

Australia Has a Transnational Capitalist Class?

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A Transnational Capitalist Class: Does Corporate Australia have one?

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Abstract

This paper looks at the apparent contradiction of a transnational capitalist class (TCC) within the Australian nation state and asks if they do exist what is their relationship to the Australian Capitalist Class (ACC)? Is their relationship comfy, cooperative or conflictual or are the ACC in a relationship of commensalism where they benefit and the TCC is not significantly harmed or rewarded, much like the shark with its remora or sucker fish? The ACC sucker fish attached for food and global transportation upon the rapacious TCC shark; forming a unit of military precision, mobility and efficacy. 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) 1992-2007 and 300 top Australian companies listed on the Huntley's 2007 shareholder database) plus interviews with top thirty company directors over a 15 year period 1992-2007.

Introduction

Logically a *transnational capitalist class* (TCC) cannot wholly exist in Australia though there maybe traces of its disembodied parts. This paper seeks to find evidence of these TCC traces in Australia and then to find clues as to the sort of relationship (cooperative, competitive or conflictual) that exists between a native ruling class, in this case, the Australian Capitalist Class (the ACC) and the TCC. There are necessarily two literatures involved in deconstructing these two classes. The first is the very small TCC literature which ranges¹ from a structuralist through to an agency-based instrumentalist perspective.² The second larger literature focuses on the ACC³ but also includes other nation-centric network studies. Hypotheses from both these literatures are used to test the empirical Australian corporate data described in Part 4 – The Australian interlock case studies 1992-2007. The study confines itself to these longitudinal data sources, evidence from interlocking board directors of the top thirty Australian Companies and the top company's major shareholders (1992-2007). The data comes from the Australian Stock Exchange (ASX) Annual Reports of the top thirty companies and is illustrated with the author's interviews of top thirty 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.’⁴ First, I consider the relevant literature strands.

2. The Two Literatures

The first, is the TCC literature which ranges⁵ from a structuralist perspective; with the TCC representing transnational capital flows from the leading transnational corporations and private financial institutions,⁶ to an agency-based instrumentalist perspective that sees the TCC as social, political as well as economic fractions with sometimes overlapping, roles as globalizing corporate managers, bureaucrats, politicians, professionals, and consumerist elites.⁷ And there is a middle ground in which the TCC and ‘their advisors are embedded in a panoply of socio-political relations.’⁸

2.1 The Transnational Literature

In William K. Carroll’s survey of the TCC literature⁹ he suggests 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.

2.1.a 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)¹⁰ 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 $M-C-P+LP-C'-M'$.¹¹ 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 Pijl¹² and Meindert Fenemma¹³ stands out as the beginning of an identification of a TCC forming around a Euro-North American network.¹⁴ But a general point is made by Dick Bryan¹⁵ that Marxists scholars have paid insufficient attention to the international movement of capital. And in his own book *Chase across the Globe*¹⁶ he 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 in 2000 use Marx's circuits to argue that the TCC use global rather than national circuits of accumulation and that this gives the TCC a basis for an objective global class existence that is spatially and politically over and above any local territories and polities. However, under their arms they carry "Third Way" economic liberal ideology.¹⁷ Robinson¹⁸ identifies the TCC as being within a global class structure in which they 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.'¹⁹

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

Robinson²⁰ 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.'²¹ This is a qualitatively different form of international financial flows from 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 1980-1990s 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 international 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.'²² Nation states are captured by the TCC to serve them over local interests; they employ a rising number of TNS apparatus (e.g. WTO, WB and IMF) and think tanks (IPA, Sydney Institute) to help them initiate and impose their self interested ideology – now economic liberalism. From the mid 1970s a global structuralist perspective on the world system and the capitalist class's position within this has come from Immanuel Wallerstein²³ and Christopher Chase Dunn.²⁴ Chase Dunn²⁵ 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 Buroway²⁶ identifies the changing conditions in which the TCC operate. 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. Begun 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.’²⁷

