

NETWORKS OF POWER¹: AUSTRALIA'S RELATIONSHIP TO THE TRANSNATIONAL CAPITALIST CLASS

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Biography

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Abstract

This paper looks at the apparent contradiction of a transnational capitalist class (TCC) within the Australian nation state. It first asks whether such a class does indeed exist, and if so what its relationship is to the Australian capitalist class (ACC). Is their relationship comfy, cooperative, or conflictual? The test for these likely scenarios is material that comes from a longitudinal study of interlocking directors and major shareholders (drawn from the top 30 companies listed on the Australian Stock Exchange (ASX) from 1992–2007 and 300 top Australian companies listed on the Huntley’s 2007 shareholder database) plus interviews with top 30 company directors over a 15-year period, from 1992–2007.

(100 words)

WARRING BROTHERS: AUSTRALIA'S RELATIONSHIP TO THE TRANSNATIONAL CAPITALIST CLASS

Introduction

Logically, a *transnational capitalist class* (TCC) cannot wholly exist in Australia, though there may be traces of its disembodied parts. This paper seeks to find evidence of these TCC traces in Australia and then to find clues about the sort of relationship (cooperative, competitive, or conflictual) that exists between a native ruling class—in this case, the Australian capitalist class (ACC)—and the TCC.

There are necessarily two literatures involved in deconstructing these two classes. The first is the very small TCC literature, which ranges from a structuralist through to an agency-based instrumentalist perspective (Carroll 2007; Robinson and Harris 2000:11; Sklair 2001). The second, and larger, body of literature focuses on the ACC (e.g., Murray, 2006: 96–100) but also includes other nation-centric network studies. Hypotheses from both these literatures are used to test the empirical Australian corporate data described below in the section titled “The Australian interlock case studies 1992–2007.” The study confines itself to these longitudinal data sources, evidence from interlocking board directors of the top 30 Australian companies and the top company's major shareholders (1992–2007). The data come from the Australian Stock Exchange (ASX) Annual Reports of the top 30 companies and are illustrated with the author's interviews of top 30 company directors (1985–1997). To help measure corporate *ownership*, an Owner Penetration Index (OPI) study ranking major shareholding is included.

This paper aims to find where power lies behind the shareholding and network traces: “We really only see networks after the fact in the traces they leave ... you know they are powerful, you just don’t know precisely how.” (Cornell 2005:59)

First I consider the relevant literature strands.

The Two Literatures

The first is the TCC literature, which ranges (Carroll 2007; Robinson and Harris 2000:11; Sklair 2001) from a structuralist perspective, with the TCC representing transnational capital flows from the leading transnational corporations and private financial institutions (Robinson and Harris 2000:11), to an agency-based instrumentalist perspective that sees the TCC as social, political, and economic fractions with sometimes overlapping roles as globalizing corporate managers, bureaucrats, politicians, professionals, and consumerist elites (Sklair 2001). There is also a middle ground in which the TCC and “their advisors are embedded in a panoply of socio-political relations” (Carroll 2008).

The transnational literature

In William K. Carroll’s survey of the TCC literature,² he suggests (2008:2–8) that a vigorous debate has taken place amongst a few TCC theorists covering a wide spectrum of thought. Amongst the earliest of these theorists from a fraction-of-capital transnationalist perspective is Karl Marx.

Fractions-of-capital transnationalists

From these words written in the *Communist Manifesto* in 1848—“modern industry has established the world-wide market ... the leaders of the industrial armies the modern bourgeoisie ... cannot exist without constantly revolutionising the instruments of production”—Marx develops an expansionist theme of capital. In volume two of *Capital*

(1865 or 1867)³ he systematically sets out the dynamic, competitive and expanding motor of capital beginning with money (M) inherited or gained from a finance capitalists and taken by an industrial capitalist to set up commodity production (C–P). This commodity production needs labour power (LP) to make a value added new product (C') that then becomes a commodity primed. When the commodity is sold, profit can be realised (M') as money primed. The equation that expresses this whole circuit of production is M–C–P+LP–C'–M' (Marx 1956: 48–64). The underlying dynamic of the circuit is bourgeois competition: competition for new markets—local, national or international; competition for the smartest technology; and competition for the smartest exploitation of labour power.

The early 1980s work of Kees Van der Pijl (1984) and Meindert Fenemma (1982) stands out as the beginning of an identification of a TCC forming around a European–North American network (e.g., Poulantzas 1975). But a general point is made by Dick Bryan (1995) that Marxists scholars have paid insufficient attention to the international movement of capital. And in his own book *Chase Across the Globe* (1995), Bryan moves offshore to describe the fractions of capital, their typical *modus operandi* and their strategies of global accumulation. He focuses on the underlying contradictions between the internationality of value and the necessary role of the national state in the disciplining of labour and the general regulation of accumulation.

Jerry Harris and William I. Robinson (2000) use Marx's circuits to argue that the TCC uses global rather than national circuits of accumulation and that this gives the TCC the basis for an objective global class existence that is spatially and politically over and above any local territories and polities. However, under their arms TCC members carry “Third Way” economic liberal ideology (Robinson and Harris 2000). Robinson (2007a:78) identifies the TCC as being within a global class structure in which its members own and/or control transnational capital and production; they have no national

identity and are in competition with locally or nationally based capitals with a “set of class relations distinct from local and national capitalists” (2007a:78).

Hypothesis H1: If there is a TCC that is identifiable within a global class structure by its ownership and or control of transnational capital, then it is likely to be competitive with the ACC.

Robinson (2007a:82) suggests that the original circuit of production identified by Marx has now transnationalised, whereby P (productive capital) is increasingly decentralising and where globally produced goods and services are marketed worldwide in increasingly transnational states (TNS) which are “loose network comprised of supernational political and economic institutions with national state apparatus that have been penetrated and transformed by transnational forces” (Robinson 2007b:131). This is a qualitatively different form of transnational financial flows from that seen in earlier periods and features a newly emerged TCC from these TNCs. Collectively, the TCC and their TNCs gained the upper hand over nationals in the 1980s and 1990s when they captured strategic parts of the national state apparatus and from that advantageous position were able to push for a self-interested economic liberal agenda of capital globalisation and global hegemony. This also led to cross-nation class allegiances within countries, regions, cities, and communities. These strategic transnational networks were followed by the decentralisation of production and capital and the retreat of nation state intervention. But importantly, the nation state is still significant for its generation of local economic policies that are instrumental in creating “macroeconomic equilibrium, the provision of property laws, infrastructure and of course social control and ideological reproduction” (Robinson 2007a:82). Nation states are captured by the TCC to serve them over local interests; they employ a rising number of TNS apparatuses (e.g., WTO, WB,

and IMF) and think-tanks (e.g., IPA, Sydney Institute) to help them initiate and impose their self-interested ideology—now economic liberalism.

