From the orchestra conductor to the agent: the history of corporate governance

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Abstract

The study of the historical evolution of management, proposed by this paper, shows that top managers of large corporations have become progressively disconnected from the production process, in order to produce common views and interests between shareholders and managers with respect to the firm. Shareholder Theory and Stakeholder Theory, however, both conceive of the top manager as if he were still the organizer of the production process of the firm. To the contrary our analysis shows, in particular through the history of business accounting, how the evolution of management work has progressively financialized the top manager's functions. This financialization explains the current structural complicity between owners and managers of the firm, a complicity that blurs the traditional distinction between managerial and shareholder capitalisms. The paper finally emphasizes how the shareholder value expresses a new form of competitive capitalism at a global scale. More specifically it deals with the ways in which the financialization of capitalism reproduces from the financial sphere the process of equalization of rates of profit within the structure of monopoly capitalism.

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1. Introduction

Economic analyses of the relationship between managers and owner/shareholders arose with the formation of joint-stock companies and monopoly capitalism in general. Today, there are two opposing theories regarding the nature of these relations and concerning, in more general terms, the firm itself. Firstly, the Agency Theory, which Jensen and Meckling provided with modern principles; secondly, the Institutionalist Theory of the firm as an entity, for which Berle and Means' seminal book remains a constant reference.

In spite of their different conceptions of the relationship between shareholders and managers, and even with respect to the purpose and goal of management, we will see that in these approaches the management work is still seen as if the top manager was still connected to the organization of the production process of the firm (2). However, a return to the dual nature of Management work will show the changing nature of management work throughout the history of capitalism. In particular, we will see how the separation between capital-property and capital-function, analyzed by Marx long before Berle and Means, influences the role of financial markets in the accumulation process (3). However, understanding the relationship between finance and management does not unravel the inner workings of the transformations that took place within corporate governance, although it does show the coercive power of the centralization of share-capital (4). These transformations of corporate governance reflect themselves throughout the history of business accounting and show the progressive top manager's disconnection from the organization and coordination of the production process (5). They have produced the financialization of management work, which has anticipated and prepared the terrain for the shareholder's current power over the modern corporation (6).

This financialization, in turn, is at the basis of the structural complicity between owners and managers of capital within contemporary capitalism. However, within this paper, it will be just emphasized that shareholder value expresses a new form of competitive capitalism at the global scale, through the deadly struggle for the appropriation of surplus value on financial markets and its consequences on global production. We will examine in what ways the financialization of capitalism reproduces, from the financial sphere, the classical conditions of the process of equalization of rates of profit within the structure of monopoly capital (7). Section (8) concludes.

2. The two basic theories regarding the relationship between capital-property and capital-function

Today, two theories oppose with respect to the nature of relations specific to managerial corporations. Neo-classical inspired Agency Theory emphasizes both shareholders and manager's liabilities, which it regards as a principal/agent relationship. Agency Theory considers the relationships between stakeholders to be exclusively contractual, just as the firm itself is seen as a nexus of contracts between resources contributors (Jensen & Smith, 2000, pp. 136-137). However, although it takes into account a multiplicity of contracts, Agency Theory remains exclusively concerned with the shareholder's interest in accordance with his/her residual creditor position. This then confers to this theory its analytical superiority over critical theory. As it tacitly recognizes that conflicts between shareholders and managers concern the share of surplus value, it simultaneously recognizes top management's essentially financial role.

On the other hand, Agency Theory betrays its weakness by justifying shareholder's earnings through the risk he supposedly takes. Berle and Means had already observed that risk disappeared as soon as their assets are liquid: "The purchaser of stock does not contribute savings to an enterprise, thus enabling it to increase its plant or operations. He does not take the « risk » of a new or increased economic operation; he merely estimates the chance of the corporations' shares increasing in value. The contribution his purchase makes to anyone other than himself is the maintenance of liquidity for other shareholders who may wish to convert their holdings into cash. Clearly he cannot and does not intend to contribute managerial or entrepreneurial effort or service" (Berle & Means, 1932, p. xxxv). More generally, Institutional Theory following Berle & Means' *The Modern Corporation*, emphasizes the social and collective nature of the firm which interests surpass shareholders' ones and include all the stakeholders (Freeman, 1984).

