JAMES BURNHAM, THE MANAGERIAL REVOLUTION, AND THE DEVELOPMENT OF MANAGEMENT THEORY IN POST-WAR AMERICA

The social and political context of the time at which at The Managerial Revolution was written and the early years of the development of management theory are explored in an effort to increase understanding of how the discipline of management has evolved and where it may go in the future.

Introduction

Published in 1941 and a sociological bestseller by 1942, The Managerial Revolution was James Burnham’s analysis of the existing world order and his predictions for the future. While Burnham was writing a political thesis about a drastic societal transition from a capitalist to a managerial society, a transition that did not end up taking place, we can find in his book interesting precursors to, and influence on, the development of management theory. It is through understanding how, and why, management thought developed as it has that we can better understand and practice the discipline of management (Wren, 2005). Writing as he did, on the cusp of the formalization of management as a discipline (Bendix, 1974; Drucker, 1973), Burnham’s work provides insight into the factors that led to formalized management theory and the resulting theory itself.

In the area of the formalization of management as a discipline, much of Burnham’s theory proved correct, although not always as explicitly as he had expected. In this paper I will assess how, even though the Western nations remained a capitalist society, many of the capitalist ideologies were changed in order to absorb some of the managerial elements brought forth by Burnham. I will look at the effects of WWII, the New Deal, and the Cold War on the managerial ideologies of the time and the formalization of the role of the manager. Looking at the present and future, I will also tie some of Burnham’s insights into how the managers gained their dominance to the current struggle between professionals and managers for work authority and control.

The Managerial Revolution

The Managerial Revolution is an exposition of James Burnham’s theory that capitalism was in decline and was being replaced by a managerial society. Burnham felt that the fall of capitalism was already well underway and presented nine facts to demonstrate the validity of his conclusion. These included the inability of capitalist society to eliminate mass unemployment, the failure of the post-Great Depression boom to meet the height of the World War I boom, and the growing impotence of the capitalist ideologies. Burnham disagreed with what he stated as the commonly held assumption that societies could be either capitalist or socialist and presented a third option – managerial.

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In a managerial society the managers, instead of the capitalists, would be the dominant or ruling class. Means of production, owned by capitalists in a capitalist society, would be owned by the state and managers would control access to the means of production and control preferential treatment in the distribution of their products. Through these two means of control managers would assume their position as the dominant class.

Burnham outlined three stages in the transition from a capitalist to a managerial society. The capitalists needed to be reduced to impotence, the masses needed to be curbed so as to accept managerial rule and to eliminate threat of a classless society, and the managers needed to compete among themselves for first prizes in the world. The third stage would never be fully resolved and would be the indicator of a functioning managerial society. Burnham felt that the Russians, although labeled communists, were at the beginning of the third stage to the extent that they could be until the whole world had gone through the first two stages. The Germans, although labeled Nazis (or fascists) were seen to be in an early stage of a managerial state with some capitalist elements remaining. The United States was tending away from capitalism to a managerial society with its acceptance of the New Deal.

A Managerial Society?

It is important before discussing the impact of Burnham’s book on management theory and the manager to have an understanding, for the purpose of this paper, as to what aspects of Burnham’s managerial society were realized. The United States is obviously still a capitalist society, although power and control is now in the hands of the corporation rather than individual capitalist owners. What resulted after World War II was a mixed-economy, “a capitalist framework within which state enterprise was tolerated and the government held responsible for managing the economy” (Armstrong, Glyn, & Harrison, 1991, p136).

Burnham defines the ruling class as the group that has the rights, in greater measure than the rest of society, of control of access and preferential treatment in distribution with respect to the chief instruments of production. Have managers become the ruling class? The mainstream managerialist paradigm of business history, the traditionally dominant paradigm, grants managers the leading role in the administration of capitalism (Rowlinson, Toms, & Wilson, 2007). Managers certainly hold the balance of power within organizations (Nodoushani, 1996). Corporations are run by Chief Executive Officers (CEOs), which is a management position, and Boards of Directors, with directorships often given to managers. There are still corporations where the majority of shares are held by a family, and family members play a key role in running the corporation, but those individuals require extensive managerial training as well. The position of manager is respected throughout society, and career success is predicated on continual promotion into higher management positions (Ng, Eby, Sorenson, & Feldman, 2005). A managerial class has definitely emerged (Chandler, 1977). Managers are the ruling class within organizations and within the business world. Some individuals who have reached senior executive positions within organizations are also members of society’s ruling class, along with the wealthy social elite, but managers as a group have not achieved the status of ruling class.