Since the mid-1970s, a global structuralist perspective on the world system and the capitalist class's position within this has come from Immanuel Wallerstein (1976) and Christopher Chase-Dunn (2002). Chase Dunn (2002:48) notes that the world system reached a point where “both the old interstate system based on separate national capitalist interests, and new institutions representing the global interests of capitalists exist and are powerful simultaneously.” A parallel existence between a national and a transnational capitalist class arises with each nation state having a ruling class fraction allied with the TCC.

Michael Buroway (2008) identifies the changing conditions in which the TCC operates. Using Marx, he writes of the development of three waves: the first identified by Marx as the commodification of labour; the second by Lenin as the commodification of money; and the current wave, the commodification of nature. From its beginnings in the mid-1970s, the third wave has seen the privatisation of natural resources (water, electricity, security, and telecommunications), a retreat of trade unionism, and a rise of liberal “democracy” that has displaced colonialism and communism but “hides its collusion with and promotion of a third wave marketisation that is destroying human society across the planet” (Buroway 2008:353).

Agency-focused transnationalists

Following a Weberian stratification thread by locating the importance of status within the distribution of resources, Leslie Sklair's 2001 article conceptualizes “the systemic organization of politics for global capitalism in terms of a transnational capitalist class” (TCC) (2001:21). The TCC organisation is considered to be a mix of systemic control and opportunism so, although members have a material basis in the corporations they

own and/or control, they also have access to groups that will perform different but distinct functions for them, and they are able to move seamlessly between these groups. Sklair's four fractions of the TCC are: 1. a *corporate fraction*, "who own and/or control the major transnational corporations and their affiliates"; 2. a *state fraction*, "politicians and bureaucrats at all levels of administrative power and responsibility"; 3. a *technical fraction*, "globalising professionals ... from leading technicians centrally involved in structural features and services (including financial services)"; and 4. "a *consumerist fraction*, Merchants and media ... people responsible for the marketing and consumption" (Sklair 2005:487–88).

Hypothesis H2 The TCC is a class bigger than just corporate actors.

Sklair (2002) also argues that it is profoundly undemocratic to have a TCC with its direct or indirect political power being used to spread economic liberalism through forums such as GATT, WTO, and IMF, where it is spelt out that the "route to prosperity for all ... is through international competitiveness decided by the 'free' market and 'free' trade, institutions and processes that they largely control themselves or through their friends and allies in local and national governments and international organizations" (2002:171).

Agency-plus-capital transnationalists

Carroll and Fenemma (2002) take a middle stance in this theory spectrum. They maintain that a nascent TCC is in part defined by the flows of capital but also has agency in non-material spheres. Their work finds that, while business communities are organised along national lines (largely based on Fenemma's original 1970s study), there is evidence of nascent TCC development (2007:12; 1985) and this evidence comes from lateral data crunching of global corporate interlocks. The findings are that the key interlockers are

located primarily in northern European and American cities—Paris, London, and New York, but also Brussels, Montreal, Frankfurt, The Hague and Zurich. These key interlockers have agency and power beyond borders and nation state-based boardrooms. Carroll recommends a slowly, slowly approach to TCC research whereby interterritorial complexity is acknowledged, and advises caution in making “abstract, polarized characterizations—as in *either* national *or* transnational capitalist class; *either* an American hegemon bent on world domination *or* a Washington that acts at the behest of the transnational capitalist class; *either* inter-imperialist rivalry *or* the united rule of global capital [even though it may be] certainly the case that capitalism’s globalization creates an objective basis for capitalist class unity” (Carroll 2008:22). He leans toward a Saskia Sassen (2002) approach whereby “the global partly inhabits and partly arises out of the national” and he heeds Alex Callincos’s (2006, noted in Carroll 2008:29) warning not to attribute individual or personalised characteristics to capital as a separate and distinct existence but rather more usefully to “analyse the concrete forms of competition and cooperation among ‘many capitals’ at both the national and international level and how these articulate with the processes of geopolitical competition constitutive of the interstate system.”

Hypothesis H3: If there is a TCC, it should not be seen as a TCC-for-itself but rather as acting globally to partly inhabit and partly arise from the national.

The second part of this literature review is from a numerically larger network literature base.

The nationally based network literature

The network literature on the capitalist class is well documented (excellent examples can be found in Glasberg 1987 and Mizruchi 1996) and largely falls into four groups:

1. agency, actors and control; 2. corporate collusion and monopolisation; 3. credit discretion; and 4. social embeddedness.

Agency, actors and control

The first group, emphasizing managerial *control*, is Weberian—that is, it again draws from the work of Max Weber (1922:13) and aims to provide independent motives for the actions of interlocking directors who control but do not own companies; managers have control and agency in the boardroom but do not own the company (Berle and Means 1932). Companies in which managers and directors control but do not own are therefore more likely to be answerable to a wide community of diverse shareholders. Corporate power is diverse (Burnham 1941) because it resides with many shareholders—typically, from “mum and dad” (that is, low-asset) shareholders through to major shareholders. Therefore, managers and directors are disinterested shareholder representatives rather than self-serving owners.

Hypothesis H4: If there is a disinterested national ACC whose members are not the owners of the top companies, then there is more likelihood that they will act in a civilly responsible manner as citizens motivated by interests other than the corporation’s.