Therefore, Stakeholder Theory opposes Shareholder Theory, in the name of the firm as an entity (Sombart, 1916; Biondi, Canzaiani & Kirat, 2007). On the one hand, it borrows from Evolutionary Theory the idea that the firm represents a *bundle of capabilities* that evolve according to specific training methods and require long-term management of the company to counter the immediate interests of shareholders (Moore & Rebérioux, 2007). On the other hand, the incomplete contracts - which the theory of transaction costs and property rights initially mobilizes to justify a form of corporate governance based on the shareholders' interests (Rebérioux, 2003) - has inspired recent analyses of *Stakeholder Theory*. Once the firm has effectively been defined as a set of contracts binding all of the interested parties together, the manager's responsibility stretches as far as is required to maintain the firm's integrity (Aoki, 1984). Thus Stakeholder Theory affirms a form of corporate governance that reconciles the differing interests of shareholders, workers, the state, and sometimes the whole society (Charreaux & Desbrières, 1998).

The ambivalent role of Transaction Costs Theory shows that these two approaches do not so much lie in the nature of the relationships between economic agents as they do in the nature of the firm which gathers these relationships: Agency Theory is based on the contractual nature of economic relations, in order to emphasize that only the corporation owned by shareholders has any basis in law. For its own part, Institutionalism strives to construct a social artefact from the firm as an entity, even though this entity has no legal existence. However, although Stakeholder Theory, from at least Berle and Means, emphasizes the collective nature of the managerial firm, it sees managers as the representatives *par excellence* of the firm's collective interests; hence the constant tendency of Institutionalism to emphasize conflicts between shareholders and stakeholders as an expression of the more general conflict between financial capital and industrial capital (Orléan, 1999). Stakeholder Theory claims "socially responsible" governance, but assumes that top managers continue to hold the role of orchestra conductor for the production process of the entrepreneurial firm.

However, this paper is not devoted to analyze how the conflicts between owners and managers influence labor management, or to recall the necessarily capitalist nature of the management of large corporations. Instead, its aim is to grasp the evolution of the role of top management from the formation of multi-unit corporations at the end of the 19^{th} century to the end of the 1960s, when institutional investors pooled together almost all of the social capital: this evolution directly inspired positive agency theory, decided current conditions of the management of management (Pérez, 2010) and, finally, explains managers' contemporary complicity with the leisure class of capitalist society.

3. The dual nature of management work and its evolution throughout the relationships between financial capital and industrial capital

The coordination and monitoring of the labor process are necessary to every mode of production based on cooperation between several workers. "All combined labour on a large scale requires, more or less, a directing authority, in order to secure the harmonious working of the individual activities, and to perform the general functions that have their origin in the action of the combined organism, as distinguished from the action of its separate organs. A single violin player is his own conductor; an orchestra requires a separate one" (Marx, 1890, p. 298). While cooperation explains such a necessity, these functions are simultaneously conditioned by historical conditions of the social labor process, i.e. by the history of the workers' relationship to the objective conditions of their labor. Thus, the monitoring and supervision of the labor process " necessarily arises in all modes of production based on the antithesis between the labourer, as the direct producer, and the owner of the means of production" (Marx, 1894, p. 382) – hence the dual nature of management when social production is based on exploitation of other's labor.

Consequently, it is not the dual content of these functions that is specific to capitalist production, but the fact that the monitoring of the exploitation process is " directly and inseparably connected…with productive functions which all combined social labour assigns to individuals as their special tasks" (1894, p. 384). This interlacing of functions gives capitalist management its historical specificity. For Marx, it is therefore all the more necessary to highlight the capitalist specificity of this role, since political economy tends to consider the management of the process of social production as inseparably connected to its despotic form. "Inasmuch as the capitalist's work does not originate in the purely capitalistic process of production, and hence does not cease on its own when capital ceases; inasmuch as it does not confine itself solely to the function of exploiting the labour of others; inasmuch as it therefore originates from the social form of the labour-process, from combination and co-operation of many in pursuance of a common result, it is just as independent of capital as that form itself as soon as it has burst its capitalistic shell. To say that this labour is necessary as capitalistic labour, or as a function of the capitalist, only means that the *vulgus* is unable to conceive the forms developed in the lap of capitalist production, separate and free from their antithetical capitalist character" (1894, p. 385).

Once the development of productive forces began to determine the history of the capitalist firm, the modes of cooperation in the labor process, the monitoring of the appropriate use of means of production, and, correlatively, the workers' various forms of resistance formed a blueprint for management's specific conditions of execution (Marx, 1890, pp. 298-299). From this point of view, the history of the capitalist firm emerges as the history of managerial despotism. "As co-operation extends its scale, this despotism takes forms peculiar to itself. Just as at first the capitalist is relieved from actual labour so soon as his capital has reached that minimum amount with which capitalist production, as such, begins, so now, he hands over the work of direct and constant supervision of the individual workmen, and groups of workmen, to a special kind of wage-labourer. An industrial army of workmen, under the command of a capitalist, requires, like a real army, officers (managers), and sergeants (foremen, overlookers), who, while the work is being done, command in the name of the capitalist. The work of supervision becomes their established and exclusive function" (Marx, 1890, p. 299). Before the advent of the joint-stock corporation, the firm that stemmed from the Industrial Revolution demanded a deep division in organizational and monitoring tasks. These changes seemed to be limited to improvements of management tasks required for the increased scale of production. However, these changes already involved a distancing from the production process on the part of the entrepreneur-owner, who concentrated his/her work on the corporation's global strategy, as a general in chief without any army (Schumpeter, 1942, p. 133).

