The global corporate elite after the financial crisis: evidence from the transnational network of interlocking directorates.

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Abstract:

What impact did the recent financial crisis have on the international network of the corporate elite? Has the structure of corporate governance become more national or have transnational networks been robust? We investigate this issue by comparing the networks of interlocking directorates among the 176 largest corporations in the world economy in 1976, 1996, 2006 and 2013. We find that corporate elites have not retrenched into their national business communities: the transnational network increases in relative importance and remains largely intact during the crisis period 2006-2013. But this network does not depend – as it used to do - on a small number of big linkers but on a growing number of single linkers. The network has become less hierarchical. As a group, the corporate elite becomes more transnational in character. We see this as indicative of a recomposition of the corporate elite from a national to the transnational orientation.

Keywords: Corporate elite; transnational capitalist class; social networks; interlocking directorates; corporate governance; board of directors; global governance; financial crisis

1. The crisis and the global corporate elite

The 2008 financial crisis posed the biggest challenge to the global economy since the Great Depression of the 1930s. The initial drop in stock market prices and the volume of world trade as percentage of their precrisis level was in 2008 much bigger than in 1929. The global decline in asset values in 2008 was estimated to be $27 trillion: 50 per cent of global economic output (Eichengreen and O'Rourke 2010). Yet, unlike in the Great Depression the global economic governance structures remained intact. Global financial markets did not collapse; free trade was not in jeopardy, even though in 2009 trade restrictions increased temporarily. And the Great Recession did not turn into a Great Depression. Already in 2009 trade volume stabilized to pick up in 2010. By 2012 world trade had fully recovered, whereas in 1932 world trade had declined to 70 per cent of its 1929 level.

Why did the governance system survive in 2008 where it did not in 1929? According to Drezner the main cause is the consensus among the global business and political elite that the financial world system should be kept intact at all costs and that a national way out of the crisis was no option (Drezner 2014). Unlike in the Thirties, Drezner argues, there were no counter elites – like the national socialists or the Keynesians – who put their national interests before the global interests. The heirs of the prewar extreme right in Europe had reappeared at the close of the 20th century, but they had turned neoliberal and pro-American. The Labor parties had chosen a 'third way' that had led them to reluctantly embrace neoliberalism policies. It is only recently that most of the so-called neonationalist parties, especially in Europe, have called for a defense of the national state as an economic and even monetary unity. A second reason given by Drezner is that the USA still was a hegemonic power in 2008. The US government acted as the leader of the global economy and even convinced the Chinese government in 2010 to decrease its efforts in maintaining a low exchange rate of the renminbi against the dollar. As a consequence the Chinese currency appreciated during the Great Recession by 15 per cent (Rabinovitch 2012). In short, consensus among the global actors in the financial markets that a collapse of the world financial system was to be prevented at all costs and a strong will among these elites to not repeat the 'beggar thy neighbor' policies of the Thirties prevented the 'Great Recession' from turning into a 'Great Depression'.

Dresdner's thesis on the consensus among the global business elite is provocative but attractive at the same time. If indeed a group of financial, industrial and political leaders are able – through a shared understanding and shared interest – to avoid economic system collapse this means that global governance is very resilient. At the same time, it would also underscore how the current institutions and underlying rationales of neo-liberal capitalism are able to survive even in the most difficult times. The problem is that it is difficult to directly measure the extent to which political and business elites share a common understanding. Ideally, this would require insights in the motivations, interest, attitudes and decision making of a large number of individual power holders. A more practical albeit indirect way of probing the cohesion of the global business elite is to take a network perspective and investigate the cohesion and topology of the social networks connecting business leaders and the spaces of decision making they occupy.

Ideologies require networks to spread and thrive. Social structures such as the network of interlocking directorates — but also policy-planning networks, conferences, forums and so on — help to build consensus and conformity and give direction for change (Richardson et al. 2011, Carroll and Sapinski 2010, Domhoff 1970, Heemskerk 2007). These social networks are best seen as an opportunity structure for the reproduction of existing beliefs and ideas, as well as for the dissemination of new ones. In an earlier period of global economic downturn during the 1970s, the global business elite responded by increasing its cohesiveness in terms of their social networks and board interlock ties (Fennema 1982). This lends some credit to Drezner's argument and at the same time suggests a research strategy that allows us to test his elite cohesiveness thesis.

A large body of literature has established that networks of interlocking directorates have been the cornerstones of national business communities and of corporate-elite cohesion, all over the globe ever since large corporations emerged (Kogut 2012, Stokman et al. 1985, Scott 1997). As individual directors connect together, through the many venues where they meet, they exchange ideas and discuss economic as well as political issues. As Useem (1984) showed in the cases of the US and UK, directors of multiple firms form an 'inner circle' of the capitalist class and show a high degree of social cohesion and political influence. Alongside participation in such elite organizations as policy-planning groups, interlocking corporate directorships serve as channels of communication between directors, fostering a common worldview among them and giving the inner circle access to a broad resource base from which to exert their hegemony in and beyond business circles. Thus, the interlock network, layered upon personal networks that reach back to common educational and social backgrounds, promotes elite consensus and cohesion and provides a basis for concerted political agency (Carroll and Sapinski 2011:181-2). Following this line of reasoning, a good indication of the level of integration of the global corporate elite is the extent to which they are embedded in networks of transnational interlocking directorates. If the transnational business interests are well coordinated we expect that the transnational business community remains stable in times of economic downturn. A decline of the transnational business community however may indicate a fragmented elite that cannot uphold its cohesion. This is more in line with those whoare more sceptical about the possibilities for transnational cohesion of the capitalist class. In a critique on the work of Robinson, Block writes: ‘why would anybody assume that [under a global depression] class unity would prevail over fractioning along national lines? It is easy to imagine national fractions rushing to secure the conditions of their particular rule and ignoring previous commitments to a new form of global rule’ (Block 2001, pp. 218). But Block seems to forget that the main reason for class unity is self-interest. For international firms the importance of unity and peace in Europe and other parts of the western world seems overwhelming. So, if the thesis of Drezner is true, we would thus expect a resilience of the global network of interlocking directorates after 2008, rather than a fragmentation into national networks.