Collusive interlocks

The second thread is structural Marxist. This looks at the dynamic of capital (generically) but focusing on the *collusion* practised by banks to dominate industry (Marx 1956:79). Monopolistic forces were seen to be facilitated by interlocking directorates between board members and resulted in business cartels or monopolies (see Baran and Sweezy 1968). Rudolf Hilferding (1981:368), in his original identification of *finance capital* in

1910, saw bank interlocks as the vital dynamic within this system of collusion where banks put their directors on others' boards to further their interests and control (Lenin 1964; Fennema and Schijf 1979). According to Hilferding, finance capital gave rise to “a desire to establish a permanent supervision of company affairs, which is best done by securing representation on the boards of directors” (1981:225). Hilferding's abiding contribution to the literature is the observation that the most significant development facing capitalism is the concentration of finance capital with bank representatives on industrial company boards supervising company affairs and protecting the ownership of the banks. Paul Sweezy argued that it was possible to discern eight leading “interest groups” consisting of industrial and financial alliances and the dominant interests were investment banks J.P. Morgan and First National Bank (where his father, Everett B. Sweezy, was the vice president) (Foster 2004:4).

Another use of the collusive thesis is J.N. Rawling's *Who Owns Australia?* (1937). Rawling found that the Australian banks held at their mercy “manufacturer and retailer, who are not big enough to be in the inner circle, the farmer, and the small business man—many of whom are worse off than the employed worker and the small trader.” The concentrations of Australian industry and finance, interlocking directorships, shareholdings and corporate subsidies created an oligarchy paralleling that shown by Hilferding to exist in Germany (Rawling 1937). Fox's *Monopoly* (1940) is another early text that, according to Kuhn (1996), “covers similar ground to Rawling and the later 1963 work of E.W. Campbell, *The Sixty Rich Families Who Own Australia.*”

Hypothesis H5: If controllers of top capital collude, then they are likely to create national monopolies of finance capital.

Discretion

This *discretionary model* is bank-centred too. This model focuses on finance capital's decision making and its discretion as to what direction, how much, and to whom credit might go. The theory is most often associated with the work of Beth Mintz and Michael Schwartz, in *The Power Structure of American Business* (1985). They argue that “interlocking directorates are not a source of hegemony⁴ but a method for managing discretion. Banks could not be the source of hegemony because they give access to the apparatus of discretionary decision-making and only indirectly offer the possibility of altering structural constraint ... bank centrality in this context reflects the dominant position of financial institutions in capital-flow decision making.” (Mintz and Schwartz 1985:250) In their estimation, fewer than 15 of the largest banks make the most strategic decisions about the directions of capital flow in the U.S. economy. In contrast to the collusive model, the discretionary strategy is a “hands off” direction at the decision-making level but still placing dominant power with finance capitalists. This fits John Scott's finding in *Corporations, Classes and Capitalism* (1996), where he writes that ultimate corporate power increasingly rests with major shareholders and impersonal systems of finance capital. Michael Useem (1993) brings a paradox to this discretionary mix. His interviews of top corporate players reinforced acknowledgment of the dominance of the major shareholder, who was the player that directors and management needed to continually satisfy but whose power over them and their organization they appeared most to want to thwart.

Social embeddedness

Social embeddedness theorists seems to vacillate loosely between a materialist Marxist and a Weberian actor, agency and social stratification perspective; interlocks can mean a mechanism for the reproduction of social capital through key class agents (Davis 1991),

transmitting ideology (see Cyert and March 1963; Goshal and Bartlett 1990) in a business community-building exercise (Carroll and Fenemba 2002:399–400). Marc Granovetter (1985), the writer who identified the importance of weak ties (impersonal contacts), suggests that interlocks between companies can influence a wide range of organisational behaviour, such as strategies, structures, and performances. Australian writers Mike Donaldson and Scott Poynting (2004) use a methodology called *found life history*, whereby life-history methods are linked with information systematically gathered from “autobiographies and biographies” to gain insights into these “distant and unavailable men.” From this perspective, they argue that for top Australian businessmen “at dinner parties or in the boardroom, relations with their peers are instrumental. Close friendships are rare ... spurred by a keen sense of their superiority and ceaseless acquisitiveness reinforced by their feelings of deservedness ... it involves the habitual exercise of power expressed in hierarchy, bullying, manipulation and determination to win. They are detached from, and ruthless towards, almost everyone.” (2004:148) Useem’s (1984) earlier work importantly depicts an inner circle of Chief Executive Officers (CEOs) who belong to top lobby groups that seek to influence the state with one voice. Scott sees interlocks as primarily communication nodes (Scott and Griff 1983; Useem 1984; Mizruchi 1996).

Hypothesis H6: The social embeddedness perspective suggests that if the most interlocked individuals act to socially and politically integrate their class then they will be key class agents forming an inner national network circle.

Hypotheses

Hypothesis H1: If there is a TCC that is identifiable within a global class structure by its ownership and or control of transnational capital, then it is likely to be competitive with the ACC.

Hypothesis H2: The TCC is a class bigger than just corporate actors.

Hypothesis H3: If there is a TCC, it should not be seen as a TCC-for-itself but rather as acting globally to partly inhabit and partly arise from the national.

Hypothesis H4: If there is a disinterested national ACC whose members are not the owners of the top companies, then there is more likelihood that they will act in a civilly responsible manner as citizens motivated by interests other than the corporation's.

Hypothesis H5: If controllers of top capital collude, then they are likely to create national monopolies of finance capital.

Hypothesis H6: The social embeddedness perspective suggests that if the most interlocked individuals act to socially and politically integrate their class then they will be key class agents forming an inner national network circle.

These hypotheses form tests from the literature that will be applied using the following methodology.

Methodology

We want to use this methodology to discover whether there is a transnational, as distinct from a national, capitalist class and if there is, what the likely nature of their relationship with each other might be. So there will be two tests: the first to identify the organization of the ACC in relation to its interlocking directorates amongst the top 30 Australian companies; and the second to see whether any transnational links are identifiable through major shareholdings amongst the top 300 companies' major shareholders.

Interlocking directors

We identify the ACC and whether they have an inner circle by looking at the interlocked centrality of the top 30 Australian Stock Exchange (ASX) listed corporations. This first source of information is available to any researcher reading the Australian *Business Review Weekly (BRW)*.⁵ The Australian *BRW* case studies used are longitudinal, from 1992 and 2007. This 15-year time period allows some sense of the changes occurring in the interlocking directorate network patterns and the directional centrality method (where the strength of relation from CEOs and chairpersons) is measured and shown.

