but it shows that the new capitalism is not simply a phenomenon of the USA and the UK, the countries most closely associated with the 'Anglo-Saxon' model. Other countries adopted many of its features in terms of deregulation and a heavy emphasis on financial services and property speculation, Ireland and Spain being two prominent examples. Iceland, outside the European Union, perhaps deserves particular mention. Here, following bank privatization in 2001, a massive wave of lending and borrowing was unleashed and by 2008 both the banks and the country were bankrupt. A whole country had been ruined by the new capitalism in less than a decade. Iceland is also interesting as, following a referendum in 2011, it became what is so far the first country to, in effect, default on its debts as a result of the financial crisis (Business Insider, 2011).

Beyond this, even though countries like France and, in particular, Germany, Switzerland and the Scandinavian states stood somewhat outside the 'Anglo-Saxon' model, many of their banks – and especially those of France, Germany and Switzerland – were hugely enmeshed within, and affected by, the financial crisis. The reality is that the world financial system is so interconnected that the new capitalism transcended the economic policy models of different countries and so the financial and economic crisis that has unfolded since 2008 is a crisis of pretty much the entire Western world.

The transformation of the financial crisis into a sovereign debt crisis has had massive consequences around the world. Almost all have followed policies of 'austerity' and it is worth reflecting on that word. In the UK it connotes the period after the Second World War, and the hardship associated with reconstruction. But that 'all in it together' motif, which at that time was concerned with building for the general good, hardly applies to austerity twenty-first century style. Instead, it just means the familiar pre-Keynesian economic policy of 'balancing the books' of government spending, by cutting expenditure, especially on welfare. Yet as Keynes showed, the consequence of this can only be to depress growth and thus prolong the crisis.

organization studies and the new capitalism

I have provided this very brief overview of recent economic and political events because it is important to see that there is a near seamless connection between these events and work organizations. This can be perceived at many different levels. The investment banks that are at the heart of the crisis are themselves organizations, of course, where the decisions and risks were taken which had such calamitous consequences. For example, the kind of gung-ho, aggressive, deal-making organizational culture that gave the then chief executive of the Royal Bank of Scotland, Fred 'the Shred' Goodwin, his nickname seems to epitomize the wider culture of the new capitalism (the 'shredding' referring to the ruthless cost-cutting that was his trademark). Similarly, Dick Fuld, chief executive of Lehman Brothers up to its demise, earned the nickname 'the Gorilla' as testament to his aggressive and competitive character. Again it is important to recall how, right up to the moment of their downfall, these kinds of business leaders were lionized. Goodwin was knighted for his services to banking and had been, amongst other things, European Banker of the Year in 2003; by 2009 he had become a figure of public derision and hatred and in 2012 was stripped of his knighthood. Likewise, Fuld in 2006 won an award for being the top private-sector chief executive in the USA; in 2008 he received another accolade, being named as the worst American chief executive of all time! I mention these rapid changes in fortune not simply for reasons of *schadenfreude,* but as a caution about the way that currently dominant business leaders who often display similar characteristics of bombast are still treated with reverence and awe – not least by students of business. One thing we might learn from the financial crisis is to be a little less starry-eyed about such people.

Clearly there is more to financial organizations than the personalities of their leaders, and there seems every reason to think that many of these organizations, especially in investment banking, have been characterized by highly aggressive and competitive cultures. In a way these organizations embodied the spirit of the new capitalism: the individualistic, financially driven, winner-takes-all and lunch-is-for-wimps ethos of neo-liberalism. Many have noted how such organizations seem to valorize a kind of masculinist, testosterone-fuelled behaviour – whether on the part of men or women, though many of the organizations in question are also male-dominated – and if the dealing rooms of the investment banks are the clearest expression of it, the general orientation is evident in many of the workplaces of the new capitalism. Detailed academic study of, specifically, financial traders is unfortunately quite rare (Fenton-O'Creevey et al., 2005 and Stark 2009 being some exceptions) but it seems highly likely that alongside the general economic and political causes of the crisis of new capitalism there are some specifically organizational causes to be found.