Social and Political Context

It is by placing theories such as Burnham’s in their social and political contexts that we can begin to understand how they developed and the impact that they have had on the present context in which we live (Wren, 2005). This understanding allows us to examine our embedded discourses and ideologies, looking for, and questioning, accepted ‘truths’ that may have come into being due to a set of circumstances that no longer exist. Exposing such truths as products of their history may lead us to new and better ways of understanding that fit more effectively into our current context. To that end, a critical
facet of reflection on *The Managerial Revolution* lies in understanding the social and political context in which it was written.

**World War II.** *The Managerial Revolution* was written by Burnham after the fall of France and before the United States had joined World War II. It would be interesting to know when in 1940 the book was written and whether the first major defeat of the Germans during the Battle of Britain, which ended in late 1940 (or the spring of 1941 depending on the source), would have had an impact on Burnham’s theory. At the time that Burnham was writing, Germany, with the Soviet Union seeming to be an ally, was seen to be winning the war and there was little cause for optimism until the Battle of Britain (Bernard, 1980; Wheal, Pope, & Taylor, 1989). The massed forces that were winning the war were both well on their way to becoming managerial societies, and Burnham felt that the only way to beat a winning opponent was to assume the same tactics. Even in 1940 Burnham saw that the United States was already informally involved in the war, and that the chances were high for it to become formally involved. According to Burnham’s theory in order to win the United States would need to become a managerial society as well.

**Separation of ownership and control.** In the nineteenth century, when capitalism achieved full force, capitalists were the ruling class. They controlled both the means of production and the preferential distribution of the resulting products. During the 1920s and 1930s, however, as production techniques became more complex, the capitalists began handing management of their businesses over to hired managers, thereby losing direct control over the means of production (Bendix, 1974). This was what Burnham saw as one of the telling signs of transition to a managerial society. The capitalists at this point still controlled the preferential distribution of the products, but to Burnham it was just a matter of time until the means of production came under state ownership and the managers controlled distribution as well and became the ruling class. He also saw permanent conflict in the existing situation, as managers received far less benefit from their control of the means of production than did the capitalists.

**The New Deal.** An important facet of the American social and political context at the time of Burnham’s writing was the New Deal. The New Deal was a set of sweeping legislative reforms undertaken by President Franklin D. Roosevelt in order to stabilize the economy following the stock market crash of 1929 and the resulting bankruptcies and virtual collapse of international finance that led to the Great Depression. As part of the New Deal Roosevelt implemented a series of emergency relief bills; a plethora of federal agencies; acts for farmers, bankers, and the stock exchange; and social security (Ferguson, 1992; Skocpol, 1992). Welfare programs were extended, federal power grew, and property rights were narrowed (Bernstein, 1992).

Burnham held the New Deal to be anti-capitalist and the implementation of its various factors to be indicative of the beginning move from a capitalist to a managerial society in the United States. While Burnham discusses the popularity of the New Deal and the ability of its managerial ideologies to speak to the masses, others believe that the enthusiastic reception of *The Managerial Revolution* was due to a growing anti-New Deal sentiment (Nodoushani, 1996). Analysts of the New Deal also posit that, far from setting capitalism in the United States on its road to decline, the New Deal conserved and protected corporate capitalism and that capitalism was never fundamentally challenged in the United States (Bernstein, 1992; Skocpol, 1992). Big business and the organized economy were not challenged by the New Deal and there was not a significant redistribution of power. The private enterprise was not questioned, the impoverished were not raised out of poverty, income was not redistributed, and business was not held more responsible to social welfare. The very act of providing welfare and social security to the needy may even have protected the established system, as organized radicalism was sapped of its strength and lost potential members as they signed onto the New Deal rhetoric (Bernstein, 1992).
**The Cold War.** While not in the immediate sphere of time surrounding Burnham’s book, the Cold War also plays an important role in the rise of a managerial class as predicted by Burnham. Two of the results of the managerial revolution were the formalization of management as a science and the formal definition of the managerial role throughout the 1940s and 1950s. These years, following World War II, encompass the early years of the Cold War era. For the purpose of this paper, I will define the term the Cold War to refer to the “historical period when there was a state of hostility between the United States (and its allies) and the Soviet Union (and its allies) manifest in economic and political conflict and subversion, and in military action involving surrogates, but that stopped just short of ‘hot war’ or direct military conflict between the United States and the Soviet Union” (Bullock & Stallybrass, 1979, cited in Cooke, Mills, and Kelley, 2005: 3. See also Bothwell, 1998; Gaddis, 1972). In a simplistic sense, the Cold War can be seen as a fight between communism and capitalism. During the years in question, sometimes referred to as the internal Cold War, the government was determined to stop the Soviet Union from overthrowing capitalism throughout the world. Fear of communism was spread through the Red scare and McCarthyism, and citizens were called upon to maintain “Americanism” throughout their way of life and to inform on others who seemed in any way subversive (Whitfield, 1991).