In order to explore the validity of this thesis, we proceed as follows. The next section first discusses earlier findings on the transnational network of interlocking directorates, and places it in the context of institutional environments. Section three introduces and discusses the data and methods and section four presents the empirical findings. We find that the transnational network of interlocking directorates remains resilient, especially compared to the ongoing thinning of national networks of board interlocks. We interpret this as a recomposition of the corporate elite at the global level. In the conclusion we call for a historically specific approach to crisis, rather than a general theory of crisis and its impact on the organization of the corporate elite.

2. International networks of banks and industry

To situate this research, it is useful to review earlier findings on the global network of interlocking directorates. Jeidels published in 1905 the first study on the personal relations between banks and industrials boards. He found 1350 interlocks between the boards of six Berlin banks and German industry. Jeidels wrote that ‘the bank to a certain extent embodies here the inner connection between a large number of enterprises which result from the development of large scale industry. It represents the community of interests existing between them’ (Jeidels 1905, p.215). In Germany those interlocks were considered a sign of ‘consciously guided production’, which was quite positively regarded as a form of organized capitalism. Concentration of economic power was not prohibited, but closely monitored. Economic (market) power in and of itself was not necessarily condemned. Rather, the abuses of power should be prevented, calling for the need to identify abuses of power without challenging non-abusive exercise of power (De Gaay Fortman 1966). Fierce competition on the other hand was considered a danger to the social and economic order.

In the USA, however, interlocking directorates were seen as collusion and hampering proper competition. The hearings of the Pujo Committee (1913) on the concentration of corporate power led to the Clayton Antitrust Act of 1914 that prohibited particular interlocks between corporate boards (see for a detailed account Pak 2013). The practice of interlocking directorates was, in the colorful language of Senator and later Supreme Court judge Louis Brandeis: 'the root of many evils' and it 'offends laws human and divine'. According to Brandeis, board interlocks often limit competition directly, but are always a 'violation of the fundamental law that no man can serve two masters' (Brandeis 1933 (1913)).[1] The collusive nature of board interlocks have remained an important objection against its practice, although a recent study actually shows that interlocks rarely facilitates collusive activities (Buch-Hansen 2014). Nevertheless, the practice in the USA 'reflected a shared belief in the value of competition, in Germany the strong support given to cartels and other inter-firm agreements by the nation's courts reflected a shared belief in the benefits of industrial cooperation' (Chandler 1990: 395). But in both perspectives, board interlocks are important instruments for the business community, because they create cohesion and allow for coordination.

The first study on *transnational* board interlocks came with the growth of the transnational corporation in the 1970s. Fennema compared the international network of 176 large corporations in 1970 and 1976: before and after the recession of 1973-74 that provided impetus for the rise of neoliberalism. During these oil crisis years international firms stepped up their international (as well as national) linkages, primarily within the North Atlantic zone and especially within Western Europe. Between 1970 and 1976 the percentage of transnational interlocks increased from 25 per cent to 32.5 per cent. Fennema concluded: 'The need for international consultation clearly has grown, and, as a result, the international corporate system has become more integrated' (Fennema 1982: 201).

Carroll and Fennema applied the same selection criteria to track continuity and change in the network of 176 corporations between 1976 and 1996 (Carroll and Fennema 2002). Surprisingly, they found only a modest increase in international interlocking in the era of globalization, alongside the persistence of national networks. This suggested strong path dependencies that reproduce the patterns of national corporate-elite organization. Overall, the international corporate network became leaner (slightly sparser and carried by outside directors), but its connectivity increased. And within Europe, transnational corporate interlocks became even more frequent.

The period 1996 – 2006 has been described as the time of the 'decline of the corporate community' (Heemskerk 2007). A shift from stakeholder-oriented towards shareholder-oriented capitalism has led to smaller boards. Directors were supposed to concentrate their attention to only a small number of firms. This widely accepted 'busyness thesis' meant that interlocking directorates were increasingly regarded as undesirable (Ferris et al. 2003). Corporate governance reforms – as mandated not only within countries but also by OECD – are an important driver behind the decline of interlocking directorates (Carroll 2010, Kogut 2012). Another factor at work in the same period was the shift from relationship-based financing to transaction-based financing. The pattern of large corporations interlocking with large financial institutions weakens in the 1990s, as debt becomes securitized and simply traded, rather than encased in a relationship of 'patient money', with banks sharing directors with their industrial clients (Davis and Mizruchi 1999, Heemskerk and Schnyder 2008).