But of course the significance of new capitalism for organizations goes beyond the organization of banking. It affected organizations of all sorts. In particular, the financial demands for ever-greater profits in shorter and shorter time frames impacts directly upon how organizations conduct themselves, and the experience of employees within them and of their customers. A good example is that of Southern Cross, the private-equity owned firm which managed hundreds of old people's care homes in the UK and collapsed in 2011. Essentially what they had done was, rather than simply to seek a profit from selling their care home services, to sell the properties and then rent them back, whilst using the sale proceeds to invest in other acquisitions. When the rents became unaffordable and the investment portfolio slumped, the whole thing fell apart in a prime example of the follies of financial engineering. This might almost be a case study in what Simon Caulkin (2007), referred to earlier, meant by the institutionalized bad management that is emblematic of the flaws of new capitalist organizations.

The social consequence of such management is to make organizations 'rootless': unconnected with places or communities. Richard Sennett's (1998) research is very revealing on this point. Based upon studies of several individuals and groups of workers (including some whom he had studied twenty years previously), he argues that it is the radical disorganization of work associated with the new capitalism which has disoriented and even destroyed what had previously been reasonably solid social relations. In particular, the erosion of stable career structures, where the work ethic was rewarded and which existed within reasonably secure organizations embedded within communities, has been a major factor in eroding trust and well-being. There is really no line that can be drawn between issues of organization, economics, society and politics.

Similarly, one important consequence of the financial crisis has been to expose much more forcibly how organizations within the new capitalism were marked by massive increases in inequality. In the UK, in a major study of the issue, the High Pay Commission reported in 2011 that in the period since 1980, average annual earnings had risen from £6,474 to £25,900, a real increase of 300 per cent. But in the same period the pay of top executives had increased by 4,000 per cent (High Pay Commission, 2011a: 7). This meant that, within individual organizations – organizations where, to recall what I wrote in the previous two chapters, all the talk at the time had been of shared purpose and flattened hierarchies – the ratio between the highest and lowest paid was increasing dramatically. The High Pay Commission gave some examples, and I will take one from the manufacturing sector and one from the financial sector. At British Petroleum in 1979–80 top pay was 16.5 times higher than the average wage in the company; in 2009–11 it was 63.2 times higher. At Barclays Bank, in 1979–80 the multiple was 14.5; in 2009–11 it was 75 (all figures quoted are from High Pay Commission, 2011a: 9). By 2014, FTSE-100 CEOs were paid 130 times more than the average wage of the employees (High Pay Centre, 2014). In the USA in 1980, the CEO to worker wage ratio was 33.8; by 2014 it was 303.4. And US CEO pay continued to rise post-crisis – by 54.3 per cent in the period 2009–14 (all figures quoted are from Mishel and Davis, 2015).

Unsurprisingly, this growth in pay inequality maps on to a growth in overall economic inequality (because most people's economic position depends on paid employment), and not just in the UK. In 2015 the OECD showed that income inequality had reached its highest ever levels in most countries, with the most unequal being Mexico where the ratio of the average income of the richest 10 per cent to the poorest 10 per cent is 30.5, followed by Chile (26.5) and the USA (18.8). The UK was 10th most unequal (10.5) and the OECD average ratio was 9.6. The most equal country was Denmark, with a ratio of 5.2 (OECD, 2015a). Inequality has many organizational consequences as well as causes, the most basic being the way it feeds understandings of unfairness. Perhaps if executive pay was clearly related to performance that would be less true – but, as explored later, it is not. Inequality also has many social consequences, on health, on crime, on civility and on general well-being, not just for the poorest but for the richest too, as the influential work of Wilkinson and Pickett (2010) has persuasively shown. In brief, societies where economic equality is greater tend to be happier, healthier and more harmonious. Here again we can see the unavoidable connection between organizations and society, a connection which makes it indefensible to try to study the former without studying the latter.

