



# Constituting Corporate Europe: A Study of Elite Social Organization

**William K. Carroll**

Department of Sociology, University of Victoria, Box 3050,  
Victoria, BC, Canada V8W 3P5;  
wcarroll@uvic.ca

**Meindert Fennema**

Department of Political Science, University of Amsterdam, Oudezijds  
Achterburgwal 237, 1012 DL Amsterdam, The Netherlands;  
m.fennema@uva.nl

**Eelke M. Heemskerk**

University of Amsterdam, Germany Institute Amsterdam, Prins Hendrikkade  
187b, 1011 TD Amsterdam, The Netherlands;  
e.m.heemskerk@uva.nl

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**Abstract:** This article explores the emerging shape and form of the European corporate community since 1996. We examine the cohesion of corporate Europe through the network of interlocking corporate directorates and memberships in the European Round Table of Industrialists. We focus on the unequal structure of representation; the interplay of national and transnational aspects of the network; the role of finance capitalists as a signpost of a regime of internationalized finance capital; and the embeddedness of corporate Europe in the global corporate network. Although the transnational European network gained in strength while national networks eroded, expansion of the European network did not negate a structure of representation favoring the northwest. Bankers became less dominant, yet industrialists with financial connections formed the core of the European corporate community, signaling a departure from national corporate communities centered upon banks. At the threshold of the current economic crisis, corporate Europe comprised the most integrated segment of the global corporate elite.

**Keywords:** capitalist class formation, European Round Table of Industrialists, interlocking directorates, finance capital, corporate networks

## Introduction

In a recent commentary, Jane Wills (2008:29) suggests that “taking a coherent approach to mapping the global geography of class and its political possibilities represents an exciting academic project”. Such a project can be pursued in various contexts, at different levels and through multiple methodologies. In this article we use network-analytic techniques to map the social organization of the European

capitalist class's top tier, and its trajectory toward a transnational corporate community exercising collective political agency. Critical sociology contains a long tradition of "power structure research", which has revealed, in networks of corporate affiliations, extensive elite cohesion and the capacity for political action (Carroll and Sapinski forthcoming; Domhoff 1980; Fennema and Schijf 1978). Beginning with Jeidels' (1905) study of German banks' relationship with industry, researchers have charted the "inner circles" (Useem 1984), "small worlds" (Davis, Yoo and Baker 2003) and "corporate communities" (Domhoff 1967) that are sustained in part by the longstanding practice of interlocking corporate directorates. Such studies depict corporate interlocks as "traces of power" (Helmets et al 1975) of two sorts: the instrumental power associated with the command and accumulation of capital and the expressive power associated with class hegemony, as corporate directors develop a consensus on world view and strategy through their mutual elite affiliations (Carroll 2004:3–8; Sonquist and Koenig 1975). Speaking to one aspect of Wills' suggestion, corporate network analysis offers "a coherent approach" to mapping an important element of class. But rarely have such studies taken up the *geography of corporate power*—the spatial organization of corporate networks—and rarer still are studies that map the geography of corporate power across national borders (however, see Carroll and Sapinski 2009 for discussion).

Now the world's largest single market, yet composed of 27 loosely federated member states varying in their locations within global capitalism, the economic zone delimited by the European Union is the focus of this investigation. Although the EU is a relatively recent development, the idea of an economically and politically integrated Europe goes back nearly two centuries, to a 1814 treatise written by Claude Henri Saint-Simon and Augustin Thierry. In their technocratic vision, Europe was to be led by *la classe industrielle*, including manufacturers, farmers, craftsmen and scientists. Yet within the industrial class, the stratum they considered the most outstanding was, ironically, the bankers (Saint-Simon and Thierry 1975 [1814]). It is sometimes argued that European unification was a product of US intervention (see Fennema and Rhijnsburger 2007) and even of an American Plan for Europe (Van der Pijl 1984). Whatever the initial motives, by the late 1990s Europe had been formed into an economic zone, governed by its own institutional norms and structures, and relatively free of political barriers to the accumulation of capital across national borders.

The leading role that Europe's corporate capitalists played in shaping this zone has been well documented (Balanyá et al 2000). Contrary to Saint-Simon, but understandably (given the fixity of productive capital compared to the mobility of money capital, particularly in an era of

globalizing financial markets) European industrialists, not bankers, have been the most active advocates of integration. Since 1983, much of their activism has issued from the European Round Table of Industrialists (ERT), a group that according to Van Apeldoorn (2002) produced among other influential initiatives the first draft of the European Constitution. Founded by Volvo CEO Pehr Gyllenhammar, the ERT consisted initially of the presidents of 17 European transnationals. It formed in response to the challenge of the Japanese firms that had penetrated the European market so successfully that the automobile and electronic equipment producers were severely hit. Yet the strategy of the ERT was not to demand protection or engage in other defensive strategies. On the contrary, the ERT argued that Europe should constitute itself as an economic space by strengthening European governance and setting up private–public ventures to create a better European infrastructure (Holman and Van der Pijl 1996:71). Van Apeldoorn (2000, 2002) emphasizes the distinct phases of that integrative project, from the early “neo-mercantilist” emphasis on infrastructure and a single market until the late 1980s towards a consensus on what he calls “embedded neoliberalism”, beginning in the early 1990s.

Historical narratives, such as those of Balanyá et al and Van Apeldoorn, have shed light on the formation of a pan-European capitalist class, based in Europe’s largest corporations and politically mobilized through the ERT. Other research (eg Eising 2007) shows that large corporations and pan-European business associations tend to have regular contact with the EU’s key governance bodies, in particular the European Commission (EC)—so much so that in constructing a European universalism, “the heavenly chorus” has sung “with a strong upper class accent” (Hueglin 1999:260). In effect, “the public–private partnership between the EC and the ERT can be seen as a self-organizing, interorganizational network which is not (directly) accountable to any government (supranational or national), or any democratically legitimated legislature for that matter” (Kennett 2004:67). However, the *topography* of corporate Europe—the social organization of corporate power—has yet to be charted.

Despite more than 50 years of European integration, studies of corporate networks in Europe have restricted themselves to single countries, or have compared across national networks without mapping the trans-European network (cf; Aguilera 2005; Aguilera and Jackson 2003; MacLean et al 2006; Scott 1997; Stokman, Ziegler and Scott 1985; Windolf 2002). In a rare study of the transnational corporate network, Carroll and Fennema (2002) unraveled a process of elite formation across national borders. Transnational elite formation had a strong impetus from 1970 to 1976, but appeared to slow between 1976 and 1996, when the growing integration of policy within Europe was not matched by a substantial increase in corporate board interlocks.

More recently, Staples (2006, 2007) and Nollert (2005) have pointed to the increasingly international composition of corporate boards in Europe and to an emerging European network of board interlocks. Carroll's (2009) study of the global corporate elite (1996–2006) offers the most systematic evidence to date of such a network; indeed, Carroll concludes that, with its growing regional cohesiveness, corporate Europe has gained prominence within the north Atlantic heartland that forms the centre of gravity for the transnational capitalist class. Yet Carroll's study, focused as it is on the global corporate network, tells us little about the actual topography of corporate Europe.

The question that inspires this article is: *what is the emerging shape and form of Europe's corporate community, and what are the implications for capitalist class formation in Europe?*

### **Corporate Europe as a Community**

As a root metaphor for charting capitalist class formation at its higher reaches, the “corporate community” derives from G. William Domhoff's (1967) extensive research on the organization of economic power in the United States. Domhoff notes that large corporations share common values and goals, especially the profit motive, and they are intricately interconnected through the overlapping memberships of business leaders, whether on corporate boards of directors or on policy-planning boards and other elite vehicles for building consensus. The large corporations and corporate directors that are drawn together through interlocking directorships form a corporate community—a more or less cohesive elite with common goals and shared understandings on how to reach these goals (see also Heemskerk 2007). Of course, a corporate community, especially a transnational one spanning many national borders, differs from a traditional, locally embedded community on several counts. Like other emergent formations of late modernity, corporate Europe is disembedded from any one locality. It gains its social cohesion through the “facework” of interlocking corporate directors, which serves to re-embed them in a transnational network (cf Giddens 1990:79–80). Moreover, a corporate community is organized not at the grass roots, but at the top: it is an organized minority within which capitalists ostensibly in competition are unified around a common interest in securing or protecting the conditions for accumulation in a given zone; hence it implies a statist project of some sort.