2.1.b Agency-Focused-Transnationalists

Following a Weberian stratification thread by locating the importance of status within the distribution of resources Leslie Sklair’s 2002 article conceptualizes ‘the systemic organization of politics for global capitalism in terms of a transnational capitalist class (TCC).’²⁸ The TCC organisation is considered to be a mix of systemic control and opportunism so although they 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’²⁹, 2. a *state fraction*; ‘politicians and bureaucrats at all levels of administrative power and responsibility’³⁰, 3. a *technical fraction*: ‘globalising professionals...from leading technicians centrally involved in structural features and services (including financial services)’³¹ and 4. a *consumerist fraction*; Merchants and media...people responsible for the marketing and consumption...’³²

Hypothesis H2 if actors are corporate actors only then they are unlikely to be TCC.

And Sklair³³ also argues that it is profoundly undemocratic to have a TCC with their direct or indirect political power being used to spread economic liberalism, in through their forums such as GATT, WTO and IMF; where they spell out 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.’³⁴

2.1.c Agency-plus-Capital Transnationalists

Carroll and Fenemma³⁵ take a middle stance in this theory spectrum; 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 that whilst business communities are organised along

national lines (largely based on Fenemma's original 1970s study) there is evidence of nascent TCC development³⁶ and this evidence comes from Carroll's³⁷ lateral data crunching of global corporate interlocks. The findings are that the key interlockers are located primarily in northern European cities - Paris, London, New York but also Brussels, Montreal, Frankfurt, The Hague and Zurich. These key interlockers have agency and power beyond borders and nation state based board rooms. Carroll recommends a slowly, slowly approach to TCC research whereby inter-territorial complexity is acknowledged and warns 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.'³⁸ He leans toward a Saskia Sassen³⁹ approach whereby 'the global partly inhabits and partly arises out of the national' and he heeds Alex Callinco's⁴⁰ 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.

2.2 The Nationally based Network Literature

The network literature on the capitalist class is well documented⁴¹ and largely falls into four groups 1. Agency, actors and control, 2. Corporate collusion and monopolisation, 3. Credit discretion, and 4. Social embeddedness.

2.2a Agency, Actors and Control

The first, group emphasizing managerial *control* is Weberian, that is, it again draws from the work of Max Weber⁴², 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.⁴³ 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 diverse⁴⁴ because it resides with many shareholders; typically '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 who 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 corporations.

2.2b 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.⁴⁵ Monopolistic forces were seen to be facilitated by interlocking directorates between board members and resulted in business cartels or monopolies.⁴⁶ Rudolf Hilferding, in his original identification of *Finance Capital* 1910,⁴⁷ saw bank interlocks as the vital dynamic within this system of collusion where bank put their directors on others boards to further their interests and control.⁴⁸ 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’.⁴⁹ 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 of the latter.⁵⁰ Another use of the collusive thesis is J. N. Rawling’s 1937 *Who Owns Australia?* In which he 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’.⁵¹ The concentrations of Australian industry and finance, interlocking directorships, share holdings and corporate subsidies created an oligarchy paralleling that shown by Hilferding to exist in Germany.⁵² Fox’s *Monopoly* 1940⁵³ is another early text that according to Kuhn, ‘covers similar ground to Rawling and the later 1963 work of E. W. Campbell, *The Sixty Rich Families Who Own Australia*’.⁵⁴

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

2.2c Discretion

This *discretionary model* is bank-centred too. This model focuses on finance capital’s decision making and their 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 hegemony⁵⁵ 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.’⁵⁶ In their estimation fewer than fifteen of the largest banks make the most strategic decisions about the directions of capital flow in the US 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 in⁵⁷ *Corporations, Classes and Capitalism* where he writes that ultimate corporate power increasingly rests with major shareholders and impersonal systems of finance capital. Michael Useem brings a paradox to this discretionary mix. His interviews of top corporate players reinforced acknowledgement 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 organisation, they appeared most to want to thwart.⁵⁸

2.2.d 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 agents⁵⁹ transmitting ideology⁶⁰ in a business community building exercise.⁶¹ Marc Granovetter, 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.⁶² Australian writers Mike Donaldson and Scott Poynting 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’.⁶³ 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’.⁶⁴ Useem’s 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.⁶⁵ Scott sees interlocks as primarily communication nodes.⁶⁶

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 are identifiable within a global class structure

by their ownership and or control of transnational capital then they are likely to be competitive with the ACC.