Carroll's 10-year study of the world's 500 leading corporations (G500) and their interlocking directorates, concluding in early 2007 not long before the 2008 financial crisis, evidenced some decline in national corporate communities, and a continuing shift to transnational corporate affiliations with the formation of a cohesive stratum of capitalists directing firms based in multiple countries (Carroll 2010). As of 2007, the transnational elite segment, comprising 29 per cent of all interlocking G500 directors, was internally integrated, but not as a group unto itself. It appeared more as a *bridge*, with growing internal cohesion, across persistent national networks. Moreover, most corporate networkers (the actual individuals whose multiple affiliations link directorates together) remained national in their directorships, and most networkers with directorships in multiple countries participated primarily in one national network (Carroll 2010, pp. 111-115). The transnational corporate network was found to be a very specifically regionalized formation, with the vast majority of firms that engage in transnational interlocking headquartered in Europe and North America. Against the trend of overall decline in corporate networks, the European section of the transnational network increased during the early years of the 21st century (Heemskerk 2013, Heemskerk 2011), although the extent to which there is a transnational network beyond the national business communities remains a debated issue (Vion et al. 2015, Burris and Staples 2012, Carroll et al. 2010).

3. Research approach and data

In order to assess the impact of the crisis on the cohesion of the transnational network of interlocking directorates, a longitudinal perspective is imperative. We need to be able to discern the longer-term trends that are at play from the dynamics that are particular to the period of the financial and economic crisis. The above-mentioned studies chart only the most recent trends in the transnational corporate community and cannot be used for a systematic longitudinal comparative analysis of network dynamics. The problem is that, prior to the mid-1990s, such data are much less available. We rely on Carroll and Fennema's (2002) 1976 and 1996 network data as a unique reference set, and draw comparable purposive samples of corporations at 2006 and 2013. This enables us to chart changes in the architecture of the transnational corporate elite network across nearly four decades.

The original set of 176 firms was based on a stratified sample of the 135 largest industrial corporations and 41 largest banks, located in eight countries or geographical regions. Banks were specifically included because of their central role in national business networks. The stratified sample was necessary to overcome the dominance of North-American firms in the list of largest firms (Fennema 1982, pp. 78-79). Table 1 presents the numbers of selected firms per region. Industrial corporations are selected based on the largest revenue per region and the banks based on the largest assets per region. Subsidiary firms are not included. The 1996 dataset used identical selection criteria. We created two additional datasets following similar selection criteria and similar procedures. The first is 2006, ten years after 1996 and just before the financial crisis emerged. The second is 2013, five years following the advent of the financial crisis in 2008. This allows us to investigate the impact of the financial crisis on the global network of interlocking directorates in the perspective of on-going dynamics from the mid 1970s onward. Because of many mergers and acquisitions in the intervening years, a panel comparison over the entire period is of little use. We do however consider in detail the panel of 135 firms that are present in both 2006 and 2013.

For the data on 2006 we build on the dataset on the global 500 firms collected by Carroll (2010, see note 2, p.240 for details on data collection); the 2013 data 2013 are initially sourced from Bureau van Dijk's ORBIS database. After selecting the largest firms per region based on revenue and assets, we excluded foreign subsidiaries. We manually crosschecked all the information on board composition with annual reports in order to repair incomplete, missing, or erroneous data entries.[2] The dataset is available on request and through the first author's website. We use the methodological toolbox of social network analysis to investigate the properties and dynamics of the transnational network of interlocking directorates.

[Insert TABLES 1 and 2 ABOUT HERE]

4. Empirical findings

The long decline of the corporate network

Table 2 shows how board composition changed from the mid 1970s up to 2013. The strong

decline in board seats and in directors between 1996 and 2006 stands out. This decline does not, however, continue further into the 21st century. Between 2006 and 2013 we even note a small increase in board positions. But although some firms increased board size, presumably to deal with the difficult times, the extra board seats during the crisis years do not lead to more interlocking directors. The number of interlocks shows a steady trend of decline. It is noteworthy (see Table 3) that between 2006 and 2013 national interlocks have decreased much more (25 per cent) than the transnational interlocks (6 per cent). Looking at the interlocking directors themselves, we see that the number of board members that sit on at least one other top 176 board drops during the crisis years from 193 to 179. This downward trend in board interlocks and interlockers is however not particular to the financial crisis but part of a secular decline that started between 1976 and 1996, but accelerated between 1996 and 2006. Against this backdrop we conclude that the decline simply continued, without accelerating. In that sense we do not see a special effect of the financial crisis on the network of interlocking directorates.
[Insert Table 3 about here]

Network characteristics of the corporate elite

Given the relatively large changes in number of board seats in the period under study, it is somewhat remarkable to see that the number of firms that engage in board interlocks remains so stable. Of all 176, 144 firms shared board members with each other in 1976. By 1996 this was 145, dropping to 140 by 2006. Only over the last years, we see a drop to 131 connected firms. However, the network does thin out over time. In 1976 the firms shared no less than 559 board interlocks with each other, this dropped to 256 by 2013: a spectacular 54 per cent decrease in interlocking. How can the network remain well connected in terms of number of firms, while at the same time the number of ties decreases spectacular? A closer look shows that the connectedness across boards remains stable because it is the number of *multiple* interlocks (where firms share more than one director) that decreases most sharply. Especially in the periods 1976 – 1996 and 1996 – 2006 the number of interlocks drops much more sharply than the number of unique board ties (edges) between the boards. At the same time, after 1996 the number of unique board ties also drops by almost twenty per cent. As a result, firms on average become much less embedded in corporate board interlocks. In 1976 firms had on average connections to 7.76 other boards in the top 176; by 2013 this has been almost halved to 3.91 (with, again, the largest drop in the 1996 – 2006 period).