If Domhoff's concept of corporate community opens an investigative window on capitalist class formation, we must introduce, at the outset, several caveats. First, one should not overstate the importance of corporate interlocks. Interlocking directorates comprise simply one of several kinds of personal (including familial), commercial and capital

relations through which large corporations are interconnected (Scott 1991), and the significance of any one board interlock is contextually specific (Mizruchi 1996). Moreover, studies of board interlocking among the largest corporations delineate only the “leading edge” of the capitalist class: the most massive units of capital and the “inner circle” of directors whose multiple corporate affiliations knit those capitals into a community (Useem 1984). Further, the corporate community includes not only functioning capitalists (directors who are executives or major shareholders) but organic intellectuals of the capitalist class—lawyers, consultants, academics, retired politicians and the like, whose service on corporate boards is integral to corporate business today. In the structure of economic power such advisors are subordinate to functioning capitalists, yet in the political and cultural fields they often lead the way in representing corporate interests or in mediating between those interests and others (Carroll 2004). Just as “corporate community” is not an exact proxy for “capitalist class”, neither is it coterminous with the concept of economic elite, which has recently attracted renewed research interest (Carroll and Sapinski forthcoming; Savage and Williams 2008). “Economic elite” designates “an inter-organizational group of people who hold positions of dominance in business organizations” (Scott 2008:37), irrespective of whether they maintain bonds of association or interaction. Corporate communities satisfy this criterion, but they necessarily entail bonds that foster some degree of solidarity among members.

Such bonds are deepened to the extent that corporate directors participate in a collective political project. Indeed, since the 1970s, corporate communities in core capitalist states have mobilized politically by extending their reach into the political field, through neoliberal policy-planning groups whose boards interlock with leading corporate directorates (cf Carroll 2004; Domhoff 1967; Maman 1997; Useem 1984). Complementing such national corporate activism has been the formation of a transnational network of global corporations and policy groups, focused around the Trilateral Commission, World Economic Forum, and World Business Council for Sustainable Development (Carroll and Carson 2003). If the trajectory in capitalist class formation, both at national and transnational levels, has been toward greater collective agency—toward a “class-for-itself” (Robinson 2004:48)—the social solidarities afforded by corporate communities, articulated as they are with policy-planning groups, have provided organizational and cultural bases for this movement.

In what follows we investigate the topography of corporate Europe by examining the network of interlocking corporate directorates and its ties to the ERT, the key policy-planning vehicle for the capitalist class’s collective agency in the project of European integration.

## Research Questions

The conception of corporate Europe as a *community* is rich in implications for analyzing transnational capitalist class formation. It points to four substantive issues and corresponding research questions.

First, *communities require closure* to cement collective identity and to ground generalized trust (Coleman 1988), and closure always creates an inside and an outside (Walker 1993). The EU itself has formed according to an inside/outside dynamic, with membership expanding beyond the initial core six countries (1952) via several “accessions” to a total of 27 member states by 2008. As a community, corporate Europe has taken shape through processes of inclusion and exclusion. Most obvious have been national and regional differences associated with uneven development—the affluence of the northwest, the historically semi-peripheral status of the south, the exclusion of the east until the collapse of state socialism, after which it joined the European semi-periphery. The resulting spatial division of labor has tended to concentrate the major banks among the wealthier European nations (Heartfield 2007:38).<sup>1</sup> These political economic differences mean that certain European places have been favored as centers for corporate command, and thus for the corporate community, while others have been selected out, setting up an unequal structure of representation (cf Mahon 1977), whose vertical motif of inclusion/exclusion can conflict with the “horizontal” logic of community development. Such inequity can be tempered through conscious policy aimed at balancing interests. In striving for a semblance of equanimity, the ERT recruits its members so that various countries are represented. However, unevenness in the accumulation of capital will tend to skew membership toward Europe’s affluent northwest, where the largest corporations are domiciled. A first question is whether representation is becoming less unequal, or perhaps more so. *Is the process of class formation tending toward a pan-European corporate community or an enclosed club for only the leading corporations of a few rich nations?* Over the decade, has the representation of national business segments become less unequal in the corporate network and on the ERT, implying a broadening of the corporate community?

Second, *communities are sustained by networks of association among members*—an established feature of capitalist class formation within each advanced country (Bottomore and Brym 1989; Scott 1997). In an era of pan-European state formation the question for corporate Europe is how path dependencies stemming from pre-existing *national* corporate communities condition the formation of a *transnational* corporate community. Key here is the extent to which the “social capital” of the corporate community accumulates mainly through *bonding* within countries—persistence of national networks—or through *bridging*

across them (Burt 2005; Coleman 1988). Robinson (2004) has argued that global accumulation has produced a well integrated transnational capitalist class, disembedded from national moorings and operating in a fully global field. Yet Carroll and Fennema (2002) established that in the late twentieth century transnational networks, within Europe or beyond, did not herald the disappearance of national networks, but arose “on top” of them. Still, nationalist path dependencies can be eroded by the increasing volume of transnational business transactions within Europe and by policies and normative frameworks, including the preference for multinational representation on corporate boards (Heijltjes et al 2003). Our second question asks how national and transnational aspects of corporate Europe co-exist within the corporate community. *Is there, over time, less national bonding and more transnational bridging?* Or do national corporate communities persist even as a transnational community emerges?

Third, *communities are strengthened to the extent that they are institutionally complete*. In his classic analysis of ethnic communities, Breton (1964) noted that institutional completeness furnishes the capacity to reproduce community itself. For an ethnic community, such completeness includes educational, religious and other cultural institutions; for a transnational corporate community, it requires that the institutional means for capital accumulation—an integrated circuit of production, finance and distribution (Thompson 1977)—are accessible within the community on a *transnational*, not simply national, level. This implies, among other things, a European Central Bank, a European stock market and Europe-wide regulatory agencies, which are now in place.<sup>2</sup> Such institutions enable pan-European accumulation, but do not speak directly to the process of capitalist class formation.

For the corporate community, institutional completeness implies the development of pan-European *finance capital*—“the integration of the circuits of money capital, productive capital and commodity capital under the conditions of monopolization and internationalization of capital by a series of links and relationships between individual capitals” (Overbeek 1980:102). In Rudolf Hilferding’s (1968 [1910]) original analysis of finance capital, bankers provided industrial firms with money capital (often in exchange for blocs of shares), but in turn expected a seat on the board of the industrial firm, putting bankers in a dominant position within an “oligarchic” form of capital integration (Scott 1997). Subsequent studies of national corporate communities showed the German system to be one variant in a common move toward financial–industrial integration within corporate communities (Scott 1997). In this generic sense, the concept of finance capital “locates the importance of banks and insurance companies in their domination of capital flows and not in discrete spheres of influence” (Mintz and Schwartz 1985:866).

Directors of financial firms, many of them primarily affiliated with large industrial firms, collectively wield allocative power over capital flows, and “set the parameters of the corporate environment within which all large enterprises must act” (Scott 1991:188).

Financial–industrial integration of this sort bundles business interests into a nationally integrated network, within which “the corporate community is capable of coordinated economic decision making and united political action” (Mintz and Schwartz 1985:866). But at the global level, despite Andreff’s (1984) intimations of an emerging regime of internationalized finance capital in which industrial and financial capital are “organically linked in their internationalization”, studies through the mid 1990s have not evidenced the same tendency for financial institutions to serve as the hubs of a transnational network (Carroll and Fennema 2002; Fennema 1982). Moreover, the recent tendency in neoliberal capitalism toward financialization, the decoupling of finance from the “real economy”, has attenuated but not eliminated the financial–industrial nexus within national corporate communities (Carroll 2008:55–59) while paradoxically embedding financial logics more deeply within the management of giant firms as they seek after “shareholder value” (Montgomerie 2008:243). These considerations lead us to a dual research question on the issue of institutional completeness within contemporary corporate Europe. There is first the question *whether pan-European financial–industrial integration is discernable in the most recent development of the corporate network*. If so, there is the question *whether Europe’s transnational finance capitalists—the directors whose corporate affiliations link financial and industrial firms across borders—tend to be bankers (as in the classic German model, and in Saint-Simon’s ruminations) or perhaps industrialists (as in the American system of loosely structured financial hegemony; Mintz and Schwartz 1985)*.

