

## **Who Rules the World - Ownership and Finance Capital**

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# **Who Owns the World: some empirical findings**

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## **Who Owns the World: some empirical findings**

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### **1. Introduction**

Who owns the world? Or at least, the largest corporations within in? In this paper we address the following research questions:

- Is ownership of very large global corporations dispersed amongst a wide variety of individuals, families and shareholder types? Or are there common patterns of ownership across the largest corporations?
- Are the largest corporations dominated by industrial capital, finance capital, or something else?
- Does the state still have any role to play in ownership of large corporations?
- Is there any indication of the relationship between the global financial crisis and ownership patterns?
- What does this mean for our understanding of the debate about a transnational class?

From this data we would like to argue that wealth in the form of corporate ownership is becoming more concentrated at the top and from that we would like to reopen the question as to whether this degree of unequal centralisation of wealth is healthy and sustainable.

Our evidence comes from a global database on corporate share ownership that locates the number, extent and the country of origin of global corporate ownership. First we look at the critical literature about wealth distribution and class organisation.

### **2. Literature**

Karl Marx was one of the first to identify the complications associated with the centrifugal properties of capitalism that result in the centralization of capital, that is, powerful companies amassing huge amounts of money to the detriment of smaller capitalist business and the workers inside all companies. In *Capital*, volume one he argues that 'Capital grows in one place to a huge mass in a single hand, because it has in another place been lost by many. This is centralisation proper, as distinct from accumulation and concentration.' Capital centralisation and concentration as a process endemic to the nature and instability of capitalist cycles, is central to Marx's writing. Needless to say his social and economic concerns were not for the sustainability of the capitalist system.

Non Marxist writers such as Bart Narter, an inside analysts for Celent's Banking Group, who may never heard of Marx, take a similar tack to Marx when they say: "The greatest concern is that banks will become not just too big to fail, but too big to bail out... At what point does a government lose the ability to bail out its banks? How large should they be allowed to grow?" Narter uses the Herfindahl-Hirschman Index (HHI) to reinforce his concerns. The HHI finds Canada and Russia (and to a lesser extent the USA) to be anti competitive, in that, globally they have the most concentrated domestic deposits.

Concern with concentration and centralization of top global business is the focus of the work of Stefano Battiston and James Glattfelder. Battison and Glattfelder are Swiss physicists from the Federal Institute of Technology in Zurich who use a methodology that requires the construction of a Lorenz-like curve in order to uncover the distribution of the control in a market. Using this method they suggest "often the same power holders appear in the backbones of the 48 countries analyzed" and it is therefore "possible to identify the global power holders." They give a top ten-company list using the 2007 data from the Bureau Van Dyk (BVD) Osiris database. Their top-ten list comprises: the company's name, their activity, the country in which the head quarters of the company is and the ranking:

**Table 1: top 10 Global companies 2007 (pre financial crisis)**

|     | Name of company           | The head quarters of their company | Their activity                            |
|-----|---------------------------|------------------------------------|---|
| 1.  | Capital Group Companies   | US                                 | Investment management                     |
| 2.  | Fidelity Management       | US                                 | Research investment products and services |
| 3.  | Barclays PLC              | GB                                 | Financial services provider               |
| 4.  | Franklin Resources        | US                                 | Investment management                     |
| 5.  | AXA                       | FR                                 | Insurance company                         |
| 6.  | JPMorgan Chase & Co       | US                                 | Financial services provider               |
| 7.  | Dimensional Fund Advisors | US                                 | Investment management                     |
| 8.  | Merrill Lynch & Co.       | US                                 | Investment management                     |
| 9.  | Wellington Management Co. | US                                 | Investment management                     |
| 10. | UBS                       | CH                                 | Financial services provider               |

Source: Glattfelder, J.B. & Battiston, S. 2009 using the 2007 Van Dyk data base OSRIS

Next to the dominance of US American companies Capital Group and then Fidelity Management they found: Barclays PLC (GB) , AXA (FR) and UBS (CH), Deutsche Bank (DE), Brandes Investment Partners (CA), Société Générale (FR), Credit Suisse Group (CH), Schrodgers PLC (GB) and Allianz (DE) in the top 21 positions.' To their surprise HSBC only appears in position 26<sup>th</sup> amongst the largest multinational corporations and they go on to note the absence of individuals with the exception of

the Americans Warren E. Buffet, William Henry Gates, the German Porsche/Piech and French Bettencourt families and from Korea is Kao H. Min. They rate their most significant finding as that all the 'corporations appear as prominent controlling shareholders simultaneously in many countries [although we] are aware that financial institutions such as mutual funds may not always seek to exert overt control'.