The thinning of the network is also evident in its cohesion. Most of the firms are part of one large connected component. Throughout the period, more than 90 per cent of all the board ties connect firms within the dominant component. But the ongoing decline in ties means that the network becomes less cohesive over time. As a consequence, the distance between corporate boards in the network increases. By 1996 any two boards were on average connected by 3.72 steps or 'handshakes'; by 2013 this is up to 4.2. The increase in average distance gives insight in how firms are related to all other firms in the network. But the most relevant network ties are of course those in a firms' immediate vicinity. The cluster coefficient measures the extent to which one's neighbors are also connected to each other. It is indicator of local cohesion, where a value of one means all of one's neighbors are connected to each other. Again, the averages show a downward trend from 0.38 in 1976, to 0.32 and 0.33 in 1996 and 2006 and finally to 0.25 by 2013 (calculated on the unweighted graph). It is obvious that the thinning of the network continues into the 21st century.

Transnational interlocks as the stable core

Against this backdrop of diminishing interlock activity the transnational interlocks actually stand out as remarkably stable. The stark decrease in interlocking (a 61 per cent decrease in national interlocking between 1976 and 2013) has the effect of not only emptying the network out, but of torqueing what remains of it more toward transnational interlocking. Thus, the share of transnational board interlocks jumps from 18 per cent in 1976 to 33 per cent in 2006. The stability in transnational board interlocks that Carroll and Fennema (2002) observed thus continues well into the 21st century. By 2013, still more than 30 per cent of all board interlocks are transnational. And while there is a drop in absolute number of transnational interlocks during the crisis years, its cohesion actually increases. The average distance in the subset of transnational board interlocks decreases steadily from 2.06 in 1996 to 1.85 in 2006 and 1.65 by 2013. While national board interlocks continue to be in decline, the transnational network remains remarkably stable and increases in its relative importance.

[Insert Table 4 about here]

Corporate elite cohesion in the crisis years

The period 2006 – 2013 warrants a closer look, as it covers the years of the financial crisis. During this period, firms collapsed, banks were nationalized, and financial institutions were in crisis. This means that the composition of the top 176 may be quite different from the firms we selected for 2006. In order to correct for a possible selection bias we construct a panel of 135 firms that are present in both 2006 and 2013. There are indeed some notable differences. First, the board size of the 135-panel does not increase but remains comparable. Second, and of more interest to us, the decline in board interlocks is less pronounced than in the entire sample. Board interlocks decrease by 15 per cent, as compared to over 20 per cent for the entire sample (see Table 4). And third, the 135 firms mainly shed their *national* board interlocks. Overall, they lose fewer than 6 per cent of their transnational interlocks. Given the thinning of the network, the relative share of the transnational interlocks actually increases to almost 38 per cent.

In sum, we find a structural trend towards less interlocking directorates. And this trend is already present long before the crisis. Hence the thinning of the corporate elite network during the crisis fits an ongoing trend. However, during the 2006 – 2013 period the ongoing thinning occurs mainly in national business communities. The decline in national interlocking is especially sharp in the 1996-2006 period, as the new corporate governance norms are widely adopted, but the most recent period (2006 – 2013) shows a continuing atrophy of national interlocking. The transnational part of the network shows a different dynamic. Looking back, it is striking that already by 1976 the international corporate elite established a social network of interlocking directorates that remains in place today. The transnational links in the board network prove to be the most stable core. The transnational network increases in relative importance and remains largely intact during the crisis period 2006-2013 (especially for the 135-panel). At the same time, corporate elites did not increase their transnational interlocking directorates in absolute terms during the crisis years. Thus, while the crisis of the early 1970s actually was a catalyst for more transnational interlocking, the 2008 financial crisis was not. Before we turn to an elaborate discussion of these findings, we need to investigate two additional properties of the network in order to get the full picture. First, a closer look at the network dynamic from the perspective of the directors. And second, understand how these interlocks tie together distant parts of the globe.

From big linkers to single linkers

Earlier studies already underscored that there is a small group among the corporate elite that is responsible for a large share of the network of interlocking directorates (for instance Fennema 1982, Heemskerk 2013, Stokman et al. 1985). Big linkers have at least four positions at the top 176 firms, and became more prominent between 1970 and 1976. For example, in 1976 a group of 23 big linkers together form no less than 175 board interlocks. A mere 1.2 per cent of the corporate elite was responsible for 31 per cent of the entire network. As Table 5 illustrates, we find a massive decline in big linkers. Following the corporate governance reforms of the late 1990s, the number of big linkers drops to only 5 in 2006 and 2013. Notably, these five elite members still carry 20 per cent of the network in 2006 and 12 per cent in 2013. Among them are business tycoons as Gerhard Cromme and former Renault CEO Louis Schweitzer in 2006 (both seven positions) in 2006 and UBS director Beatrice Weder di Mauro and former Bayer CEO Werner Wenning in 2013 (both four positions).

While big linkers become an anomaly, the network is increasingly carried by what we may call *single linkers*: corporate elite members with only two positions among firms in the sample. By 2006, these single linkers already account for about half of all the ties, and by 2013 they create the majority of the network (57 per cent). This development may have far reaching consequences. The network no longer depends on a small core of big linkers but finds its foundation in a growing number of single linkers. This is equally true for the subset of transnational ties. In 1976, the big linkers together created 48 per cent of all transnational interlocks. By 2013 this has dropped 13 per cent (10 in total). The single linkers, on the other hand, increased their share of transnational interlocking activities from 33 to 44 per cent. As a result, the ensuing corporate network is not so hierarchical and centralized as it used to be. It is less dominated by a small number of big linkers, and more diffuse.

