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Published

2011

Conference Title

Proceedings 25th Conference AIRAANZ Dialogue Downunder

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Finance capital, jobs and restructuring corporate ownership in the United States

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Abstract

We analyse data on ownership, global employment growth, assets and sale/revenue amongst the 221 largest US industrial corporations (by market capitalisation) to consider their patterns of ownership and how the restructuring of that ownership during the financial crisis may have affected the stability, concentration and composition of finance capital and changes in employment at the firm level. We found that instability associated with the global financial crisis created new patterns of dominance in finance capital, as banks lost their leading position, though less dramatically than some may have expected. We found strong evidence of high and increasing concentration of the ownership and control of leading industrial corporations by leading finance capital firms. Those in the most powerful positions in finance capital during periods of crisis were able to maintain their relative power, despite volatility elsewhere. And we found that employment growth was negatively linked to ownership instability and to ownership by banks in particular.

Introduction

The global financial crisis has brought about a series of economic restructurings and political crises. Regarding Spain, for example, the current battle over public debt arising from the crisis in private finance capital has been described by Tyler Cowan as ‘In a nutshell...the most pitched, highest-stakes, most determined battle between politics and finance which has been staged.’ (Cowan 2010). It is a phrase that might be used to describe many aspects of the crisis and its aftermath. Our aim in this paper is to consider some aspects of financialisation and the crisis in relation to the most advanced capitalist state the US. We look at its finance and industrial capital and some influences on labour, studying the patterns of corporate ownership restructuring in the financial crisis. We analyse data on ownership, employment growth, assets and sale/revenue amongst the 221 largest US industrial corporations (by market capitalisation) to consider their patterns of ownership and how the restructuring of that ownership during the financial crisis may have affected the stability, concentration and composition of finance capital and change in employment at the firm level.

Literature

We focus on the US – the country at the centre of global capitalism and the closest to the ideal type of liberal market economies (LMEs) within the ‘varieties of capitalism’ literature (Hall and Soskice 2001; Wood 2008, p.1). In LMEs ‘relations between firms and other actors are coordinated primarily by competitive markets’ (Hall and Gingerich 2009: 452). These LMEs are typically found not just in the US, but also in Canada, Australia, New Zealand, UK and Ireland, though ‘firm strategy will vary systematically across political economies in tandem with the institutional support provided’ (Hall and Gingerich 2009, p. 461). Yet even amongst LMEs capital is dependent on what Karl Polanyi (1977) calls social embeddedness, which includes institutional supports such as, during the financial crisis, publicly financed

stimulus packages necessary to stabilise capitalism in crisis. Does the embeddedness of capital facilitate increased concentration during crises?

But first, what is meant by crisis? Seeraj Mohamed speaks of ‘the liberalization of cross border capital flows [that have] increased the possibility not only of contagion from crisis elsewhere but that the financial profligacy in one country is easily exported to another.’ (Mohamed, 2010, p. 1) There are a number of ways to interpret crisis. For example, the French school of *régulation* analysed how systems of capital accumulation are stabilised or ‘regularised’ (hence *regulation*) (Aglietta 1976, Derlorme and Andre 1983, Boyer 1986, 1991, 1994, 1996, 2001, 2005, Amable 2004). They considered that crises arise because of changes in the *regimes of accumulation* and the *modes of regulation* brought about within relations of production, circulation, consumption, and distribution. That is, crisis can emerge when tensions are heightened between the regime of accumulation and the modes of regulation. According to Karl Marx (Capital v.2, 1978, p. 50), Ernest Mandel (1972, p. 42), or William Robinson (2010b, p. 294) crises are endogenous to capital itself: “the current global crisis is above all one of over-accumulation (Robinson 2010b: 294.) Marx spoke of the tendency of capitalism to lead to increasing concentration of capital in fewer hands over the long term and to increased polarisation of income and wealth – a theme of a number of sociological writings (Marx & Engels 1976, Connell & Irving 1992, Gilding 1999, Domhoff 2006, Murray 2006); but now there is a shift toward exploring this latest crisis as the newest phase of globalization bringing with it new class relations (see Sklair 2005, p. 485, Carroll 2010, Robinson 2010a). So, has the so-called new capitalist crisis period itself promoted or exacerbated the concentration of capital? Peter Hall and Daniel Gingerich (2009) describe the US as a ‘pure case’ LME because here ‘firms face large equity markets marked by high levels of transparency and dispersed shareholdings, where firms access to external finance depends heavily on publically accessible criteria such as market valuation.’ But do dispersed shareholdings militate against concentration of ownership, or will greater concentration occur anyway in a period of crisis?