Bill Carroll stresses the significance of ownership in the process of TNC accumulation identifying two forms of articulation currently in the social science literature. 'These are:

- financial-industrial relations, through which credit is allocated by banks and other financial institutions to industrial corporations in need of financing, and
- intercorporate ownership relations, which, when sufficiently concentrated, enables some firms to exert *strategic power* over other companies ((Carroll and Sapinski 2009) Carroll 2010). "

To illustrate he uses two different studies, first, Glattfelder, J.B. & Battiston, S. 2007 (as above) and second, the 1976 Fennema and Schijf (1985) study. The two studies show a 'sharp asymmetry in the pattern of international ownership' both in the dominance of American firms in Europe ('with very few exceptions, transnational interlocks are not vehicles of strategic control' rather they are developing solidarities of a transnational corporate community vis-à-vis national elite groups') and the changed style from 1976 to 2007 where 'the concentration of capital within institutional investors' concentrates on boosting the value of their shares by de-stabilising "patient money" relations between corporations and banks' and taking them toward a new step that shifts financial organisations from 'low-yield (but also low-risk) relationship financing to higher-yield (and higher risk) transnational-based financing, weakening the financial-industrial nexus constitutive of finance capital.' This has happened in the neo liberal period in which banks have moved from financing production to highly speculative and newly improvised instruments of accumulation (eg derivatives, selling debt etc...) where these 'institutional investors become important centers of allocative as well as strategic power, the relationship between financial institutions and non-financial corporations became looser and more episodic' And their transaction-based financing – "agile money" rather than "patient money" – that became predominant through financialization (articulated in neo liberal economics). These firms practicing financialization 'exercise 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'

In contrast Bill Robinson suggests that this is a new phase of globalization that is distinguished by "a globally integrated production and financial system, an emergent transnational capitalist class, and an incipient transnational state apparatus'. He goes on to suggest that the structural changes made in this new

epoch of transnational capitalism 'have contributed to a new fractionation among elites' in the third world into nationally orientated and transnationally orientated groups. This material does not look at the nationally orientated groups but it does look at what Robinsons would see as the core of the transnational capitalist class.

### **3. Methodology**

The data we use in this study is the shareholding ownership data from a global database called Osiris (also used by Battiston and Glattfelder, 2009). Our data set is 2009 post financial crisis (whereas the Battiston and Glattfelder 2009 is based on data from 2007, that is, pre the financial crisis therefore there are very notable differences to be found). The Bureau Van Dyk (BVD) database, OSiRIS, combines information from around 100 sources and covers approaching 60 million companies worldwide from more than 299 countries with 500 employees working in 29 offices with 200 staff working in Brussels doing 'product management, analysis, software engineering, quality control, sourcing, production and hosting. A further 250 staff work in sales, marketing and customer support in Amsterdam, Bahrain, Beijing, Bratislava, Brussels, Chicago, Copenhagen, Edinburgh, Frankfurt, Geneva, Lisbon, London, Madrid, Manchester, Mexico City, Milan, Moscow, New York, Paris, Rome, San Francisco, Seoul, Shanghai, Singapore, Stockholm, Sydney, Tokyo, Vienna and Zurich'.

Our unit of analysis in the dataset is the 'shareholding', which is a group of shares held in a VLC by a share controller entity (bearing in mind that each group may have more than one share controlling entity). Our dataset comprises 17826 observations of shareholdings by over 2100 share controllers of 299 large global corporations: the 250 largest industrial corporations by turnover, and the 50 largest financial corporations (including banking, finance and insurance) by assets in the BVD database, minus one industrial corporation for which ownership data were not available.

We come at this shareholding data from a different paradigm than Battiston and Glattfelder – sociological and industrial relations perspectives. We are looking at the BVD database to find the evidence and then providing a description of what we identify as the top ten global companies (not the same as those found in the Battiston and Glattfelder 2009 study). We have had to clean the BVD data because of some double counting of shareholdings and subsequently applied a series of rules as to what had to be removed: the removal of references to "public", "personnel" or "others". where a government is identified as an owner, this is often done through a government-owned corporation or agency. We used web sources to identify the relevant government agencies and delete their direct shareholdings (so as to maintain the government's identified 'direct and indirect' shareholding): we used web searches to identify where a significant shareholder in turn holds controlling shares in another significant shareholder: we deleted the direct shareholdings of the smaller shareholder (so as to maintain the larger shareholder's identified 'direct and indirect' shareholding). Where the stock exchange nominee is listed (e.g. HKSCC

nominees) as a shareholder, this is often a cover for multiple shareholders who do not wish their identities to be publicly revealed. These shareholders may be identified indirectly elsewhere in the register. So consequently we deleted the reference to nominee company direct shareholding. And where the recent public documents indicated a smaller shareholding than listed on the database we applied a proportionate reduction to the shareholding recorded on the database. Most large share controllers in our dataset operate through more than one entity (as we will see below with the largest such controller BlackRock for example). In general, we have aggregated entities into a single group where those entities share a common element in their name that indicates common ownership, or in a smaller number of cases where there is majority ownership but a different name (eg the industrial company SAS Rue la Boetie is treated as synonymous with the French bank Credit Agricole, by which it is fully owned, and FMR LLC is treated as synonymous with other members of the Fidelity Group).