[Insert Tables 5 and 6 about here]

The geographical topography of the transnational corporate elite

Finally, we consider how transnational board interlocks connect different parts of the globe. About half of all the transnational board interlocks occur within continental Europe, reflecting the large number of countries in a densely populated, economically developed and politically integrated area (EC + rest of Europe in Table 6. Note that the firms in the 'rest of Europe' category are without exception from Western Europe). Europe is followed by North America (USA + Canada), although here corporate interlocking declines over time. In the USA (from 90 in 1976 to 21 by 2013); in Canada (from 43 to 7), and between Canada and the USA (from 12 to 1). Transnational ties in Europe increase between 1976 and 1996, remain stable until 2006, and drop from 49 to 36 during the crisis years. In contrast, the ties *between* Europe and North America become stronger during the 2006 – 2013 period, increasing from nine to an all time high of 19.This is not due to an 'Anglo-American' connection: the North Atlantic connections with the UK almost disappear by 2013.

The breakdown of the network over geographic regions also uncovers that the increase in transnational interlocks from 95 to 106 during the period of decline of national corporate communities (1996 – 2006, see Table 2) is in fact due to British firms, increasing their ties both with Europe and with the United States. And in similar vein, the decrease of transnational interlocks during the crisis years is by and large due to the retreat of British firms from the global business elite network. In retrospect, the relatively well-connected position of British business in the transnational network in 2006 was remarkable. It reflects the period of 'New Labour' leadership, where Third Way politics went together with an increasing inclination toward USA-UK relationships. But following the crisis of 2008, UK firms significantly cut transnational board ties both with continental Europe as with the USA (19 interlocks in total). This sharp rise and subsequent decline warrants a closer look at the firms behind this dynamic. By 2006, only three British firms together create 22 out of the 38 British transnational interlocks. First, British Petroleum had six transnational board interlocks, among others with USA firms Goldman Sachs (two interlocks), General Motors and General Electric. All these USA firms were hit hard by the crisis. Perhaps as a consequence, none of these ties remain by 2013.[3] Second, Vodafone had six transnational interlocks in 2006 and remains well connected with four in 2013. Third, AstraZeneca lost all but one of its ten transnational interlocks. A large share of this decline is due to the retirement in 2012 of big linker Louis Schweitzer. This again underscores how the network topography has been dependent upon the position of central individuals.

Next to the drop in transnational interlocks by UK firms, we register a drop among the European community members of 1976, where 22 of the 36 transnational ties from 2006 remain. However, the number of transnational interlocks among EC-1976 firms that are present both in 2006 and 2013 (the 135-panel) remains relatively stable with 23 in 2006 and 20 in 2013. This underscores that the rise and fall of British transnational interlocks is the key development. Although interlocking among firms based in EC 1976 countries declines, Europe as a whole (EC 1976 + UK + other European countries), which claimed 61 per cent of all transnational interlocks in 1976, accounts for 67 per cent in 2013. In the same period, interlocks between US-based firms and firms domiciled in other European countries (mainly Switzerland) emerge and proliferate to represent one-tenth of all transnational interlocks as of 2013. The net effect of these shifts is to further consolidate the presence of the US and Europe, combined, in the transnational network. From 1976 to 2013, transnational interlocks among European and US-based firms increase from 74 per cent to a whopping 91 per cent of all transnational ties.

Japan, finally, remains marginally connected, albeit at higher levels now than in the 20th century. Figures 1 and 2 give a graphical representation of the network of interlocking directorates in 1976 and 2013 (isolates excluded). The peripheral position of Japan in both years is obvious. But the figures also illustrate that North-American and European parts of the network – quite distinct in 1976 – have become more integrated by 2013. In sum, the effect of the crisis was that the North Atlantic ties connecting continental Europe and the USA gained in strength.

[Insert figures 1 and 2 about here]

Did the crisis strengthen or weaken the global corporate elite?

Overall, our findings seem to support the thesis of Drezner: corporate elites have not retrenched into their national business communities and the transnational network of interlocking directorates has remained in place during the crisis. Our findings therefore run counter to Block's expectation that the elite's first priority is to secure their particular interests at the cost of global class unity. When we look at the network of interlocking directorates from 1976 to 2013 we see a structural decline but also a remarkable resilience. There is a structural trend towards less interlocking directorates, already present before the crisis. Hence the thinning of the corporate elite network during the 2006 – 2013 period cannot be attributed to the financial crisis alone. Notably, this decline is present in national business communities but less so in the transnational network. While the number of interlocks within countries has decreased sharply (from 459 in 1976 to 177 in 2013) the proportion of interlocks between countries is stable between 1976 (18 per cent) and 1996 (20 per cent) and increases to 33 per cent by 2006. This percentage remained stable during the crisis years. In other words, the transnationalization of the international network accelerated after 1996 and the global economic crisis, so far, has not fostered a renationalization of the international network. In fact, the transnational network increases in relative importance and remains largely intact during the period 2006-2013. Also, the existence of transnational interlocking does not depend – as it used to - on a small number of big linkers but increasingly finds its foundation in a growing number of single linkers. The network has become less hierarchical and more diffuse.