The notion of crisis and recovery raises important questions about the internal structure of finance capital through a financial crisis and its implications for employment relations. Does instability characterise all of financial capital during a financial crisis, or will some parts of capital show stability and prosperity while others decline or collapse? Will there be long term, extensive changes in the structure of finance capital, or will it show resilience even in the face of instability in industrial capital and in product and labour markets?

Robinson (2010a, p. 1) identifies several features of the ongoing evolution of global capitalism featuring ‘globalised circuits of accumulation’, including the transition from national circuits of accumulation a world economy of globalised circuits of accumulation; and the rise of transnational capital and the integration of every country into a new financial and productive system. Global financial flows are now ‘qualitatively different’ (Robinson 2010b, p. 290). A feature has been the ‘financialisation’ of the economy (Freeman 2010), described by Carroll (2010) as the move from the use of ‘patient money’ to ‘agile money’. He points to how this has reshaped the behaviour of firms, with finance capital ‘exercis[ing] power not through voice, as in the taking up of directorships in affiliates, but through exit – the threat of capital withdrawal if adequate profit is not forthcoming. There is ‘evidence that economies that are more financialised have had reduced levels of investment in manufacturing. Institutional investors can capture rents and profits in developing countries and they do not have to support long-term investments and decent jobs in their home countries.’ (Mohamed 2010, p. 1)

This new global system is based on an integrated global financial system that has replaced the national bank dominated financial system of earlier times. How is this manifested at the firm level? The current crisis has, according to Mohamed (2010, p. 1), led ‘to increased socio-economic insecurity and loss of jobs, factors which weaken the social fabric and create increased hardship for the poor.’ Does this mean that firm-level employment will be influenced by ownership of the firm? In particular, will employment be negatively affected if certain types of finance capital feature in ownership, or alternatively if there is instability in ownership?

The preceding discussion suggests a number of hypotheses that can be tested. The first concerns the *internal structure of finance capital*: that instability wrought by the global financial crisis will create new patterns of dominance in finance capital, with banks losing importance relative to other forms of finance capital. A counter hypothesis is that, with the strong institutional and economic power that banks possess, they will be able to withstand attacks on their position.

Our second concerns the *concentration of ownership*: that as a result of crisis, or at least subsequent to it, there will be greater concentration of share ownership amongst the leading industrial corporations.

Our third hypothesis relates to *stability and volatility* in ownership: that those in the most powerful positions during periods of crisis (that is, those in the core elements of finance capital) will be able to ride out the fluctuations – despite instability in industrial capital and volatility elsewhere in finance capital – by moving their massive holdings around to maximise returns and by exerting influence over decisions that industrial capital makes.

Our fourth hypothesis concerns the *relationship between ownership and employment*: if other things are held constant, ownership instability – a change in ownership or control of shares – is likely to precipitate restructuring and job losses, as new share controllers seek to make their mark on the corporation, and such restructurings are more likely, or larger, the greater is the change in ownership of shares.

Methodology

Our data are derived from the Bureau van Dyk (BvD) OSIRIS database, a global database originating in the Netherlands (but now with offices in many countries) which contains information from around 100 sources and covers nearly 65 million companies around the world, on characteristics including assets, market capitalisation, profit and other financials, global employment, and shareholders. Our focus is on listed industrial corporations (ie excluding finance capital) that were amongst the largest 200 by turnover in the US in either 2006-07 or 2009-10.