Directors were interviewed by the author in the period 1987–98. These interviews numbered 144 male directors and 11 female directors' voices on audio tape from 30 minutes' to four hours' duration. Research ethics require the interviewees and their company to remain anonymous: the interviewee is only identified by number, and the company names have been fictionalised. There were also 14 follow-up interviews that took place a number of years later.⁶

The third source of data was an analysis of two other publicly available secondary sources: the *Who's Who in Business in Australia* and the Australian *Who's Who*. These sources give the directors' own view of who they are and what is important to them in their publicly projected self-image.

The material from these secondary sources identifies the directors' boards. These boards are then treated to a centrality analysis to find out where company clusters lie; who the core leader is; who the outlying directors are and which company leads; in what direction multiple interlock power flows between boards; and how these patterns of density differ at different times.

The measure used on the interlocks is *centrality analysis*. This replicates a method found in Mintz and Schwartz (1985), and used and explained in detail in Murray (1990,

2006). This centrality analysis shows us the number of firms that are interlocked, the number of interlocks a firm maintains with each of the firms it is interlocked with and how centered that firm is in relation to other firms. Most importantly, it allows us to trace the directionality (from the most powerful to least powerful) of these interlocks. For centrality analysis traces the directional flow⁷ that goes from one board to another. The flow follows the actor, who in this case is either a CEO or a chairperson. These two roles were held to give the actor sufficient directional intent to indicate where a flow of interest would lie.

Another rich source of top business information is company annual reports, giving descriptions of the performance of the companies and short business biographies of the directors and declaring the top 20 shareholders and the amount of their shareholdings. These are the data used as measures of the major shareholdings described in the Owner Penetration Index.

The measure of major shareholdings: The Owner Penetration Index (OPI)

This measure shows changing share ownership from 1992 to 2007, and aims to help us examine what was happening at the subterranean level of ownership. The amount, and changes, of major shareholdings are measured by the OPI which has been applied four times over a period of 15 years. The OPI is based on annual report information about the top five shareholders in each of the 30 largest listed companies. To calculate the OPI for each shareholding company, the shareholdings in each of the top 30 companies have been averaged. The OPI is a proxy for actual ownership, as a shareholding company's holding in a top 30 company does not contribute toward the OPI if it is not a top five shareholder, and because it weights each top 30 company equally. However, this is a reasonable and practical exclusion to make as shareholders who are not amongst the top five shareholders in the company are unlikely to exert much influence. These amounts of

major share ownership by finance capital are particularly significant because, as O'Lincoln suggests, 5 percent is considered enough to give dominant control of a company (O'Lincoln 1996; Lerner 1970; Burch 1972; Scott and Hughes 1976). The OPI for each shareholding company takes a value within the theoretical range from zero (where a shareholding company is not a top five shareholder in any top 30 company) to 100 (where a shareholder owns 100 percent of all top 10 companies).

First is the Australian multiple interlock material covering the 15 years from 1992 to 2007.

The Australian Interlock Case Studies 1992–2007

The Australian interlock case studies 1992–2007 illustrate the key organisational power structure of top national business through multiple top board interlocks. The 15 year period of interlocks begins with the heavily interlocked corporate board environment of the recession period of the early 1990s.

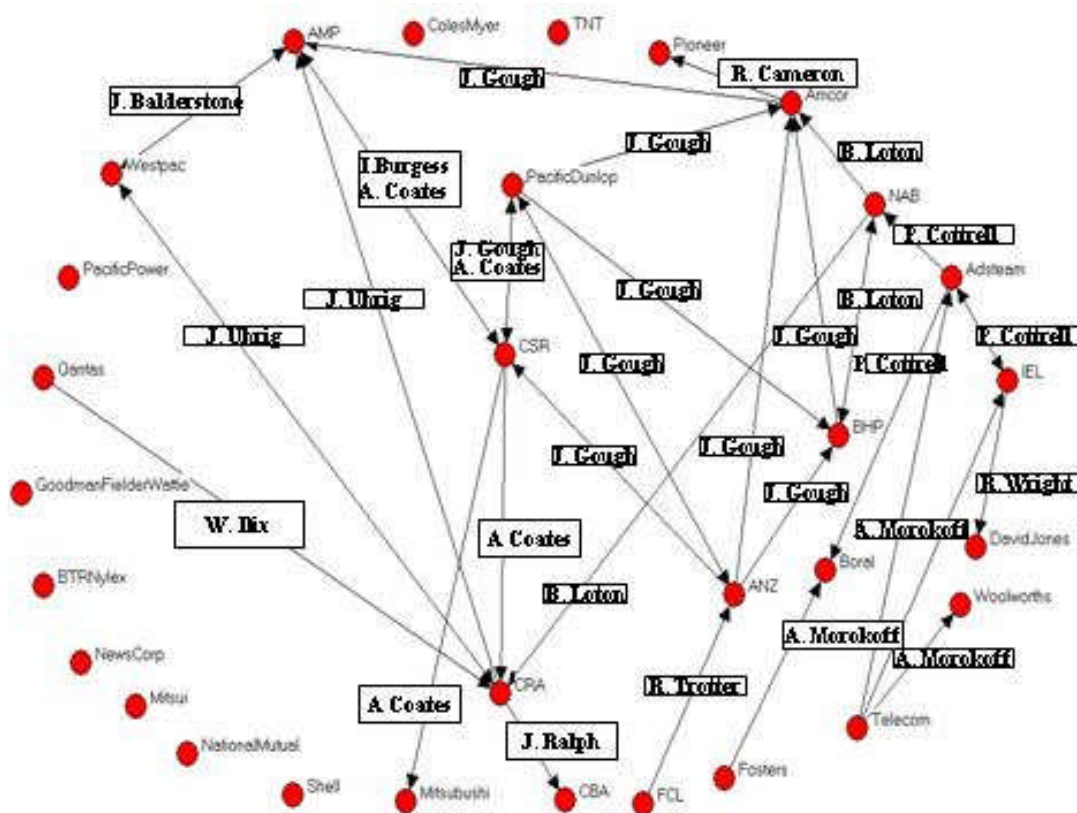
Case Study 1: The 1992 Australian Interlock Data

Where the information is available from the 1992 Annual Reports (in 50 per cent of the cases) it is possible to say the companies on the basis of their market sales and assets are predominantly Australian (with the notable exception of News Corporation). The interlocks in 1992 were busy (see Figure 1). This heavily interlocked period of recession and rapid economic regrouping was arguably exacerbated by the turbulence of an economically liberal regime led by Labor Prime Minister Bob Hawke and his Treasurer Paul Keating. They had deregulated the economy in the 1980s. Finance capital was then able to assume a power it had not formerly held, making industrialist interviewees nervous:

It's wrong to treat money as a commodity ... This is great for guys who want to trade in money but hopeless for guys who want to make fixed capital investment ... It makes the decision to invest particularly for export with changing international values that much more difficult. (Murray, 1993–97, Respondent 94)

This was a business community with directors' heads constantly swivelling like owls to maintain an accurate corporate scan on a fast-changing recessed business environment.