Apart from growing inequality, what also now stands brutally exposed is how insecure the new capitalism has made most of us, and again much of that insecurity is organizational (see Boltanski and Chiapello, 2007). Even as security, in the sense of protection of the population from terrorism, has become a central policy issue for governments, security, in the economic sense, has diminished. Stable employment is for most people the central plank of economic security, but that has diminished because the post-bureaucratic organizations of the new capitalism offer no such stability. And whilst that might not have seemed to matter too much before the financial crisis, now the spectre of rising unemployment makes this insecurity real. Most people in the UK are apocryphally said to be just three pay cheques away from homelessness. In many countries, pensions – which used to be a central part of the security provided by employment – are under severe pressure, where they exist at all. Education no longer guarantees a well-paid job and, at university level, is increasingly expensive. And so the social contract that has obtained in Western democracies[3] for at least seventy years – which said that if you took advantage of the education offered by the state and worked reasonably hard then you could expect to have secure employment and a secure old age, and would be protected by welfare if things went wrong with your health or some other piece of bad luck – is breaking up.

Organizations and more particularly work were the central part of that social contract and as they retreat from that, so is emerging a new ‘precariat’ – the term coined by Standing (2011) combining the words ‘precarious’ and ‘proletariat’. Associated with this is the growing use of zero hours contracts (you work and are paid as and when needed, so there is no security or predictability of income). Around this is emerging a business model sometimes described by the ugly term uberfication. It derives from the taxi firm Uber, which has developed a model for taxi hire in which customers use a mobile phone app to match their journey requirements to the availability of an Uber driver. Since 2012 Uber has expanded and currently (February 2016) operates in over 300 cities worldwide. This has caused protests from taxi drivers because Uber drivers are exempt from the licensing and many of the regulations of established taxi firms and drivers, who are thus having their livelihoods threatened. As this model has spread, other terms for the same phenomenon have been used such as the ‘gig economy’, the ‘on-demand economy’ or the ‘platform economy’ (the point being that a platform such as Uber does not provide services but connects customer demand to a supplier, who provides a service as if engaged to play a gig). This reflects, again, the point that how work is organized and how economies are characterized are interdependent.

However described, this model – which is now being applied to services ranging from dog-walking to doctors – has three defining features. The most obvious is a technological one, the mobile phone app that enables the connection between demand and supply to be made, including differential pricing according to levels of demand and supply at the moment that the transaction is agreed. The second is that it enables the avoidance of most or all of the regulations that apply to conventional providers of the service. The third is that those providing the service are not employees of any company but are independent contractors or self-employed agents and so have no employment rights at all.

What is at stake is not something minor, with people feeling 'a bit worried'. The destruction of security threatens to rip up individual and social life. Without some degree of employment security people do not know whether they can pay next week's bills, never mind plan their family's future. At the extreme, the outcome is what we see in Greece. Pensioners there are in desperation, youth unemployment in September 2015 was 49.5 per cent, crime is rising, even suicide rates rose by 35 per cent between 2010 and 2012 (Rachiotis et al., 2015). And the same picture is evident in varying degrees across Europe (e.g. youth unemployment in Spain was 47.7 per cent in October 2015). At the same time, even the hitherto prosperous and secure middle classes are increasingly fearful about jobs, pensions, housing and the prospects for their children (see Grey, 2015d). In other words, entire countries and entire generations within countries are being destroyed as the consequences of the crisis of the new capitalism are playing out.

