# INTERLOCKING DIRECTORATES: What do they Tell About Corporate Power in Australia

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An interlocking directorate means having a director of a company board sitting on another firm's board, thereby being in a position to feed back information from a wider corporate scan. This information can keep the board aware and strategically poised as to other's firms' likely actions. A political economic study of interlocks needs to look at the corporate politics of these interlocking director clusters, at their radiating networks, and at the economic power that derives from having directors with dominant share ownership in their companies. These aspects have to be examined simultaneously if we are to get a coherent picture of modern business.

This article examines interlocks in the top thirty Australian companies. It begins with a summary of the interlock literature. Primary data from annual company reports is then used to consider hypotheses arising from the literature and interviews with directors[1]. Finally, there is discussion of the interpretation of these patterns and their significance for political economy.

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1 These interviews with top business directors were part of a 1992 study and were part of the data gathered in conjunction with work done with Dr. Malcolm Alexander using an ARC Large Grant, called *Economic Power in Australia*.

## Why Interlocks are Important

Three excellent summaries of the literature on interlocking directorates (Scott, 1985, Glasberg, 1987, Mizruchi, 1996) show why the study of interlocks is important. These theorists classify perspectives on interlocks into four groups according to the emphasis on control, collusion discretion and social embeddedness.

The first approach, emphasizing ***control,*** aims to provide independent motives for the actions of interlocking directors. The Weberian-based theorists taking this approach want us to see interlocking as an issue of managers' control and power rather than ownership or class collusion. Power is treated as multifaceted because it resides with many shareholders rather than capitalist-owners. The companies that managers control are usually characterized as relatively democratically run, in ways that are answerable to the wider community, and diversely owned by 'mum and dad' shareholders.

A hypothesis taken from this Weberian model is that if share ownership is dispersed then managers (unlike owners) are free to be civically responsible and need not be motivated just by economic self-interest.

The majority of theorists that write in groups two, three and four - emphasizing collusion, discretion and social embeddedness - adopt a more critical, typically Marxist, approach. These theorists generally see interlocking boards as a strategy to reproduce class advantage and further exploit workers and/or consumers.

The ***collusive model*** looks at interlocks as structural mechanisms that cement collusion and subsequently help the development of business cartels. The foundation of this approach was Hilferding's *Finance Capital* (1910). Hilferding worked on material provided by Jeidels (1905) to find why "if you took possession of six large Berlin Banks [it] would mean taking possession of the most important spheres of large scale industry" (*op cit,* 1910:368). He saw bank interlocks as the vital dynamic within this system of collusion. Banks were shown to act to make finance capital dominant in early twentieth century capitalist Germany (also see Lenin, 1917 or Fenemma and Schijf, 1979). According to Hilferding (1910: 225), finance capital is an -

> [E]ver increasing part of the capital of industry, [it] does not belong to the capitalists who use it. [Industrialists] are able to dispose of capital only through banks, which represent the owners. On the other side, the banks have to invest an ever-increasing part of their capital in industry. [Finance capitalism gives] rise to a desire to establish a permanent supervision of company affairs, which is best done by securing representation on the boards of directors. This ensures, first, that the corporation will conduct all its financial transactions associated with the issues of shares, through the bank. Second, in order to spread risks and to widen business connections, the bank tries to work with as many companies as possible, and at the same time to be represented on their board of directors.

Hilferding's central argument is that the most significant development facing capitalism is the concentration of banking and industry. Having bank representatives on the productive companies' boards establishes permanent supervision of the companies' affairs and protects the ownership interests of banks.

The collusive approach has been influential in Australian interlock research, including the pioneering work of Wheelwright (1963, 1971, 1974) and his student Rolfe. In Rolfe's (1967) study of fifty top companies, banks and insurance companies were found to have the biggest spread of directors, and chairmen were their key links. Higley *et al*, (1979) subsequently studied 79 of the largest Australian companies and found all but 19 of these companies were interlocked and that the density of their interlocks paralleled the pattern of dominance in business lobby groups.

One hypothesis that this collusive model offers is that if bank ownership in the top companies is high this will be reflected in dense patterns of interlocks between banks and industrials.

Another bank-centered approach is the ***discretionary model***. Finance capital's discretion, in controlling the direction of lending, is the key to understanding the role of interlocks within this perspective. Mintz and Schwartz, in *The Power Structure of American Business* (1985), argue that it is the direction of credit through interlocks (and other methods) that is the central function of finance capital. According to this analysis 'Interlocking directorates are not a source of hegemony but a method for managing discretion... bank centrality in this context reflects the dominant position of financial institutions in capital-flow decision making' (Mintz and Schwartz, 1985: 250).

Mintz and Schwartz also argue (according to Mizruchi, 1996) that banks use interlocks to mediate inter-firm disputes, thereby allowing business to approach the state as one actor. This is closely parallel to Useem's (1984) view of an inner circle comprised of the CEOs of banks and other businesses who form a lobby group to influence the state with one voice. In Australia's case this would be through the Business Council of Australia (BCA). Support for this thesis, or that part of it which argues a strong business unity as a continuing phenomenon, comes from Mizruchi (1982) who studied 167 large firms between 1912-1935. International comparative support also comes from Stokman *et al* (1985), showing the result of interlocks across twelve countries.