However, it is the domination of joint-stock corporations that confirms the separation of the capitalist class functions: "Stock companies in general — developed with the credit system — have an increasing tendency to separate this work of management as a function from the ownership of capital, be it self-owned or borrowed" (Marx, 1894, p. 386). In so doing, insofar as the joint-stock corporation establishes a functional distinction between owners and directors, it vividly demonstrates the capitalist nature of management work. Prior to the existence of joint-stock companies, "[t]he capitalist mode of production has brought matters to a point where the work of supervision, entirely divorced from the ownership of capital, is always readily obtainable. It has, therefore, come to be useless for the capitalist to perform it himself. An orchestra conductor need not own the instruments of his orchestra, nor is it within the scope of his duties as conductor to have anything to do with the "wages" of the other musicians" (Marx, 1894, p. 385). On the one hand, joint-stock companies indicate the superfluous role of the bourgeoisie at this stage of historical evolution. Yet, on the other hand, it presents issues for the analysis of managerial despotism under the developed conditions of capitalist production. Thus, we must identify these issues by emphasizing the characteristics of this type of corporation.

While resulting directly from the financial needs of the concentrated production process, the rift between capital-property and capital-function was simultaneously created with the development of the credit system. Reciprocally, the domination of the corporation laid the foundations for the full development of the Stock Exchange (Hilferding, 1910, p. 139) and inaugurated the era of the developed forms of relations between capital-property and capital-function. These relationships manifest themselves directly through the ties created between managers and owners who have become the bearers of consistently liquid share-capital on the financial market. The capitalist no longer embodies two social qualities that were once merged: the entrepreneur and "l'homme aux écus".

Hilferding had anticipated the direction of economic research regarding large corporations: "economics has sought to distinguish between the individually owned enterprise and the joint-stock company (or corporation) only in terms of differences in their organizational forms and of the consequences which flow directly from them. It has indicated the !good' and the 'bad' features of the two forms of enterprise, emphasizing partly subjective factors such as the greater or lesser degree of interest and responsibility of their managers, and the relative ease or difficulty of exercising a general supervision over the enterprise, and partly objective factors such as the ease of access to capital, and their relative capacity for accumulation" (Hilferding, 1910, p. 108). From Veblen and Ripley to Berle, Burnham and Galbraith, right through to Jensen, the relationships between shareholders and managers of large corporations were scrutinized according to the division of their respective powers. Thus it is logical that they accord financial markets a structuring role with respect to the historical transformations of corporate governance.

4. The role of financial markets in the evolution of corporate governance

It is true that the shareholder has become more active in the management of large firms since the 1970s, and that from the 1930s to the 1960s, we used to read on the pediments of their buildings: "Today it is the organization that creates the manager, not the opposite" (Galbraith, 1967, p. vi). In fact, the slogan of the Galbraith's new industrial state reflects a deep technological determinism: the existence, goal, and control of large corporations, as well as the nature of decisions concerning them, seem to result from the development and increasing complexity of technology and the needs of huge investments. What follows is the necessity of suppressing all market uncertainties through price control, planning and forecast (Galbraith, 1985, pp. 22-35). As these constraints are echoed at the State level, Galbraith's theory is predicated on all of the Keynesian conditions of regulation.

Besides this technological determinism, their "control of the supply of savings" (Galbraith, 1985, p. 40) or self-financing allows major corporations to emancipate themselves from their sponsors (shareholders, banks, etc.). This autonomy conditions the power of techno-structure within and over the firm. Indeed, the increasing complexity of the labor process and planning, the multiplicity of territorial units and the necessity of coordinating their activities have created a shift in the power-structure within corporations to the structure represented by "all who bring specialized knowledge, talent or experience to grasp decision-making. This, not the management, is the guiding intelligence – the brain – of the enterprise" (Galbraith, 1985, p. 74).

Nonetheless, in the later editions of *The new industrial state*, Galbraith had noticed the first signs of weakening of the techno-structure's power. As the growing threat of takeovers loomed over large corporations, top management became ever increasingly dependent on the financial sector: " If [a takeover bid] succeeds, it is usually the prelude to some change in the top management or its prerogatives, and avoidance of this threat has, especially in recent times, become a factor in management calculation and incentives" (Galbraith, 1985, p. 86).