Within such a scenario there are huge dangers, which are already beginning to emerge. Even the most cursory knowledge of history tells us that severe economic crisis begets intolerance and worse towards marginal groups. Thus we already see increasing racism in Europe, the USA and elsewhere, and the rise of populist politics and demagogues. Moreover, we see people turning on each other so that those in work perceive 'welfare scroungers' as the problem; those employed in the private sector see public sector workers as parasites; the young see the older generation as having taken all the benefits and left them with debts and no prospects. All of these divisions are beside the point though. The forty-year experiment in new capitalism has, as indicated above, initiated a massive inequality between rich and poor and it is this cleavage, rather than those amongst the relatively poor, which is surely the most significant. What was, in Western countries anyway, an accumulated 'common wealth' has been sold off to the benefit of a small global elite and to the detriment of everyone else. Indeed on one estimate, just 737 entities (e.g. banks, multinational companies) control 80 per cent of the world's capital (Vitali et al., 2011). It is not that the security of the past has become magically 'unaffordable', it is not that this or that group of workers or benefit claimants has become enriched, so pointing the finger of blame at such groups is misconceived. For example, according to official figures, in the UK benefit fraud amounted to £1.2 billion in 2013–14 (just 0.7 per cent of total benefit expenditure) whilst the tax gap caused by people paying (for whatever reason) less tax than they owed was £34 billion (FactCheck, 2015). Some reputable sources estimate the 2013–14 tax gap to be as high as £119.4 billion with tax evasion[4] accounting for £82 billion of this (Tax Research UK, 2014). To contextualize these figures, consider that the total budget of the National Health Service in 2014–15 was £114 billion. Even supposing that these estimates of the tax gap and tax evasion are significantly wrong, and by definition they are prone to error, the order of magnitude and hence the overall picture is very clear. As for (legal) tax avoidance, the structure of global corporations facilitates a multitude of devices for this, which links to the earlier discussion of the broken link between organizations and places. So to take the example of Cadbury's that I used, in December 2015 it was revealed that using a complex offshore arrangement it paid no tax on its 2014 profits (Osborne, 2015). It was not alone, and the erosion of the tax base through such devices is now a major problem, especially in the developing world (OECD, 2015b). Overall, an often-legalized transfer of wealth is what has eroded the security of the majority. Almost all of us have been quietly mugged over the last forty years.

What has the study of organizations to contribute to all this? I think the answer is 'quite a lot' because work and its organization is so central both to what has been lost and to what could be reclaimed. It seems to me that there is much more that organization studies as an academic discipline could and should do, though. Much of the research in the field is, not unsurprisingly and not unreasonably, concerned with existing organizations. What is much less common – actually, all but non-existent – is any attempt to articulate alternative organizational forms to those we currently have (but see Parker et al., 2007, 2013 for some ideas). At all events, the new capitalist model of organizations is most certainly not the only one available. Co-operatives and mutuals formed the bedrock of nineteenth-century working-class reactions to the inequalities and insecurities of the day, including the mutual building societies that provided home loans and savings accounts, initially for particular towns and regions. It is ironic that many of those that were most successful and survived into the 1980s were then privatized and have now disappeared. In fact, *every single* mutual building society that privatized no longer exists, which says something about the false promise of the new capitalism. But some of the smaller mutuals are still there whilst, at a much bigger level of operations, the Co-operative Wholesale Society has a thriving network of shops and other services. Even more successful is the John Lewis Partnership and its supermarket subsidiary Waitrose.

Beyond the UK, the success in Germany of medium-sized businesses (the *Mittelstand*) with strong local roots and long-term ownership shows how it is perfectly possible for advanced industrial economies to sustain manufacturing firms and be profitable and globally successful without becoming enmeshed in the snares of financial engineering (*Economist*, 2014). And in Denmark, business foundations support long-term development in high-tech sectors such as pharmaceuticals without exposing companies to the daily demands of the stock market (Jack, 2011). So there are alternatives to the new capitalism that has failed, and they can exist in the 'old economies' of Europe. This matters because although the free-market ideologues want to present us with the idea of an inexorable Asian rise and European decline, the reality is much less clear. As mentioned earlier, countries like the UK, Ireland, Spain and Iceland made a more or less full-on investment in the new capitalism and have been blown apart. Countries like Germany,[5] Denmark, Sweden and Norway made much less investment in such ideas and seem to have more promising economic futures.

So organization studies has a part to play in diagnosing the organizational causes and consequences of the crisis of the new capitalism. But it also has an urgent agenda to identify new organizational models in response, to rediscover older but now abandoned organizational ideas, and to re-commit to those ways of organizing which, whilst abjured by new capitalism, have persisted.

the end of management?