For convenience, we refer to the multinational corporations or corporate groups in our database as very large corporations (VLCs).

## Results

Table 2 indicates the countries of origin of our 299 VLCs. As would be expected, the largest single group comes from the USA (86 companies or 29 per cent of the population, though only 20 per cent of VLC assets), with notable representation also from Japan, France, Britain, Germany, Korea and China. By region, Europe accounted for 37 per cent of VLCs in the database, greater than the share of the Americas (32 per cent) and Asia (including the Middle East and Australia) (30 per cent).

**Table 2: Country of origin of very large corporations (VLCs) in database, 2009**

|    | No of VLCs | Proportion of VLC assets |
|----|------------|--------------------------|
| US | 86         | 20.1                     |
| JP | 48         | 6.1                      |
| FR | 23         | 11.0                     |
| GB | 23         | 18.7                     |
| DE | 20         | 6.9                      |
| KR | 13         | 1.1                      |
| CN | 10         | 7.6                      |
| IT | 7          | 5.9                      |
| AU | 6          | 2.8                      |
| CH | 6          | 3.6                      |
| ES | 6          | 4.3                      |

|       | No of VLCs | Proportion of VLC assets |
|-------|------------|--------------------------|
| NL    | 6          | 2.4                      |
| CA    | 5          | 1.8                      |
| RU    | 5          | 0.9                      |
| IN    | 4          | 0.2                      |
| BE    | 3          | 2.2                      |
| HK    | 3          | 0.4                      |
| SE    | 3          | 1.5                      |
| TW    | 3          | 0.1                      |
| BM    | 2          | 0.0                      |
| BR    | 2          | 0.5                      |
| DK    | 2          | 1.0                      |
| IE    | 2          | 0.1                      |
| SG    | 2          | 0.0                      |
| AT    | 1          | 0.0                      |
| FI    | 1          | 0.1                      |
| LU    | 1          | 0.2                      |
| MX    | 1          | 0.1                      |
| NO    | 1          | 0.2                      |
| PL    | 1          | 0.0                      |
| SA    | 1          | 0.2                      |
| TH    | 1          | 0.1                      |
| TR    | 1          | 0.1                      |
| Total | 299        | 100.0                    |

Table 3 shows the types of shareholders who control shares in the top 299 VLCs in our database. It indicates that various forms of financial capital control the vast majority (84.1 per cent) of shares in VLCs, with only a minimal proportion held by individuals or families (3.3 per cent) and relatively little held by industrial companies. The most common specific type of share controller was a bank. There were some differences between ownership of financial and industrial companies in our database: shares in industrial companies were more likely than those in financial companies to be owned or controlled by other industrial companies or by individuals or families, but banks were the most common share controllers in both major categories. As the financial VLCs in our database had higher average assets than the industrial companies, they accounted for 76 per cent of total assets in our database, and industrial VLCs 24 per cent.

**Table 3: Types of shareholders in VLCs by assets held**

|  | % of all assets held |                   |                    |
|--|----------------------|-------------------|--------------------|
|  | In all VLCs          | In Financial VLCs | In Industrial VLCs |
|  |                      |                   |                    |



|  |       |       |       |
|--|-------|-------|-------|
| Bank   | 24.4  | 24.0  | 25.4  |
| Financial company                                  | 16.5  | 17.7  | 12.5  |
| Mutual & Pension Fund/Nominee/Trust/Trustee        | 16.0  | 16.8  | 13.3  |
| Insurance company                                  | 9.9   | 10.5  | 7.8   |
| Private Equity firms, hedge funds, venture capital | 1.6   | 1.5   | 1.6   |
| Public authority, State, Government                | 15.9  | 17.1  | 12.1  |
| Industrial company                                 | 9.5   | 6.6   | 19.0  |
| Individuals, families                              | 3.3   | 2.4   | 6.0   |
| Self ownership                                     | 1.1   | 1.1   | 1.0   |
| Other  | 2.0   | 2.2   | 1.2   |
| Total  | 100.0 | 100.0 | 100.0 |

Table 4 shows the total value of assets held or controlled by the largest 30 share controllers of VLCs, out of over 2100 share controllers appearing on our database. These 30 share controllers consisted of the 21 largest private sector share controllers, and the 9 largest public sector share controllers. Several aspects of the table are noteworthy. The first is that these 30 organisations between them own or control some 51.4 per cent of the assets of the 299 VLCs in our database – that is, of 299 of the largest corporations in the world. This is a significant concentration of resources and power – 1.5 per cent of shareholders controlled 51 per cent of shares.

The second is that a remarkable 6.06 per cent of the assets of the 299 VLCs in our database (around USD 3 trillion) are held or controlled by one company which is relatively unknown (certainly, we had not heard of it before initiating this research). That corporation is Black Rock Inc. We discuss more about Black Rock, and other large share controllers, shortly.