Hypothesis H2 If actors are just corporate actors then they are unlikely to be TCC.

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 who 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 corporations.

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

Hypothesis H6 If the multiple interlockers 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.

3. Methodology

What we want to find with this methodology is whether there is a transnational as distinct from a national capitalist class and if there is, then what is the likely nature of their relationship to each other. So there will be two tests, the first to identify the organization of the ACC in relation to their interlocking directorates amongst the top thirty Australian companies and the second is to see if there is any transnational links identifiable through major shareholdings amongst the top 300 company's major shareholders.

3.1a 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)*.⁶⁷ The Australian BRW case studies used are longitudinal, from 1992, 1998, 2004 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 from 1987 to 1998. These interviews numbered 144 male directors and 11 female directors' voices on audio tape from 30 minutes to four hours. Research ethics require the interviewees and their company to remain anonymous and the interviewee is only identified by number, and the company names have been fictionalised. There were also fourteen follow-up interviews that took place a number of years later.⁶⁸

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 Schwartz⁶⁹ and used and explained in detail in Murray 1990, 2006.⁷⁰ 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 flow⁷¹ 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 they declare 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.

3.1.b The measure of major shareholdings - the Owner Penetration Index: OPI

This measure shows changing share ownership from 1992-2007 and aims to help us examine what was happening at the subterranean level of ownership. The amount, and changes, of major shareholdings is measured by the OPI which has been applied four times over a period of 15 years: in the years 1992, 1998, 2004 and 2007. 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 towards 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 the influence of shareholders who are not in 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 per cent is considered enough to give dominant control of a company.⁷² 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 per cent of all top ten companies).

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

4.1 The Australian Interlock Case Studies 1992–2007

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

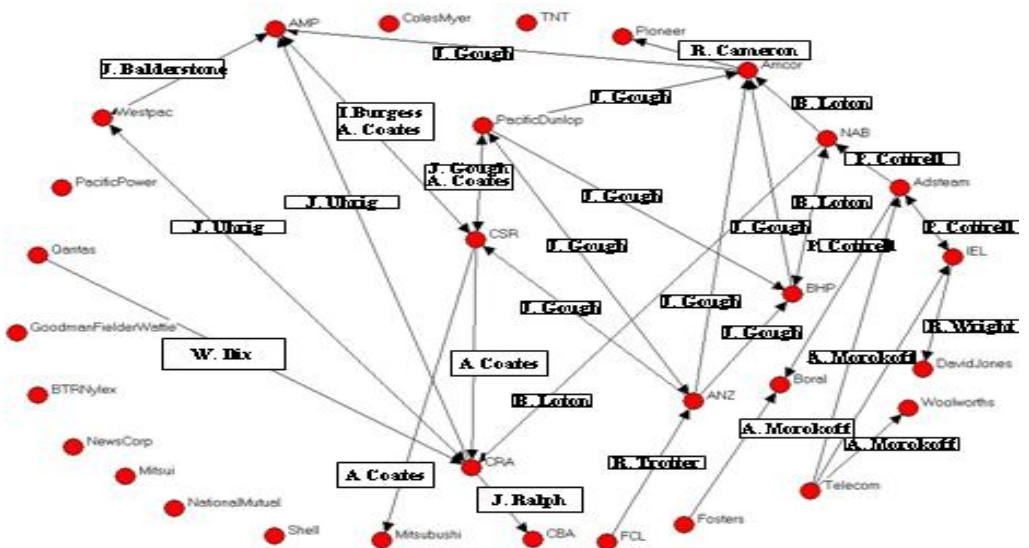
Case Study 1- the 1992 Australian Interlock Data

The interlocks in 1992 were busy (see Figure 1.1). 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:

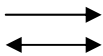
It's wrong to treat money as a commodity.... This is great for guys who want to trade in money but hopeless for guys who want to make fixed capital investment. ... It makes the decision to invest particularly for export with changing international values that much more difficult.⁷³

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 1.1: 1992 Directional Interlocks in the Top 30 Companies



Key:



→ = the direction of the director's power base

↔ = the director has a power base in two companies

At the bottom left are the non-interlocked companies e.g. TNT

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

A high 56 per cent of the top 30 companies were interlocked here. Those with highest centrality were Pacific Dunlop (industrial) and Telstra (communications) (see Figure 1.1). 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.⁷⁴(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 —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 critical⁷⁵

Well known to their peers, this 1992 business inner circle included, apart from multiple interlocker 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.⁷⁶

Hypothesis H6 is proved when Figure 1.1 clearly identifies an ACC inner circle.⁷⁷

And contrary to the collusive hypothesis the 1992 Australian data shows 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 - The 1998 Australian Interlock Data

In cyclical terms, this late 90s period was one of rising economic profit.⁷⁸ In 1998 there was healthy GDP growth of over 4 per cent, largely from property and

commodity sales, with only small pockets of profit slump.⁷⁹ As a consequence, there was relatively little interlocking taking place. Figure 1.2 shows that there were ten of the top 30 companies with multiple interlocking directors — that is 33 per cent of the total 1998 sample. This is a lower percentage than in 1992. Rising business globalisation is reflected in this interviewee's expectations of opportunity:

We had options about whether we were going to stay in this country but there is a lot of pressure and competition to go elsewhere. Competition is really international not just domestic.... I do question whether change has been too fast because I do not think there is full understanding of the challenges that we face as a tiny part of the international community. The point is that we are a very small community.⁸⁰

This quote reflects a concern over rapid change occurring amongst the ACC.

In 1998 John Ralph was the most interlocked director.⁸¹ He was described by his peers as:

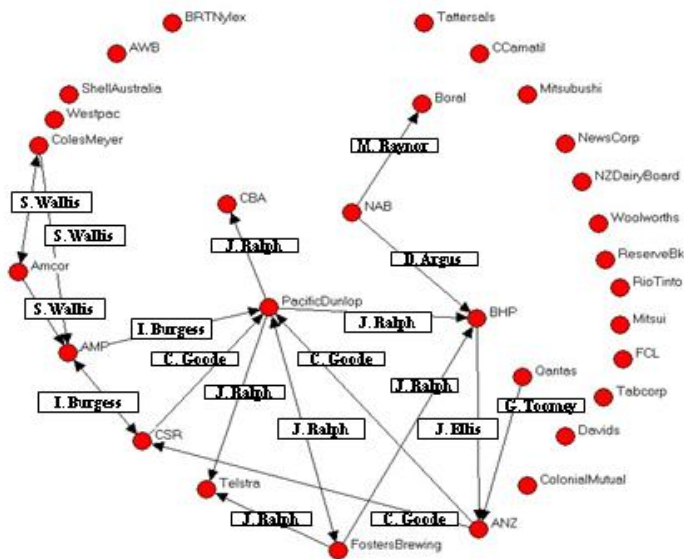
Popular, very easy going ... Yes, they cannot be driving all the time. You want someone that you know can take a reflective position. But they do want to drive, that I can assure you.⁸²

Figure 1.2 shows John Ralph at the political centre of the top business network. (Not shown is the fact that Ralph also had many corporate shares — in 1998 he had 160,000 shares in Pacific Dunlop, 14,134 shares in Telstra, 10,602 shares in CBA and 38,500 in Fosters. Substantial as this may seem it does not make Ralph anywhere near being a major shareholder.) He was described as being 'close to the Byzantine workings of government ... a former BCA President ... worked as a link man between the Federal government and the alliance of business groups, the Business Coalition for Tax Reforms'.⁸³ Ralph was also the person who helped put the concept of 'enterprise bargaining' into the lexicon, and into practice, as the Managing Director at CRA. A director put his achievement in this way:⁸⁴

There was a study commission set up by the BCA that worked through a period of about five years [from 1983], from which time it developed the ideas of enterprise bargaining. Enterprise bargaining was, I won't say our greatest success, but it is a really good example. Enterprise bargaining was an anathema when the stake was put in the ground. Now the words are used commonly sometimes to mean something quite different but at least it's in most agendas and things have moved.