There is an obvious but very far from trivial sense in which, given the high unemployment caused by the economic crisis and the precarious employment of those in work, the concrete power of managers in the workplace has increased. The managerial right to manage is always stronger when the threat of dismissal is most frightening. And the fact that new capitalism also saw the erosion of trade union rights makes individual vulnerability to managerial power all the stronger. Beyond this, though, the place of management within the new capitalism is complex and contradictory. As I argued in Chapter 2, the high status of management was constructed over a long historical period as something necessary and valuable, to the point where it could be described by Peter Drucker in the mid-1950s as a bulwark of Western civilization. Sixty years on, that looks an almost absurd proposition. Instead, even managerially inclined writers could claim that 'there is a strong case that management … could finally die out early in the twenty-first century' (Koch and Godden, 1996: 1). That prediction might well come true if the prescription of influential management guru Gary Hamel to 'fire all the managers' is followed (Hamel, 2011).

Even if we are sceptical of such pronouncements it seems clear that the employment prospects and working conditions of, especially, middle managers have been eroded, as this went hand in hand with the development of new capitalism illustrated by the demotic utterances of the 'guru' Tom Peters: 'Middle management … is dead … It's over, d'ya hear? Over. Over. Over' (cited in Thomas and Dunkerley, 1999: 157). I think we can interpret this to mean that Tom Peters thinks that middle management is over. It is tempting to dismiss such hyperbole, and it bears saying that claims about the imminent demise of management have been made for a very long time (e.g. Fletcher, 1973), but there is now a mass of well-researched studies attesting to the same thing (e.g. Heckscher, 1995; Thomas and Dunkerley, 1999; Kodz et al., 2003) and this links directly to middle-class insecurity. Hence the emergence of a white-collar 'underclass' whose travails in the USA are documented by Ehrenreich (2006). These are the laid-off middle managers consigned to increasing poverty and despair by the disjuncture between their former wealth, status and security and their redundancy, both literal and metaphoric, in new capitalism. Management may not have disappeared but, at the very least, the shine has gone off it as compared to its heyday in the post-war era.

This is illuminated by a study that some colleagues and I conducted (Brocklehurst et al., 2009). It was initially concerned with the knowledge brought by senior managers into the classroom when undertaking an Executive MBA programme. In the course of conducting interviews with these managers, we noticed that *not one* used the term 'manager' to describe themself. So we conducted a follow-up study with a smaller number of them, drawn from different kinds of organizations and sectors, and asked about this. They told us that they did indeed abjure the term 'manager' for two broad reasons. First, they saw it as an over-used term in that it no longer denoted a person of any great seniority but was routinely used for quite low-level supervisory jobs. This is not quite to posit the 'end of management', but rather to say that it has spread to the point where it becomes meaningless. Second, and more importantly, they saw 'manager' as having a pejorative meaning of someone who was inflexible, unproductive and – horror of horrors – bureaucratic.

Clearly this links with the widespread demonization of bureaucracy discussed in Chapter 4, and by the same token the terms which these 'managers' preferred to use to describe themselves are part of the new lexicon of organizations. These terms included 'leader', 'entrepreneur', 'change agent' and 'consultant'. Of course Executive MBA students are a very particular group of managers, but this makes my point in that what their particularity consists of is that they are ambitious high-flyers who have a degree of choice as to how to describe themselves: and they choose not to describe themselves as managers.

The significance of this can be linked back to the three broad explanations of the *rise* of management that I reviewed in Chapter 2. To reprise, these were that management arose because of its technical advantages of co-ordination; because it delivered control of workers; and as a result of the manoeuvrings of an elite group. What can now be suggested is that all of these reasons for management have been eroded. The increasing tendency to subcontract and to buy in expertise on a temporary basis suggests a shift from hierarchical to market-based co-ordination; the increasing accent on self-management at least potentially obviates the need to external management of labour. The uberfication business model described above exemplifies both these things: you don't need managers when you co-ordinate self-employed operatives through contracts. But perhaps most important – and, no doubt, linked – is the way that management has failed to perpetuate its elite status.

