



## Total bureaucratisation, neo-liberalism, and Weberian oligarchy

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### review of

Graeber, D. (2015) *The utopia of rules: On technology, stupidity, and the secret joys of bureaucracy*. London: Melville House Publishing (HB, pp. 272, \$21.55, ISBN 978-1-612193-74-8).

David Graeber's book on rules and bureaucracy examines the topic from a refreshing standpoint. Much management literature, since at least Bennis (1965), has made the claim that bureaucracy and competitive markets and/or change are somehow incompatible. The world needs to be post-bureaucratic – 'bureaucracy must die' (Hamel, 2014), organizations must be more entrepreneurial (Drucker, 1984). These are the refrains we hear – if we are to survive and grow, creativity must be unleashed from the shackles of bureaucracy. A dominant neo-liberal motif has been to burn red tape – most recently one thinks of David Cameron's demands of the EU wherein if British membership is to continue, red tape (and perhaps reds) is to be burned – those dynamic commercial Brits taking on the sclerosis of bureaucratic Europe on our behalf. In reply, management scholars opposing such a position argue that bureaucracy and its rules protect us from unethical behaviour, arbitrary power, anti-democratic forces, and so on. Bureaucracy here equates with rational-legal authority and the rule of law. It may not be perfect but it at least defends the weak and the infirm, e.g. Du Gay's (2013) defence of bureaucracy as more ethical than post-bureaucracy. Building on Hennis (1988), Du Gay argues that the father of bureaucracy, Max Weber, sought to find a way through which personality would allow an individual to live

ethically. The entrepreneurial or post-bureaucratic firm undermines such an ethic by encouraging an arbitrariness more closely associated with charismatic or traditional rule. Indeed, neo-liberalism itself is in the dock because it undermines ethics and subsumes life to something like Weber's instrumental rationality (see Gane, 2014 – although importantly Weber [1975: 33] argued that the heuristic device of the ideal type known as rational economic man was an 'approximation' that was becoming more and more a reality as institutions altered to act as though it were true). Here, in my crude summary, bureaucracy, ethics, and Weber line up against post-bureaucracy, ethically neutral instrumental rationality, and neo-liberalism.

Graeber takes a different and more interesting tack. For him, bureaucracy increases under neo-liberal market conditions. It is 'an iron law of liberalism' that increasing *laissez-faire* increases bureaucracy [9] and that our so called era of post-bureaucratic organization is actually a period of 'total bureaucratisation' [18]. He usefully highlights the links between bureaucracy and the rise of the state, the contemporary market, and the modern corporation – pointing out along the way, that the two most bureaucratic countries are also perhaps historically the sites of the corporation – Germany and the USA. Bureaucracy is about putting shape on 'reality'; it is the enforcing of particular forms of order. In chapter three, he uses many examples from anthropology, fantasy, and history to argue bureaucracy is engaged in a struggle against play, heroic storytelling, narrative, and charisma. In the name of democratic rules, transparency, indifference and neutrality [183-86], bureaucratic societies seek to 'civilise' non-bureaucratic ones because seemingly impartial rules provide a neutral order. Something like this argument was made recently in the BBC documentary series *The Celts* which compared and contrasted Rome's rule bound order and the charismatic and traditional Celtic world. Bureaucracies are a structured game [190] and not much fun, unlike their less structured nemesis, unruly play. But the game of bureaucracy has been winning as ever more areas of life become rule bound. Ours is a world which increasingly sees play as threatening – as needing evermore structure. As the distinction between work and play collapses (Graw, 2010), unruly play is structured to resemble a game – is this not what the neo-liberal Schultz's (1962) call for human capital as a never-ending investment in man implies – structure your activities to make them profitable? For Graeber [204], games and play also take us to one of the major schisms within the left – between those who see rules as freedom, because it reduces power to a transparent set of regulations, and those anti-authoritarians who see freedom largely in terms of improvisation and play. The problem for the former – as the proto-fascist Robert Michels (1915) understood – is that bureaucracy enables the holders of power to make up the rules. The problem of the latter is that like

language play needs flexibility and some rules if it is to be progressive – but this too returns us to how many and who constructs them.