We in effect constructed two databases – one in which the industrial corporation was the unit of analysis (we refer to these forms as ‘target’ firms), and one in which the ‘shareholding unit’ was the unit of analysis. A ‘shareholding unit’ is the value of shares held in one corporation by one shareholder. As there was some movement in and out of the top 200 categories between these years, the corporate database contained 221 large US corporations. In total, our shareholding unit database contained 22,749 observations on firms who were in the top 200 in either 2006-07 or 2009-10. While some of the data in the corporate database were directly obtained from the BvD database, many of them (such as the proportion of shares held in a particular year by particular shareholders in a particular corporation) were derived from estimates generated using the shareholding unit database. Observations of shareholdings, market capitalisation and other variables for 2006-07 were based on their values at the end of December 2006. For 2009-10, observations of market capitalisation and

other firm-level variables were based on their values at the end of December 2009, while due to a quirk in the database, shareholdings were ‘latest recorded’ as of when the data were downloaded in November 2010, but examination of the date those data were uploaded onto BvD indicate that most such observations occurred during the period July-2009 to June 2010, with some recorded earlier.

Overall, about two thirds of 2009-10 shares in industrial corporations are listed by BvD. The remainder are in such small parcels as not to be worth including on the database. The BvD database records ‘direct’ shareholdings for some shareholders and ‘total’ shareholdings for others (the latter often occurring where the shares are held by an entity that the shareholder in turn owns, sometimes several steps removed). It therefore contains some double counting of shareholdings, leading to the total value of shares occasionally adding up to more than 100 per cent. Commonly this is due to the shareholder being recorded in two separate forms, and less often it appears to reflect shareholders remaining on the list after they had sold their shares. We thus inspected all corporations where total shareholdings initially exceeded 100 per cent and removed double counting where it could be identified, following a series of decision rules.

BvD classifies firms (and shareholders) into almost a dozen ‘types’ or categories, separately identifying banks and state-owned agencies, but not distinguishing between publicly-owned pension funds and privately-owned and managed pension or mutual funds. We found some inconsistencies between how the same firm was categories in 2006-07 and 2009-10, and so where such inconsistencies existed we standardised the categories across years within the same firm, based on either BvD’s later assessment or our own assessment of the firm’s type. We also recoded a small number where we fundamentally disagreed with BvD’s assessment.

Some of the findings we report here are based on comparisons between 2006-07 and 2009-10. However, there are substantial differences in the quality of the data in those two years, particularly for smallholdings. For 2009-10, there are 3,470 observations of US shareholdings of 1 per cent or more of a firm’s value, and in 2006-07 there are 3,279 observations of that size, so the data for holdings of that size is quite comparable. However, holdings of 1 per cent or more accounted for only 18.2 per cent of observations in 2009-10, compared to 89.4 per cent of observations in 2006-07. So the quality of the 2006-07 data deteriorates rapidly once holdings fall below 1 per cent. Accordingly, when making comparisons of the 2006-07 and 2009-10 data, we focus on data on shareholdings of 1 per cent or more in both years, so that we compare like with like. These shareholdings are referred to as ‘significant’ shareholdings, and holdings of less than this value are considered unlikely to provide the share controller with any opportunity to influence the running of the corporation. Some of the shares held by these owners are owned by them, but they manage some on behalf of other people or corporations, so we refer to them as ‘share controllers’ rather than ‘share owners’.

Financialisation of ownership

The types of controllers of shareholdings in industrial corporations are shown in Table 1. The data reveal a small but notable shift within finance capital: the decline of banks and the continuing growth of other elements of finance capital, in particular organisations grouped together under the banner of ‘financial companies’ who bundle and control investments in bonds and, most importantly, equities.

Approximately two fifths of shareholdings in each year were ‘significant’ shareholdings. Due to the global financial crisis, the total market capitalisation of the top 200 companies fell by 13.3 per cent over the three years from 2006-07 and 2009-10. In 2006-07, banks were the largest controller of significant shareholdings. Their significant shareholdings accounted for

10.8 per cent of all shareholdings in the top 200 corporations, and 27.3 per cent of significant shareholdings. By 2009-10, the value of the holdings they controlled fell by 19 per cent, and they slipped from top to third rank.