Ralph was able to act for his class as both an innovator of new concepts and an exponent of key Economic Liberal ideas, and was a conduit to government in his strategic role as chair of key lobby groups and state committees.

Figure 1.2: 1998 Interlocking Companies and Their Directors



Source: BRW 1000 by Revenue November 16 1998, p. 120.

These 1998 centrality figures shown in Figure 1.2 indicate relatively low bank centrality (NAB 8 and ANZ 6). By the late 1990s Australian banks did not get involved in interlocking because they did not have to. Money flowed easily. Bank practice was dignified, benign and hands off:

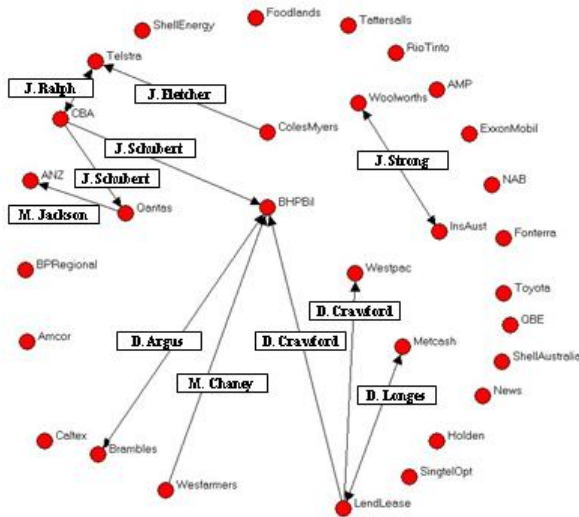
They don't get involved. If they don't think a company is being run well, in an extreme case they'll tell the chairman or the managing director. But normally they'll express their displeasure by selling out the company and investing somewhere else.⁸⁵

Bankers were able to continue to practise with relative autonomy, which helps their legitimacy by enhancing their public persona as independent.

Case Study 3 - 2004 Australian Interlock Data

In 2004, Australia had continued to enjoy economic growth with an increasingly profitable and vibrant economy.⁸⁶ GDP continued at 4 per cent and over; industry was generally making positive contributions to the economy⁸⁷ and banks reported 'very low levels of corporate and personal defaults' with very positive 'performance of the funds management and insurance businesses.'⁸⁸ This rich, trusting and comfortable business community did not see the need for interlocks (see Figure 1.3).

Figure 1.3: 2004 Directional Interlocks in the Top 30 Companies



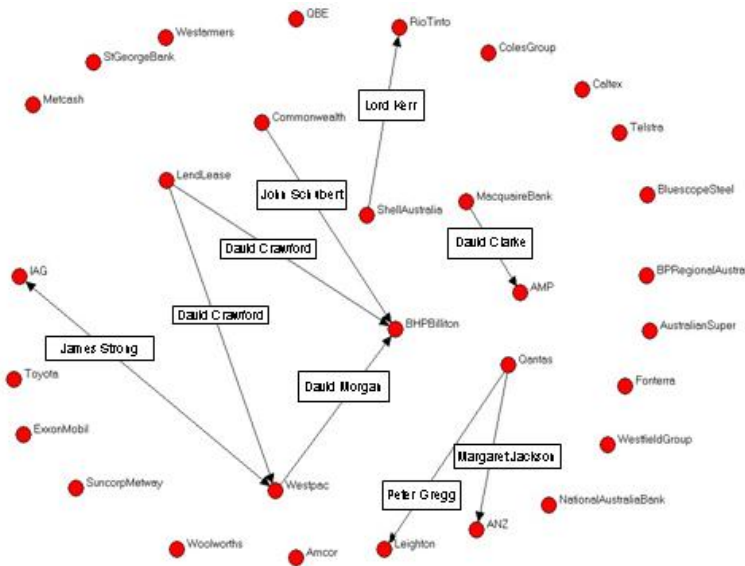
Source: BRW 1000 by Revenue November 11-17 November, 2004, p. 88.