We will see that the relative autonomy of managers at the start of the 1930s as well as the shareholder's offensive at the end of the 1960s resulted from simultaneous evolutions in shareholding sociology and capitalist global competition. Therefore, we must leave the sphere of production, which maintains some common features from the multi-unit corporations of the 1890s until the late 1960s.

The first wave of mergers/acquisitions began after 1870 in the USA, accelerated after the 1893-1896 crisis then, following the short and brutal recession in 1920, reached its peak between 1922 and 1929. However, mass shareholding was seriously undertaken during WWI and accelerated the industrial concentration. After the war, Wall Street was definitely the world's first stock market. The incredible scope of this movement can be measured by the variety of means that management made use of in order to deceive shareholders and centralize capital, at the expense of small-time savers (see Ripley, 1927). However, at this time the early institutional investors made their appearance, drawing together the population's savings destined for investment on the stock exchange (Faulkner, 1935, p. 740). Therefore, between 1922 and 1929, the formation of joint-stock companies was ten times higher than in England during the same period, to such an extent that these companies dominated all sectors of the industry (Ripley, 1927, pp. 18-19).

Concurrently to these developments, the Roaring Twenties saw shareholders-owners' rise to social and political domination (Veblen, 1923). Economically, conglomerates intended to obtain market shares, control investment and production, and remove competition through lower prices. Trusts and holdings gave rise to so much fictitious capital that they slowed down investment: dividends distributed by corporations mainly served to pay the interest on bonds issued by the holdings that controlled these companies. But despite the decisive role of investment funds in financing companies, once "the industrial giants came into their own, they cut the umbilical cords attaching them to the 'Money Trust' and, while still continuing to draw sustenance from it through the mechanism of intercorporate directorships, increasingly finance themselves out of their own resources – out of depreciation reserves and undivided profits" (Gillman, 1957, p. 74).

However, this freedom restored to the manager only really took hold following the Great Crash of 1929. It had become increasingly difficult for companies to borrow, so that following a long period of external growth, companies generally grew almost exclusively out of their own internal growth. The techno-structure and, at its helm, managers operating independently of shareholders were clearly the fruit of the Great Depression. Nonetheless, shareholders accommodated the autonomy of strategic decision-making for large companies all the more readily since it presented a highly concentrated structure through to the 1960s. For major shareholders, whose interest rates were thus very high, the regular rise in the value of shares in their possession was much more important than the high distribution rates applied by companies. The consequence was that shareholders use mostly the exit control of management (Baran & Sweezy, 1966, pp. 35-36).

In fact, before corporate governance was mainly preoccupied by the shareholder value and made its sole indicator for the performance of the firm, the growing domination of institutional investors, who managed many small portfolios, transformed the financial mediators' requirements concerning top managers. As long as a privileged minority owned the capital, a constant rise in the company's stock price was sufficient. But once institutional investors made the laws on the stock market, the rate of return became an absolute requirement for corporate managers (Fitch & Oppenheimer, 1970), as demonstrated by the new accounting tools and indicators of large corporations (Buybacks, Free cash flow ROE, EVA, Fair value).

In this sense, the evolution of financial markets, which shows nothing but the increasing concentration and centralization of social capital, marks the phases of the history of the management of large corporations. However, the intervention of institutional investors could not have occurred had management work as such not first been transformed. Indeed, the power of institutional investors today presupposes and reinforces determinations inherent to the evolution of the capitalist work of corporate managers. We must now therefore examine the contents of the "black box" of contemporary principles of corporate governance.

5. The historical process of top management's disconnection from the organization of labor

Smith called for a distinction between the entrepreneur's profit - which is totally disconnected from supervising and monitoring the exploitation of a global labor force - and the manager's wage, which "his wages properly express the value of this labour of inspection and direction" (Smith, 1776, p. 32). This distinction was all the more necessary in that the role of the entrepreneur merges two functions, once the production process becomes both a social labor process and a process of valorization. As we have seen, the entrepreneur, as a capitalist, exercises despotic power over the workers. But as a manager, he coordinates and supervises the various labor units of the firm.

Yet as soon as production reaches a given scale, Marx showed how the capitalist delegates monitoring to a specific category of wage earners. From that moment, the entrepreneur is the manager of other workers' capital, and yet also a worker. Thus, while management remains at its "embryonic stage" all throughout the industrial revolution (Pollard, 1965, p. 133), the need to delegate organizational tasks and authority to "professional managers, who had no direct personal involvement beyond the retention of their own jobs and the prospects of promotion" (Williams, 1982, p. 9), takes place with the advent of joint-stock companies and early multinationals in the 20th century. However, this is a very strange kind of worker: the collective labor processes' "conductor" on the one hand, and the manager of other workers' private capital on the other. However, the relationship between the owner and the manager is the point of departure for theoretical currents regarding the managerial firm. The development of multi-unit corporations not only entails conflicts between owners and managers but also a division within management's labor, which disconnects top management from the valorization process of productive capital. Indeed, during Fordism, Scientific Management drastically changed managers' labor as well as the structure of mass production. It increased the division and collectivization of the activity of exploitation to an unprecedented degree.