The third is that eight of the largest share controllers are governments. These nine states between them account for 17.0 per cent of the assets of our top 299 VLCs. (The remaining 34.4 per cent was controlled by the top 21 private sector or capitalist share controllers.) Curiously, this 17 per cent ownership of VLCs by nine governments is higher than the 16 per cent ownership of VLCs by all ‘public authorities, states and governments’ indicated in Table 3, but the discrepancy is due to many government-owned bodies being located in the BVD database under other categories. We comment on differences between state ownership strategies later.

**Table 4: Largest 30 shareholders of VLC assets, 2009**

| <i>rank overall</i> | <i>Share controllers</i>            | <i>value of assets held (USD m)</i> | <i>proportion of all VLC assets held</i> |
|---------------------|-------------------------------------|-------------------------------------|--|
|                     | <b>Private sector shareholders</b>  |                                     |  |
| 1                   | Black Rock                          | 2,972,264                           | 6.06                                     |
| 4                   | AXA                                 | 1,680,691                           | 3.43                                     |
| 5                   | JP Morgan Chase                     | 1,478,766                           | 3.02                                     |
| 6                   | Capital Group                       | 1,243,539                           | 2.54                                     |
| 7                   | FMR LLC (Fidelity Investments)      | 980,021                             | 2.00                                     |
| 8                   | BPCE                                | 976,087                             | 1.99                                     |
| 9                   | LEGAL & GENERAL Group               | 887,500                             | 1.81                                     |
| 10                  | State Street Corpn                  | 835,808                             | 1.71                                     |
| 11                  | Vanguard Group                      | 723,416                             | 1.48                                     |
| 16                  | SOCIETE GENERALE                    | 551,030                             | 1.12                                     |
| 17                  | ALLIANZ                             | 511,337                             | 1.04                                     |
| 19                  | Credit Agricole / SAS RUE LA BOETIE | 477,702                             | 0.97                                     |
| 20                  | HKSCC Nominees                      | 451,457                             | 0.92                                     |
| 21                  | BANK OF NEW YORK MELLON Corpn       | 444,597                             | 0.91                                     |
| 22                  | BARCLAYS                            | 441,974                             | 0.90                                     |
| 23                  | CREDIT SUISSE                       | 400,452                             | 0.82                                     |
| 24                  | JAPAN TRUSTEE SERVICES BANK         | 398,808                             | 0.81                                     |
| 25                  | GOLDMAN SACHS                       | 386,392                             | 0.79                                     |
| 26                  | MORGAN STANLEY                      | 368,192                             | 0.75                                     |
| 28                  | FRANKLIN RESOURCES                  | 356,942                             | 0.73                                     |
| 30                  | DEUTSCHE BANK AG                    | 312,929                             | 0.64                                     |
|                     | <b>State shareholders</b>           |                                     |  |
| 2                   | Govt of UK                          | 2,322,930                           | 4.74                                     |
| 3                   | Govt of CHINA                       | 2,218,389                           | 4.53                                     |
| 12                  | Govt of QATAR                       | 700,376                             | 1.43                                     |
| 13                  | Govt of JAPAN                       | 694,584                             | 1.42                                     |
| 14                  | Govt of FRANCE                      | 606,059                             | 1.24                                     |
| 15                  | Govt of NORWAY                      | 589,335                             | 1.20                                     |
| 18                  | Govt of USA                         | 501,294                             | 1.02                                     |
| 27                  | Govt of BELGIUM                     | 367,235                             | 0.75                                     |
| 29                  | Govt of GERMANY                     | 331,614                             | 0.68                                     |

## 5. Strategies of top private share controllers

Table 5 shows several characteristics of the top 21 private share controllers amongst the top 299 VLCs. Again, several points are noteworthy. First, six of the top ten private share controllers are based, or at least originated in, the US, as are 10 of the top 21. (Some of their shareholdings are through subsidiaries established

within other countries, which is why we refer to the country of origin.) Three of the top ten are based in France, and one in the United Kingdom.

Second, all are financial institutions of one type or another: banks, financial companies, insurance companies, or mutual and pension funds or trusts. Third, the top eight share controllers hold shares in more than half the top 299 VLCs. So their potential influence is spread across a very wide range of corporations. Indeed, 18 of the top 21 hold shares in at least 100 VLCs. Fourth, various distinct patterns of share control can be observed. We pay particular attention to the number of companies in which a shareholder has the number one shareholding, and also those where they are amongst the top five shareholders. We refer to these as measures of share controller 'precedence'.

On the one hand, Black Rock and Capital Group stand out as giving high priority to having precedence. Both have the primary (number one) shareholding in a substantial number of companies – in Black Rock's case, some 42 companies, representing 13 per cent of Black Rock's shareholdings (and 15 per cent of the companies in which Black Rock controls shares). In some 55 per cent of its shareholdings, Black Rock is one of the top five shareholders, as is Capital Group in 45 per cent of instances. The Japan Trustee Services Bank also gives high priority to precedence, but its shareholdings are restricted to only 29 companies, barely one sixth the spread of Capital Group and one tenth that of Black Rock. No other top share controller has more than 3 per cent of their shareholdings in primary positions. Black Rock is the largest share controller not only internationally but also amongst the Canadian, German, Italian and American VLCs within our database.