In 2004 only eleven of the top 30 companies were interlocked, which is a low 36 per cent of the sample. At the political heart of this inner circle was John Schubert (CBA, Qantas, BHP and Telstra) and a past BCA president. This was a change of the guard from John Ralph to John Schubert. Schubert was said to, ‘a bit boring.’⁸⁹ His views ‘chant the mainstream corporate catechism of the need for cutting taxes, for efficiency and flexibility and productivity. He complains about the dead hand of regulation and opposes centralised union power, saying organisations need to free workers to be able to contribute more.’⁹⁰ It is critical in this time of intense ACC lobbying on the Australian state that all of these men were BCA leaders and were all Economic Liberal evangelists. These men are the national political cadre of their class and their class’s link to the state.

Case Study 4 - 2007 Australian Interlock Data

By 2007 the ACC interlocks have dwindled to distinctly thin in appearance. Michael Swartz⁹¹ suggests this hollowing out of interlocks over the years is due to the overt lack of finance capital amongst the interlockers.

Figure 1.4: 2007 Directional Interlocks in the Top 30 Companies



Source: BRW 1000 by Revenue November 22-December 12 2007, p. 62.

This thinness of interlocks is paralleled in other places. Carroll's⁹² Canadian based work suggests that by the 2000s the Canadian boards were dominated by exit strategies⁹³ because they have lost their 1990s function of disciplining, lobbying and economic liberal consensus building and now board members want to focus on just building a business community.

This reasoning may explain how David Crawford, one of the most multiply interlocked directors, is not being a President of the BCA. 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.), the Kingston Heath Golf and has the right type of recreational activities fly fishing, hiking, skiing, tennis, golf, music, reading.⁹⁴

The 1992-2007 ACC are shown to be using their national network to build a top business community. I asked a BCA member what was the thinking behind a strategy paper they 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 ten nations in world by wealth."⁹⁵

With their status secure in Australia how keen are the ACC to go off shore and become TCC?

4.2 What do the ACC think about being integrated into the global economy?

HI suggests that the ACC are 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.⁹⁶

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 but 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.⁹⁷

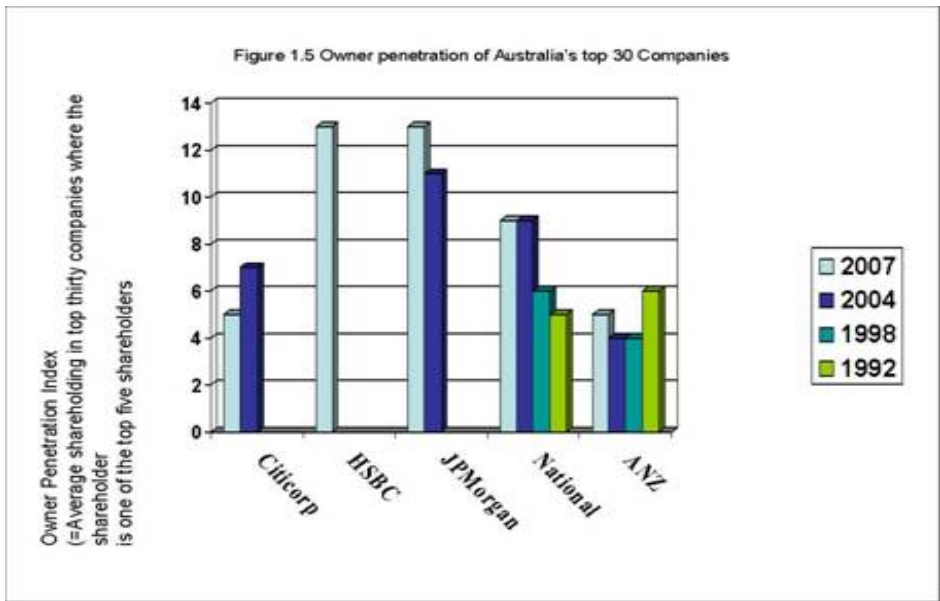
A finance capital director noted the increasing role of the finance capital:

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.⁹⁸

Corporate winners are the flexible, the mobile and the quick in a competitive market. We can confirm now that the ACC are distinct from the TCC, they 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.⁹⁹ But do they hold economic power?