Graeber, from a management studies viewpoint, is a welcome challenge. Bureaucracy versus post-bureaucracy, or markets, or competition, or innovation, or entrepreneurship, etc. has recently been the field's dominant way of viewing organizational life. Here, to paraphrase, Graeber is saying these are largely the same thing. Furthermore, he is arguing that bureaucracy is an anti-democratic rule maintenance machine for a neo-liberal elite. At this juncture, his work takes on an interesting hue. It links to the growing scholarship on neo-liberalism and democracy put forward by Brown (2003, 2006), Streeck (2014), Biebricher (2015) and others. But it is also interesting for reasons concerned with the latent neo-liberalism of management's (indirect) founding father, Max Weber.

That neo-liberalism is rule bound seems beyond dispute. Biebricher (2015) has strongly argued different variants of neo-liberalism make use of rules and expertise to stifle democracy. For example, he suggests ordo-liberals use expert rules as a mechanism to restrict democracy because they believe the masses do not know what is in their own interests. As Megay (1970: 404-424) highlights, rules were to be used as a tool in a 'revolt of the elite' who were a 'natural aristocracy'. Indeed, one can see elements of this in the contemporary 'Greek' crisis wherein Jens Weidmann, the head of the Bundesbank (quoted in Streeck, 2014: 109), commented:

In the event that a country does not keep to the budgetary rules national sovereignty would automatically pass to the EU level to the extent for the targets to be reached... one example might be the right to implement – and not simply demand – tax increases or proportionate spending cuts... Within such a framework, the EU level could secure the path to consolidation, even if no majority could be found in the national parliament concerned.

Or one can also think of the UK government's push to ensure legislation stopping future governments from running deficits. In these renditions democracy has to be curtailed by rules created via an elite 'expertocracy' (Müller, 2015: 6).

Hayek also develops such rule inflected structures. Following Carl Schmitt's repost to the attempts by the German left to commandeer the private property of the former Kaiser (Scheuerman, 1997), Hayek (1960: 54-71) argues general and self-binding rules need to be developed to stop a state acting on the whim of an electorate (or of experts – both of whom he distrusted). General rules would keep democracy at bay. Rules should be used to enable the free flow of capital, goods, labour etc. and thereby limit the capacity of democratically elected governments

to initiate changes which damaged returns on property. If the electorate ‘freely’ undermined these returns, then property (and skilled labour) could move to where it could get a better return –hopefully the burden of such responsibility would chasten democrats. This ‘interstate federalism’ (Hayek, 1948: 255-272; Streeck, 2014: 97-102) shares many features with the current neo-liberal turn of the EU. Thus neo-liberals are not necessarily hostile to rules or to bureaucratic forms, even if Mises (1944:10 fn1) claimed they were un-American. Indeed, rules are used to instil authority and circumvent democracy with softer or harder forms of authoritarianism. Echoing Graeber, less play and more expert games lies at the heart of the supposedly dynamic, creative, free-flowing, bottom-up neo-liberal economy.

But how does this link to the rules outlined in Weber’s analysis of bureaucracy? Weber (1948: 197) clearly outlines how bureaucratic rules can be used by those lower in the hierarchy to appeal to a higher authority against decisions made by their immediate superiors. He (1948: 216-217) clearly links bureaucracy to rational justice rather than the ‘Kadi-justice’ of charismatic or traditional systems. And finally, he (1948: 224-225) clearly links it to a ‘levelling of social differences’ because it undermines ascribed power. Here, bureaucracy appears as an enabling force. But as is well known Weber does not stop there. Bureaucracy is not simply ‘good’ because it is “Without regard for persons” (which) is also the watchword for the market’ (Weber, 1948: 215). Like the law or the market, as a rational impersonal system bureaucracy is ethically neutral (Hennis, 1988: 90-103). Thus it can be beneficial to larger or smaller groups, to all or to the few. Graeber [14-21], for example, suggests during the post-war boom the bureaucratic corporate structure was built on an inter-class alliance between workers and managers which broke down when ‘management’ abandoned workers to side with an investor class. In this transition, to what we call neo-liberalism, the many were disempowered and the few were dramatically enriched as the organizational (and other) rules changed. Thus bureaucracy and rules are always the result of social re-composition – of the relations rather than the forces of production.