The last days of organized capitalism

Our findings call for a historically specific approach to each crisis, rather than a general theory of crisis and its impact on the organization of the corporate elite. The corporate elites of the early 1970s and the mid 2010s are fundamentally different, and so is their reaction to crisis. As the 'golden era' of post-war boom and class-compromise politics drew to a close, the early 1970s was the height of 'organized capitalism' (Hilferding (1910) 1968, Lash and Urry 1987). During the post-war boom, the interests of the largest corporations were in line with organized labor and some government interference in markets. National corporate networks were an important aspect of this organized capitalism. Mizruchi gives a detailed and convincing account how this operated in the USA. The core of the post-war corporate elite exhibited what he calls an 'enlightened self-interest', in which they believed that their own privileges would be secure only to the extent that society rested on a strong corporative foundation. They had an ethic of social responsibility (Mizruchi 2013: 8-9). This corporate elite organized itself through board interlocks, where the boards of big banks in particular served as the meeting places for the top executives. Similar accounts of corporate elites in organized capitalism have been made for a large number of other, western industrialized economies (see for instance Carroll 2004, David and Westerhuis 2014, Heemskerk and Fennema 2009, Useem 1984).

By the early 1970s, the corporate elite still was inclined to consider the economic crisis as a joint problem, and had a network structure that facilitated consensus formation. Faced with international competition now that Germany and Japan recovered and with domestic economic problems, corporate elites in western-industrialized firms invested in transatlantic business networks. One of these business networks was built through transnational board interlocks, others through the formation of policy planning groups. The Trilateral Commission for instance was set up by David Rockefeller in 1973 to foster closer cooperation between the USA, Europe and Japan. The rise of the transnational network reflected a corporate elite geared towards collective action.

The decline of national business communities

The basis for organized capitalism changed during the 1970s when productivity growth slowed down, inflation went together with increasing unemployment, and Keynesians policies failed. During the 1980s and 1990s, the corporate elite became more conservative and more self-centered (Mizruchi 2013). This 'decline of the corporate community' is reflected in the thinning of the network of interlocking directorates and can be attributed to a number of connected factors. First, financialization towards transaction-based financing rather than relationship-based financing made the boards of banks lose their role as meeting place. Secondly, the deregulation of the financial sector in the 1980s led almost instantaneously to the centralization of capital into a few big banks and with that, the disappearance of many interlocks between banks, trust companies and life insurers. Thirdly, the rise in the 1990s of new corporate-governance norms discouraged directors from holding very many simultaneous directorships. According to Mizruchi this thinning of corporate network also decimated the corporate elite's ability to enact its collective interests:

> 'The decline of the banks had weakened a key source of consensus formation. The take-over wave had decimated corporate management, leaving in its wake a collection of highly paid, high profile figures who, under a level of external pressure virtually unsown a generation earlier, exhibited an increasingly 'slash and burn' mentality. The results of

> these developments was an elite that had become fragmented, an ineffectual group incapable of acting collectively to address not only the concerns of the larger society - as its predecessors had done - but even the concerns of its own members' (Mizruchi 2013, p.225-226).

The decline of organized capitalism helps us to understand why we do not see an increase in interlocks following the 2008 crisis similar to the increase in the wake of the early 1970s crisis. By the time the latter crisis hits, increasing network activity is no longer seen as part of the solution. In general, board interlocks have become less popular and regarded with a fair amount of suspicion by those who champion the interests of the shareholders. In reaction to the crisis, corporations do increase the size of their boards. But they do not invite particularly well-networked persons (big linkers). At the national level, network density continuous to drop, following a long and stable trend and contributing to the further fragmentation of national business communities. Firms are more interested in their own self-interested survival than in the concerns of the larger society.

The global recomposition of the corporate elite

This account of the fragmentation of national corporate elites is convincing, and helps to understand why we don't see an increase in absolute numbers of transnational interlocking. However, it stands at odds with the remarkable stability of the transnational network. While the national networks thinned out, processes of capitalist transnationalization continued. The increase in global trade, foreign direct investments and capital flows produced transnational interlocks, particularly within Europe. Beyond the national, the network becomes increasingly transnational in its orientation as national network ties decrease at a higher rate than transnational ones, and as more corporate elite members engage in border crossing board interlocks. Strikingly, as of 2013 nine-tenths of the transnational interlocks occur among firms based in Europe or the US, lending further credence to Van der Pijl's (1984) thesis that the global corporate elite is centered in the North Atlantic region (Carroll 2010, Burris and Staples 2012).

Our results show that as a group, the corporate elite becomes less densely connected but more transnational in character. We see this as indicative of a recomposition of the corporate elite from a national to the transnational orientation. Thus, even though the absolute number of transnational board interlocks drops (somewhat), we argue that this does not automatically mean that the transnational network loses its importance. In their recent study of the European corporate network Vion et al. find that the national anchorage of the business elite has declined, and that the relative share of transnational interlocks remained stable. But different from us, they conclude that 'transnational linkages have not grown much and thus the capacity for acting cohesively at moments of crisis does not exist' (Vion et al. 2015, p.185). In contrast to their interpretation, we argue that elite cohesion does not require *increasing* board interlocks. Given the steady decline of national corporate elite networks, it is the remarkable stability of the transnational network that stands out and signals elite cohesion. In addition, it is important to understand that in structural terms, this transnational network is different from its national predecessors. It is not carried by a few bigwigs but created by a growing group of single linkers. This does not mean it is less of a network, it means it is less oligarchic in a specific structural sense. It also means it is more democratic, in the sense that is less hierarchical.