At the heart of that failure, I think, are the consequences of the new capitalism raised in this chapter. As Sennett (2006) explains, the previous model of 'social capitalism' (as compared with 'new capitalism') has come apart not least as a result of the way that investors now have far more power in relation to the managers of corporations than they did in the mid-twentieth century. As financial markets were deregulated, massive global flows of capital began to search out investment opportunities:

> Initially managers thought they were dealing with investors familiar to them from the past, that is, largely passive institutions and individuals. The workings of a firm would be confirmed at annual meetings where the only challenges would come from oddly dressed elderly ladies or vegetarian activists. The managers were soon disabused. Investors became active judges; a turning point … occurred when pension funds, controlling vast quantities of capital, began actively pressuring management. The increasing sophistication of financial instruments like the leveraged buyout meant that investors could make or break corporations while its management stood helplessly by. (Sennett, 2006: 39)

In these conditions, industrial managers gave way to financiers who became, in the novelist Tom Wolfe's now famous, or infamous, phrase, the self-styled 'masters of the universe' (Wolfe, 1988). It was and is not enough for the management of a company to turn a profit: they are constantly pressurized to increase that profit under threat of a new management team being brought in. Moreover, the time frame within which profits and profit increases were required became shorter and shorter, and the speed with which trading could occur became faster and faster. In short, the capacity of management to pursue interests that diverged from profit-maximization has become significantly reduced, and with it the basis upon which it could be sustained as an elite with its own interests. This is very evident in de Gaulejac's (2005: 9–12) poignant account of French managers torn between their moral impulses to treat staff fairly and humanely and the over-weaning demands of market imperatives to do the opposite.

There is, however, a very significant contradiction in this. For whilst it is true that middle managers have declined in status and whilst it is true that the power of investors increased in the new capitalism, it is also the case that the very top managers have both retained and extended their power and privilege. Froud et al. (2006) argue convincingly, and in detail, that the financialization of business around shareholder value actually benefitted senior managers more than shareholders, as the former gained substantial pay increases. This is evident in the statistics I quoted earlier, showing how the pay of senior executives has hugely increased in recent decades. But it is most dramatically evident now that it has become clear that some of these top executives in the banking industry were taking decisions which, far from being to the benefit of their shareholders, actually led to the destruction of their organizations and massive losses to those shareholders.

This is very important because the standard defence of the pay levels of top managers in the new capitalism is that they reflect the value they added to their companies. But destroying those companies can hardly be seen as adding value, and anyway it is not just the cases of complete organizational collapse which are relevant here. The High Pay Commission found that top pay across business sectors was not linked to performance:

> there is rarely a link between directors' incentives and the way a company performs. In the past 10 years, the average annual bonus for FTSE 350 directors went up by 187 per cent and the average year-end share price declined by 71 per cent. (High Pay Commission, 2011b: 4)

More recently, Forbes business journalist Susan Adams argued that the more CEOs get paid the worse their companies' financial performance, including share price, gets in the following three years (Adams, 2014).

This is not just about salaries but other benefits, including pensions. In the UK, as in many other countries, the pensions of rank and file employees of both private and public sectors are being cut back as they are deemed 'unaffordable'. Yet no such strictures apply to senior managers. For example, although the privatized, albeit heavily state-subsidized, railways in the UK are widely criticized for their performance and fare increases, their senior managers need not fear for their old age.

Thus the outgoing chief executive of FirstGroup could reportedly look forward to a pension of £325,000 a year, even leaving aside millions of pounds worth of shares in the company (Lea, 2011). A little less than Fred Goodwin receives following the collapse of the Royal Bank of Scotland, admittedly, but it should still be possible to avoid having to take a part-time job in a supermarket to make ends meet. Even senior managers who make major mistakes do not suffer greatly. Forget the banks for a moment. In 2010 the finance director of TUI Travel, a large tour operator, was forced to resign after a £117 million accounting error but weeks later reportedly received a payout of £757,000 (Pagnamenta, 2011).