Black Rock and Capital Group are notable for having both wide influence (across many companies) and deep influence (through high precedence). That said, these share controllers do not focus on achieving legally-defined controlling shareholding levels. Table 5 shows the distribution of shareholdings by proportion of shares within VLCs, and it can be seen that Black Rock has shareholdings above 15 per cent in no VLC, while Capital Group has such share levels in only one case. Indeed, very few top private sector share controllers aim to (or perhaps can) secure shareholdings of 15 per cent or higher. In such large companies as our VLCs, large stakes are very expensive, so a primary shareholding can usually be achieved with a shareholding well below 15 per cent, substantial influence with even less. In some 56 per cent of VLCs the top shareholding is less than 15 per cent, and in one in ten VLCs the top ranked shareholding is 5 per cent or less.

**Table 5 Top 21 private sector share controllers: Number of holdings, mean value, and precedence**

|                                     | Country of origin | Main form of shareholder                    | Total VLCs in which shares are held (N) | total holdings (N) | Mean value of asset controlled within a VLC share-holding (\$m) | Primary share-holdings as a prop'n of all share-holdings (N) | Top five share-holdings as a prop'n of all share-holdings (N) |
|-------------------------------------|-------------------|---|---|--------------------|---|--|---|
| Black Rock                          | US                | Financial company                           | 282                                     | 328                | 9,259   | 13.1%  | 55.5%   |
| AXA                                 | France            | Insurance company                           | 247                                     | 285                | 5,918   | 1.8%   | 21.2%   |
| JP Morgan Chase                     | US                | Bank  | 219                                     | 265                | 5,644   | 1.9%   | 11.5%   |
| Capital Group                       | US                | Mutual & Pension Fund/<br>Financial company | 172                                     | 180                | 7,583   | 8.5%   | 44.5%   |
| FMR LLC (Fidelity Investments)      | US                | Financial company                           | 239                                     | 259                | 3,828   | 2.8%   | 22.2%   |
| BPCE                                | France            | Bank  | 156                                     | 157                | 6,217   | 0.6%   | 8.3%  |
| LEGAL & GENERAL Group               | UK                | Insurance company                           | 106                                     | 127                | 7,157   | 0.8%   | 21.8%   |
| State Street Corpn                  | US                | Bank  | 247                                     | 265                | 3,166   | 1.9%   | 26.9%   |
| Vanguard Group                      | US                | Mutual & Pension Fund                       | 267                                     | 268                | 2,894   | 0.8%   | 21.6%   |
| SOCIETE GENERALE                    | France            | Bank  | 122                                     | 125                | 4,408   | 1.6%   | 2.4%  |
| ALLIANZ                             | Germany           | Insurance company                           | 180                                     | 189                | 2,705   | 0.0%   | 3.2%  |
| Credit Agricole / SAS RUE LA BOETIE | France            | Industrial company / bank                   | 148                                     | 154                | 3,102   | 0.6%   | 5.2%  |
| HKSCC Nominees                      | Hong Kong         | Nominee/<br>Trustee                         | 5                                       | 5                  | 150,486   | 0.0%   | 100.0%  |
| BANK OF NEW YORK MELLON Corpn       | US                | Bank  | 180                                     | 189                | 2,352   | 1.1%   | 7.4%  |
| BARCLAYS                            | UK                | Bank  | 55                                      | 79                 | 5,666   | 1.3%   | 12.8%   |
| CREDIT SUISSE                       | Switzlnd          | Bank  | 135                                     | 158                | 2,535   | 0.0%   | 1.3%  |
| JAPAN TRUSTEE SERVICES BANK         | Japan             | Bank  | 29                                      | 51                 | 7,820   | 19.6%  | 72.5%   |
| GOLDMAN SACHS                       | US                | Bank  | 163                                     | 171                | 2,260   | 0.6%   | 3.0%  |
| MORGAN STANLEY                      | US                | Bank  | 159                                     | 236                | 1,580   | 0.4%   | 3.9%  |

|                    | Country of origin | Main form of shareholder | Total VLCs in which shares are held (N) | total holdings (N) | Mean value of asset controlled within a VLC share-holding (\$m) | Primary share-holdings as a prop'n of all share-holdings (N) | Top five share-holdings as a prop'n of all share-holdings (N) |
|--------------------|-------------------|--------------------------|---|--------------------|---|--|---|
| FRANKLIN RESOURCES | US                | Bank                     | 151                                     | 153                | 2,348   | 0.7%   | 9.9%  |
| DEUTSCHE BANK AG   | Germany           | Bank                     | 201                                     | 201                | 1,557   | 0.5%   | 4.0%  |

At the other extreme, several companies give low priority to having precedence, and indeed avoid proportionately large holdings altogether. Some 98 to 99 per cent of the holdings of European share controllers BPCE, Societe Generale, Credit Agricole, Credit Suisse, Allianz and Deutsche Bank are below 5 per cent of the VLCs' shares, with around four fifths or more being less than one per cent. In the case of Credit Suisse, 99 per cent of its holdings are also ranked outside the top five shareholders within their VLCs. The European share controllers by implication were less activist in seeking to develop deep control in shareholdings.