Figure 1: 1992 directional interlocks in the top 30 companies



Source: *Business Review Weekly 1000*, 1992, 23 October, p. 76.

A high 56 percent of the top 30 companies were interlocked here. Those with the highest centrality were Pacific Dunlop (industrial) and Telstra (communications) (see Figure 1). The other high interlocks were IEL (industrial), BHP (mining), NAB (banking), Adsteam (industrial marine), CRA (mining), CSR (industrial), FCL (industrial), AMP (insurance), and Qantas (travel). Banks were interlocked throughout,

with the highest bank centrality going to ANZ (10), then NAB (9), Westpac (7), and not least in the unidirectional interlocked newly privatised Commonwealth Bank of Australia—the CBA. An indicator of crisis here is the high amount of depth interlocking (Mandel 1972). (For example, major finance capital ANZ is interlocked with BHP, NAB, CRA, WESTPAC, AMP, CSR, Pacific Dunlop, Amcor, and Pioneer—that is, nine other companies.) In 1992, corporate reconstruction after the disasters of the 1987 share market crash and trying to stave off hostile takeovers in an unstable wider economic environment was still taking place.

The major multiple interlocker here is John Gough, a past president of the Business Council of Australia (BCA) who came from productive capital as a CEO but moved on to many other boards, including a significant financial company, the ANZ. Gough has is one of those who have:

Social skill [that] comes with exposure and success. People who become successful often become more relaxed as a consequence and that can make their personalities seem more open, less fearful. But it is true that the people I have most to do with are pleasant personalities. Confidence is critical. (Murray, 1993–97, Respondent 73)

Well known to their peers, the members of this 1992 business inner circle included, apart from John Gough, Alan Coates (CSR, Brambles and Mitsubishi), John Uhrig (AMP, Westpac, and CRA), and Alex Morokoff (Woolworths, Telecom, IEL, and Adsteam). These men keep a low community profile. A top director describes it this way:

Most of the business people who were going on running their companies didn't attract much attention either way. They built their companies into stronger organizations competitively and financially and managerially. There are strong individual company leaders Stan Wallis with Amcor, John Gough and Phillip Brass running Pacific Dunlop. Just go through the list of top companies—Boral, CSR, Esso etc.—and look for them. (Murray, 1993–97, Respondent 70)

Hypothesis H6 is proved when Figure 1 clearly identifies an ACC inner circle (Useem 1984).

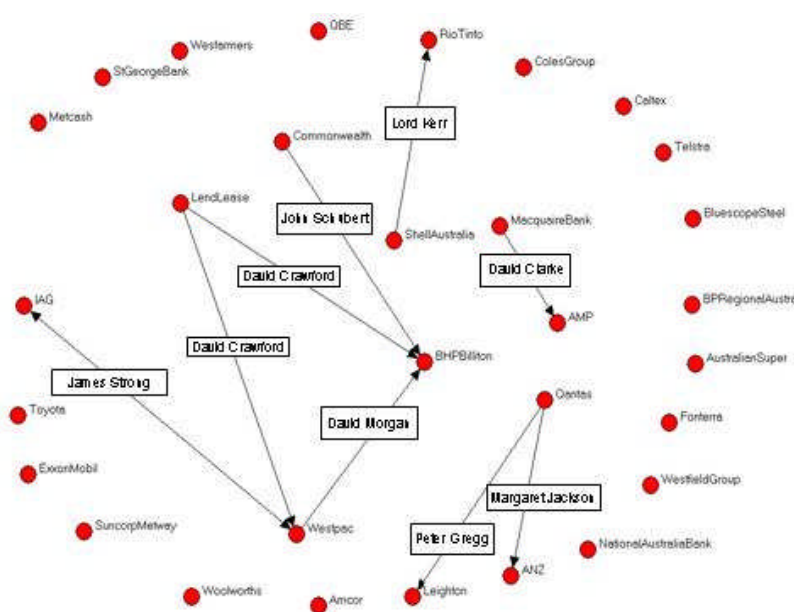
Contrary to the collusive hypothesis, the 1992 Australian data show a dominance of industrials-with-industrials interlocks, rather than financials-with-industrials interlocks, indicating little support for direct control of finance capital over industrial capital.

Case Study 2: 2007 Australian Interlock Data

In 2007 seventeen, or 56 per cent, of the top thirty companies are still predominantly Australian in relation to the amount of sales and assets (used here to ascertain their *Australianness*). The Annual Reports of St George, Lendlease, Westfield and Woolworths are unclear as to the predominance of their Australian assets and sales. Whereas, the remainder - BP Regional Australia, ExxonMobil, Fonterra, RioTinto and Shell Australia - are all clearly Australian subsidiaries of large overseas multinationals.

By 2007, the ACC interlocks had become distinctly thin in appearance. Michael Swartz (2008, personal comment) suggests this hollowing out of interlocks over the years is due to the overt lack of finance capital amongst the interlockers.

Figure 2: 2007 Directional interlocks in the top 30 companies



Source: *Business Review Weekly 1000 by Revenue*, November 22–December 12, 2007, p. 62.

This thinness of interlocks is paralleled in other places. Carroll's (2007:12) Canada-based work suggests that by the 2000s Canadian boards were dominated by exit strategies (Hirschman 1970) because they had lost their 1990s function of disciplining, lobbying, and economic liberal consensus building, and now board members wanted to focus on just building a business community.