In that year, the largest plurality of shares were controlled by financial companies, who controlled 26.7 per cent of significant shares, compared to 22.7 per cent controlled by banks. In between, controlling 24.8 per cent of shares, was a diverse segment of finance capital comprising mutual funds, pension funds, nominees, trusts and trustees. The distinction between mutual funds and financial companies is sometimes very fine, as some financial companies are managing large mutual or pension funds. Probably the main distinction of relevance is that between banks and the rest of finance capital. The fourth arm of finance capital, insurance companies, accounted for 6 per cent of significant shares, up from 5.3 per cent in 2006-07. Other forms of ownership – including ownership by other industrial companies or by named individuals or families – accounted for only small portions of shares. Ownership by named individuals/families increased, principally because of the rise of Google's Larry Page. State ownership increased, with the state of New Jersey (by far the main state investor in 2006) withdrawing from much of its equity holdings, offset by the entry of the Norwegian government into American equities. Federal government intervention to rescue banks through equity injections did not affect ownership amongst industrial companies.

Table 1: Distribution of control of significant shareholdings in US industrial corporations by type of owner, 2006-07 and 2009-10

	value			proportions						
	of significant shareholdings			of all shareholdings			of significant shareholdings			recorded holdings
	2006-07	2009-10	change	2006-07	2009-10	increase	2006-07	2009-10	increase	2009
	(\$b)	(\$b)	(%)	(%)	(%)	(pct points)	(%)	(%)	(pct points)	(%)
Financial company	795.8	783.0	-1.6	10.4	11.8	1.4	26.3	26.7	0.4	22.9
Mutual & Pension Fund/ Nominee/Trust/Trustee	732.4	726.8	-9.3	9.6	10.9	0.4	24.2	24.8	-1.6	26.3
Bank	824.7	664.1	-11.9	10.8	10.0	0.2	27.3	22.7	-2.5	22.5
Insurance co	160.5	175.1	9.1	2.1	2.6	0.5	5.3	6.0	0.7	8.9
One or more named individuals or families	150.0	261.7	74.4	2.0	3.9	2.0	5.0	8.9	4.0	5.8
Industrial company	283.3	203.1	-28.3	3.7	3.1	-0.6	9.4	6.9	-2.4	5.4
Private Equity firms	24.5	75.1	206.5	0.3	1.1	0.8	0.8	2.6	1.8	2.6
Employees/Managers/ Directors	17.0	27.8	64.2	0.2	0.4	0.2	0.6	0.9	0.4	0.6
Foundation/Research Institute	12.0	7.1	-40.6	0.2	0.1	0.0	0.4	0.2	-0.2	0.3
Public authority, State, Government	20.1	5.3	-73.7	0.3	0.1	-0.2	0.7	0.2	-0.5	4.7
Other (Self ownership, hedge funds)	1.3	0.8		§	§		§	§		§
Total significant shareholdings	3,021	2,929	-3.0	39.4	44.1		100	100		
Total recorded shareholdings	3,044	4,558		39.7	68.5					100.0
Total all shareholdings	7,667.1	6,650.8	-13.3	100.0	100.0					

§ Less than 0.1 per cent.

Source: Shareholding unit database; derived from BvD Osiris database.

But perhaps the most surprising aspect for some would be the fact that banks' position did not decline further, given the large number of US banks that collapsed or almost collapsed during

the crisis. Two points are important here. First, the dysfunctionalities of the banks that led to the financial crisis mainly manifested outside the equity market in their loan portfolios – selling, and lending large amounts of money for, incomprehensible collateralised debt obligations and derivatives thereof. The main threat to banks shareholdings would be if they had to liquidate them in order to remain solvent. Moreover, investors other than themselves owned many of the assets they controlled, and so liquidating them would not generate equivalent funds for the banks anyway. Second, while many small banks collapsed, the largest ones of course were, with one exception, saved by US taxpayers (albeit, against many of their wishes). They were thus able to hold onto rather than liquidate the equities that comprised their assets.

Who owns American industrial companies?

The most important share controller in the US, one that has risen to that position through the global financial crisis, is BlackRock Inc, a New York-based finance company that is barely known outside financial circles. Table 2 shows the leading share controllers in 2006-07 and 2009-10. Aside from Blackrock, the list comprises a mixture of banks, finance corporations and mutual and related funds.