Scientific Management indeed marked the decisive step towards the division of management work. Firstly, it drastically changed the foreman's functions: "Before mass production, the foreman was works manager and supervisor, production planner and personnel executive, all in one…Of all occupational strata, in fact, none has been so grievously affected by the rationalization of equipment and organization as the industrial foreman. With [the modern firm] the foreman's functions have been diminished from above by the new technical and human agents and dictates of higher management" (Wright Mills, 1953, p. 87). These functions were replaced by scientific control over the workers through the standardization of tasks and allocation of times and movements. Thus, Taylorism created Human Resource Management and developed a truly industrial and organizational psychology (Baritz, 1960 and Braverman, 1974, pp. 140-144). After WWII, this specifically US form of management spread throughout the free capitalist world (Boltanski, 1981, p. 19; Sunaga & Dreyfus, 2006, pp. 273-274 ; Kudo, 2001).

Secondly, top managers then began to tackle the global strategy of the firm and free themselves from the coordination and supervision of labor processes. "Management of industrial complexes is handed over to a special category of employees who could be called industrial generals as distinct from industrial officers, who take charge of separate links of theses complexes, and from industrial sergeants who directly supervise the labour of worker" (Menshikov, 1968, p. 10). Finally, technical progress and differentiated mass products require closer cooperation between innovators and industrial engineers. Through Fayol's voice, a new phase in the subordination of the sciences to capital was announced: "I proclaimed the essential necessity for the manufacturer to manage and succeed in the co-operation between Science and business. This promising idea, which is to the fore today, is dear to me since a long time and I can say that my enterprise has set an example on that point" (Fayol, 1918, p. 20).

In more general terms, all of the resulting changes at the different levels of management were destined to increase the productivity of Fordist labor. Whereas Scientific Management sought to "[break] the workers' control over production times" (Coriat 1994, pp. 45-46), managerial methods were spread over the whole task of labor management (Leavitt, Whisler & Gamberini, 1958, pp. 22-23), and thus produced the specifically Fordist distinction between labor management and the personnel management (Pinard, 2000).

Galbraith's "techno-structure" or Mills "administrative demiurge" define the same historical phenomenon: the increasing division and socialization of management's role. However, this complex structure of management is neither impersonal nor uniform, as Galbraith affirms. This process of division led to a reduction and finally a removal from any top managers' activity linked to the real valorization process of productive capital.

After WWII, once again, Fayol noticed that the majority of top industrial managers had graduated from engineering high schools. He thus also recommended an improvement in the commercial and financial training of these 'captains of industry'. The socialization of labor management was so high that it allowed top managers to work exclusively on "the global strategy of the firm and on financial forecast and control" (Kuisel, 1987, p. 27). Thirty years later, Mills noticed, for his part, that " top managers "are at the least specialized men among the bosses; the 'general manager' is well named. Many a business firm is run by men whose knowledge is financial, and who could not hold down a job as factory super-intendent, much less chief engineer" (Wright Mills, 1953, p. 82). This evolution has been confirmed. Now CFOs tend to become the new CEOs of industrial corporations and "this royal path to the summits" of the firm is promoted all around the world (Maciejewski & alii, 2009).

Finally, creative destruction within management leads to the definitive disconnection of top managers from the production process. We have seen how technical progress, the increasing complexity of the labor process, expanded markets and the globalization of investment have determined this estrangement. With socialization and the "bureaucratization of the capitalist spirit" (Wright Mills), every trace of entrepreneurship is becoming erased from executive boards. It is this "entrepreneur's twilight" that gave rise to Schumpeter's anxiety about the survival of capitalism (1942, pp. 111-120). Consequently, we must outline the positive content of those "marshals" who command the multi-unit armies of contemporary capitalism. The conductor's removal from the complexity of labor management and the necessary delegation of this function does not necessary lead to a "stock market conception of the firm", nor does it lead to an organic link between shareholders and managers. To penetrate the secrets of the financialization of management, we must get inside the board of executives and open up the managers' most confidential file: their account book. In this way, we will see how the "conductor" became the principal agent throughout the history of business accounting.

