The financialisation of global ownership

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Abstract

We sociologically investigate how deeply embedded finance capital is within very large global corporations, by asking the following questions: Is ownership of very large global corporations dispersed amongst a wide variety of individuals, families and shareholder types? Or are there common patterns of ownership across the largest corporations? Are the largest corporations dominated by industrial capital, finance capital, or something else? Does the state still have any role to play in ownership of large corporations?

What does this mean for our understanding of the debate about a transnational class? We use a database of shareholdings in the 299 largest global corporations. Our data speaks to the existence of a true transnational *class* comprising finance capital: a group that, sometimes directly, sometimes indirectly, controls the exercise of economic power across and within national boundaries. Financial capitalists appear to vary in the basic strategies they employ, with some financiers seeming more aggressive than others in seeking to exercise greater influence over individual companies. In turn, collective ownership by finance capital is concentrated in the relatively small portion of finance capitalists that comprises the top share controllers. We also find that the state is still a major player in ownership.

Keywords: Class, Transnational class, Finance capital, Ownership, Transnational corporations, Banks

Introduction

The global financial crisis exposed the frailties of the logic of the lending practices of finance capital. One noteworthy aspect of how the crisis has been interpreted is that finance capital appears to be perceived as a distinct part of the global economy with practices quite separate from other industries. But is this really the case? Is finance capital just one part of the global economy, one amongst many industries, albeit a very distinct one? Or is it the core of global capitalism, as demonstrated by its role in the ownership of global corporations?

The centralisation of capital (and resultant polarization of wealth between rich and poor) has been the theme of sociological writers (Marx & Engels, 1977, Connell & Irving, 1992, Gilding 1999, Domhoff, 2006, Murray, 2006) for a long time but now there is a shift toward exploring the idea that globalization has brought new class relations (see Kentor & Yong-sek, 2004, Stefano Battiston and James Glattfelder, 2009, Carroll, 2010, Robinson, 2010). These writers focus in some part on the possible emergence of a transnational class because capital has become more centralized and more actively involved in international trade and capital flows. Carroll, for example, talks about the role of financialisation – and the move from 'patient money' to 'agile money' – in reshaping the behaviour of firms, with finance capital 'exercis[ing] power not through voice, as in the taking up of directorships in affiliates, but through exit – the threat of capital withdrawal if adequate profit is not forthcoming.'

Our aim is to find how deeply embedded finance capital is within very large global corporations. We address this through asking the following questions:

- Is ownership of very large global corporations dispersed amongst a wide variety of individuals, families and shareholder types? Or are there common patterns of ownership across the largest corporations?
- Are the largest corporations dominated by industrial capital, finance capital, or something else?

- Does the state still have any role to play in ownership of large corporations?
- Is there any indication of the relationship between the global financial crisis and ownership patterns?
- What does this mean for our understanding of the debate about a transnational class?

Methodology

Our data are derived from the Bureau Van Dyk (BVD) global database of corporations, OSIRIS. We focus on the shareholding ownership module (also used by Battiston and Glattfelder, (2009)) and use data from 2009, that is, post-financial crisis. OSIRIS combines information from around 100 sources and covers approaching 63,000 companies worldwide with 500 employees working in 29 offices worldwide.

Our unit of analysis is the 'shareholding', which is a group of shares held in a very large company (VLC) by a share controller entity (bearing in mind that each group may have more than one share controlling entity). Our dataset comprises 17 826 observations of shareholdings by over 2100 share controllers of 299 large global corporations: the 250 largest industrial corporations by turnover, plus the 50 largest financial corporations (including banking, finance and insurance) by assets in the BVD database, minus one industrial corporation for which ownership data were not available.

We cleaned the BVD data to remove identifiable double counting of shareholdings. Most large share controllers in our dataset operate through more than one entity. In general, we have aggregated entities into a single group where those entities share a common element in their name that indicates common ownership, or in a smaller number of cases where there is majority ownership but a different.

Results

Table 1 indicates the countries of origin of our 299 VLCs. As would be expected, the largest single group comes from the USA (86 companies or 29 per cent of the population, though only 20 per cent of VLC assets), with notable representation also from Japan, France, Britain, Germany, Korea and China. By region, Europe accounted for 37 per cent of VLCs in the database, greater than the share of the Americas (32 per cent) and Asia (including the Middle East and Australia) (30 per cent).