One can see this clearly in the twentieth century emergence of the American corporation. The shift from the ‘Inside Contract’ wherein hierarchical and unequal craft workers self-organized production according to forms of authority built on expertise, collegiality, community, age, gender, etc. to what became the bureaucratic corporate form (Buttrick, 1951; Williamson, 1952; Clawson, 1980; Englander, 1987). Here, one can surmise that these craft ‘honorific arrangements’ meant that the ‘administration, therefore, runs less precisely and is more independent of superiors; hence, it is less unified and slower’ (Weber, 1948: 214). The creation of bureaucracy was used to counter this ‘independence’ and to make administration quicker, more certain, dependent on superiors, and

more anti-democratic. This is precisely the point made by Clawson (1980) and Stone (1973). Stone's examination of the steel industry is important in this regard. In fine detail, she lays out Graeber's claim that bureaucracy is not neutral and demonstrates how the emergence of the modern bureaucratic corporation, dominated by rules and procedures, was the outcome of social struggle into which were built class, ethnicity, gender, and age related forms of power.

For management research, Graeber's essential point is that the bureaucracy versus the post-bureaucracy-entrepreneurial firm is a misplaced argument. Today both are essential elements of neo-liberal social re-composition. Central here he argues is the blurring of the public and the private. Government bureaucratic re-regulation has enabled corporate bureaucracies access public funding on a monumental scale; so, too, have the trade bureaucracies, the WTO, IMF, World Bank, G8, EU, NAFTA. They have opened up large elements of the Global South to bureaucracies such as Goldman Sachs, American Insurance Group, etc. Furthermore, he argues, we are complicit in this because through these bureaucracies we act as though we believe trade is free, the market is free, and corporations fair and transparent. He goes on to add that the expansion of the market is really an expansion of more 'people in offices to administer things' [32]. Thus in reality it is the opposite of everything the free market is supposed to be. He also claims the same is true for the demise of the labour theory of value (a view of value adhered to by those working under the Inside Contract). Bureaucracies managed by leaders such as Andrew Carnegie forcefully espoused the notion that efficient bureaucracies headed by men of leadership created wealth, not labour. As such, these leaders should justly take the rewards. Adding this to Michels' (1915: 13) famous suggestion that the organization implies 'a tendency to oligarchy' and the way to deliver elitism was through control of the bureaucracy – we thus have oligarchy. Neo-liberalism necessarily creates a world of ruled and rulers because of 'the technical indispensability of leadership' (Michels, 1915: 400). Thus Mount misses the point when he claims the new oligarchs have emerged because the neo-liberal reforms 'have not been neo-liberal enough' (2013: 11). Quite simply, at the heart of neo-liberalism is a bureaucratic oligarchy. Herein lies the rub for Graeber. More markets mean more bureaucracy and more oligarchy. Not an outrageous position – indeed it is increasingly espoused by theorists such as Wolfgang Streeck and Wendy Brown. The anti-democratic bureaucracy and the anti-democratic modern market reinforce one another to create our contemporary elite societies.

Of course this returns us to that other elite theorist, Max Weber (Titunik, 1997). The indirect father of much of management – leadership, bureaucracy, innovation, and entrepreneurship all bear his imprint – shared many similarities with neo-liberal thinkers. This is why he influenced them so much (Mommsen,

1974: 64; Gane, 2013; 2014). For example, Mises takes Weber's concept of instrumental rationality to apply it to all human action and to imbue it with values (Gane, 2013: 8-9). Schumpeter – not a neo-liberal – and the neo-liberals use Weber's concept of the static, planned, bureaucracy to posit the need for an innovator/entrepreneur. Leadership studies is, to a significant extent, based on Weber's concept of the leader as a charismatic figure (Beyer, 1999). And finally, organization studies examines or critiques Weber's bureaucracy more than perhaps any other single form. Weber is at the heart of the study of management, yet we misinterpret him.