Other share controllers from the US and UK (and AXA from France) typically occupied a position somewhere in between these polar positions, being more active in obtaining higher shareholdings (above 1 per cent, and up to 10 per cent) and in obtaining precedence at least as one of the top five shareholders within a VLC. Looked at another way, the very activist role of Black Rock and Capital Group in seeing depth of share control within leading VLCs took to another level a difference between Anglo-American and European share controllers that may have already existed.

The one very anomalous case is HKSCC Nominees, which appears to have a very small number of very large shareholdings. This is a trust owned by the Hong Kong Stock Exchange, through which it seems shareholders can anonymously invest their funds with the effect of disguising ownership of companies in that country's stock exchange. It is therefore not really comparable with the other share controllers listed. Its holdings are principally major shares in five large Chinese companies.

**Table 6: Share concentration among top private share controllers**

|                 | less than 1% | 1% - 4.99% | 5% - 9.99% | 10% - 14.99% | 15% and above | Total  |
|-----------------|--------------|------------|------------|--------------|---------------|--------|
| Black Rock      | 26.8%        | 42.7%      | 29.9%      | 0.6%         | 0.0%          | 100.0% |
| AXA             | 54.9%        | 38.0%      | 6.0%       | 0.7%         | 0.4%          | 100.0% |
| JP Morgan Chase | 72.1%        | 21.0%      | 4.6%       | 1.9%         | 0.4%          | 100.0% |
| Capital Group   | 25.0%        | 55.5%      | 15.2%      | 3.7%         | 0.6%          | 100.0% |

|                                     |       |       |       |        |      |        |
|-------------------------------------|-------|-------|-------|--------|------|--------|
| FMR LLC (Fidelity Investments)      | 46.5% | 44.5% | 7.4%  | 1.6%   | 0.0% | 100.0% |
| BPCE                                | 77.7% | 21.7% | 0.0%  | 0.0%   | 0.6% | 100.0% |
| LEGAL & GENERAL Group               | 68.5% | 28.2% | 3.2%  | 0.0%   | 0.0% | 100.0% |
| State Street Corpn                  | 58.0% | 37.1% | 3.0%  | 1.5%   | 0.4% | 100.0% |
| Vanguard Group                      | 68.0% | 31.2% | 0.8%  | 0.0%   | 0.0% | 100.0% |
| SOCIETE GENERALE                    | 85.6% | 12.8% | 1.6%  | 0.0%   | 0.0% | 100.0% |
| ALLIANZ                             | 81.0% | 18.5% | 0.0%  | 0.5%   | 0.0% | 100.0% |
| Credit Agricole / SAS RUE LA BOETIE | 81.2% | 16.9% | 1.9%  | 0.0%   | 0.0% | 100.0% |
| HKSCC Nominees                      | 0.0%  | 0.0%  | 0.0%  | 100.0% | 0.0% | 100.0% |
| BANK OF NEW YORK MELLON Corpn       | 52.9% | 43.9% | 1.6%  | 0.0%   | 1.6% | 100.0% |
| BARCLAYS                            | 65.4% | 29.5% | 5.1%  | 0.0%   | 0.0% | 100.0% |
| CREDIT SUISSE                       | 83.5% | 15.8% | 0.6%  | 0.0%   | 0.0% | 100.0% |
| JAPAN TRUSTEE SERVICES BANK         | 5.9%  | 52.9% | 39.2% | 2.0%   | 0.0% | 100.0% |
| GOLDMAN SACHS                       | 82.5% | 16.4% | 1.2%  | 0.0%   | 0.0% | 100.0% |
| MORGAN STANLEY                      | 84.5% | 13.7% | 1.7%  | 0.0%   | 0.0% | 100.0% |
| FRANKLIN RESOURCES                  | 67.1% | 30.3% | 2.6%  | 0.0%   | 0.0% | 100.0% |
| DEUTSCHE BANK AG                    | 84.1% | 14.9% | 0.5%  | 0.0%   | 0.5% | 100.0% |

## 6. Top state share controllers' strategies

There were even more divergent patterns evidenced amongst state share controllers than amongst private share controllers, as indicated by Table 7. The high level of state ownership shown in previous tables does not mean states have generally been actively engaged in widespread public ownership strategies. Instead it reflects the large shareholdings that several governments have in a very small number of very large strategically-located organisations. In some instances this is a direct result of the global financial crisis and the efforts the state in countries such as the US and UK went to in order to preserve the functioning of private finance capital. By comparison private capital finds it can obtain effective control or at least influence with much lower shareholdings than the state acquires. The average shareholding amongst top government share controllers is typically 10 to 100 more times larger than the average shareholding of a top 20 private shareholder/controller.