Fourth, communities are typically embedded within larger formations that shape community identity itself. Any consolidation of a European corporate community has occurred within broader processes of *globalization*—increasing volumes of international investment and trade, the transnationalization of production and the development of a global financial market. In this larger context, the development of a European network could simply be a local instance of an emergent and fully “global” transnational capitalist class, disembedded from regional particularities (as in Robinson 2004), *or* it could herald a specific intensification of elite relations among European businesses. Only the latter implies an actual process of corporate community development within Europe. Our final question, which revisits our earlier discussion of closure, asks *how the European corporate community articulates with business interests elsewhere*. Is the trend more toward consolidation of the regional, pan-European network, or does corporate Europe reach

out to other segments of the global corporate network? If the latter, is the pattern mainly a reproduction of the “Atlantic ruling class” (Van der Pijl 1984), or are there indications of more multilateral global reach? If the former, do we envisage in the fragmented network at the global level the expression of capitalist rivalry that may in the present crisis lead to economic warfare between the USA, Europe and the emerging corporate economies in Asia?

To summarize, a robust process of European capitalist class formation should be discernable in four aspects of corporate community development:

- 1 a broadening, pan-European representation of capitalist interests,
- 2 increasingly transnational, bridging interlocks relative to national, bonding interlocks,
- 3 financial-industrial interlocking that crosses national borders, and
- 4 increasingly pan-European relations relative to ties linking corporate Europe to the rest of the world.

Below, we take up each of these issues as they pertain both to the network of corporate interlocks and to the position of the ERT within the corporate community.

### **Methodological Considerations**

Data for membership on the ERT was obtained from the organization’s official website (<http://www.ert.be/>), which provides a complete membership archive. Data for the European corporate board memberships were assembled first by designating the “Global 500” corporations (G500), at year end 1996 and 2006, using the *Fortune* Global 500 as a starting point. *Fortune* magazine publishes in its July issue a list of the 500 largest corporations in the world, ranked by total revenue, in US\$. This ranked list has the advantage of providing a consistent time series, and offers good coverage of the entire range of industries and corporate domiciles. However, *Fortune*’s ranking by revenue favors industrial and commercial capital over financial capital, with the consequence that firms with vast assets, whose revenue is made up of dividends and interest, will be overlooked (Carroll 2004). To compensate for this bias, we stratified the selection of firms, choosing the top 100 financial institutions (ranked by assets), and the top 400 non-financial firms (ranked by revenue), for each year.<sup>3</sup> This procedure is consistent with that used by Stokman, Ziegler and Scott (1985) and by Windolf (2002) in major comparative studies. In addressing our first three research questions, we focus exclusively on the subset of G500 corporations domiciled in Europe; in addressing our fourth question we include all G500 corporations, distinguishing them by domicile.

Having selected the sample of firms, we compiled a list of directors for each G500 corporation, using as the primary source the corporate annual report, available from official corporate websites or from the Mergent Online database.<sup>4</sup> Differences exist among national corporate governance systems, especially between the German two-board system, where a management board is accountable to an independent supervisory board, and the more widespread Anglo-American model of a single board on which sits the top management alongside a number of outside directors (see Scott 1997). On this issue, we followed previous practice (Scott 1997; Stokman, Ziegler and Scott 1985) and considered the Germanic dual boards as a single entity. Board data were verified for ambiguous cases. The name list was sorted alphabetically by surnames and given names, revealing multiple affiliations for certain individuals, which is the criterion for a board interlock. All ambiguous cases were then cross-checked so as to minimize false negatives, when one person's name is spelled in different ways, leading to actual interlocks going undetected, as well as false positives, when identical names actually refer to different persons (Carroll 1986).<sup>5</sup> The resulting, "clean" file of corporate and ERT affiliations was analyzed using the social network software UCINET (Borgatti, Everett and Freeman 2002).

## Empirics

Our designation of corporate Europe as a subset of the Global 500 enables an assessment of the extent to which European capitalists improved their competitive standing in capital's global league table. Over the decade, G500 firms based in Europe increased from 170 to 193, enlarging the basis, among the world's largest companies, for a European corporate community. In contrast, corporate USA (dropping from 166 to 154 firms) and Japan (dropping from 124 to 69) lost position. With the increased complement of companies, the number of directors of European G500 firms also increased from 2687 to 2803. However, the total number of directors with multiple directorships in G500 European firms actually fell from 330 to 311, and the number of European board interlocks fell from 621 to 548. As the number of firms grew while the number of interlocks fell, the density of the European corporate network dropped (from 0.0432 to 0.0296). Even so, the size of the dominant component of mutually reachable European corporations increased from 143 to 159, indicating a *larger but sparser European corporate network of interlocking directorates*.

### *The Unequal Structure of National Representation*

*The composition of corporate Europe* How are the national constituents "represented" in the European corporate community? We take

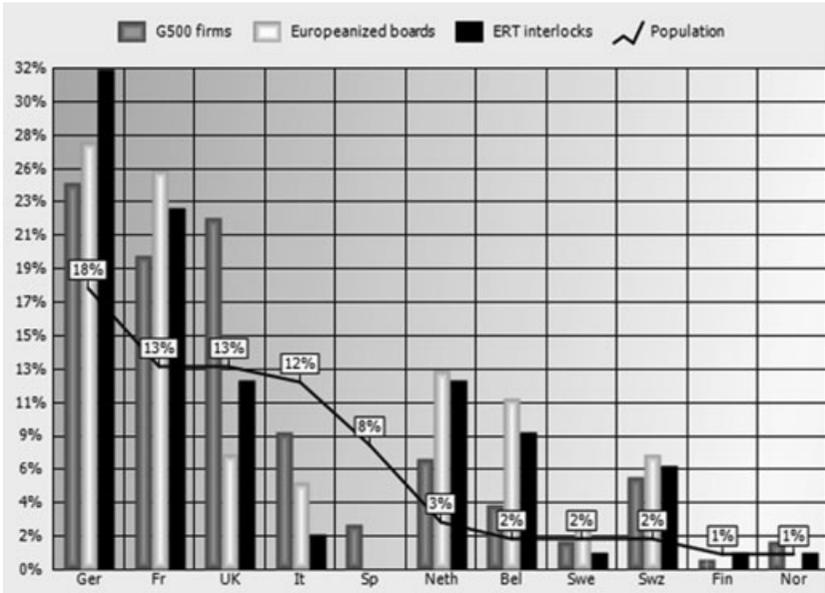
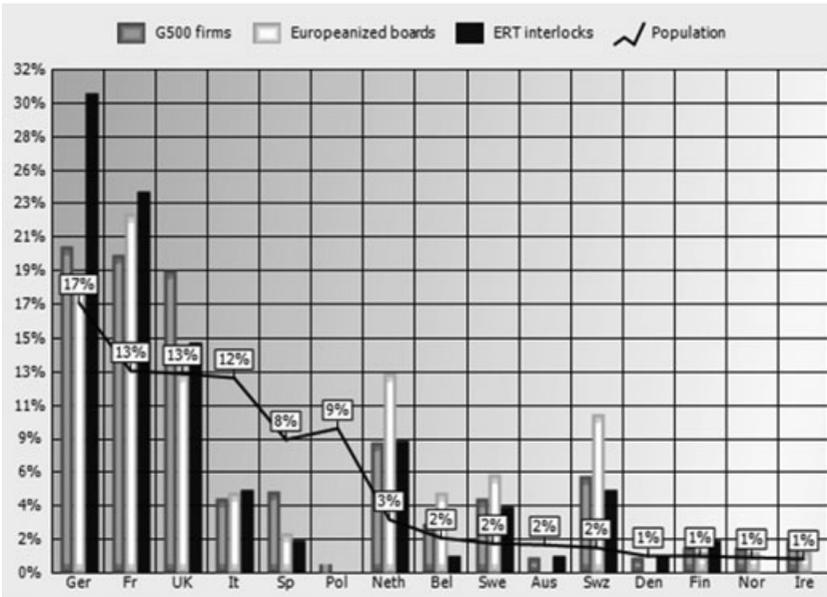


Figure 1: National domiciles in corporate Europe, 1996

Europe’s population distribution as an intuitive baseline for assessing representation. If corporate capital had accumulated on a relatively even basis, the regional distribution of G500 head offices would match the distribution of population (and thus of available labor power). The extent and pattern in which the distributions diverge give us a sense of spatial unevenness in the command of corporate capital. Figures 1 and 2 compare several percentage distributions of national corporate domicile, with the baseline population distribution shown as a line.<sup>6</sup> The grey bars in the figures show the percentage of European G500 corporations domiciled in each country, indicating how well countries are represented in corporate Europe. *Relative to population size*, in 1996 France, Germany, the Netherlands, Belgium, the UK and Switzerland were over-represented as domiciles for G500 firms. Of these, the first four were core to the European Economic Community from inception; the last two have long held central positions as sites for internationalized accumulation within and beyond the North Atlantic. Spain, Italy, Austria, Denmark, Ireland, and especially the European semi-periphery were under-represented. By year end 2006, France, the UK, the Netherlands, Switzerland and Germany continue to be over-represented, but are joined by Swedish and Irish companies. Italy, Spain and especially the European semi-periphery remain under-represented. In both years, corporate Europe’s composition is highly skewed toward the affluent countries of the northwest.