Weber thinks in neo-liberal ways in two senses. Firstly, his concept of economic behaviour is heavily neo-liberal (Parson, 2003). Neo-liberalism critiques orthodox economics because it is static, it does not allow for error, and it does not have a temporal dimension. As I have already argued in this journal (Hanlon, 2014), time and uncertainty are central to neo-liberalism. The market is never static, the future always unknown, people make mistakes, and the market acts as an institution which teaches us over time. Those who learn best do well, those who cannot (or will not) suffer, and the market never achieves equilibrium (Hayek, 1948: 100). Thus, central to neo-liberal economics is a view of the market as an institution that teaches us that the future is important because we base future actions on learned experiences, and that uncertainty is a fundamental part of economic life (Hanlon, 2014). This view makes the entrepreneur/innovator the key subject because more than any other figure, she delivers the market's most urgent needs. This subject learns from the market what is in demand and provides it – it is not the scientist, the inventor, or the worker who shapes the economy but the entrepreneur. In his analysis of utility theory, wherein he favourably comments on the Austrian economist Carl Menger, Weber too stressed the future, uncertainty, and the role of the market as a learning mechanism (1975: 33). Indeed, he highlights the importance of uncertainty with a footnote mentioning Frank Knight's famous work *Risk uncertainty and profit* in this quote:

The calculations underlying trading activity will be called “speculative” to the extent to which they are oriented to possibilities, the realization of which is regarded as fortuitous and is in this sense uncalculable. In this sense the merchant assumes the burden of “uncertainty” (51). The transition from rational calculation to what is in this sense speculative calculation is entirely continuous, since no calculation which attempts to forecast future situations can be completely secured against “accidental” factors. The distinction thus has reference only to a difference in the *degree* of rationality. (1978: 159 fn 51, emphasis in original)

In light of this people learn in the marketplace (Weber, 1975: 29). The market and our behaviour within it are shaped by three forces. One, our needs and their satisfaction in light of limited supply; two, in contrast to orthodox economics, subjectively felt urgent needs are (or are not) satisfied and replaced or supplanted with other more urgent needs; and three, prior experience of subjective needs and efforts to attain them shape our future calculation of effort, spend, investment, and so on. Here need, temporal matters, learning, error, matter in a way that Menger would approve of. Thus Weber's sociological analysis of economic action shares very substantial overlaps with Menger's Austrian economics (Parson, 2003: 19). Furthermore, unlike orthodox economics, both Weber (1975: 28) and Menger (Parsons, 2003: 10) stress the importance of interaction and anticipation as central to the formation of price. Price is generated in uncertainty and time rather than as a given outcome of supply and demand. As is well known, the entrepreneur is a key figure in neo-liberalism, but Weber (1978: 92) too stresses their importance because future and uncertain needs need to be 'awakened' and 'directed' by entrepreneurs. In light of this, it is the entrepreneur, not the 'marginal consumer' of orthodox utility theory, who drives production. Here, one sees the outline of a tension between the bureaucracy and the entrepreneur/innovator. The bureaucracy sees planning as the solution to the fixed preferences of marginal utility and the entrepreneur/innovator (or leader) sees the shaping and anticipating of fluid preferences as central to the pursuit of profit – crudely the bureaucracy versus the post-bureaucracy.

These tensions return us to Graeber's merging of bureaucracy and neo-liberalism because Weber is important to both concepts. The bureaucracy and its rules are necessary to deliver neo-liberalism through institutions such as the state, the corporation, the market, etc. But it is also the case that the bureaucracy allows an elite to dominate and, in many respects, force competition onto the rest of us whilst legitimating such actions through the discourses of leadership, entrepreneurship, or innovation – all important neo-liberal and Weberian concepts.