Table 2: Distribution of control of significant shareholdings in US industrial corporations by share controller, 2006-07 and 2009-10

	value of holdings			significant holdings			
	2006-07	2009-10		2006-07	2009-10	2009-10	2009-10
	significant holdings	significant holdings	all recorded holdings	proportion of all US holdings		proportion of significant US holdings	holding intensity
				(%)	(%)		
	(\$b)	(\$b)	(\$b)	(%)	(%)	(%)	(%)
Blackrock, Inc. *	280.1	383.8	383.9	3.65	5.61	13.1	99.99
Capital Group Companies ^	285.8	289.5	293.0	3.73	4.23	9.9	98.82
State Street Corporation #	280.0	274.9	275.1	3.65	4.02	9.4	99.93
Vanguard Group, Inc. The ^	182.6	234.8	235.0	2.38	3.43	8.0	99.92
Fidelity Group *	197.0	154.8	164.4	2.57	2.26	5.3	94.16
Wellington Management Co L.L.P. *	105.6	91.6	99.7	1.38	1.34	3.1	91.90
Bank of New York Mellon Corporation #	82.3	89.9	98.5	1.07	1.31	3.1	91.18
Northern Trust Corporation #	87.0	93.1	95.4	1.13	1.36	3.2	97.61
Walton Enterprises Llc §	80.2	94.2	94.2	1.05	1.38	3.2	100.00
T. Rowe Price Group, Inc ^	39.5	69.6	92.3	0.52	1.02	2.4	75.39
AXA +	108.7	54.4	75.4	1.42	0.80	1.9	72.15
JP Morgan Chase & Co. #	61.0	45.5	69.3	0.80	0.67	1.6	65.66
Invesco Ltd. *	11.2	34.8	60.7	0.15	0.51	1.2	57.27
Teachers Insurance & Annuity Association Of America +	0.3	18.6	57.1	0.00	0.27	0.6	32.48
Page, Larry §	..	49.8	49.8	..	0.73	1.7	100.00
Janus Capital Group, Inc. ^	21.1	27.0	48.6	0.28	0.40	0.9	55.66
Franklin Resources, Inc. #	26.9	28.6	46.4	0.35	0.42	1.0	61.67
Ameriprise Financial Inc. *	2.8	15.9	46.4	0.04	0.23	0.5	34.30
Wells Fargo & Company #	9.1	13.9	46.3	0.12	0.20	0.5	29.95
Bank Of America Corporation #	24.8	13.4	45.2	0.32	0.20	0.5	29.59
Goldman Sachs Group, Inc #	43.6	21.2	44.7	0.57	0.31	0.7	47.50

Bank * Financial company ^ Mutual & Pension Fund/ Nominee/Trust/Trustee + Insurance company § Industrial company § Named Individual or family

Source: Shareholding unit database; derived from BvD Osiris database.

Notably, most of the leading share controllers, especially those in the top ten, held the vast majority of their assets – over 90 per cent – in significant holdings. We refer to this as their ‘holding intensity’ and it indicates something about the extent to which a financial corporation seeks to make active investments, in which it seeks to exert some influence over the industrial companies, as opposed to passive investments. Those in the second tier, below the top ten, had lower holding intensity, with typically half or less of their equity in significant holdings, with the majority in passive investments.

Indeed, the top two share controllers, BlackRock and Capital Group, were each the number one share controller in over a quarter of the firms in which they controlled shares. In another quarter of their holdings, they were the number two-share controller. Amongst the third to fifth ranked share controllers (State Street, Vanguard, Fidelity), 6 per cent of their holdings were the number one holdings in those companies. Amongst those ranked six to ten, the figure was only 1 per cent, and 0.6 per cent amongst those in the second tier ranked 11 to 20.