**Figure 2:** National domiciles in corporate Europe, 2006

*Europeanized corporate boards* The representation of national constituencies becomes even more uneven when we restrict ourselves to those corporations whose boards maintain at least two transnational interlocks with other G500 European firms. Through their *Europeanized* boards of directors, these firms participate extensively in the European corporate community. The total number of such corporate boards expands over the decade, from 55 of 170 in 1996 to 79 of 193 in 2006, indicating that within Europe transnational interlocking has become a more common practice. But again we find a highly skewed distribution (see the white bars in Figures 1 and 2). In 1996, Germany and France accounted for over half of all Europeanized boards. The Netherlands, Belgium and Switzerland also figured prominently, but corporate UK, despite its large complement of G500 firms, was conspicuous in its marginal participation in the network. In the ensuing decade, however, Franco-German predominance weakened especially on the German side, and although companies based in the Netherlands and Switzerland continued to be heavily over-represented (see also Heemskerck and Schnyder 2008), *the network came to include a greater diversity of domiciles*, reaching further south to Spain and north to Sweden, though not east. UK-based firms became more involved, so that by 2006 the proportion of the population living in the UK matched the proportion of Europeanized boards domiciled there.

Overall, the same countries that provide domiciles for Europe's leading corporations predominate in the interlock network: the

composition of the network is shaped by corporate Europe's accumulation base. But some countries "punch above their weight" in serving as hosts for a disproportionately large complement of Europeanized boards. Switzerland, the Netherlands, France and Sweden together account for 20% of Europe's population, yet in 2006 fully 52% of Europeanized boards were based in these four countries.

How are national domiciles "represented" at the European Round Table? In 1996, 67 top European firms were represented by their directors sitting on the ERT. Nineteen corporations had multiple directors on the ERT, generating a total of 91 interlocking memberships between G500 corporate boards and the ERT. The comparable figures in 2006 were 68 firms and 95 interlocks. Some companies had as many as four directors on the ERT, indicating a very close articulation with the policy-planning process. Considering the black bars in Figures 1 and 2, we find that, overwhelmingly, German and French companies have been most numerous represented on the ERT, further sharpening the unequal structure of representation that is already built into the corporate community's accumulation base. In both years, approximately 55% of all the interlocks with ERT involve firms headquartered in these two countries. Yet within this pattern of Franco-German predominance, there is also increased representation of firms based in Italy, Spain, the UK and Scandinavia.<sup>7</sup>

Clearly, the heartland of corporate Europe remains in the northwest of the continent, while the outer margins have been barely integrated into the corporate network. The spatial distributions of G500 firms, of transnational boards, and of boards interlocked with ERT all point to a corporate community strongly centered in Germany, France, the Netherlands and Switzerland, with capital based in the UK and Sweden gaining position over the decade and capital based in Belgium losing out. There is only a weak tendency toward greater inclusiveness, as a few firms based in other western-European countries take up positions in the corporate network or gain representation in the ERT.

### *The Social Organization of Corporate Europe*

*Bonding and bridging* Our second research question distinguishes between corporate interlocks that bridge across national domiciles, creating a pan-European network, and those that bond corporate boards within national networks. Before considering the entire complement of G500 firms based in Europe, we focus on the consistently dominant firms: those ranking among the G500 across the entire decade (ie in 1996, 1998, 2000, 2002, 2004 and 2006). These number 96. Their size and growth over time (accomplished in part through taking over other firms) have placed them in a secure location within corporate Europe's accumulation base, affording the community a measure of institutional

**Table 1:** Mean degree for consistently dominant and other G500 European firms, 1996 and 2006

	Bonding		Bridging		Total	
	1996	2006	1996	2006	1996	2006
Mean degree consistently dominant firms	6.14	4.86	2.27	2.53	8.41	7.40
Mean degree other firms	4.53	2.79	1.35	1.19	5.88	3.98
Mean degree all firms	5.44	3.82	1.87	1.85	7.31	5.68
Eta-squared	0.021	0.058	0.025	0.080	0.034	0.104

stability in a turbulent environment. Most of the consistently dominant firms (85.4% of the total) are based in Germany, France, the UK, the Netherlands and Switzerland. The accumulation base for corporate Europe's most institutionally stable component is located primarily in the same few countries that host the lion's share of participants in the pan-European network and in the ERT.

This institutionally stable segment plays a central role in the European corporate community. Consistently dominant firms are far more central in the network than are firms whose standing in global capital's league table has been less secure (Table 1). In 2006, the former were interlocked on average with 7.4 other G500 European firms, while the latter averaged a degree of barely 4. Across the decade, the general incidence of interlocking drops, and although most interlocks continue to be of the bonding type (contained within a single country) *the overall decline is wholly attributable to the thinning of national networks*. Indeed, the tendency for interlocking to decrease over the decade *applies specifically to bonding ties, and particularly to firms whose status in the G500 is more episodic*. The consistently dominant firms at the heart of corporate Europe gain prominence in the network.<sup>8</sup> *Bucking the overall trend toward decreased interlocking, the consistently dominant firms actually increase their transnational interlocking, while among other firms transnational interlocking falls slightly.*

As national networks have thinned, the pan-European network has become more focused around a number of giant firms that have been the most consistently successful in accumulating capital. By 2006, the network, both in its bonding and bridging aspects, is predominantly carried by these firms, most of which are domiciled in a few countries of the northwest.

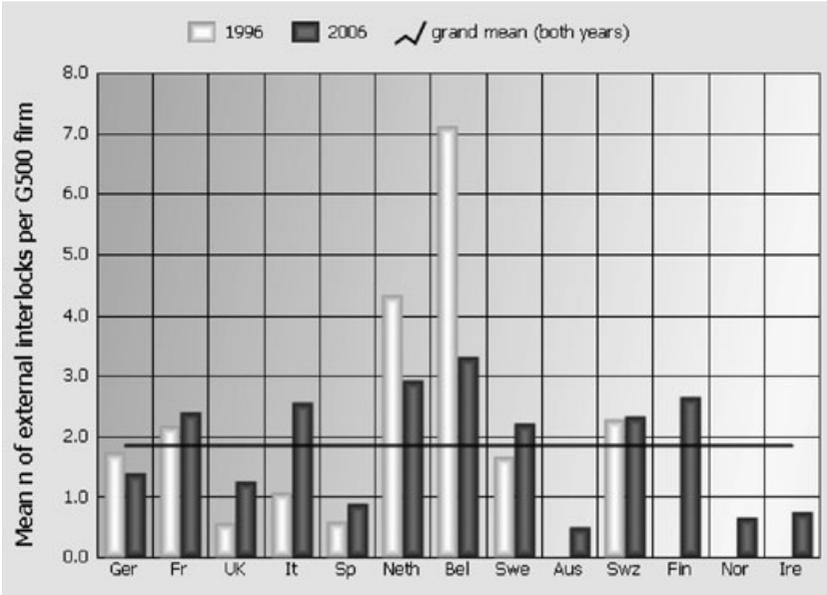
A systematic means of assessing the contributions of bonding and bridging interlocking to the European corporate community is provided by the "External minus Internal (E-I) Index" (Krackhardt and Stern 1988). For a given network segment (for present purposes, country), the index subtracts the proportion of all the bonding ties from the proportion

**Table 2:** Bonding and bridging analysis, 1996 and 2006

	No. bonding interlocks		No. bridging interlocks		E-I Index	
	1996	2006	1996	2006	1996	2006
Germany	430	368	73	56	-0.710	-0.736
France	260	184	74	94	-0.557	-0.324
UK	128	88	22	47	-0.707	-0.304
Italy	32	10	16	23	-0.333	0.394
Spain	4	8	3	9	-0.143	0.059
Netherlands	34	34	52	47	0.209	0.160
Belgium	18	4	50	20	0.471	0.667
Sweden	2	22	5	20	0.429	-0.048
Austria	-	0	-	1	-	1.0
Switzerland	16	18	23	28	0.179	0.217
Finland	-	0	-	8	-	1.0
Norway	-	0	-	2	-	1.0
Ireland	-	2	-	3	-	0.200

of all the bridging ties. It ranges from  $-1$ , indicating that the segment is completely “introverted” to  $1$ , indicating that the segment is completely “extraverted”. In 1996, 74.4% of all interlocks stayed within national boundaries; by 2006 that proportion had fallen to 67.3%, reflecting both a decline in bonding interlocks and increase in bridging interlocks. However, the shift was uneven across countries (Table 2). The German network, which in 2006 remained the most integrated, actually became slightly more introverted; the Swedish network gained many trans-European ties but became even more internally integrated. But in four countries national interlocks disappeared as trans-European interlocks proliferated—most spectacularly in Italy (whose national network was eclipsed by burgeoning transnational interlocks) but also in the UK, France and Switzerland.