This reasoning may explain how David Crawford, one of the most multiply interlocked directors, has not been a president of the BCA when at least three other multiple linkers have been in this 1992–2007 period (see Murray 2008). But he has the right social capital qualifications, for he went to elite Scotch College, he belongs to the top clubs including the MCC (Melbourne Cricket Club), Ormond Ski, the Australian, the Carbine, the Melbourne, Barwon Heads Golf (Vic.), and the Kingston Heath Golf, and he participates in the right type of recreational activities—fly fishing, hiking, skiing, tennis, golf, music, reading (Crawford, 2008).

The 1992–2007 ACC members are shown to be using their national network to build a top business community. I asked a BCA member about the thinking behind a strategy paper the ACC had written for the BCA called the *Globalization Report: The Year 2010*? He replied:

We said, “Let us sit down and take the trouble to layout a program that we think the government should focus on ... Let's take the year 2010. Let's decide on an objective in the year 2010 that will take us back within the top 10 nations in world by wealth.” (Murray, 1993–97, Respondent 73)

With its status secure in Australia, how keen is the ACC to go offshore and become TCC?

What does the ACC think about being integrated into the global economy?

HI suggests that the ACC is likely to be competitive with the nascent TCC. This is expressed by the interviewees as nervousness about encroaching global finance, as this financier said:

The problem for a financier is that people are continually creating new instruments because there is an opportunity that they can see. There is an opportunity and they are playing on a market. The entrepreneurs are creating new ideas that create new values. Ten years ago in Australia there were rigid rules and regulations. The moment that you pull down the fences you create a new environment. We used to have rigid control on credit by the reserve bank. With deregulation this is no longer there. (Murray, 1993–97, Respondent 92)

ACC members are remarking on their changing role and the need for them to integrate into the world economy to ensure that their businesses continue to accumulate more money; however, they fear the unknown:

We cannot cope with too much new business. Opening offices in new countries is hard. It is a people resource question. It is not just money and it's not just growth. It is also a question of making sure that you don't get ripped off. You can lose so much money in other countries. (Murray, 1993–97, Respondent 92)

A finance capital director noted the increasing role of finance capital:

The finance sector is growing as a proportion of GDP and increasing its importance in terms of large companies that are international in scope but they are also international in their financing. One of the things that are happening is that increasingly larger companies with good credit ratings can go direct to the market and bypass banks. This is a major change that has been happening for some period of time. There is a changing environment for the banks. Lot of the banks are getting leaner and stronger and changing their ways. [It is] an increasingly

competitive world. Those that innovate more quickly and more soundly are those that are going to be the winners. (Murray, 1993–97, Respondent 6)

Corporate winners are the flexible, the mobile and the quick in this competitive market. But they report themselves as combative ... ‘Look, I wake up in the morning and I say ‘Who are we going to kill today?’ That is what the aggression of the takeover game is. How can we find one who has fallen by the wayside that we can knock off?’ (Murray, 2006: 190, Respondent 91.)

We can confirm now that the ACC is distinct from the TCC; its members have their national interlocks, their own lobby group (BCA); they have their own political leaders (the multiple linkers who are also actively involved with the BCA); and they have their own social capital (see Murray 2006). But do they hold economic ownership?

Major Shareholders and the Owner Penetration Index (OPI)

The traces of the TCC are their major shareholders in the top companies. Figure 3 shows the OPI representing only the top five shareholders of the top 30 companies in 1992–2007 and it highlights the importance of deregulation of Australian banking since December 1983. It shows the movement into Australia of US and then UK (but originally Asian) capital, and for the first time it identifies the presence of the ownership of the TCC.

Figure 3: Owner penetration of Australia’s top 30 companies

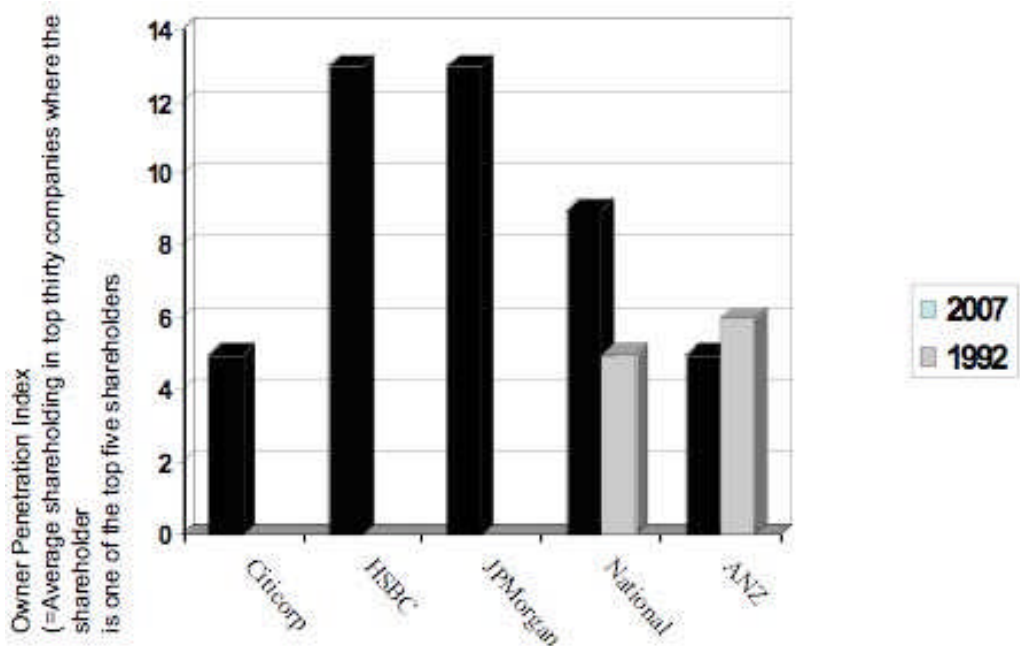


Figure 3 shows the demise of the “natives; the only indigenous capital survivors are the National Australia Bank (National Nominees with 1992 5.4 percent average over all top thirty companies and 2007 at 9.4 percent) and the ANZ (ANZ Nominees with 1992 at 5.6 percent and 2007 at 4.6 percent of ownership of the top 30 companies). They have stayed the 16-year distance. After 1992, domestic finance capital was seriously challenged by transnational capital and the changes became noticeable on the OPI.”

Here is some background to the three TCC finance capitalists who since deregulation, and specifically since 1992, have interacted competitively with the ACC.