Between them, either BlackRock or Capital Group hold the number 1 or number 2 shareholding in 157 of the 221 largest US industrial corporations in our database – that is, in 71 per cent of those firms. As a result, BlackRock and Capital between them control 10 per cent of all shareholdings and 23 per cent of significant shareholdings in the top 221 industrial firms. This is a remarkable degree of concentration of economic power in the centre of global capitalism, in the hands of a small number of individuals. So it was that Larry Fink, the founder and CEO of BlackRock, was very recently described by Shira Ovide, reporter for the *Wall Street Journal*, as ‘the King of the World’ (Ovide, 2010). Susana Andrews from *Vanity Fair* had earlier written in April 2010 that when Fink’s \$13.5 billion acquisition of Barclays Global Investors became final ‘BlackRock, the company he founded 22 years ago, officially became the largest money-management firm in the world’ and ‘a global colossus’. Whereas the Government of Norway – just outside our list on rank no 24 in the US – manages its own natural resources-generated sovereign wealth fund, BlackRock manages the ‘sovereign-wealth funds of, among others, Abu Dhabi and Singapore’ as well as ‘the investments of scores of institutions around the world: from state and local governments to college endowments [and] Fortune 500 companies’ (Andrews 2010, p. 1).

Another indication of concentration is the proportion of shares controlled by the top N companies. In 2009-10, the top 2 companies controlled 23.0 per cent of significant shareholdings, compared to 18.4 per cent controlled by the top two shareholders in 2006-07. The top seven share controllers had 1.8 per cent of significant shares in 2009-10, compared to 46.8 per cent in 2006-07. However, the share of the top 20 share controllers was similar (at 71 per cent) in both years. This again suggests that further concentration of economic power has happened but principally at the very top of the finance food chain.

Financial versus industrial capital: stability and instability

A noticeable feature of the ranking of the leading share controllers is the high degree of stability at the top. Although BlackRock surpassed Capital at the top, almost all of the identities in the top ten were the same, with only one share controller that was in that group in 2006-07 dropping out (to 11th position) in 2009-10. As Table 2 shows, banks in the top tier of share controllers (State Street, New York Mellon, Northern Trust) were relatively stable or showed minor growth. In contrast, a majority of those immediately below them (JP Morgan, Bank of America, Goldman Sachs) experienced serious falls in share control (Wells Fargo and Franklin were the exceptions). Amongst financial companies, BlackRock, Invesco (handily registered in Bermuda) and Ameriprise showed substantial growth, though Fidelity and Wellington experienced some falls.

Table 3 looks at the rankings of share controllers in 2006-07 and then the same share controllers in 2009-10. Eight of the top ten share controllers either maintained their rank from 2006-07 in 2009-10 or moved just one position, and the average absolute value of the move in rank was 1.3 places. By comparison, amongst industrial corporations there was considerably less stability, with only three maintaining their rank or moving just one position, and an average absolute value of move in rank of 5.4 places.

Table 3: Rankings of top 20 share controllers and top 20 US industrial corporations, 2006-07 and 2009-10.

Top industrial companies			Top share controllers		
Rank of Top 20 industrial company in 2006-07	Rank of same industrial company in 2009-10	absolute change in position	Rank of Top 20 share controllers in 2006-07	Rank of same share controllers in 2009-10	absolute change in position
1	1	0	1	2	1
2	8	6	2	1	1
3	2	1	3	3	0
4	6	2	4	5	1
5	3	2	5	4	1
6	4	2	6	11	5
7	11	4	7	6	1
8	14	6	8	8	0
9	40	31	9	7	2
10	10	0	10	9	1
average movement in position, top 10		5.4	1.3		
11	5	6	11	31	20
12	16	4	12	12	0
13	7	6	13	26	13
14	12	2	14	40	26
15	23	8	15	33	18
16	15	1	16	21	5
17	13	4	17	10	7
18	20	2	18	24	6
19	19	0	19	51	32
20	49	29	20	37	17
average movement in position next 10		6.2	14.4		

Source: Shareholding unit database; derived from BvD Osiris database.

At the second tier of share controllers as observed in 2006, there was far more volatility. The average absolute value of the move in rank was some 14.4 positions; over ten times the movement in the top tier. Amongst industrial companies, there was no comparable increase in rank volatility, with an average rank movement of just 6.2 positions, only slightly greater than the volatility in the top tier. This greater stability at the top appears to be achieved through the exercise of greater control over the companies in which they hold shares by share controllers in the top tier.