As a final assessment of trends in Europeanization, we chart in Figure 3 the mean degree of transnational interlocks for each European domicile. This controls for the size of each country’s complement of G500 companies, indicating the extent to which corporations based in a country interlock with other large European companies based in other countries. Over the decade the grand mean degree stays constant, just below 2. What is striking in the inter-country comparisons is the decrease in differences in degree of participation in the pan-European network, as individual countries move toward the grand mean, some dramatically so. Across the decade, the proportion of variance in transnational degree that is attributable to inter-country differences (Eta squared) drops sharply, from 0.265 to 0.098. This convergence in degree of transnational interlocking suggests that, *despite the unevenness we have noted, the*



**Figure 3:** Degree of transnational interlocking within Europe, 1996 and 2006

*network is tending toward equity in participation*, a structural feature of community.

*The integrative function of the ERT* In constituting corporate Europe, the ERT brings together disparate national and industrial sections of the European capitalist class, with the objective of finding a united way forward. Not surprisingly, when we include the ERT as a node in the European network, it stands out, in both years, as *the broker*, connecting, at one remove, pairs of firms that are not themselves interlocked. Moreover, true to its project, the vast bulk of its brokerage occurs across countries; the ERT adds very little to the cohesion of the existing *national* networks. Clearly, the ERT functions, as intended, to draw the European corporate community together.<sup>9</sup>

This integrative function gains significance as national networks thin (Heemskerck 2007). The ERT furnishes a meeting place that shrinks the social space of corporate Europe: its brokerage has the effect of shortening the distances between firms in the network. Considering only the European corporate network (excluding the ERT), in 1996, 143 of the 170 G500 firms based in Europe formed a connected component, wherein the mean distance between firms was 3.234. By 2006, with 159 of 193 European companies in the dominant component, the mean distance had increased to 3.379. Yet when we calculate inter-corporate distances with ERT-mediated ties included, the mean distance among the same firms falls to 2.962 and remains constant across the decade.

**Table 3:** Mean inter-corporate distances, with and without ERT mediation

Basis of calculation	1996		2006	
	Intra-national	Transnational	Intra-national	Transnational
A Without ERT	2.012	3.688	2.909	3.904
B With ERT	1.970	3.313	2.536	3.263
A–B	0.0421	0.375	0.373	0.641

What interests us particularly, however, is the contribution that the ERT makes to the reduction of *transnational* distances in the corporate community. In Table 3 we see that, without the mediating effect of the ERT, mean distances increase, especially in Europe's domestic networks. Including the ERT-mediated ties, the increase in transnational distances is more modest, and partly reflects the expansion of the network, as "rising stars" with less established elite connections join the G500. In 1996, the ERT plays a modest role in reducing inter-corporate distances. By 2006, however, ERT affiliations play a stronger role in reducing both intra-national and transnational distances, but especially the latter. The result is that, despite reductions in overall interlock density and the ascension to the G500 of some new firms that lack historical linkages to the European corporate elite, mean transnational distances actually fall slightly between 1996 and 2006, when ERT affiliations are included in the analysis.

From this analysis of bonding and bridging, our picture of European capitalist class formation gains definition. Corporate Europe's most institutionally stable segment, principally domiciled in a few countries of the northwest, increasingly forms the backbone of the community. Although national networks persist in weakened form, the tendency is toward Europeanization of interlocks, particularly among the most institutionally stable segment. Despite unevenness across countries, participation in the corporate community becomes somewhat more inclusive at least among firms based in western Europe. Finally, the ERT plays an increasingly important role as a meeting place that shrinks the social space of corporate Europe by extensively brokering elite inter-corporate relations.

### *The Issue of Institutional Completeness: Towards European Finance Capital?*

To what extent does the tendency toward Europeanization entail an integration of financial and industrial capital across borders? It is well to note at the outset of this analysis that as a group, G500 financial institutions based in Europe grew sharply over the decade. In 1996, 45 of the world's 100 largest financial institutions were based in Europe;

**Table 4:** Financial institutions in the European corporate network, 2006

Domicile	Name	Bonding interlocks	Bridging interlocks	Total interlocks
Germany	Allianz	18	6	24
	Munich Re	10	5	15
	Commerzbank	14	1	15
	Deutsche Bank	12	2	14
	KFW Bankengruppe	7	0	7
France	BNP-Paribas	14	13	27
	CNP Assurances Vie	6	1	7
	AXA	5	1	6
UK	Societe Generale de France	2	3	5
	Lloyds TSB Group	4	2	6
Italy	Standard Chartered Group	6	0	6
	Barclays Bank	3	2	5
	Unicredito Italiani	1	9	10
Spain	Assicurazioni Generali	2	7	9
	Banco Santander	0	5	5
Netherlands	Aegon	3	3	6
	ING Groep	4	2	6
	ABN Amro Holding	1	4	5
Belgium	Dexia	0	6	6
Sweden	Skandinaviska Enskilda Banken	2	4	6

a decade later, 56 were. As a proportion of total assets, Europe's share of the top global 100 financials stood at 61%, the result of a frenetic accumulation of paper assets, associated with what has been called financialization (Dore 2002; Krippner 2005).

There is no doubt that Europe is a major centre for global finance; the question is whether financial institutions, the "hubs" of national configurations (Mintz and Schwartz 1985; Scott 1997), have come to occupy central locations in transnational European interlocking. Already in 1996, banks and insurance companies had a strong presence at the centre of the pan-European network. Seven of them placed among the 29 firms with five or more transnational interlocks.<sup>10</sup> A similar situation held in 2006, as seven financial institutions ranked among the 21 corporations with five or more transnational interlocks. Considering in Table 4 the 20 financial institutions that each had five or more interlocks of any kind in 2006, we find that some of the most central financial institutions (notably BNP Paribas) combine extensive bonding and bridging interlocking, rendering them central both within their national networks and across Europe. German financials are ensconced within a national network, in which they occupy central locations. The same holds for two of the French financials. The Italian, Spanish, Belgian and Swedish financials attain centrality largely through transnational interlocking. The pattern suggests both the reproduction of national

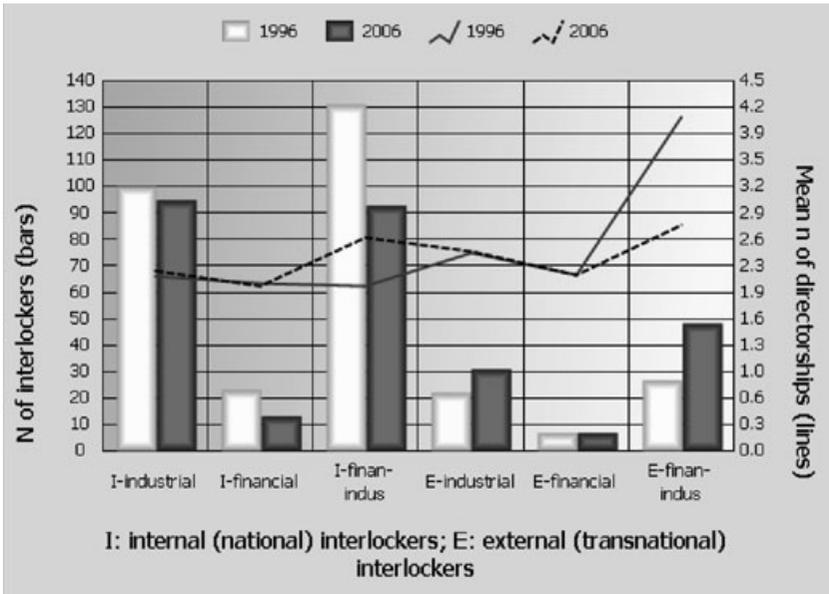
financial–industrial axes (particularly in Germany) *and* a pan-European *capital integration*, but it also points up the relatively weak participation of London-based financial capital in Europe’s corporate community. Only three of the 13 UK financials maintain five or more interlocks, and their ties tend to be with other UK firms.