6. The financialization of management throughout the history of business accounting

It is a matter of fact that business accounting has been a key tool in coordinating and monitoring the labor force since the very birth of capitalism (Bryer, 2006). However, it has only become a tool for global strategy since the multi-unit corporation and since the rise in fixed costs for the production of commodities. Once business accounting had developed within joint-stock companies, the history of accounting came to be seen as an open book on the evolution of Corporate Governance, until today.

Business accounting emerged with the new requirements of multi-unit corporations management in the mid 19th century. Firstly, it allowed top managers to evaluate fixed assets, which were still low during the first half of the century. However, fixed assets – in railways companies in particular – experienced an amazing increase (Chandler, 1977, p. 147). Secondly, the delegation of management to top managers changed their relationship to the earnings of the corporation: capital expenditures and compensation expenditures had to be clearly distinguished and the amount of distributed dividends had to be dependent on cash flow for depreciation and new fixed assets. Therefore business accounting, or in other words, growth of fixed assets, emerged alongside the firm as an entity (see Edwards, 1989). Not only did business accounting respond to the need for information with respect to coordinating and monitoring large corporations, but it became the exclusive means for managers to communicate with absent owners. Therefore, as soon as multi-unit companies appeared, the purpose of business accounting was twofold: it was an instrument for the supervision and monitoring of profit centres, as well as a tool for measuring the global performance of large corporations. Business accounting stems from both the requirements of internal management and the need for evaluating the returns on huge investments in fixed capital, machines, railways, engines, etc. Therefore, it quickly split into the subgroups of finance accounting, capital accounting and cost accounting. In reality, only the latter represents an internal management tool and accelerates the rationalization of the exploitation of capital and the labor force. Yet, in railways companies for example, cost accounting was soon delegated to the transportation unit, so that management was exclusively in charge of the rate of returns and the maximization of profitability of the units (Chandler, 1977, pp. 115-120). Thus, K. Perry's expression whereby accounting is the "eyes and ears of Management" only applies to multi-unit companies (Perry, 1958).

Chandler concluded from his DuPont analysis that management had reached a high level of complexity from the 1920s onwards and required a high level of expertise (Chandler, 1977, p. 450). However, at this time, the evolution of business accounting demonstrates its essentially financial nature. From 1925, DuPont was developing the ROI system and, soon afterwards, D. Brown contributed some decisive improvements for GM: a price formula which allowed the coveted ROI and ROI-based incentive plans for top managers to be attained, in such a way that, in their internal accounting systems, "[t]he firm's executives [to believe] that the pirmary responsability of top management was to insure that the company earned the required market return on invested capital" (Johnson, 1980, quoted in Kaplan, 1984, p. 408).

Soon afterwards, traditional cost accounting was replaced by the activity-based costing system, which definitely modified the top managers' approach to the firm. It allowed a higher integration of the firm's activities to be attained, which more accurately indicated the overall cost of production. Therefore it enables not only the cost of execution but also the cost of non-execution to be ascertained. "Traditional cost accounting measures what it costs to *do* something, for example to cut a screw thread. Activity-based costing also records the cost of *not* doing, such as the cost of machine downtime, the cost of waiting for a needed part or tool, the cost of inventory waiting to be shipped, and the cost of reworking or scrapping a defective part. The costs of not doing, which traditional cost accounting cannot and does not record, often equal and sometimes even exceed the costs of doing. Activtiy-based costing therefore not only gives much better cost control but, increasingly, it aslo gives *result* control" (Drucker, 2007, p. 72).

Thus, the activity-based costing shows not only the capitalist nature of management and its absolute requirement to produce surplus value. By introducing calculations such as the cost of immobilisation and moral obsolescence, cost accounting opens the door to managers to manipulate, speculate and create fictitious assessments. Thus, the fair value system, which is based on the anticipation of future earnings and rates of actualization, was not necessary to allow top managers' speculative practices. As A. Greenspan observes, "[d]epreciation charges to reflect the decline in economic value of fixed assets are understandably subject to broad discretion, depending on how rapidly facilities are expected to be made obsolete by technological advance. No wonder many corporate managements, running into competitive difficulties, tended to favorably bias their results to the edge of outright fraud. Some clearly went over the line." But the law of value that underpins market constraints periodically sweeps away these makeshift shelters. "The roof eventually had to fall in. And it did" (Greenspan, 2007, p. 429). The fictitious part of assessments inevitably grows with the size of the firms, just as the organic composition of capital grows. And this tendency is just accelerating, since the historical cost system of accounting has been replaced by the fair-value system (Casta and Colasse, 2001). In more general terms, major corporations became major speculators themselves. This was an extension of a mode of management that, in joint-stock companies, already considered the physical assets of the company from the financial perspective - in terms of shares, bonds or treasury certificates issued on the markets (Serfati, 2004). Spectacular bankruptcies since Enron and the evolution of business accounting show how managers arbitrate and control their companies in a purely financial way. Now "[f]irms are viewed as collections of assets earning differing rates of return, not as producers of given goods" (Fligstein, 1993, p. 15). Yet it is not the recent requirements of corporate governance that explain this corruption of top management, as some economists seem to believe (Aglietta & Rebérioux, 2005). This mode of management came into being alongside giant multinationals and dominated the managers' activity just as the tools of business accounting were improving.