The impact of ownership changes on employment levels

Does ownership affect employment levels? To consider this question we undertook an ordinary least squares regression of changes in global employment over the period from 2006-07 to 2009-10 against several relevant variables. Our data is at the level of the company as a whole, and so employment will be affected by growth or shrinkage in the organization, including as a result of changes in sales or turnover and through mergers, acquisitions or disposals. To account for this, our equations control for changes in assets and sales/revenue over that period. Other than these, we have three explanatory variables.

We measure ownership instability by examining changes in the proportion of shares controlled by each of the 20 largest US-based share controllers in large American corporations. (These represent 20 of the largest 21 share controllers, the exception being 11th-ranked, French-owned AXA.) We create an index of ownership instability by adding together the absolute value of the change in significant shareholdings controlled by each of these 20 share controllers, where those shares were worth 1 per cent or more in either year (non-significant holdings in either year, of less than 1 per cent, were treated as zero). That is, our interest is not so much in whether their share had increased or decreased, but in whether and by much it had changed.

We test whether ownership or control of shares specifically by banks is also likely to trigger job losses, especially in the context of the global financial crisis which arose from the actions of, and placed great financial pressure on, banks. Our variable here measures the proportion of shares controlled by banks at the start of the period.

We also test whether any decline of ownership by wealthy individuals and families, as it is supplanted by control by finance capital, increases the single-minded pursuit of profit at the expense of human consideration such as employment. This is not to imply that such individuals are necessarily or even occasionally altruistic in their concerns, rather that the logic of financial control is to minimize any scope for individual agency in decision making at that level – as Anita Roddick, founder of the Body Shop put it, the logic of the corporation and of the financial model behind it ‘stops people from having a sense of empathy with the human condition’ (in Bakan 2004, p. 56). So we include a variable measuring the change in significant shares held by named individuals or families. The results of our regressions are in Table 4.

Table 4: Regression equations predicting change in employment, US industrial corporations, 2006-07 to 2009-10

	Equation no			Descriptive statistics			
	(1)	(2)	(3)	min	max	mean	std dev
Ownership instability	-.534** (-2.789)	-.414* (-2.330)	-.426* (-2.368)	0.0	60.4	22.4	10.8
Bank ownership 2006-07	-.552* (-2.143)	-.475* (-1.993)	-.566* (-2.371)	0.0	63.7	10.8	8.1
Change in individual / family ownership	.306 (1.581)	.462* (2.560)		-41.1	78.0	1.9	10.4
Change in assets	.716** (23.750)	.552** (14.261)	.557** (14.224)	-64.8	678.2	23.6	67.1
Change in sales/ operating revenue		.026** (6.130)	.025** (5.753)	-83.2	9051	52.5	612
Constant	9.033 (1.697)	7.713 (1.567)	9.820 (1.998)				
N	217	217	217				
adjusted r ²	.731	.770	.764				
F	148.40**	146.62**	177.02**				

t-values in parentheses.

* significant at 5% level; ** significant at 1% level

Source: Corporations database; derived from BvD Osiris database November 2010.

Three regressions are shown, two including and one excluding the change in individual or family ownership, and one showing the effect of excluding one of the controls. The equations confirm that ownership instability undermined employment. On average, and controlling for other factors, for each 1 per cent increase in ownership changes, employment growth fell by 0.4 per cent. To illustrate this: in simple terms (that is, before controlling for other variables), average employment grew by 19.7 per cent in firms with low levels of share instability (i.e. with an index value of 10 percentage points or less), but by only 5.2 per cent in firms with high instability (i.e. with an index value of 25 points or more). (Across all large corporations, average global employment growth was 8.6 per cent.)

Second, substantial control of shares by banks also increased the likelihood that employment growth would be lower or negative. Again, to illustrate the magnitude of these effects in simple terms, before applying controls: in corporations with low bank ownership in 2006-07 (10 per cent or less), average employment grew by 19.1 per cent; in those with high bank ownership (20 per cent or more), average employment fell by 3.3 per cent.