We can get a clearer picture of these relations by mapping the network of companies that participate extensively in bridging across Europe’s borders. In this analysis, we include the 11 financial institutions in Table 4 that maintained at least three bridging interlocks in 2006, and add the 25 industrials that maintained at least four bridging interlocks in the same year. Although they comprise barely 19% of Europe’s G500 firms, these 36 companies account for 59% of all bridging interlocks (and 25% of bonding interlocks). They also account for 42 of the 95 interlocks that linked Europe’s major corporations to the ERT in 2006.<sup>11</sup>

In Figure 4 we cluster the firms by their national domicile, and display the financials as black circles and the industrials as white boxes. The thickness of lines indicates the number of shared board members, which ranges from one to four. We have given the ERT a ghostly presence at the centre of the network, linking directly with 25 of the 36 companies, including six financial institutions. Twelve corporations share multiple directors with the ERT. Ironically, the tightest ties to the Round Table are claimed by giant financial institutions BNP Paribas and Allianz—each with four ERT members on board (predominantly created, as we will show, not by bankers). Bearing in mind that these 36 companies have been selected by virtue of their extensive transnational interlocking, it is striking how densely the French companies are interlocked with each other, in several instances via financial–industrial ties (eg BNP’s strong tie to St Gobain, Societ  Generale’s strong tie to Total). The same holds for German companies (consider Munich Re’s strong tie to Hochtief and Allianz’s strong tie to GE.ON), but not for the six Dutch firms, which are notably extraverted in their corporate affiliations. Looking across borders, we find various instances of financial–industrial interlocking, typically involving one shared director. Skandinaviska Enskilda Banken, for instance, interlocks with UK-based AstraZeneca and Vodafone, with Norway-based Stora Enso Oyi and with Swiss-based ABB. BNP Paribas interlocks with UK, Belgian, Dutch, Swedish and German industrials.

*Finance capitalists in Europe* For the European corporate community, financial–industrial integration can be said to occur not only at the corporate level, but also through the various board affiliations of individual capitalists. Here we take the analysis to the level of individuals, categorizing them, following Soref (1980), as finance capitalists if they serve simultaneously on the board of one or more financial institutions and one or more non-financial corporations. Such capitalists “connect financial corporations with production corporations





**Figure 5:** Types of interlockers in corporate Europe, 1996 and 2006

and thus create the institutional links that are typical of finance capital” (Fennema 1982:207).

If corporate Europe is attaining institutional completeness, we should find finance capitalists in structurally prominent positions. In Figure 5, we categorize the interlocking directors of G500 European firms according to: status in the European network (whether engaged only in bonding, or in at least one bridging interlock); and status in directing industrials, financials or both (with finance capitalists abbreviated as “finan-indus”). Given the increasing presence and centrality of major financial institutions in the trans-European network, we might expect to find finance capitalists playing a major role in the network, particularly in its transnational aspect, and this is indeed the case. In 1996, the largest category of European interlockers was *national finance capitalists*—directors of both industrial and financial companies domiciled within a single country. Although national finance capitalists lose prominence in the ensuing decade, there is a sizeable increase in the complement of *transnational finance capitalists*. Moreover, as the lines in Figure 5 show, finance capitalists tend to hold more corporate directorships than others. *As the network becomes more pan-European, transnational finance capitalists proliferate.* Concomitantly, the number of national “pure” financiers shrinks as financial institutions domiciled in the same country largely sever their mutual ties. Transnational industrialists also gain ground, but more modestly, while national industrialists remain a quite substantial grouping, underlining the continued importance of

national networks in the European corporate community. At year end 2006, *seven out of ten European corporate interlockers participated only in national networks.*

The evidence suggests a shift in elite structure, from nationally focused regimes of capital integration to a more pan-European configuration. How does the ERT, ostensibly a vehicle of *industrialists*, figure in this? Strikingly, when we apply our classification of corporate interlockers to this question, we find that in 1996, 15 of the 25 interlockers on the ERT were finance capitalists (seven of them trans-European) while in 2006, 15 of 26 (seven of them trans-European) were. This is evidence in favor of Van Apeldoorn's thesis that some ERT members "should be regarded not as industrialists proper but as *finance capitalists*" (Van Apeldoorn 2002:100). Yet, as discussed in the introduction, finance capitalists should not be equated with bankers. Not surprisingly, 13 of the 15 finance capitalists on the ERT in 1996 and 14 of 15 in 2006 were primarily affiliated with industrial corporations. More revealingly, across the decade, among European transnationalists holding inside positions in a G500 corporation, the complement of bankers actually fell from 17 to 12<sup>12</sup>, while the number of industrialists grew from 18 to 34. In this sense, bankers have become relatively less dominant in the European corporate community. Rather than bankers, who in the Saint-Simonian perspective are the most farsighted and focused on international business, it is *industrialists with financial connections* that form the core of the European corporate community.

This conclusion is further strengthened by an examination of the position of the European Financial Services Round Table (EFR) within the elite network. Formed in 2001, the EFR's project is to encourage national governments and the EU institutions "to commit to creating a truly single market for wholesale and retail financial services in Europe" while also working to "promote free and open markets throughout the world" (European Financial Services Round Table 2007:60). Its 19 members comprise the leaders of Europe's major banks and insurers, yet in 2006 only seven had multiple directorships in G500 European corporations. Five of the seven were finance capitalists, linking the EFR to the boards of a dozen industrial corporations, although only one of them had transnational directorships.<sup>13</sup> In structural terms, the EFR makes a relatively modest contribution to the European corporate community, in comparison with the ERT, whose deeper roots and privileged access to European institutions have made it a uniquely influential policy planning group (Kennett 2004:62).

### *Corporate Europe and the Rest of the World*

Given the trends we have found toward consolidation of a European corporate community, how does this community relate to the rest of

**Table 5:** Elite linkages between corporate Europe and the rest of the world

Pairs of interlocked G500 corporations	1996		2006	
	N	%	N	%
Within Europe	1242	40.5	1096	53.0
Between Europe and rest of world	135	4.4	131	6.3
Within rest of world	1692	55.1	840	40.7
Total	3069	100.0	2067	100.0
E-I Index for European corporations		-0.804		-0.786

the world, in an era in which the virtues of a borderless world, of unfettered capitalism, have been heralded if not hyped? Are firms central within corporate Europe detached from the wider global network; are some European firms marginal to the European network yet well connected beyond it? In what ways is the ERT itself embedded in the global corporate network? To deal with the last question first, when we widen our lens to include the entire G500, *we find very few extra-European corporate affiliations of ERT members*. In 1996, the ERT had overlapping memberships with a total of 73 G500 boards, 67 of which were domiciled in Europe. By 2006, the respective numbers were 73 and 68, giving no evidence of the ERT incorporating economic interests beyond Europe. Within Europe, the ERT acts as a *bridge* across national corporate communities, but vis-à-vis the rest of the world its role is clearly to *bind* European capital into a self-standing community.

Leaving aside the ERT, in the European corporate community we again find no tendency toward extraversion at the expense of internal cohesion. If we differentiate the set of firms domiciled in Europe from all other G500 firms, we can assess whether the apparent consolidation of corporate Europe is simply a local instance of a global trend toward the formation of a transnational capitalist class. Worldwide, the number of interlocked pairs of G500 companies actually declined by nearly one third in the decade under study (Table 5). This was partly due to corporate governance reforms favoring “leaner” boards and more focused commitments from directors, and partly due to the collapse of the Japanese corporate network in the 1990s (Carroll 2009). Within Europe, however, the decrease in total interlocking was modest, as the corporate community maintained internal cohesion in a thinning global network. *By 2006, corporate Europe forms the most integrated segment of the global corporate network*, accounting for a remarkable 53.0% of all G500 interlocks worldwide. In comparison, the North American zone (the USA plus Canada) accounts for 35.0% of worldwide interlocking (down from 44.2% a decade earlier). At the level of individual firms, this shift in the global network’s center of gravity is mirrored in the fact that *the most central corporations globally are based in Europe*. In 2006, all

30 of the G500 corporations with highest degree of interlocks globally were European (19 German, six French, two British, one Dutch, one Belgian).