**Changing ideologies.** One of Burnham’s contentions for declaring the fall of capitalism was that the capitalist ideologies had lost their appeal to the masses. His evidence for this was based on the failure of voluntary military service. He believed that the capitalist ideologies no longer moved people enough for them to sacrifice their lives by volunteering to fight in the war. As Burnham argues that in order for an ideology to hold power it must express the needs, hopes, and interests of the masses and correspond, in some measure, with social conditions, we can see how the capitalist ideologies may have lost some of their power during the Great Depression. The capitalist ideologies of individualism, opportunity, natural rights, private property, private enterprise, and freedom were of little use to a population that had lost its money, its private property, its businesses, and had little in the way of food and shelter. Burnham saw the embracement of the New Deal ideologies as equivalent to the embracement of what he described as managerial ideologies.

The ideologies of Burnham’s managerial society included words such as state, labour, work, socialism or collectivism, planning, duties, order, discipline, and jobs. Proponents of the New Deal also used some of these words. Work, labour, and jobs for everyone were large components of the New Deal’s attraction, and these were all promised through state intervention into the existing capitalist society. Capitalism was severely shaken at this time, and anti-capitalists were numerous and vocal (Armstrong et al., 1991). Where Burnham saw a definitive move away from capitalism into a managerial society, however, American government officials and business owners saw a careful plan to strengthen capitalism and regain power for its ideologies. The New Deal plan combined with the resurgence of the economy post-World War II and the anti-communist sentiments of the Cold War ended the possibility for a managerial society as Burnham saw it (Reagan, 1999).

**The Formalization of Management Theory**

It has been argued that World War II was the beginning of the formalization of management as a science and the emergence of the manager as a defined organizational role (Drucker, 1993). Prior to World War II management was not considered a distinct discipline and training and development specifically targeted to managers did not exist (Bendix, 1974; Mee, 1951; Terry, 1956). The need to support the military through mass production and supply during World War II, the Marshall Plan, and the development of post-war economies led to an understanding both that specific management processes were necessary and that effective management required specialized knowledge, skills, and training (Drucker, 1973; Koontz & O'Donnell, 1968; Wren, 2005). Much of management theory and practice came directly from the military itself (McFarland, 1964).
Management Theory

One of Burnham’s arguments that presents an interesting potential tie-in to the discussion of the importance of World War II to the emergence of management theory is his insistence that Germany’s success was due to the fact that they were farther along in their transition to a managerial society than the United States. Burnham felt that a successful military could be beaten only by assuming those tactics that were leading to its success, and therefore the United States (and the other allied forces) would continue their nascent transition into a managerial society. Was he correct? Did management theory emerge in the United States during World War II as a response to the control held by managers in Germany and the effectiveness that it seemed to bring them? Accepting this as a reason would not need to be at the expense of the reasons outlined above, as the mass production and supply required to support the military was a direct result of the ability of Germany to support its own military. While it is not possible to make a conclusive statement as to the veracity of Burnham’s prediction, it is an interesting question to ponder. Did the management abilities of Germany and its military have an impact on the emergence of management theory in the United States?

Following World War II business education enrolment increased sharply, with business becoming the most popular undergraduate major by 1955 (Cheit, 1985). The sudden popularity of a business education could be said to have both been a result of, and at the same time fueled, the emergence of a managerial class. Burnham felt that managers would retain control of their own class through limiting those who were permitted to attend business school, and determining what they would learn. Initial business school curricula tended to be non-theoretic and practice-driven, as business schools were staffed by retired military officers and business executives (Cotton, McKenna, Van Auken, & Meuter, 2001) and management as a discipline was only in its nascent stages. Offering management as a discipline to be studied in an academic institution would eventually, however, lead to the development of a theory of management, as there would need to be a curriculum to be taught.

Based on the above we can comfortably argue that the managerial revolution played a role in the development of management as a science and consequently a body of theory around it. As for the actual content of the theory we see it influenced strongly by the same factors that influenced the managerial revolution itself. The management processes formalized during World War II became a major foundation of the business education curriculum and are still major tenets of management theory taught today. The communist witch hunts conducted at academic institutions during the early years of the Cold War (Schrecker, 1994) constrained the business school curriculum as faculty did not want to be seen teaching anything that could be considered subversive. These constraints can still be found in management textbooks today (Mills & Helms Hatfield, 1998).