According to Johnson and Kaplan, the history of management accounting ended with DuPont's and GM's revolutions in accounting. It would appear that the coordinating and monitoring tools of management accounting have not improved since this period. Moreover, from this time, the relevance of management has been lost in short term strategies dedicated to increasing the shareholder value (1987, p. 272). According to them, as management accounting retains its economic function despite the financial nature of the information it delivers, they think that only external pressures could explain the loss of management relevance. Tom (2005) has shown how artificial the separation between financial accounting and management accounting is, once business accounting is devoted to determination and to the control of the firm's return on investment. But Johnson and Kaplan neglect above all two events that arose in the 1960s and complete the process of financialization of management that was started in the 1920s:

First, at this time, IBM, Trident and General Electric computers were introduced into large companies (see Leavitt, Whisler, Gamberini, 1958, p. 24 and D. H. Li, 1968). From the Seventies, computers became an inescapable tool for companies and the industry of accounting consulting grew thanks to an 15 or 20 % average rate (Wooten & Kemmerer, 2009, pp. 128-129). Inside the accounting department of the firm, these computers allow a greater number of units to be managed and monitored for a lower cost. Therefore, computers accelerated the wave of mergers/acquisitions and, simultaneously, the top managers' specialization in financial management.

Secondly, and conjointly, new budgeting and capital systems based on the "time value of money" system made their appearance. In this way, managers could compare the value of an investment in a given time with the interest-adjusted value of the return on investment (Baldwin & Clark, 1994): the cash inflow/cash outflow ratio thus became the main criterion of major corporate strategies.

In the sixties, managers were led to exclusively adopt short-term strategies, not because financial agencies exerted external pressures, but because of the evolution of their role at the top of the techno-structure. As O'Sullivan points out, with new financial accounting systems, "[t]he problem was not, as some have argued, that US corporate enterprises were biased towards underinvestment across the board. Rather, they were biased towards investments whose costs and returns lent themselves to quantification and against investments, such as those in organizational capabilities, whose costs and returns did not" (2000, pp. 121-122).

We have seen that Agency Theory presupposes shareholders' and managers' common interest with respect to the production of surplus value. However, we know that Agency Theory insists so much on the relationship between shareholders and the managers of capital, because it considers the firm to be a set of assets in relation to which there is an asymmetry of information. This situation stems from the fact that management is based on purely financial accounting. As C. Sauviat has shown, today's managers' power over shareholders results from their expertise, not in the field of labor management but in that of financial management (Sauviat, 2004, p. 116 and Useem, 1993, pp. 243-244).

7. Shareholder value and equalization of the rates of profit

. Although the shareholders' dictatorship operates via the financialization of corporate management, contemporary relations between capital-property and capital-function express more than merely the top managers' subordination to financial institutions. Financialization of management structures the complicity between top management and shareholders. This complicity is based on top management's disconnection from the production process. In the same time, the history of accounting has shown the specificity of top managers' work, which mainly consists of financial expertise. These internal changes, as well as the managers' relationships with shareholders, result from the development and socialization of productive forces and the contemporary concentration of capital. Thus, managers must be seen as the agents of the principal, inasmuch as they no longer perform the role of orchestra conductor.

From a theoretical point of view, the transformation of the role of top management not only explains the success of Agency Theory, but also the weakness of Stakeholder Theory. Indeed, shareholder value cannot be considered to be a mere "norm of management which imposes itself on companies when the managers' power is subordinated to the shareholder's sovereignty" (Aglietta & Berrebi, 2007, p. 35). More generally, heterodox analyses of contemporary relationships between capital-property and capital-function, as well as attempts to historically explain capitalism as a succession of pacts concerning the distribution of revenue (Duménil & Lévy, 2006), are based on the implicit hypothesis that top management still performs the functions of the orchestra conductor. By demanding a more regulated financial market, the representatives of Heterodoxy wish to return to Fordist legislation, while at the same time neglecting to restore the conditions of production of the Fordist firms.