It may be that the more 'horizontal' structure of the transnational network reduces the capacity for the transnational elite to create consensus, as leadership positions fade away. At the same time there is recent evidence that the transnational corporate elite actively safeguards its interests. Murray recently showed how firms central in the transnational network of board interlocks are more likely than those outside the network to contribute money to USA political campaigns. Transnational centrality is a significant predictor of globally oriented political activity. Because Murray controls for the economic interests of individual companies, his findings lend support to the interpretation that the political activity is a telltale of a transnational 'class for itself' (Murray 2014). Taking a different research approach, Dudouet et al. (2013) show how the upper layer of the European corporate elite is tightly connected to the executive branches of states and European institutions, through career trajectories and revolving doors.

Of course, we need to be careful that we do not reduce the entire (transnational) corporate community (and its various sources of integration) to the practice of interlocking corporate directorships. There are also good indications that the recomposition of the corporate elite goes together with increased political activity of that elite. While national business networks of board interlocks thinned, corporate elites created agencies of business activism - 'councils', 'roundtables' 'institutes' and the like - which brought leading capitalists and organic intellectuals together for explicitly political purposes (Carroll 2004, p. 210). This increasing corporate-elite engagement with policy-planning groups helped to consolidate a transnational neoliberal policy bloc (Carroll and Sapinski in press). At the same time, these policy-planning groups may 'politicize' the issues on the agenda and hence increase conflict among the corporate elite. Another valid point of concern is that there is good reason to believe the main space of socialization into corporate elites remains the national contexts (Vion et al. 2015).

We have argued that ideologies require networks to spread and sustain. Our research shows that an important part of the network of the corporate elite – its interlocking directorates – becomes thinner and less centralized. Our conclusion, therefore, needs to be less sanguine than Drezner's. The network may well decrease in the near future to a level that leads to a fragmented corporate elite. And a fragmented elite, as Mizruchi shows for the USA, is unable to provide leadership that persuasively constructs a concept of the general interests of society (Mizruchi 2013). Drezner argued that that it was due to the consensus among the global business elite that the financial world system remained intact during the great crisis of 2008. Rather than concluding that the system worked, we would say: the system survived, but for how long?

Notes

[1] This thought can be traced back to Adam Smith, who was also skeptical about managers of 'other people's money'. See discussion in Heemskerk (2007, p.26)

[2] The Orbis data is very useful, but not without flaws. The impressive scope goes together with quality problems: incomplete, erroneous or missing information on positions. For example, for the top 176 firms in 2013 we tried to get an accurate selection of board members from Orbis. However, the code 'BoD' for Board of Director position in Orbis is not always correct. Often people are registered as BoD while they are in fact senior managers, or on the board of a subsidiary firm. In other instances BoD excludes the top Executives (CEO, CFO) that are also members of the board. For two-tier systems we need to have both the Supervisory board (SupB), and the Senior Management (SenMan) that sits on the executive board. Unfortunately, this is not systematically coded in Orbis. A comparison of the best selection we could make from Orbis with the actual board composition as reported in the annual reports showed that 764 positions were missing in our initial selection of the Orbis data. Of these, 114 were not in Orbis at all; the others were not included in our selection because of incomplete information in Orbis (for instance, a person is listed as officer of a firm but not as board member). In addition, 380 positions were included in Orbis while they should not have been. Against the total of 2763 positions in the sample, this means an over-inclusion of 14 per cent and an under-inclusion of 4 per cent for the Orbis database.

[3] There is no sampling bias influencing these results. BP, Vodafone and AstraZeneca are present in both 2006 and 2013. And all nine of the USA firms that are interlocked with UK firms remain in the sample, including the three mentioned.

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Table 1: Stratified Sample of Firms over Regions (all years)

	Industrial corporations	Financial corporations
European Community, 1976 members	39	13
United States of America	26	8
Japan	26	8
United Kingdom	22	4
Rest of Europe	10	3
Canada	7	4
Semi-periphery	4	1
Australia / New Zealand	1	0
Total	135	41

Table 2: Firms, Directors and Interlockers in the global network							
	1976	**1996**	**2006**	**2013**	Δ% 76-96	Δ% 96-06	Δ% 06-13
Companies	176	176	176	176			
Directors	317 *	3600	2465	2546	-	-31.53	3.29
Positions	733 *	3958	2710	2763	-	-31.53	1.96
Average # directors per firm	-	20.45	14.01	14.47	-	-31.53	3.29
# Interlockers	317	270	193	179	-14.83	-28.52	-7.25
% Directors with > 1 affiliation	-	7.50	7.83	7.03	-	4.39	-10.20

** The 1976 dataset unfortunately only contains information about directors with more than one position*

Table 3: Interlocking directorates in the global network							
	1976	1996	2006	2013	Δ % 76-96	Δ % 96-06	Δ % 06-13
Companies with interlocks	144	145	140	131	0.69	-3.45	-6.43
% of all firms	81.82	82.39	79.55	74.43			
Edges	368	355	285	233	-3.53	-19.72	-18.25
interlocks	559	472	322	256	-15.56	-31.78	-20.50
within countries	459	377	216	177	-17.86	-42.71	-18.06
between countries	100	95	106	79	-5.00	11.58	-25.47
% between countries	17.89	20.13	32.92	30.86	12.51	63.56	-6.26
Interlocks per (connected) firm	7.76	6.51	4.60	3.91	-16.15	-29.34	-15.03

Table 4: Interlocking directorates in the 135-panel

	2006	2013	Δ % 06-13
Companies with interlocks	100	100	0
% of all firms	74.07	74.07	0
Edges	198	177	-10.61
Interlocks	228	194	-14.91
within countries	157	127	-19.11
between countries	71	67	-5.63
% between countries	31.14	37.85	21.56
Interlocks per firm	3.38	2.87	-14.91