4.3 Major Share Holders and the Owner Penetration Index (OPI)

The traces of the TCC are their major shareholders in the top companies. Figure 1.5, following, shows the OPI representing only the top five shareholders of the top 30 companies through 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 it for the first time identifies the presence of the ownership of the TCC.



Note:

1. 2007 there were 23 (from 30) companies with top 20 investment information in their Annual Reports
2. 2004 there were 23 (from 30) companies (as above)
3. 1998 there were 21 (from 30) companies (as above)
4. 1992 there were 20 (from 30) companies (as above)

Figure 1.5 shows the demise of the ‘natives; the only indigenous capital survivors are the National Australia Bank (National Nominees with 1992 5.4 per cent average over all top thirty companies; 1998 at 5.7 per cent, 2004 at 9.3 per cent and 2007 at 9.4 per cent) and the ANZ (ANZ Nominees with 1992 at 5.6, 1998 at 4.2, 2004 at 4.0, 2007 at 4.6 percent of ownership of the top thirty companies). They have stayed the 16 year distance. It was not until 2004 that domestic finance capital was seriously challenged by transnational capital and the changes became noticeable on the OPI. Here is some back ground to the three TCC finance capitalists who have since deregulation and specifically since 1992 interacted competitively with the ACC:

J.P. Morgan Chase¹⁰⁰ 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’). JP Morgan currently sells financial products and services and is the third-largest bank in the United States. They have assets of \$1.4

trillion and operate in more than 50 countries.¹⁰¹ In 2006, the company's profits rose by 65 percent to a record \$13.65 billion. They have a history of concentrating companies with layering mergers upon mergers: JP Morgan is built from nearly 1,000 previous companies.¹⁰²

Citicorp, formerly the Bank of New York, was first chartered by the 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.¹⁰³ They are head quartered 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.¹⁰⁴ 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.'¹⁰⁵

H4 suggests that share ownership is now diverse and control not ownership is managerial. This is incorrect as figure 1.5 shows concentrated TCC ownership, in the form of finance capital's nominee investment.

HSB is the new player on the TCC block. HSBC, although virtually unknown to Australians, 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.'¹⁰⁶ The Hong Kong Bank was founded, by British Sir Thomas Sutherland in 1865. Sutherland used HSBC and others he opened in Shanghai, London and San Francisco to finance 'much of the lucrative opium trade.'¹⁰⁷ He was a member of the British parliament from 1884-1891 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 assets (as of December 31, 2007 equalling \$1.861 trillion). In 2000 HSBC's size was rated globally as the third largest by Forbes. Nearly 22 per cent of its earnings come from Hong Kong, where it was headquartered until 1993. Today its Head Office is at London Canary Wharf.¹⁰⁸

For Carroll and Fenemma HSBC is a core player in the transnational network; identifiable as such by their central board interlocks.¹⁰⁹

We have now identified three major shareholders – Citibank, JP Morgan Chase and HSBC - as TCC and currently major shareholders of Australian top companies. But by 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 5 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 data base we found that HSBC holds 7.56 per cent of the total Australian market capitalisation. HSBC seems to have a strategy of focusing on being number one investor in number one

companies (see table 1.6 where they are number one shareholder in 57 Australian companies). Whereas JP Morgan, although still ranked top overall with 8.16 per cent 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's holds the top number of shares in the top companies.

Table 1.6 : The shareholding and ranking of shareholdings amongst the top 300 Australian firms

Name of company	average shareholding	no of shareholdings	proportion of total market capitalisation owned	rank avg.	rank total	total shareholding	no of firms in which it is no 1 shareholder
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 Murray, G. and Peetz, D. 2008, 'Who owns the world? transnational integration at the top corporate major shareholding evidence' (forthcoming).