So in these ways it seems fair to say that the new capitalism has gone hand-in-hand with the maintenance and enhancement of the managerial elite. The key difference compared with the 1950s and 1960s is that the elite has shrunk so as to encompass only the most senior managers alongside senior investment bankers, accountants, lawyers and so on. And whilst this top managerial elite may be most obvious in the private sector, it also exists – including the massive pensions and pay-offs – albeit to a lesser extent, in the public sector and for a very particular reason: the neo-liberal understandings of the superiority of private over public, and of human motivation being based on self-interest, led to the idea that the only way to attract 'top managerial talent' to reform the public sector was to pay equivalent salaries to the private sector. Ironically, those same ideologues now point to the high pay of senior public sector managers as indicative of the wasteful bureaucracy of the state!

Beyond all of this, whatever the fate of *managers* there has been no demise in the power of *managerialism* (de Gaulejac, 2005; Locke and Spender, 2011; Klikauer, 2013). That is to say, the insinuation of a managerial, instrumentally rational, way of apprehending the world at large – work organizations included – continues unabated. Within organizations, we see a proliferation of attempts to measure and manage performance and the relentless attention to strategies, values, mission, quality, reorganization and so on discussed in previous chapters. Outside the workplace, as Hancock and Tyler (2008) show, more and more of everyday life is seen as being amenable to management. It now, perhaps, becomes clearer why in Chapter 2 I was at such pains to distinguish between management and managers. For whatever may be happening to the latter, management in the sense of a managerial way of looking at the world is in robust and swaggering form. Indeed, it is an irony that even as the flaws of the new capitalist model become apparent, the idea that it should be adopted within the public sector grows ever stronger as the financial engineers, having exhausted the gains from destroying the social capitalist settlement of the post-war era, greedily eye the profits they could make from the state sector, which is the last vestige of that settlement. Hence the nostrums of privatization and contracting-out of the public sector are, certainly within the UK, being applied ever-more extensively – some local councils, for example, are currently outsourcing their *entire* operations – as the neo-liberal zombie refuses to die (Crouch, 2011). Indeed, it would seem that the financial and economic crisis is the latest application of what Naomi Klein (2008) calls the 'shock doctrine' in which disaster is used as a cover for the imposition of, precisely, the doctrines of neo-liberalism and the new capitalism.

conclusion

I hope that it is obvious that what I have called here 'the new capitalism' constitutes far more than 'the environment' within which organizations operate or have operated. Indeed, as I suggested in Chapter 4, the idea of a hard and fast distinction of organization and environment is flawed anyway. As regards the new capitalism, organizations are both its medium and its outcome, the one is inseparably part and parcel of the other. Things like deregulation, privatization, managerialization, outsourcing, merging, acquiring, offshoring, uberfication and financial engineering are things that organizations do, as well as have done to them. So, to make the point yet again, we cannot hope to study organizations properly without studying economics, politics and culture (and conversely, we cannot study those latter things properly without studying organizations). Of course to do so would require far more detailed analysis than I have provided here but, even so, I hope that the rough contours of new capitalism are clear.

It's important to re-state that the new capitalism did not represent a new epoch, and claims that it does are dangerous because they easily slide into the idea that it is something inevitable, a matter of the inexorable sweep of history rather than a determinate matter of the social and political choices we have made and are making. Rather, it is consistent with what relatively unregulated capitalism has always been. Indeed, what is beginning to be clear is that the period of social capitalism – that is, a regulated capitalism linked to welfarism – was particular to the four or five decades after the Great Depression and the Second World War. Nor are speculative booms new. Nevertheless, the consequences of new capitalism for organizations have been real and, in my view, deleterious. The economy of signs and space identified by Lash and Urry (1994) entails 'deracination' – in other words, the destruction of roots. When there is little connection between places and communities on the one hand and production and consumption on the other, then the result is a certain kind of suffering (Bourdieu, 1999) and loss of social connection (Putnam, 2000). So, even when the new capitalism appeared to be working, there were many who questioned where it was leading us. It seems almost quaint to recall it now, but some of those concerns were about the damaging effects of affluence (e.g. Layard, 2005; James, 2007; Naish, 2008) and especially the pace of life (e.g. Honoré, 2004).