Third, where ownership passed away from individuals/families to, employment tended to fall; but this transfer of ownership appeared slightly more likely to have happened when overall business was improving (as measured by turnover) as the effect was not significant when sales/revenue were not controlled.

Conclusion

We obtained mixed findings about the first, competing pair of hypotheses that we tested, concerning the internal structure of finance capital. There was evidence that instability associated with the global financial crisis created some new patterns of dominance in finance capital, as banks lost their leading position in favour of other forms of financial capital, including financial companies (who moved to number one) and mutual funds. But the movement in banks' absolute share of shares was less dramatic than its slide down the rankings, and was certainly less dramatic than might have been expected at the peak of bank collapses during the financial crisis. So there was also some evidence suggestive of the counter hypothesis, that with the strong institutional and economic power that banks possess, they were able to largely withstand attacks on their position despite their central role in creating the crisis.

Evidence was clearer on our hypothesis concerning the concentration of ownership. We certainly found evidence of greater concentration of share ownership amongst the leading industrial corporations. Indeed this was perhaps the most striking of all our findings, indicated by not only the increased share of the top two, and top seven share controllers, but also by the fact that, in over 70 per cent of the top 221 US companies, the number one or number two shareholder was either BlackRock or Capital Group, sometimes both. We may also do well to ponder whether the VoC depiction of LMEs as being characterised by dispersed shareholdings is better reconceptualised as their having shareholdings dominated by finance capital, but we would need to also examine LMEs other than the US to form a definitive view on this.

We found evidence in support of our third hypothesis, relating to stability and volatility in ownership and control. While the absolute value of holdings varied between the two years in our study, the relative positions were noticeably stable amongst the top ten share controllers. They exhibited far more stability in relational terms than occurred amongst the top ten corporations in industrial capital, or amongst lower ranked firms in either finance or industrial capital. It appeared that those in the most powerful positions during periods of crisis were able to ride out the fluctuations and maintain their relative power, despite volatility elsewhere. How much this was due to their ability to move holdings around to

maximise returns and how much was due to the influence they exerted over decision-making in industrial capital was difficult to ascertain. (Their ability to exert influence over decision-making in the state was also critical, one would expect.)

Finally, we found evidence at the firm level of relationship between ownership and employment. When other factors were controlled, ownership instability was positively associated with restructuring and job losses, or at least negatively associated with employment growth. It seems plausible that new share controllers sought to make their mark on the corporation, and/or that the threatened or actual flight of existing controllers wrought major changes in employment. Such restructurings appeared more likely, or larger, the greater was the change in ownership of shares. We also found that negative employment effects were commonly associated with higher levels of shareholdings by banks. How much this was due to the financial pressure that banks themselves were under, and how much of it was simply due to the logic of banks, was again difficult to ascertain.

It appears then that the relationship between the top levels of finance capital and the rest of the economy is one of stability and instability – stability and typically expansion for the top of finance capital, and instability for the rest. The continuing financialisation of ownership of industrial capital has led to an increasing concentration of control in recent years. That stability amongst the very top tier of finance-based ownership in the US in recent years overlays greater instability amongst the second tier of finance, and amongst the rankings of industrial capital itself. That instability in ownership appears negatively associated with employment outcomes within industrial capital. That is, the more ownership of industrial capital is shuffled around finance capital, the more that pressure is placed on workers, including through job losses, as efforts intensify to maximise the rate of profit. And the more reliant corporations are on banks as sources of equity, the more the imperative of profit puts downward pressure on employment.

The global financial crisis led to the creation of 14 million additional unemployed in the US and Europe – one in seven Americans currently live below the poverty line. Wages have in many cases been held back and working conditions undermined in response to the crisis. Yet finance capital, the source of the crisis, has not only prospered, its position has strengthened such that those at the top control more wealth and power than they did before the crisis. The story goes much further than one of governments in the US and elsewhere bailing out banks and thereby absolving them of responsibility for the economic damage their debt and lending practices created. It is also a story about how the top tier of finance capital – including, but not exclusively, the banks – has entrenched its control of equities.

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