Whatever strategy used by these top finance companies, or banks, Table 1.6 (above) shows that there is a great deal of monies that these TCCs have control over, indeed they have 34.12 per cent 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 control the dominant relationship are moving to replace the ACC with takeovers but they are happy for the ACC to remain the political face of Australian business; creating conducive conditions for business through their state lobby group the BCA.

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

5 What does the Australian data mean?

Australian interlocking evidence, as revealed here, shows that in of itself interlocks do not reveal the underlying power structures of companies and 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 through any centrality exercised through interlocking directorates, this is smoke and mirrors, for its real power lies in major shareholdings. For H1 is right, in that, the

TCC are intensely competitive and likely to subsume the ACC at the economic rather than the political level. Therefore *H2* is wrong the TCC are 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 they can use ACC managers and directors to internalise their interests as their own. They can use the ACC lobby group the BCA to lobby the Australian state. Bureaucrats, politicians, professionals or consumerist elites are a second order of power not dealt with here but of relative insignificance economically.

H3 is partially right in that the TCC are a class-for-themselves who globally out compete the Australian natives; with JP Morgan (8 per cent control/ownership of the top 300 company's market capitalisation), HSBC (7 per cent), Citicorp (5 per cent) against the 'native' players but in Australia the natives still have very high ownership stakes (National Australia Trustees Limited 7 per cent), ANZ (4 per cent) and Westpac (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 their 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.¹¹⁰

Leo Panitch and Sam Gindin's¹¹¹ work suggests that this influx of US finance capital – in Australia's case JP Morgan Chase and Citicorp – is part of the US *informal empire*; that is, since the post world war two the US has rebuilt 'seamless accumulation' internationally and it also fulfils the conditions of what Buroway called third wave marketisation.¹¹² Added support for these three theorists is the evidence of Australian exposure to financials in their Equity Market being at 40 per cent, whereas in the US it is only 17 per cent.¹¹³

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 are John Gough (1992), John Ralph (1998), John Schubert (2004) and David Crawford (2007). Ralph, Schubert and Gough were all Presidents of the Business Council of Australia (the top business state-lobby group) and are all strongly committed to economic liberal thinking.¹¹⁴ Panitch and Gindin suggest that the US 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.¹¹⁵ And the TCC particularly benefit through the ACC lobbying the state through the BCA.¹¹⁶

H4 that is the hypothesis that diverse shareholding means that management and

boards will be civically responsible is not correct. The major shareholders have the 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.’¹¹⁷ Finance capital is dominant but not through interlocks but through major shareholdings and through Bank board decisions as to who is to be given credit. When a director was asked if it 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’.¹¹⁸

The central political interlockers - Crawford, Schubert, Ralph and Gough - are not of a globally, networked TCC, as identified by Robinson and Carroll.¹¹⁹ The nascent TCC would be the major shareholders of HSBC, Citicorp and JB Morgan.

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.

Conclusion

The major empirical difference between the situations in 1992 through to 2007 was the creeping internationalization of finance capital from a high national input to being dominated by TCC finance capital. So whilst the top 30 companies and their CEOs are Australian or at least ASX listed their major shareholding was not. The OPI allows us to measure and then point to the growing significance of the TCC’s JP Morgan, Citicorp and HSBC. But also notes the continued presence of native capital NAB, ANZ and Westpac.¹²⁰ Like Carroll¹²¹ suggests the ACC nurtures and protects the TCCs development within the nation state.

Still, the degree of international finance capital penetration into Australia continues to remain smaller than the bulk of capital investment by Australian capitalists in Australia.¹²² Whilst the data has shown a hollowing out of multiple board interlocks with the disappearance of finance capitalists (both global and national) there remains 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’¹²³ are wise but TCCs such as JP Morgan, Citicorp and HSBC, are becoming more integrated and powerful in the local Australian economy.

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