These remain important issues both because they remind us of the false promise of new capitalism and because they act as a counter to any idea we should simply try to return to the days before the financial and economic crisis. But in any case, all of these criticisms, important as they are, have now been overtaken by that crisis, and any sufferings entailed by excessive affluence are now matched and exceeded by the real economic hardship and insecurity that have come in its wake. The scale of what is happening marks this out as being more than a fleeting economic downturn. Rather, 'assumptions that have prevailed since the 1980s embrace of the market lie in shreds'. Who said that? Some street-corner seller of the *Socialist Worker*? Well, no, it was Martin Wolf, Associate Editor of the *Financial Times* (Wolf, 2009). This, at least potentially, opens up the space for articulating new possibilities. The most important issue is to re-pose the question of what the purpose of human collective – i.e. organizational – activity is and whether current social and economic arrangements deliver it. This would be to open up the fundamental question of social philosophy: what is the good life and how is it to be achieved?

We should not seek to answer this question in terms of a return to some previous golden age. Not only is such time-travel impossible, it would also be undesirable: any supposed golden age inevitably, on closer examination, proves flawed. Nor should we answer this question in binary terms of capitalism or communism, and indeed few would now do so. It is quite possible to envisage systems that retain private property and market exchange – and are in this fundamental sense capitalist – but which are based upon local economies and work practices (e.g. the German *Mittelstand*) which are supportive of, rather than damaging to, human potentials and the environment (indeed to some extent this can be seen in the Scandinavian countries). Despite the stress in recent decades upon shareholder value and minimally regulated markets as unquestionably desirable, the historical truth is that capitalism has been at its most successful when regulated towards the consideration of wider concerns about social well-being and economic equality. If the new capitalism has indeed been deleterious to that well-being – both in terms of production and consumption – as has been suggested in this chapter, then that begins to make out the need for alternatives. There are better ways to organize than one which requires more and more work and more and more debt to buy more and more things when neither the work nor the things make us happy; and, connectedly, ever more impoverished and brutal conditions of work in order to make those things.

The apologists for new capitalism – and despite all that has happened, they still amply exist – insist that those who oppose them are elitists. That is an interesting shift in itself, since ‘old capitalism’ would have been more likely to depict its opponents as greedy trade unionists or revolutionary communists. But with the new capitalism has come a populist politics that tries to enrol workers into a disdain for the ‘liberal-left’ and ‘politically correct’ establishment. However, my objection to these apologists is emancipatory rather than elitist: they are wedded to the inevitability of the future, no matter what the consequences; whereas I think we have choices. That we have not, thus far, exercised those choices as wisely as we might need not mean that we are debarred from doing so in the future. We should not, we need not and, actually, we cannot separate the study of organizations from these choices.

notes

1. It is in the nature of what is being described that some of these examples may now have changed ownership.
2. And because of the sovereign debt crisis which I am about to discuss, there is little prospect of further state bailouts of failed banks in the way that happened in 2008. Bluntly, they do not have the resources to do this again.
3. It could rightly be said that the position of those within Western democracies remains considerably more privileged and secure than that of most of those in other parts of the world. But, apart from the fact that this book is addressed to its most likely readers in those Western countries, the key point is that the growing insecurity of the West falsifies the claims made by the proponents of the new capitalism, such as that wealth would ‘trickle down’.

4. Tax evasion means finding illegal ways not to pay tax unlike tax avoidance which finds legal ways to reduce tax liability. However, the line between the two is not always clearcut, with ‘aggressive tax avoidance’ being attempts to exploit loopholes in contravention of the intentions of regulators. In any case, at the corporate level it is often a matter of negotiation between tax authorities and companies as to what their tax liability actually is.
5. It is true that Germany, as mentioned earlier, has significant banking exposure, and also that its potential role as a guarantor of Eurozone debts casts some shadows over its economic prospects. But levels of personal, corporate and state indebtedness are relatively low and it is a significant industrial exporter.