However, the grasp of the current complicity between shareholders and managers blurs the traditional distinction between managerial and shareholder capitalisms and calls for a new mode of periodization of 20th century capitalism. This is due inter alia to the fact that the historical meaning of shareholder value extends beyond the framework of the contemporary relationship between capital-property and capital-function. Indeed, the current struggle between shareholders and managers regarding the distribution of surplus value signals a new era in monopoly capitalism. More profoundly than the power restored to the shareholder or a new pact for managers, it demonstrates the return of free capitalist competition at the global scale. The mouths of greedy shareholders express the attraction of new fields of accumulation where the rate of profit is incommensurate with the nations in which these shareholders exercise their dictatorship. Through corporate governance, institutional investors carry out the historical mission of capitalism to spread throughout the world, to propel the global work force into a unified labor market, and to accelerate the international division of labor. Today, corporate governance is fulfilling the functions that were formerly fulfilled by the market price mechanism and competitive capitalism. It increases its power over managers insofar as it has subjected them to the only market laws still in existence: the laws of globalized finance. The replacement of industrial capitalism by financial capitalism means no less than the displacement of the centre of gravity of free competition under monopoly capitalism. Through its means of control, its instruments of assessment and its criteria for good performance, shareholder-oriented corporate governance sets up the institutional framework in which large corporations fight over the global surplus value under the invisible hand of financial markets (Aglietta & Rebérioux, 2005, pp. 127-128). Corporate Governance did not increase the shareholders' power over management: it adapted management to the increased power of liquidity over industry.

For instance, let us now examine the operational instruments specific to shareholder-oriented Corporate Governance:

Firstly, calibration and index systems, which see the units of the firm as autonomous quasi-firms, force the whole company to direct its attention to the most profitable units, "leaving others the choice of either restructuring or being abandoned" (Pérez, 2010). The "Management Control System", by which middle managers are evaluated, based on their performance, creating intense competition between the various departments and units of the firm at the expense of the production of use-value requirements. It is precisely this commoditization of the relationships within the firm that the contractualist approach of the Shareholder Theory expresses through its definition of the firm as a nexus of contracts.

Secondly, when institutional investors recommend that firms return their focus to their traditional core activities, they do not consider diversification to be the role of the corporations. It is the role of investment funds, which build portfolios according to the desired profitability/risk ratio. The more corporations are spread over several branches, the more investors have the option to diversify and therefore to exert pressure on less profitable corporations.

Thirdly, downsizing by outsourcing reintroduces monetary relations between firms and subcontractors and, therefore, boosts competition between the latter. In more general terms, all methods of corporate governance that increase shareholder value and the diversification of portfolios accelerate the global equalization of the rates of profit.

8. Conclusion

It was in the wake of the Great Depression that Berle & Means developed their classical study on major corporations in the USA, which is based on the separation between the ownership and the management of productive capital. These works formally record the managers' exclusive power over the firm, through the spread of ownership over a multiplicity of shareholders. They also recognize the collective nature of large multi-unit corporation management. The debates within economics, sociology and law highlight the organization and operation of complex technical and bureaucratic systems. They also question top management's motivation and goals and the class-based hierarchy of the various managerial levels.

In this context, the crisis of Mixed Economy and the restructuring of the general conditions of accumulation took place in the 1970s. From the point of view of the relationships between managers and shareholders, this transformation challenges the top managers' established power. The shareholders' new control over the firm is codified in the different agency models: Jensen and Meckling drove away Burnham and Galbraith. In the same manner, critics denounce in the name of the firm as an entity the stock-market based conception of the firm and the subjection of corporate governance to exclusive asset valuation criterion: the maximization of future discounted dividends becomes the alpha and omega of corporations. This "value creation" for shareholders implies managers' short-term strategies where increasing leverage, buybacks or regular mergers/acquisitions announcements became the most privileged tools.

We have seen how Institutionalist economists use the increasing power of finance capital to explain these changes. According to them, this power is derived from the modified methods of financing the accumulation of capital, since the deregulation of financial markets dominated by institutional investors. As trustees, the institutional investors' power is based on their capacity to concentrate the whole society's money-capital, as well as to centralize shares on a global scale. For Institutionalism, it is this financial power that has shaped new relationships between managers and shareholders, in which the former have been subjugated by the indexation of their earnings to the value of corporate assets. Therefore, this trend ultimately brings external constraints to the fore in reporting the current relationship between owners and managers with respect to the principles of corporate governance. In so doing, it does not question the profound meaning of top managers' new role within corporations. In order to do this, it was necessary to trace the genesis of the current relationship between stakeholders within the firm itself.

A short history of business accounting has shown how management work had progressively financialized the top manager's functions. This fiancialization, which is a one of the most important results of the disconnection of top management from the management of the labor process, has produced the top managers' structural complicity with shareholders with respect to the nature, function and goal of the firm. This analysis has finally leaded us to conceive the current period of finance capitalism as a new form of competitive capitalism at a global scale.

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