**Table 7: Share control patterns by the state**

|                 | Total VLCs in which shares are held | total holdings | Mean value of asset controlled within a VLC shareholding (\$m) | Primary shareholdings as a proportion of all | Top five shareholdings as a proportion of all |
|-----------------|-------------------------------------|----------------|--|--|---|
| Govt of UK      | 11                                  | 13             | 193,577  | 16.7%  | 16.7%   |
| Govt of CHINA   | 11                                  | 14             | 201,672  | 45.5%  | 72.7%   |
| Govt of QATAR   | 4                                   | 9              | 87,547   | 25.0%  | 100.0%  |
| Govt of JAPAN   | 1                                   | 1              | 694,584  | 100.0%                                       | 100.0%  |
| Govt of FRANCE  | 41                                  | 45             | 13,468   | 13.3%  | 17.8%   |
| Govt of NORWAY  | 251                                 | 252            | 2,339  | 0.4%   | 6.7%  |
| Govt of USA     | 1                                   | 1              | 501,294  | 100.0%                                       | 100.0%  |
| Govt of BELGIUM | 2                                   | 2              | 183,618  | 50.0%  | 100.0%  |
| Govt of GERMANY | 2                                   | 2              | 165,807  | 50.0%  | 100.0%  |
| Govt of SWEDEN  | 213                                 | 214            | 1,284  | 0.0%   | 1.9%  |

At the other extreme are the state investment strategies of Norway and Sweden (the latter ranked 38th among all share controllers and 10<sup>th</sup> among governments). Both behave like a large European private investor, obtaining shares in the great majority of VLCs, and their average shareholding value is comparable to that of many European large private share controllers. Indeed, 99 per cent of Norway's and Sweden's shareholdings are less than 5 per cent of the VLCs' value (Table 7).

Norway, like most top private share controllers and unlike most states, invests in almost all VLC countries. Its purpose is not to keep unprofitable industries going but rather they obtain investment returns from their oil resources, to benefit future Norwegian citizens. Unlike top private share controllers, however, ethical considerations are significant. Hence Norway announced it was selling its holdings in Wal-Mart because of that company's poor record on labour practices. That said, its concern with ethics is not overpowering: Norway holds shares, for example, in Imperial Tobacco – as do the vast majority of other top share controllers. (Barely a dozen VLCs have a higher intensity of penetration by top share controllers than Imperial Tobacco.)

There are other states like China and France who pursue a different, intermediate strategy, with varying degrees of control and diversity, but mostly nationalistic (only or mainly investing in VLCs based in their own country). Qatar pursues a different strategy again, with heavy non-nationalistic investment but concentrated in a small number of VLCs in which it seeks to exercise influence, in contrast to the Scandinavians' very diversified approach.

**Table 8: : Share concentration among top state share controllers**

|                 | less than<br>1% | 1% -<br>4.99% | 5%-<br>9.99% | 10%-<br>14.99% | 15% and<br>above | Total  |
|-----------------|-----------------|---------------|--------------|----------------|------------------|--------|
| Govt of UK      | 83.3%           | 0.0%          | 0.0%         | 0.0%           | 16.7%            | 100.0% |
| Govt of CHINA   | 18.2%           | 27.3%         | 0.0%         | 9.1%           | 45.5%            | 100.0% |
| Govt of QATAR   | 0.0%            | 0.0%          | 75.0%        | 12.5%          | 12.5%            | 100.0% |
| Govt of JAPAN   | 0.0%            | 0.0%          | 0.0%         | 0.0%           | 100.0%           | 100.0% |
| Govt of FRANCE  | 75.6%           | 8.9%          | 2.2%         | 2.2%           | 11.1%            | 100.0% |
| Govt of NORWAY  | 72.2%           | 27.0%         | 0.4%         | 0.0%           | 0.4%             | 100.0% |
| Govt of USA     | 0.0%            | 0.0%          | 0.0%         | 0.0%           | 100.0%           | 100.0% |
| Govt of BELGIUM | 0.0%            | 0.0%          | 50.0%        | 50.0%          | 0.0%             | 100.0% |
| Govt of SWEDEN  | 97.7%           | 1.9%          | 0.0%         | 0.0%           | 0.5%             | 100.0% |

## 7. Case Studies of the top ten private share controllers

The purpose of the following case studies is to give a brief description of the top ten VLCs.

### (a) Black Rock

Black Rock Inc is a finance company that holds the top number and value of shares in the top 299 companies listed on the BVD database. BlackRock's offices are in 24 countries with approximately 8,400 employees and it is New York based global investment management company that describes itself understatedly as preeminent (see below from its website).