J.P. Morgan Chase

J.P. Morgan Chase⁸ was founded by Aaron Burr as the Bank of the Manhattan Company in 1799. It later merged with John Pierpont Morgan who had set up one of the world’s most powerful investment banks, Drexel Morgan and Co., in 1871. J.P. Morgan then merged with Chase Manhattan in 2000, and Bank One joined them with a \$58 billion deal in 2004. James S. Dimon is the CEO and chairperson of the 11-person board and he has a

reputation as an aggressive cost cutter (“notoriously slashing funds for company gyms and fresh flowers”). J.P. Morgan currently sells financial products and services, and is the third largest bank in the United States. It has assets of \$1.4 trillion and operate in more than 50 countries.⁹ In 2006, the company’s profits rose by 65 percent to a record \$13.65 billion. The bank has a history of concentrating companies with layering mergers upon mergers: J.P. Morgan is built from nearly 1,000 previous companies.¹⁰

Citicorp

Formerly the Bank of New York, Citicorp was first chartered by New York State on June 16, 1812. During the mid-1970s, it was renamed as Citibank and Citicorp (the holding company). Citicorp is the second biggest global financial service holding company, providing a range of financial services to consumer and corporate customers.¹¹ The company is headquartered in New York, with a new CEO—Vikram S. Pandit—who sits on a 14-person board chaired by Sir Winfried F.W. Bischoff. Chuck Prince, the departing CEO, was given a \$10 million bonus after the massive mess he made in the sub-prime mortgage market (Cassidy 2008). Currently, Citicorp has a market capitalization of \$118.25 billion, a gross operating profit of \$25.86 billion and a total net income \$5.01 billion but the bank is staggering “under its own weight, suffering from high costs, a lack of coordination among operations, and underinvestment in technology and businesses.”¹²

HSBC

HSBC is the new player on the TCC block. Although virtually unknown to Australians, HSBC is “one of the largest banking and financial services organizations in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.”¹³ The Hong Kong Bank was founded by Briton Sir Thomas Sutherland in 1865. Sutherland used HSBC and other banks he opened in Shanghai,

London, and San Francisco to finance “much of the lucrative opium trade.”¹⁴ He was a member of the British parliament from 1884–91 and controlled the P&O shipping line until 1914. In 1991, HSBC Holdings was established to act as the parent company to The Hong Kong and Shanghai Banking Corporation. The bank is the fourth largest corporation in the world in terms of assets (as of December 31, 2007 equaling \$1.861 trillion). In 2000, HSBC’s size was rated globally as the third largest by Forbes. Nearly 22 percent of its earnings come from Hong Kong, where it was headquartered until 1993. Today its Head Office is at London’s Canary Wharf.¹⁵ Carroll and Fenemma, also noted that HSBC is a core player in the transnational network, identifiable as such by its central board interlocks (Carroll and Fenemma 2002:412). And today HSBC is recognized as the world's largest banks with \$105 billion in general capital¹⁶.

We have now identified three major shareholders—Citibank, J.P. Morgan Chase, and HSBC—as TCC and currently major shareholders of Australian top companies. But how much are they involved?

When we look for further evidence to substantiate the established presence of the TCCs and expand our sample from the top five shareholders to look at all 20 major shareholders (where listed) of the top 300 companies, we use original data from Huntley’s Investment Information Pty Database. From this database, we found that HSBC holds 7.56 percent of the total Australian market capitalisation. HSBC seems to have a strategy of focusing on being the number one investor in number one companies (see Table 1, where it is the number one shareholder in 57 Australian companies). J.P. Morgan, on the other hand—although still ranked top overall with 8.16 percent of the total top 300s market capitalisation—is not first amongst the competitors as the top shareholder, nor does it hold the top number of total shareholdings. This indicates diverse shareholding strategies: HSBC holds the top number of shares in the top companies.

Table 1: The shareholding and ranking of shareholdings amongst the top 300

Australian firms

<i>Name of company</i>	<i>Average share-holding (%)</i>	<i>No of share-holdings</i>	<i>Proportion of total market capitalisation owned (%)</i>	<i>Rank avg.</i>	Rank total	<i>Total shareholding</i>	<i>No of firms in which it is no 1 shareholder</i>
JP Morgan (incl. Chase Manhattan)	6.78	251	8.19	1	1	120,776,208,366	39
National Australia Trustees Limited	6.28	260	7.56	3	2	111,602,145,122	18
HSBC (incl. HKBA)	6.69	366	6.99	2	3	103,071,090,535	57
Citicorp	4.36	506	4.93	4	4	72,795,722,074	7
ANZ	4.24	275	3.84	5	5	56,648,051,507	14
Westpac	2.23	102	2.61	7	6	38,527,906,861	7

Source: David Peetz, from Peetz, D. and Murray, G. (2008).

Whatever strategy used by these top finance companies or banks, Table 1 shows that these TCCs have control over a great deal of money—indeed, they had 34.12 percent of the market capitalisation of the top 300 companies in Australia in 2007. This is proof that H1 is right: the ACC and TCC are financially competitive. The TCC controls the dominant relationship and is moving to replace the ACC with takeovers, but it is happy for the ACC to remain the political face of Australian business, creating conducive conditions for business through its state lobby group, the BCA.

J.P. Morgan Chase has now ousted the four major Australian banks in its bid to establish control over Australasian corporate ownership (J.P. Morgan Chase in 2004 had 11.0 per cent going up to 12.7 in 2007) and Citicorp/bank (7.4 percent in 2004 and 5.2 percent in 2007).

H4 suggests that share ownership is now diverse and control rather than ownership is managerial. This is incorrect, as Table 1 following shows concentrated TCC ownership in the form of finance capital’s nominee investment.

What do the Australian Data Mean?

Australian interlocking evidence, as revealed here, shows that of themselves interlocks do not reveal the underlying power structures of companies. Until major shareholdings (ownership) and interlocks (politics) are put together, the picture of corporate power in Australia is incomplete. The most significant point about this evidence is that, although financial capital does not appear to control business, this is smoke and mirrors, for its real power lies not in interlocks but in major shareholdings. For H1 is right, in that the TCC is intensely competitive and likely to subsume the ACC at the economic rather than the political level. Therefore H2 is wrong: the TCC comprises the major corporate shareholders and, although they maybe executives or managers of top companies, they alone have controlling economic power over large amounts of capital and can use ACC managers and directors to internalise their interests as their own. They may hold other political or social roles but these are immaterial to this major source of economic power they hold. The ACC can be used to lobby the Australian state (through the BCA). Bureaucrats, politicians, professionals, or consumerist elites are a second order of power not dealt with here, but they are of relative insignificance economically.