Table 5: Distribution of interlocks over directors

	1976	1996	2006	2013	Δ % 76-96	Δ % 96-06	Δ % 06-13
Directors with:							
Four or more positions (big linkers)	23	18	5	5	-21.74	-72.22	0.00
number of interlocks	175	124	64	30	-29.14	-48.39	-53.13
share of all interlocks	31%	26%	20%	12%	-16.08	-24.34	-41.04
Three Positions	45	48	35	28	6.67	-27.08	-20.00
number of interlocks	135	144	105	82	6.67	-27.08	-21.90
share of all interlocks	24%	30.51%	33%	32%	26.33	6.88	-1.77
Two Positions (single linkers)							
number of interlocks	249	204	153	146	-18.07	-25.00	-4.58
share of all interlocks	45%	43.22%	48%	57%	-2.97	9.94	20.03

Table 6: Transnational Interlocks between and within geographical regions

		1976		1996		2006		2013	
		N	**%**	**N**	**%**	**N**	**%**	**N**	**%**
EC (1976 members)	EC (1976 members)	35	35%	34	36%	36	34%	22	28%
EC (1976 members)	United States	13	13%	9	9%	6	6%	11	14%
EC (1976 members)	Rest of Europe	13	13%	17	18%	13	12%	14	18%
United Kingdom	EC (1976 members)	12	12%	11	12%	17	16%	10	13%
United States	Canada	12	12%	5	5%	-	-	1	1%
United Kingdom	United States	7	7%	6	6%	13	12%	1	1%
EC (1976 members)	Canada	3	3%	4	4%	7	7%	-	-
United Kingdom	Canada	3	3%	-	-	-	-	1	1%
United Kingdom	Rest of Europe	1	1%	3	3%	5	5%	6	8%
United Kingdom	Australia New Zealand	1	1%	-	-	2	2%	1	1%
EC (1976 members)	Japan	-	-	-	-	3	3%	2	3%
Rest of Europe	Japan	-	-	-	-	-	-	1	1%
United Kingdom	Japan	-	-	1	1%	1	1%	1	1%
United States	Rest of Europe	-	-	5	5%	3	3%	8	10%

Figure 1: The network of interlocking directorates between the top 176 global firms, 1976

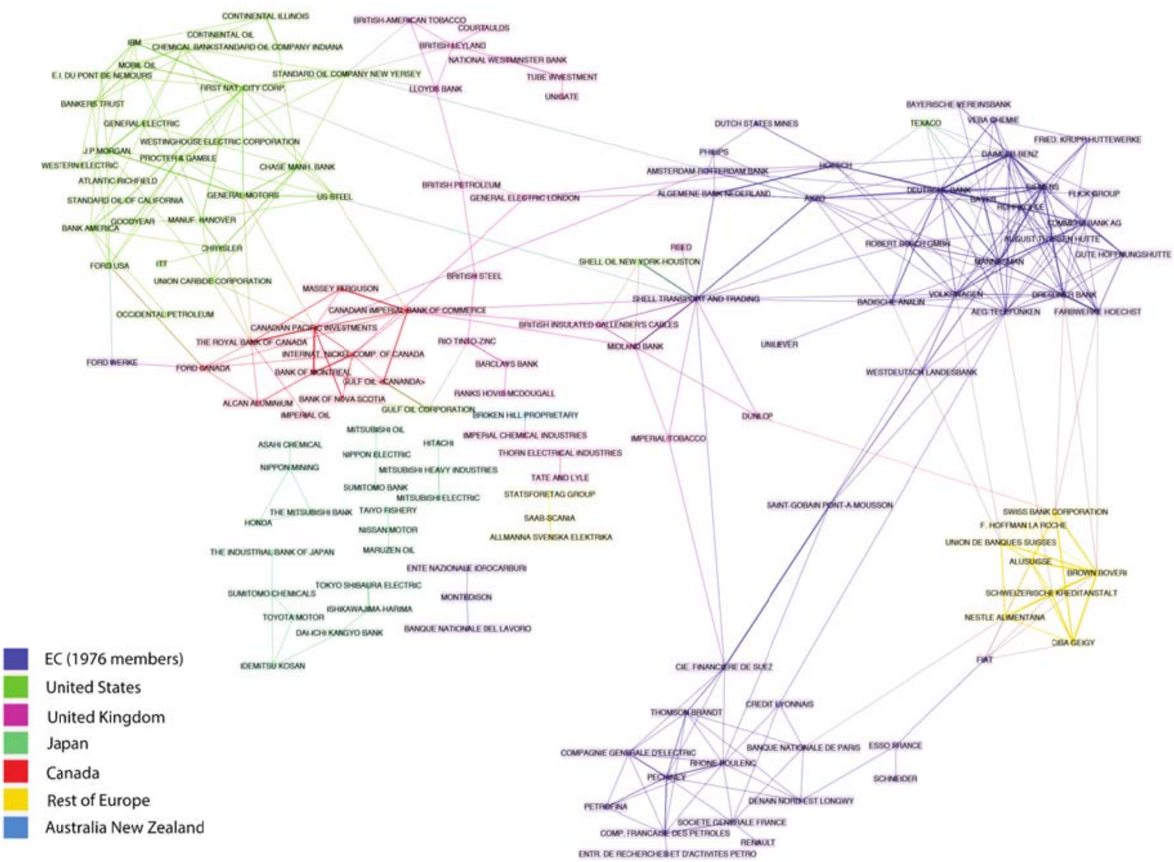

Figure 2: The network of interlocking directorates between the top 176 global firms, 2013