Table 1: Country of origin of very large corporations [VLCs] in database, 2009

Country	No of VLCs	Proportion of VLC assets
USA	86	20.1
Japan	48	6.1
France	23	11.0
Great Britain	23	18.7
Germany	20	6.9
Korea	13	1.1
China	10	7.6
Italy	7	5.9
Australia	6	2.8
Switzerland	6	3.6
Spain	6	4.3
Netherlands	6	2.4
Others (N=21)	45	9.7
Total	299	100.0

Table 2 shows the types of shareholders who control shares in the top 299 VLCs in our database. It indicates that various forms of financial capital control the great majority (68.4 per cent) of shares in VLCs, with only a minimal proportion held by individuals or families (3.3 per cent) and relatively little held by industrial companies. The most common specific type of share controller was a bank. There were some differences between ownership of financial and industrial companies in our database: shares in industrial companies were more likely than those in financial companies to be owned or controlled by other industrial companies or by individuals or families, but banks were the most common share controllers in both major categories. As the financial VLCs in our database had higher average assets than the industrial companies, they accounted for 76 per cent of total assets in our database, and industrial VLCs were 24 per cent.

Table 2: Types of shareholders in VLCs by assets held

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

Table 3 shows the total value of assets held or controlled by the largest 30 share controllers of VLCs, out of over 2,100 share controllers appearing on our database. These 30 share controllers consisted of the 21 largest private sector share controllers, and the 9 largest public sector share controllers. Several aspects of the table are noteworthy.

The first is that these 30 organizations between them own or control some 51.4 per cent of the assets of the VLCs in our database 299 of the world's largest corporations. This is a significant concentration of resources and power – 1.5 per cent of shareholders control 51 per cent of shares.

The second noteworthy aspect is that a remarkable 6.06 per cent of the assets of the 299 VLCs in our database (around USD 3 trillion) are held or controlled by one company that is relatively unknown: BlackRock Inc, a financial company with offices in 24 countries and approximately 8,400 employees. BlackRock exercises control of shares principally through the funds it controls rather than through direct ownership: over 85 per cent are via funds it controls rather than through direct ownership. It thus mobilises other people's money to purchase and control shares in the many companies in which it has a stake.

The third point is that eight of the largest share controllers are governments. These nine states between them account for 17.0 per cent of the assets of our top 299 VLCs. (The remaining 34.4 per cent were controlled by the top 21 private sector or capitalist share controllers.) Curiously, this 17 per cent ownership of VLCs by nine governments is higher than the 16 per cent ownership of VLCs by all 'public authorities, states and governments' indicated in Table 2, but the discrepancy is due to many government-owned bodies being located in the BVD database under other categories.

Table 3: Largest 30 shareholders of VLC assets, 2009

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

Strategies of top private share controllers

Table 4 shows several characteristics of the top ten private share controllers amongst the top 299 VLCs. Again, several points are noteworthy.

First, six of the top ten private share controllers are based, or at least originate in, the US, as are 10 of the top 21. Three of the top-ten are based in France, and one in the United Kingdom. Second, all are financial institutions of one type or another: banks, financial companies, insurance companies, or mutual and pension funds or trusts.

Third, the top eight share controllers hold shares in more than half the top 299 VLCs. So their potential influence is spread across a very wide range of corporations. Indeed, 18 of the top 21 hold shares in at least 100 VLCs.

Fourth, various distinct patterns of share control can be observed. We pay particular attention to the number of companies in which a shareholder has the number one shareholding, and also those where they are amongst the top five shareholders. We refer to these as measures of share controller 'precedence'.

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

BlackRock and Capital Group are notable for having both wide influence (across many companies) and deep influence (through high precedence). That said, these share controllers do not focus on achieving legally-defined controlling shareholding levels. Table 4 shows the distribution of shareholdings by proportion of shares within VLCs, and it can be seen that BlackRock has shareholdings above 15 per cent in no VLC, while Capital Group has such share levels in only one case. Indeed, very few top private sector share controllers aim to (or perhaps can) secure shareholdings of 15 per cent or higher. In our VLCs large stakes are very expensive, so a primary shareholding can usually be achieved with a shareholding well below 15 per cent, substantial influence with even less. In some 56 per cent of VLCs the top shareholding is less than 15 per cent, and in one in ten VLCs the top ranked shareholding is 5 per cent or less.