The Manager

The aspect of Burnham’s managerial revolution that can be seen most strongly to have come to pass is the emergence of a managerial class. Where there is a managerial class, there must be a manager. The role of a manager started developing in the early twentieth century as the technological processes and specializations required to effectively run a company became more complex than the traditional capitalists were capable of dealing with. Organizations began to understand that men were not simply born leaders, they needed specialized training and knowledge (Bendix, 1974).

The characteristics of a typical manager that emerged following the Cold War were that he was an educated male who wielded authority effectively and assumed a social responsibility greater than that of his immediate role (Genoe McLaren & Mills, 2007). We can take some of these characteristics and analyze them in terms of Burnham’s expectations of a manager in the managerial society and the impact
that the Cold War had on the actual outcomes. Of the four characteristics assigned to the manager, I will analyze three – education, authority, and social responsibility. The male gender of managers is an important issue, and the Cold War played a large role in that exclusivity, but gender was never an issue as raised by Burnham so it does not fall within the scope of this discussion.

For all that capitalism re-assumed dominance in the United States, and in fact became an integral facet of the Cold War, we can see a change in the capitalist ideologies as they subsumed portions of the managerial ideologies. These changed ideologies were the basis for the formal definition of the manager. Let us look at the characteristics of the manager that emerged and how they were influenced by both capitalist and managerial ideologies.

The specialized skills and knowledge required to manage effectively made education an essential base for becoming a manager. It was this requirement for specialized skills and knowledge that was one of the precursors of the fall of individual capitalism and the rise of corporate, or managerial, capitalism. The traditional capitalist owners of the means of production did not have the knowledge required to effectively run their operations, and so they turned them over to those who did – the managers. As business education became more readily available, and more men chose to enter the business schools, the divide between the managers and the traditional capitalists, and the managers and the non-managerial employees, became even wider and their control of the corporations grew even stronger. The required education became one of the main sources of the managers’ power. The managerial revolution led to the education, the Cold War determined what was learned (Mills & Helms Hatfield, 1998).

A number of factors combined in the 1920s and 1930s to lead managers to question the basis of their own authority (Bendix, 1974). Labour unions gained significant momentum during this time (Jucius, 1967). The human relations school of thought called for seeing the worker as a human being even when at work (Daya, 1959) and the work of Kurt Lewin and his colleagues proposed a new co-operative style of management (Lewin, Lippitt, & White, 1939). These new factors tied into the capitalist ideologies of individualism and opportunity, with employees being treated as individuals and, through a more co-operative style of leadership, being given opportunities within the corporations. As the Cold War progressed, however, managers reassumed a much stronger hold on authority. Labour unions were dealt a huge blow as they became targets of McCarthyism (Whitaker & Hewitt, 2003), which strengthened the capitalist cause. Corporations wielded significant power in the Cold War due to their economic resources and their assumed role (sometimes voluntarily, sometimes coerced) of punishing alleged communists through employment termination and career blacklisting (Schrecker, 1994). While the capitalist ideology called for individualism, and American civilians were exhorted to live an ‘American’ life of freedom, managers assumed an almost militaristic authority over their employees (Whitfield, 1991) and individualism was acceptable only within the framework of corporate leadership (Grant & Mills, 2006). Managers had assumed the role of the ruling class through a combination of anticommunist capitalist ideology and order and discipline managerial ideologies.

Following World War II managers assumed power over a large amount of society’s economic and social resources (as predicted by Burnham), and as such were expected to also assume the responsibility the power entailed, both within the corporation and in their community and society in general (Terry, 1956). The Cold War also resulted in expectations of a level of social responsibility, as managers punished alleged communists (Schrecker, 1994), reported subversive friends, family, and neighbours (Whitfield, 1991), and undertook a campaign to convince Americans that supporting labour unions was the same as supporting state socialism (Cheit, 1964). This assumption of social responsibility, however, ties directly into Burnham’s theory of the manager as the ruling class, and clashes with the capitalist ideology of individualism and private enterprise.
The Managerial Class in a Knowledge Economy

In a managerial society, the managers are the ruling class as they control the means of production and preferential distribution of the products. What happens when the means of production is knowledge that resides solely in an individual? As we have entered what many refer to as a knowledge economy, managers have seen their responsibilities shift from managing processes, schedules, and assembly lines to managing creativity, innovation, and tacit knowledge. While managers still hold legitimate authority with organizations they are losing control of the means of production as these means become human beings.