As is well known, Weber was interested in institutions and how they shape behaviour. Often the routines of life created discipline and, as suggested, whilst he (1975) accepted that the ideal type of economic man was an approximation to reality, it was one which was getting closer and closer to reality as institutions altered to accommodate this ideal type. Thus central to institutions like the state, the market, or the bureaucracy are rules which create routines. In his examination of the bureaucracy this worried Weber – he was concerned with oppressive stagnation and the emergence of the bureaucratic personality (Merton, 1940). This bureaucrat is characterised by obedience developed through

'habitual activity learned in public as well as in private organizations' (Weber, 1948: 229, emphasis in original). Obedient habits make bureaucrats susceptible to corporatism and the formation of unethical bureaucratic economies – a 'robber capitalism' (Weber, 1994: 89) – because they learn the wrong routines. Charismatic leadership is pivotal to undermining this form of bureaucracy and un-freedom in a democratic state (Burawoy, 2013: 752-753; Mommsen, 1974: 72-94). Yet this leadership also demonstrates Weber's neo-liberal democratic scepticism. On the issue of democracy and leadership, he supposedly expressed the following to General Ludendorff:

In a democracy people choose a leader in whom they trust. Then the chosen leader says "Now shut up and obey me". People and party are now no longer free to interfere in his business. (Gerth and Mills in Weber, 1948: 42)

Weber affirms leadership in the face of bureaucratic capitalist societies but his affirmation allows a few to maintain their freedom and creativity. For the majority, they face a life of being subject to the rules and regulations of the bureaucratic organization (Mommsen, 1974: 93-94). In this manner, competitive-based leaders set the rules and regulations for organizations and societies. But this occurs alongside a world where the masses are dominated by bureaucratic un-freedom.

Furthermore, Weber sees that these twin features of bureaucracy and charismatic leadership – the 'double nature of what may be called the capitalist spirit' (Weber, 1978: 1118) – alter people in two neo-liberal ways. Bureaucracy externally regulates them through rules, rewards and punishments and charismatic leadership internally alters them by giving people new ambitions, desires and beliefs (Weber, 1978: 1115-1117). Thus the charismatic leader acts in ways Weber (and neo-liberals) also associated with the entrepreneur. His work suggests that, if managed by the right elite, bureaucracy and charismatic leadership can shape society, buttress markets, create competitive organizations, mould subjectivity, and protect individual freedom (for some). However, whilst bureaucracy is often presented as the opposite of competitive freedom (Mises, 1944), in actual fact what has occurred is a Weberian combination of neo-liberal management joined to bureaucracy to regulate and de-democratise and create increasing un-freedom for the many and freedom for the elite (Briebricher, 2015; Müller, 2015; Streeck, 2014).

This is clearly obvious in contemporary organizations with their unforgiving bureaucratic use of data to make labour compete and their infatuation with a culture that rewards the successful charismatic leaders and entrepreneurs – just think of the current obsession with Steve Jobs. Here Weber's competitive charismatic leadership and bureaucracy dominate the individual, the

organization and the society. This takes place in a market society controlled by large organizations with competitiveness, individualism, and private property at its base. In this vision, charismatic leaders alter the bureaucratic rules to change society, anchor competition, and reserve freedom.