Table 4 Top ten private sector share controllers: Number of holdings, mean value, and precedence

	Country of origin	Main form of shareholder	Total VLCs in which shares are held (N)	Primary share-holdings as a prop’n of all share-holdings (N)	Top five share-holdings as a prop’n of all share-holdings (N)	Share-holdings valued at less than 1% of VLC capital as a prop’n of all share-holdings (N)	Share-holdings valued at more than 15% of VLC capital as a prop’n of all share-holdings (N)
BlackRock	US	Financial company	282	13.1%	55.5%	26.8%	0.0%
AXA	France	Insurance company	247	1.8%	21.2%	54.9%	0.4%
JP Morgan Chase	US	Bank	219	1.9%	11.5%	72.1%	0.4%
Capital Group	US	Mutual & Pension Fund/ Financial company	172	8.5%	44.5%	25.0%	0.6%
FMR LLC (Fidelity Investments)	US	Financial company	239	2.8%	22.2%	46.5%	0.0%
BPCE	France	Bank	156	0.6%	8.3%	77.7%	0.6%
Legal & General Group	UK	Insurance company	106	0.8%	21.8%	68.5%	0.0%
State Street Corpn	US	Bank	247	1.9%	26.9%	58.0%	0.4%
Vanguard Group	US	Mutual & Pension Fund	267	0.8%	21.6%	68.0%	0.0%
Societe Generale	France	Bank	122	1.6%	2.4%	85.6%	0.0%

At the other extreme, several companies give low priority to having precedence, and indeed avoid proportionately large holdings altogether. Some 98 to 99 per cent of the holdings of several European share controllers (including BPCE and Societe Generale) are below 5 per cent of the VLCs' shares, with around four fifths or more being less than one per cent. The European share controllers by implication were potentially less activist in seeking to develop deep control in shareholdings.

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

Conclusions

The sociological implications of the concentration of capital are well documented but consideration of whether there is a transnational class is just beginning. Quantitative information such as this enables testing of the legitimacy of emerging arguments. Through the global financial crisis we have seen consequences for the real economy of the financialisation of markets through the emergence of credit default swaps, derivatives and collateralized debt obligations. Underlying this, however, has been the financialisation of ownership.

Finance capital not only lends the money to corporations enabling them to expand, and dictate their movements in share markets that signal the success or failure of corporate management. Finance capital owns the corporations. And so the distinction between finance capital and other types of capital (in particular industrial capital), while useful in some respects, is misleading in others. This is because, in the end, industrial capital *is* finance capital. If there was once a time when the world was dominated by large corporations owned by a few families and individuals, whose personal values, quirks and preferences shaped the way those corporations behaved, that time has passed. The world is dominated by corporations who follow the logic of finance capital – the logic of money – because that is what they are. Their logic is not the logic of individuals but the logic of a class.

The people who ran, and run, transnational corporations can be thought of as a transnational *elite* in that they share increasingly strong social, political and cultural networks (see Carroll 2010). But now we can also speak of a true transnational *class*: a group that, sometimes directly, sometimes indirectly, sometimes consciously and sometimes unconsciously, controls the exercise of economic power across and within national boundaries. Their power is exercised in part through individual agency but even more so through the collective structures of ownership of very large corporations. Financial capitalists appear to vary in the basic strategies they employ, with some financiers seemingly more aggressive than others in seeking to exercise greater influence over individual companies. In turn, collective ownership by finance capital is concentrated in the relatively small portion of finance capitalists that comprises the top share controllers.

Finally, the state is still a major player in ownership – even more so in response to the financial crisis. Taxpayers in several countries are now enduring large sacrifices to pay for the rescue packages and for the crisis that finance capital created, though this is not the only model of state ownership. In the end, for states to exercise some control over finance is to exercise some control over capitalism. To allow it unfettered freedom is to invite further crises.

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