On the other side of the coin, only a few European firms have many external interlocks: the E-I index shows that in 1996 and in 2006 the number of external interlocks was vastly overshadowed by the number of internal interlocks. Table 5 shows that in 2006, there were 131 elite linkages between corporate Europe and the rest of the world. Most European firms (121 of 193) had no interlocks beyond Europe. The 28 companies with multiple extra-European ties account for two-thirds of all the external links between corporate Europe and the rest of the world, but they themselves vary in the extent of external linkage. At one extreme, London-based BP and Paris-based Alcatel were interlocked with seven non-European firms each; at the other, ten companies were each tied to two non-European firms. The 28 also vary in their extent of integration into the European corporate community, with the Swiss and UK firms showing the least integration.<sup>14</sup> In line with what has been said earlier about the decreasing role of the bankers in the European network, only four of the 28 “worldconnectors” are financial institutions. Significantly, most of the European firms with multiple interlocks outside Europe are well ensconced in the European corporate community. The number of external links exceeds the number of internal links in only three cases (Zurich Financial, Alcatel and Telecom Italia), and for 11 of the 28, links with Europe outnumber external links by a ratio of 3:1 or more. Still there is some evidence that the most externally connected companies of Europe are recruited from its more internationalized zones—the UK and Switzerland in particular.

What also stands out when we place corporate Europe in a global context is the rarity of ties leading beyond the North Atlantic. At year end 2006, only nine of 135 G500 firms domiciled outside the North Atlantic had any interlocks with European firms, and only four were interlocked with multiple European firms.<sup>15</sup> Even ties spanning the Atlantic are sparse compared to corporate Europe’s internal cohesion. In 2006 two North American firms were 6.75 times more likely to be interlocked than were a European and a North American firm, while two European firms were nine times more likely to be interlocked than a European and a North American firm. *The trans-Atlantic corporate network lacks much of the integrative capacity we have documented in the case of Europe*, including the state institutions of the EU, which provide a strategic focal point for ERT initiatives.

## Conclusion

Emerging as an economic community in the latter half of the twentieth century, corporate Europe underwent further consolidation in the late

1990s, through to early 2007, so that on the threshold of the current global economic crisis Europe's corporate community had achieved unprecedented unity as the top tier of a transnational capitalist class in the making. This study has focused on how the community has been stitched together into a loose but serviceable social fabric. Our investigation was inspired by four lines of questioning, and on each count we have noted tendencies toward corporate community development.

- Although the structure of representation remains heavily skewed toward the affluent northwest, and toward the most institutionally stable segment of capital, the network came to include a greater number of firms and a diversity of domiciles, reaching further south to Spain and north to Sweden, though not eastward. This suggests that within European integration, the process of “state formation” and corporate community building are two separate strands, where the latter is first and foremost geared to connect the current centers of capital accumulation. The political process of European integration at the level of states rather aims to include new hinterlands (Eastern Europe, Balkans) which are not yet part of the affluent, “networked” heartland. This practice enables the corporate community to accumulate capital in a larger, integrated field that includes markets in labor, products and services and thus to strengthen its power base vis-à-vis other regions in the world such as Japan and North America, while reproducing an uneven geography of capitalism within Europe.
- When we considered the dynamics of (continuing) national corporate communities and the (emerging) European corporate community, we found that the overall decline in interlocking within Europe is wholly attributable to the thinning of national networks. Although national networks persist, particularly in Germany and France, the tendency is toward interlocking at the transnational European level. Again, it is consistently dominant firms domiciled in a few countries in the northwest, which participate most heavily in transnational bridging. However, the measured inclusion of corporations from Europe's north and south into the European corporate network coincides with a convergence in the degree of transnational interlocking per country, suggesting a tendency to equity in participation. The ERT notably contributes to the European corporate network by brokering relations between companies based in different countries, thereby reducing distances in the network. Its integrative role grew over the decade, shrinking the social space of corporate Europe despite an overall thinning of the network.
- In the pattern of interlocking directorships we found both the reproduction of national financial–industrial axes (particularly

in Germany) and the emergence of more pan-European capital integration. By 2006, with the notable exception of the City, major European financial institutions showed a clear pattern of bridging between countries—sometimes combined with and sometimes in preference to bonding within the national network. At the individual level the ranks of transnational finance capitalists grew, but a closer look revealed that bankers have become less dominant. It is industrialists with financial connections, many of them active at the ERT, that form the core of the European corporate community. The evidence suggests a partial shift from nationally focused regimes of capital integration centered around banks to a looser, more pan-European configuration. Of course, institutional supports such as the Euro and European Central Bank are major aspects of this capital integration. As the circuit of capital becomes more integrated, capital accumulates less within segmented nation-states and more in an integrated Euro-zone. Europe's corporate community is indeed organized around a financial-industrial axis, but the era of bank dominance is over. The vision Saint-Simon held of bankers as the most far-sighted and engaged members of the corporate elite seems no longer applicable. The contrast is telling between the European Round Table of Industrialists, a centre of business activism, heavily networked with both the corporate community and the European Commission, at the cutting edge of European integration since the early 1980s, and the European Financial Services Round Table, which formed only recently and networks only modestly. It is the ERT that has defined and pursued a hegemonic project for European corporate capital; in comparison, the EFR represents little more than a sectional interest in improving conditions for the circulation of money capital in and beyond the EU.

- As for the embeddedness of corporate Europe in the global corporate network, by 2006 Europe hosted the most integrated segment of the global corporate elite, and this internal capitalist solidarity far outweighed the comparatively few interlocks linking Europe to the rest of the world. The nearly complete absence of ties leading beyond the North Atlantic, and the relative sparseness of ties spanning the North Atlantic, underscore both the robustness of corporate Europe and the comparative lack of integrative capacity between North America and Europe.

These findings raise three key issues for capitalist class formation in Europe. In the first place, they underline the relative success of the process. The consolidation of corporate Europe has been a conscious project, centered in organizations like the ERT and European Commission and in emergent norms favoring multinational

representation on corporate boards. But within that institutional framework, community formation has also proceeded molecularly, as the by-product of an increasing volume of pan-European practices among Europe's major corporations. Coexisting as it does with the persistence of attenuated national corporate networks, consolidation of a European corporate community, integrated in no small measure by the ERT, is an important aspect of class hegemony. Even as it reproduces patterns of unequal representation, this consolidation enables the leading segment of the capitalist class, the inner circle, to speak with one voice. Indeed, most of the transnational corporate interlocking that has been taken as evidence for the formation of a transnational capitalist class (Robinson 2004) has occurred *within* Europe.

Second, the formation of trans-European finance capital needs to be set in the context of a post-2006 global financial meltdown that has not spared corporate Europe. What meaning does "finance capital" have in such ruinous circumstances? Harvey (2006:283) has helpfully distinguished between a "process view of finance capital" and a "power bloc view", the latter of which we have taken here. In this latter perspective, the "symbiotic relation" of industrial and financial capital implies a working unity, which dominates the accumulation process from the top (Harvey 2006:319). This unity, however, internalizes antagonism and contradiction, and presages "perpetual shifts in the power relation" between financial and industrial capital (2006:320). These shifts, articulated as they are with the rhythm of accumulation, oblige us to view finance capital as a *process* that "reveals the underlying unity and antagonism between financial and surplus value-producing operations" (2006:319). If industrial capital is dominant in the upswing, during the later boom phases of the accumulation cycle:

industrial and financial interests unite to promote a credit-based expansion of commodity values. In the crisis, money is everything and the banks appear to hold the fates of industrial capitalists entirely in their hands because excess commodities cannot be converted into money. But banks themselves may also go under as the demand for high-quality money. . . far exceeds supply. In the depths of the crisis, power resides with those who hold money of last resort (Harvey 2006:319).