BlackRock's assets under management total 'US\$3.36 trillion across equity, fixed income, cash management, alternative investment, real estate and advisory strategies'. They have a broad client base of approximately the total value of which is US\$9 trillion. BlackRock is a public company notable for its lack of visibility enabling it to travel below the radar of popular public scrutiny or accountability. Black Rock exercises control of shares principally through the funds it controls rather than through direct ownership. Table 9 shows the various forms its shareholdings take as recorded on the BVD database. Over 85 per cent are via funds it controls rather than through direct ownership. It thus mobilises other people's money to purchase and control shares in the many companies in which it has a stake.

**Table 9: Forms of Black Rock-controlled shareholdings, as recorded on BVD Osiris Database**

| Name of shareholding | Count of this<br>shareholding | Proportion of<br>Black Rock<br>shareholdings |
|----------------------|-------------------------------|--|
|----------------------|-------------------------------|--|



|  |     |      |
|--|-----|------|
| BLACKROCK, INC. via its funds                              | 280 | 85.4 |
| BLACKROCK, INC.  | 18  | 5.5  |
| BLACKROCK INSTITUTIONAL TRUST COMPANY NATIONAL ASSOCIATION | 11  | 3.4  |
| BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED               | 7   | 2.1  |
| BLACKROCK ASSET MANAGEMENT DEUTSCHLAND AG                  | 5   | 1.5  |
| BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED        | 4   | 1.2  |
| BLACKROCK JAPAN CO.,LTD.                                   | 2   | .6   |
| BLACK ROCK INC   | 1   | .3   |

## 8. Conclusions

Through the global financial we have seen the consequences for the real economy of the financialisation of markets through the emerge of credit default swaps, derivatives and collateralized debt obligations. Underlying this, however, has been the financialisation of ownership.

Finance capital not only lends the money to corporations that enables them to expand, and dictates movements in share markets that signal the success or failure of corporate management. Finance capital owns the corporations. And so the distinction between finance capital and other types of capital (in particular industrial capital), while useful in some respects, is misleading in others. This is because, in the end, industrial capital *is* finance capital. If there was once a time when the world was dominated by large corporations owned by a few families and individuals, whose personal values, quirks and preferences shaped the way those corporations behaved, that time has passed. The world is dominated by corporations who follow the logic of finance capital – the logic of money – because that is what they are. Their logic is not the logic of individuals but the logic of a class. In earlier years there were transnational individuals who crossed national boundaries in search or profit, and transnational corporations who built empires of profit. The people who ran, and run, these corporations could be thought of as a transnational *elite* and there is increasing evidence of the strength of networks between these people. But now we can speak of a true transnational class: a group which, sometimes directly, sometimes indirectly, sometimes consciously and sometimes unconsciously, controls the exercise of economic power across and within national boundaries. It exercises this control both through decisions and through decision rules: decisions explicitly made when primary or precedent shareholdings are achieved, and decision rules that in effect say to managers ‘if you

do not do everything possible to maximize profit – be it through higher productivity, scale expansion or cutting costs – we will sell our stake or otherwise displace you as managers’. It is important to know about the individuals who manage and run the very large corporations that dominate national and international economies, and there is an increasing body of knowledge about the extent and importance of the networks within which they operate, but it is also important to recognize that their power is exercised in part through individual agency but even more so through the collective structures of ownership of very large corporations. Financial capitalists appear to vary in the basic strategies they employ, with some financiers seeming more aggressive than others in seeking to exercise greater influence over individual companies.

In turn, collective ownership by finance capital is concentrated in the relatively small portion of finance capitalists that comprises the top share controllers. One financial company alone controls six per cent of the assets of very large global corporations. The top 30 share controllers control over half the assets of very large corporations.

Finally, the state is still a major player in ownership – even more so in response to the financial crisis. Rather than allowing large banks to be bankrupted (the mere word ‘bankrupted’ implies both its origins and the irony of the thought of banks being bankrupted), the state deemed a small number of them too big to fail and provided large amounts of taxpayer funds and guarantees to ensure their survival. Taxpayers in several countries are now enduring large sacrifices to pay for the rescue packages and for the crisis that finance capital created. But this is not the only model of state ownership, with Norway and Sweden utilizing a very diversified (and non-nationalistic) state ownership strategies that predate, and will endure beyond, the financial crisis. In this are the hints to an alternative policy paradigm, that might involve some combination of public ownership in finance and more active state regulation of it. In the end, for states to exercise some control over finance is to exercise some control over capitalism. To allow it unfettered freedom is to invite further crises.

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## Appendices

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Bermuda BM , Canada CA , Switzerland CH , Chile CL , China CN , Germany DE ,  
Denmark DK , Spain ES , Finland FI , France FR , United Kingdom GB , Greece GR  
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Zealand NZ , Oman OM , Philippines PH , Portugal PT , Saudi Arabia SA , Sweden  
SE , Singapore SG , Thailand TH , Tunisia TN , Turkey TR , Taiwan TW , USA US ,  
Virgin Islands VG , and South Africa ZA .