Such a world is extremely close to neo-liberalism's entrepreneur. Mises (1996: 252) argues that uncertainty makes us all entrepreneurs. He enshrines (entrepreneurial) knowledge at the heart of social relations so that it creates development in the marketplace and the organization. Because of these attributes the entrepreneurial function is different to simple management. Management deals with 'subordinated entrepreneurial duties' (Mises, 1996: 304). However, in the actual functioning economy you cannot disentangle the two roles (Mises, 1996: 306; Metcalfe, 2006: 83-86). This inability to separate the roles increases in corporate bureaucratic capitalism. This has led some neo-liberals to argue that senior management takes on the entrepreneurial role of driving the economy. Elite management's subjective view and tacit knowledge grow in importance in an 'experimentally organized economy' (Eliasson and Eliasson, 2003). Senior management should act and be rewarded as entrepreneurs. It is they who have the subjective, intuitive, and tacit knowledge central to a bureaucratically filled economy (Eliasson, 1990; 2005; Eliasson and Eliasson, 2003). Here, following Hayek (1945), senior management need to act entrepreneurially because they can also only ever know a small part of the market – their knowledge, like that of everyone else, is incomplete hence they have to imagine the future and not rely on routine – they have to act as 'proxy entrepreneurs' (Foss et al., 2007; 1894). Furthermore, the entrepreneurial function entails the search for profit thereby allocating resources through anticipating the future needs of consumers. From this anticipation, profits or losses ensue which 'thereby shifts the ownership of the means of production from the hands of the less efficient into those of the more efficient' (Mises, 1996: 299).

As such, senior management becomes entrepreneurial through anticipation and the ability to match existing or new routines to this anticipation (Metcalfe, 2006; Foss et al., 2007). Thus the economy can continuously transform or develop itself through what we might call the 'entrepreneurial function of senior management'. Schumpeter's belief in equilibrium meant that knowledge could be concentrated which led him to forecast the demise of the entrepreneur and the rise of the behemoth corporation. However, in the neo-liberal vision, Schumpeter's 'invincible corporation' (Eliasson and Eliasson, 2003: 432) can no longer survive on routine innovation or 'subordinated entrepreneurial duties' and hence the necessary shift of major corporations to an entrepreneurial senior management found in areas of value capture, open innovation, or strategic acquisition. Thus the subjective imagination of the entrepreneur, who stands or

falls by the actually realised value from their anticipated future, is transferred to the behemoth corporation (Eliasson, 1990; 2005). This is Graeber's 'total bureaucratisation'.

Central to this is the fact that here entrepreneurship is not creative. Rather it is about value capture (Burczak, 2002; Alvarez and Barney, 2006). Indeed, Kirzner explicitly comments:

I view the entrepreneur not as a source of innovative ideas *ex nihilo* but as being *alert* to the opportunities that exist *already* and are waiting to be noticed. In economic development, too, the entrepreneur is to be seen as *responding* to opportunities rather than *creating* them; as *capturing* profit opportunities *rather than* generating them. (1973: 74, emphasis added)

Following Mises (1996), he sees entrepreneurial activity as the ethical inheritor of all wealth (Burczak, 2002). This wealth is then used to pay (or increasingly not pay) others their market price via transaction co-ordination e.g. capitalists, landowners, or workers. Building on Locke and Mises, Kirzner (1973) argues entrepreneurs display initiative and it is this human will – this imagining of profit to be captured and realised – that creates the product and not what flows through labour or capitalist risk – entrepreneurial activity is the key to wealth generation (Burczak, 2002).

Today, corporate bureaucracies supposedly house such entrepreneurial leadership and have used this vision and their economic power to legitimate a world wherein neo-liberal bureaucracy has created levels of inequality that even the Chief Economist of the Bank of England is concerned about and has referred to as corporations 'almost eating themselves'<sup>1</sup> as they snaffle labour's 'share'. This is what David Graeber entreats us to consider.

Graeber's book – whilst by no means perfect – usefully switches our attention to a different bureaucratic battle. Rather than analysing the bureaucratic firm versus the post-bureaucratic firm or the entrepreneurial economy versus corporatism, management scholarship would do well to heed his call and examine the bureaucratic firm as the Trojan horse of neoliberal (post-bureaucratic) oligarchy. As the most productive and efficient organizational form to date (Mills, 1951), it would be a surprise if elites relinquished bureaucratic power without a fight. Far more likely, they would harness such power to further entrench the elite societies neo-liberals have long since sought – Weber's

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1 See this interview with Andy Haldane, chief economist at The Bank of England: <https://www.youtube.com/watch?v=ZmULTuyRPd8> [accessed 18 November 2015].

bureaucracy and his elitism combine in neo-liberalism's oligarchic 'total bureaucratisation' (Hanlon, 2016).

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