H3 is partially right in that the TCC members are a class-for-themselves who globally out-compete the Australian natives; with J.P. Morgan (8 percent control/ownership of the top 300 companies' market capitalisation), HSBC (7 percent), Citicorp (5 percent) against the "native" players, though in Australia the natives still have very high ownership stakes with National Australia Trustees Limited at 7 percent, ANZ at 4 percent and Westpac at 3 percent.

H5, suggesting collusive control through director interventions on bank boards, is wrong. Large finance capitalists are able to maintain their distance, invisibility, and contingently their dominance indirectly, as this banker told the author:

A good banker will feed information to a company all the time, particularly if it is lending money to the company. It will see it as a duty to help that company to be successful without prejudicing its other portfolios of customers. Because the more successful that company is then the bank is much more assured of getting the money back. (Murray 1990:262, Respondent 94)

The social embeddedness hypothesis (H6) that the most interlocked individuals will act as class agents to integrate the class and create an inner circle is right. The national political cadre is centred around John Gough (1992) and David Crawford (2007). Gough was also a president of the Business Council of Australia (the top business state lobby group), which is a lobby group strongly committed to economic liberal thinking (Porter 1990). Panitich and Gindin (2005) suggest that the U.S. informal empire's restructuring options—those that are encapsulated in economic liberalism—are passed on to national elites even though they are not necessarily in the national elite's interest. In the case of the ACC, not every fraction of it benefited from the results of the economic liberal restructure that intensified economic competition, freed the movement of capital, generated privatisations, and generally deepened capitalist relations but the TCC did benefit. And the TCC particularly benefited through the ACC lobbying the state through the BCA (see Murray 2006:147–76).

H4, the hypothesis that diverse shareholding means that management and boards will be civically responsible, is not correct. The major shareholders have distributive power through their collective control over available funds, as pointed out by John Scott, to “determine the broad conditions under which enterprises must determine corporate strategies” (Scott 1997:139). Finance capital is dominant; however, this is not through interlocks but rather through major shareholdings and through bank board decisions as to who is to be given credit. When a director was asked if this meant that banks control

through credit, he answered, “Yes, they control credit. Yes, they do all that and so indirectly they can have some influence.” (Murray 1990:276, Respondent 18)

The central political interlockers—Crawford and Gough—are not members of the TCC, as identified by any measure. They are the ACC inner circle and they act on the state through the BCA.¹⁷ They are warring brothers against themselves and transnational capital on any issue other than labour. This unites them.

H6 is correct, in that the most interlocked individuals act to socially and politically integrate the class and reassure its members of the value of the innovations they propose, and they therefore form a key “inner circle.” This inner circle is economically based and organized, and forms the political core of the ACC.

The nascent TCC, in Australia, are the major shareholders of HSBC, Citicorp, and J.P. Morgan who hold major shares in companies across the globe (not multi national ownership in a few countries) they are equally disunited because as Harris points out ‘Just because a corporation is headquartered in the US doesn’t give it national identity nor do they serve some US global economic purpose... if we take Citicorp we find the biggest shareholder is a Saudi prince and that China's sovereign wealth fund just dumped several billions of dollars in.’¹⁸ State party members (in the Chinese sense) can be TCC too.¹⁹ They all fight for their own fractional self interest at the expense of other fractions only united against labour. These are the transnational class members.

Conclusion

The major empirical difference between the situations in the period 1992–2007 was the creeping internationalization of finance capital from a high national input to being dominated by TCC finance capital. So, while the top 30 companies and their CEOs are predominantly Australian by the criteria of their sales and assets, and their ASX listing, their major shareholding was not. The OPI allows us to measure and then point to the growing significance of TCCs in the form of J.P. Morgan, Citicorp, and HSBC. But also

note the continued presence of native capital in the form of NAB, ANZ, and Westpac (Van der Pijl 1998). The ACC express some worry as to this TCC development.

Still, the degree of transnational capital penetration into Australia continues to remain smaller than the bulk of capital investment by Australian capitalists in Australia (Bryan and Rafferty 1999). While the data have shown a hollowing out of multiple board interlocks with the disappearance of finance capitalists (both global and national), there remain industrial capitalist directors running industrial boards. Finance capital is currently dominant but largely invisible.

Carroll's cautionary words that "tendencies toward TCC formation coexist and intersect with counter-tendencies, limiting the prospects of a TCC-for-itself [and that] conscious efforts to create such a class should not be confused with its arrival" (Carroll 2007:137–38) are wise, but the invisible invaders, the TCCs such as J.P. Morgan, Citicorp, and HSBC are increasingly integrating into the Australian economy.

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(Word count 9,759 with endnotes)

¹ A *band of warring brothers* to describe the capitalist class is attributed to Karl Marx (for example Lavalette, M. 2005: 50) but I have been unable to find it in Marx's original opus.

² The following survey relies heavily on this source.

³ Speculative dates given by Engels, in his Preface, on when Marx wrote *Capital* volume 2: see <http://www.marxists.org/archive/marx/works/1885-c2/ch00.htm>.

⁴ Hegemony, meaning the position of being the "strongest and most powerful and therefore able to control others": *Cambridge Dictionary Online* (<http://dictionary.cambridge.org/define.asp?key=36551&dict=CALD>).

⁵ *Business Review Weekly 1000* (1992:76); *Business Review Weekly 1000* (1998: 120); *Business Review Weekly 1000* (2004: 88). Individual Annual Reports 2004, 1998, 1992.

⁶ The work was made possible due to two major grants from the New Zealand Social Sciences Research Foundation (SSRFC) and the Australian Research Council (ARC).

⁷ There are various suggestions as to what the flow of information is worth: see Scott (1985).

⁸ All the following information on J.P. Morgan comes from J.P. Morgan Conde Nast Portfolio.com: <http://www.portfolio.com/resources/company-profiles/JPMorgan-Chase--Company-63>.

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