Applying this narrative to the recent developments, the consolidation of corporate Europe, to early 2007, was a phenomenon of the upswing that followed the Reagan recession of 1981–82 and of the credit-based, prolonged expansion that followed the 1997 crisis in East Asia and gained momentum after the dotcom bubble burst in 2000–2001. The decade we have examined was precisely one of credit-based expansion, during which massive volumes of fictitious capital accumulated in the financial sector. Beginning in summer 2007, but most visibly in the

autumn of 2008, the credit bubble burst, triggering “a powerful global economic slowdown” (McNally 2009:46).

We have indeed found that in the period of credit-based expansion, before the crash, industrial and financial interests were brought together in a pan-European network of interlocking directorates. The relatively marginal position of Europe’s bankers in the network accords with Mügge’s (2008:234) observation that bankers were largely uninvolved in the emergence of supranational governance in EU capital markets and did not see the need for a European market for financial services. According to Mügge, their reticence reflected worries about losing advantageous positions in their national financial systems. But in addition to that parochial concern, financialization had weakened the role of bankers in financial–industrial integration. Following the US lead (Davis and Mizruchi 1999), European banks de-emphasized relationship-based finance and turned toward more speculative, transaction-based finance in the closing decade of the twentieth century (Carroll and Fennema 2002; Heemskerk and Schnyder 2008). The cross-border financial–industrial interlocks we observed have been carried for the most part by finance capitalists aligned primarily with industrial corporations. And, to return to the quote from Harvey, since the crash of 2008 the state has emerged as the holder of money of last resort, as major banks have gone to the wall. State capitalism is back on the agenda. The likely result of the return to regulation and even public ownership of financial institutions is a resurgence of industrialists’ power and influence. The change in the power balance may have consequences for the policies of European governments and the European Commission. They may be forced by the credit crisis as well as by public opinion to move away from neoliberal policies towards state support to ailing industries. This also moves the balance of power towards the industrial elite. Whether this process will strengthen pan-European class formation remains unclear. When public support for private firms is generated primarily at the national level it is likely to create national rivalry between the members of the EU. Alternatively, when political and business leaders succeed in creating new forms of “state capitalism” at the European level the shifting power balance will strengthen rather than weaken European capitalist class formation.

Finally, our findings carry implications for the geography of uneven development in Europe (Agnew 2001). Despite tendencies toward greater inclusiveness, the corporate community remains strongly centered in the consistently dominant corporations of the northwest. To a great extent, it has been constituted as an expression of the dominance of a regional capitalist fraction. The absence from the corporate community of bourgeois leadership from the eastern hinterland, or from such southern states as Greece, exposes a fault line whose implications

for Europe's own future may be telling. As Harvey (2006:321) has astutely observed, elite configurations such as the one we have mapped here often appear to be futile attempts to establish unity in the face of a contradictory process. Yet the shifting patterns of inter-corporate relations "have also to be seen as part of a perpetual process of probing for an organizational form that will enhance the capacity of capitalism to survive in the face of its own internal contradictions". The social bases we have discerned for a pan-European capitalist class, however tentative and contradictory, will provide Europe's bourgeoisie, or the dominant fraction thereof, with cultural and political resources in the struggle for Europe's future, but no outcome is preordained.

## Acknowledgements

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## Endnotes

<sup>1</sup> Also worthy of note is the exceptional status of the UK, whose special relationship with the USA and scepticism toward the Continent have limited engagement with the project of European integration.

<sup>2</sup> Even though the European Commission may not be considered as a European government, its open methods of coordination seem to be fairly successful (Zeitlin and Pochet 2005).

<sup>3</sup> Additional sources of data in identifying the largest firms were the Mergent and Corporate Affiliations databases on the world's largest firms, the *Forbes* Global 2000 ([www.forbes.com/lists/](http://www.forbes.com/lists/)), the *Financial Times* Global 500 ([www.ft.com/reports/ft5002007](http://www.ft.com/reports/ft5002007)) and lists of the largest companies published annually by the *Wall Street Journal* ("World's Largest Publish Financial Companies"), *Global Finance* ("The World's Biggest Banks") and *The Banker* ("Top 1000 World Banks").

<sup>4</sup> In a small number of cases, annual reports were not available. Alternative sources of board data were: official corporate websites listing contemporary directors (earlier versions of a company website were accessed through the Wayback Machine; [www.archive.org](http://www.archive.org)); and secondary sources including EDGAR, the website of the US Securities and Exchange Commission ([www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)) and business databases listing members of the board of directors at different years ([www.CorporateAffiliations.com](http://www.CorporateAffiliations.com) and Standard and Poor's *Register of Corporations, Directors and Executives*, New York, published annually). In a few cases, where no directorship data were available, companies were dropped from the G500 and replaced with the next biggest industrial or financial firm.

<sup>5</sup> Sources for cross-checking individual directorships included the Lexis-Nexis database ([www.lexisnexis.com](http://www.lexisnexis.com)), *Forbes* People Tracker ([www.forbes.com/cms/template/peopletracker/index.jhtml](http://www.forbes.com/cms/template/peopletracker/index.jhtml)), *Business Week's* Company Insight Center (<http://investing.businessweek.com/research/company/overview/overview.asp>), as well as [www.google.com](http://www.google.com).

<sup>6</sup> We take as the European zone the 25 EU members as of 1 May 2004. We add to these Norway and Switzerland—states whose citizenries rejected EU membership but which nevertheless have long been integral to Europe as an economic region. Note that the "other European" category in Figures 1 and 2 refers almost entirely to the European

semi-periphery, including Greece, Portugal, Czech Rep, Hungary, Slovakia, Lithuania, Latvia, Slovenia, Estonia, Cyprus, Malta and Luxembourg (the last not semi-peripheral, but of negligible size). In 1996, the category also included Poland; however by 2006 one Polish-based firm had entered the G500, removing Poland from the “other European” category. Source for population data: United National Department of Economic and Social Affairs, Population Division, “World Population Prospects: The 2006 Revision Population Database (<http://esa.un.org/unpp/index.asp?panel=1>, accessed 15 July 2008).

<sup>7</sup> The over-representation of French and German capital at the ERT is partly a result of the fact that their national networks (especially Germany’s) remain well connected through 2006; thus an executive of a given German or French firm who sits on the ERT will very likely be an outside director of other French or German firms. The internal coherence of their respective national networks increases the range of French and German capitalist interests represented on the Round Table.

<sup>8</sup> The Eta squared statistic, indicating the proportion of variance in total degree of interlocking that can be attributed to differences between consistently dominant and other firms, increases from 3.4% to 10.4%.

<sup>9</sup> For a discussion of brokerage in community elites, see Gould (1989). In 1996 the ERT brokered 2056 pairs of unconnected firms, of which only 234 involved pairs of companies based in the same country. In 2006, the respective values were 2210 and 224. In contrast to the ERT, corporate boards tend to broker relations between companies within their home countries.

<sup>10</sup> Namely AXA (based in Paris, 11 interlocks), BNP (based in Paris, nine interlocks), KBC (based in Antwerp, seven interlocks), Aegon (based in The Hague, seven interlocks), Banca Commerciale Italiana (based in Milan, five interlocks), Fortis (based in Utrecht, five interlocks) and Paribas (based in Paris, five interlocks).

<sup>11</sup> A comparison of most central 35 financials and non-financials of 1996 found an even greater concentration of bridging interlocks, at 74%. In 1996, the 35 firms most involved in bridging across borders accounted for 57% of all interlocks with the ERT. These comparisons with 1996 underline our previous finding that corporate Europe became somewhat more inclusive in the interim.

<sup>12</sup> An additional seven directors in 2006 (and one in 1996) had principal affiliations with European insurance companies, while three directors (two in 1996) were principally affiliated with merchandisers.

<sup>13</sup> The five finance capitalists were: Michael Diekmann (Chair of the Management Board of Allianz and Director of BASF, Deutsche Lufthansa and Linde Group), Rijkman Groenink (Chair of the Management Board of ABN-AMRO and Director of SHV holdings), Tom McKillop (Chair of the Royal Bank of Scotland and Director of BP and Astrazeneca), Michel Pébereau (Chair of BNP Paribas and Director of Lafarge, Saint Gobain and Total), and James Schiro (CEO of Zurich Financial and Director of Dutch-based Philips and US-based Pepsico).

<sup>14</sup> Among the 28 firms with multiple external linkages, 11 of the 15 scoring highest in E-I are based in the UK (7) or Switzerland (4).

<sup>15</sup> Namely, Japan-based Nissan (an affiliate of Renault, interlocked with four European firms) and Sony, Australia-based BHP and China-based China Construction (each interlocked with two).

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