Professionals are individuals who have completed an appropriate and prescribed level of education, gained experience in a specific field, and have been certified by a professional society (Freidson, 1986; Martin & Shell, 1988; Shapero, 1985). The advanced degrees and credentialization associated with a profession create exclusive shelters in the labour market (Brint, 1994). Their authority over an area of functional expertise that is often incomprehensible, beyond the rudimentary basics, to the layperson provides professionals with a base of power from which to control certain aspects of their own work and to hold some leverage over administrative authorities (Brint, 1994; Parker, 2002). As professions were being instituted they actively sought occupational authority over managerial authority, and at times insisted that managers were not competent to be deciding questions of intellectual quality (Brint, 1994).

In many cases the specialized knowledge and skills of professionals are the means of production for an organization. Possession of an important and complex piece of knowledge or skill can give a person on the low rungs of an organization’s hierarchy greater influence than those positioned significantly higher. Being a member of a profession has positive social connotations and while for many people achieving a management role is seen as a pinnacle of their career, for some being a professional holds greater status (Dent & Whitehead, 2002).

The exorbitant salaries paid to CEOs today compared to those paid to professionals could be seen as a parallel to the massive amounts of money being made by the capitalist owners at the beginning of the managerial revolution. The managers were, in their opinions, doing the useful and productive work, but the capitalists were making all the money. Burnham felt that this situation was one of the factors playing a role in the onset of the managerial revolution in the United States. Could the transfer of control of means of production from managers to professionals and the dissatisfaction of the professionals herald a professional revolution today?

At the same time, however, more and more professionals are becoming employees of corporations and are using their expertise in service of the corporation’s goals (Brint, 1994) and either being placed under the auspices of managers or expected to become managers themselves (Dent & Whitehead, 2002). Even those professionals who are ostensibly still working within their community and toward the greater purpose of their profession, such as medicine and academia, are finding themselves subject to increasing amounts of managerial control. Societal moves towards mass higher education and health care have placed these professions under the purview of administrative hierarchies (Parker, 2002) and growing public distrust and suspicion of the professions is leading to an increased call for managerial control (Freidson, 1986; Misztal, 2002). It would seem that managers are maintaining their control.

Professionals working within organizations today still expect high levels of task autonomy and resist managerial control. Managers need to forego the use of traditional management techniques, where managerial authority is recognized and accepted based on hierarchical position, and need to take on the responsibility of creating a work environment where professionals can effectively perform their tasks (Raelin, 1989). I think, however, that for all that professionals may be able to demand autonomy and
workplace status, managers will retain their ruling class status and will quite possibly use any new managerial techniques to quiet the demands of the professionals and cement their own control.

An interesting question that is not being addressed by my thesis but that I hope to explore in the future involves why managers have never formally professionalized. After having read The Managerial Revolution I wonder if one of the factors is that their quick ascendency to the ruling class within corporations meant that they never felt the need to form a collective body in order to protect themselves. While I do not think that managers are in imminent danger of being unseated from their current positions of power by professionals, I do wonder if potential threats to their power will lead them towards a professional society.

Conclusion

James Burnham predicted a fundamental change to American society, a change that had already been instigated in Russia and Germany and that would eventually be felt around the world. Although the managerial society that Burnham foresaw did not take hold in the United States, as capitalism regained strength following World War II, some aspects of his thesis did come to pass. While managerial control of production through state ownership did not occur, managerial control of capitalist corporations did. Managers are the ruling class within organizations, and the most highly-paid of the management class have become part of the ruling class. This ascendency of the manager to a position of control played a role in the development of management theory and the formalization of the managerial role. Some of Burnham’s managerial ideology became absorbed into the changing capitalist ideology.

Understanding the context in which management thought developed gives us a better understanding of the discipline of management today and allows us to more critically evaluate where we take management thought in the future. Through this particular analysis of the classic book The Managerial Revolution we have gained insight into the influence of the New Deal on managerial and capitalist ideology and the formal role of the manager. We have also seen how the underlying impetus for the managerial revolution, the separation of ownership and control of the means of production, led to the formalization of management as a discipline, and how the anti-communist backlash of the Cold War influenced the theory espoused by the management discipline. As we now, in the knowledge economy, see a change in the ownership of the means of production we can use our understanding of the past to help us assess our current context and determine where the future of management thought may lie.

References