The hypothesis that arises from this discretionary perspective is that directional clusters of directors from banks reflect the dominant position of financial institutions in capital-flow decision-making.

The ***embeddedness perspective*** focuses on the directors' social location, providing an awareness of class formation missing in much other interlock analyses. Interlocks are seen as a mechanism for capitalist class reproduction (i.e. 'jobs for the boys') and class cohesion (i.e. 'don't rock the boat; employ your own'). Although these two ideas are implicit in many earlier interlock studies (e.g. Ratcliffe, 1975, Mizruchi, 1982, Scott, 1985), it was not until the 1980s that such social embeddedness was systematically explored. Embeddedness in interlocking research, Mizruchi suggests, began with Granovetter's 1985 journal article '*Economic Action and Social Structure: the Problems of Embeddedness*'. This demanded an understanding of the social embeddedness of all networks. Granovetter stresses the importance amongst business actors of social, rather than just economic profit-driven, motives for involvement with each other. He suggests that interlocks between companies could influence a wide range of organizational behaviour, such as strategies, structures and performances.

Interlocks as a communication node or information conduit are another focus in the literature (Scott and Griff, 1983, Useem, 1984, Mizruchi, 1996). Useem's *The Inner Circle* (1984) sees this as the most important aspect of the interlocks, and he writes of a firm's interlocking directorates as providing the business scan it needs to give it an 'awareness of its environment' (Useem, 1984). Following on from this perspective, Davis (1991) argues that central interlocking directors carry 'social capital'. These most heavily interlocked individuals are key class members, the corporate elite's vanguard and its most likely innovators.

Scott and Griff (1983) had previously made a major contribution to embeddedness theory when they argued that interlocks encapsulate practices and strategies of transformation. Transforming, coordinating and organizing board relations happen on a variety of levels through personal relations and creating a community of interests (that can result in joint ventures, mergers, takeovers and amalgamations). However, according to Scott (1985), a primary function of interlocks is as a conduit for information flows.

The major hypothesis that this embeddedness perspective suggests is that the most interlocked individuals act to integrate the class and reassure its members as to the value of the innovations they propose.

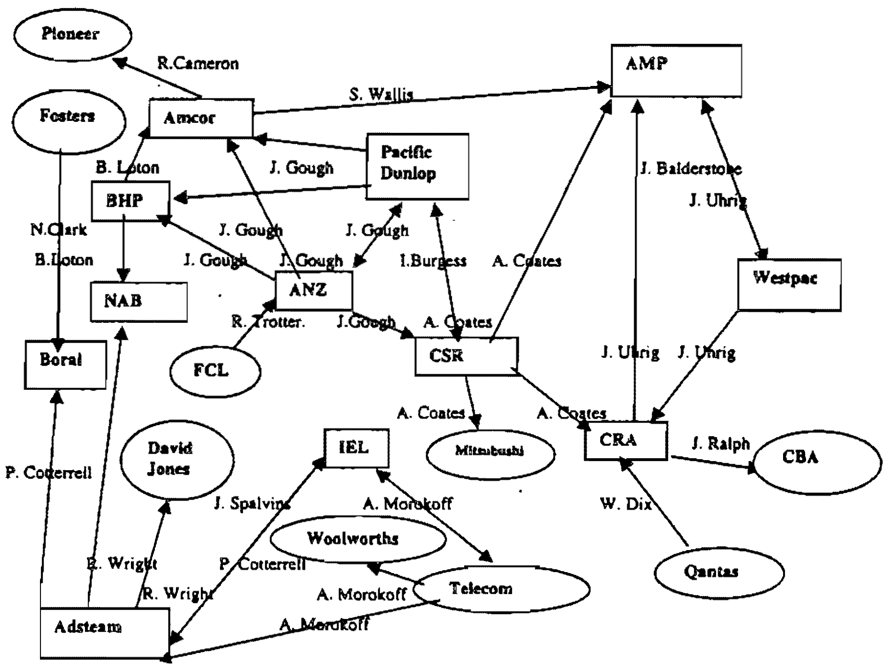
## The Australian Study Results

What light is thrown on the competing hypotheses about interlocks by the study of Australian experience? The Australian sample of top thirty companies analysed here comes from the *Business Review Weekly (BRW)* and its list of 1000 top companies (BRW, 1992 and BRW, 1998). These top thirty companies were chosen on the basis of their revenue earning capacity. This material was triangulated against top thirty company director interviews and data from annual company report about the top shareholders in each. The first case study is based on the 1992 data and the second case study is on the 1998 data. This six-year time period gives some indication of changing trends.

## The 1992 Australian Interlock Data

Figure 1 depicts the principal interlocks between the top thirty companies in 1992.

**Figure 1: Interlocking Directors, 1992**




*Source*: Annual Reports 1992 hhttp://www.connect4.com.au

Key:

= the end of the shared director line within the top thirty companies

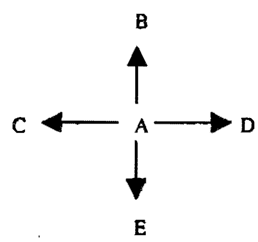
= the company is interlocked with others.

= the direction of the director's power base

= the director has a power base in two companies.

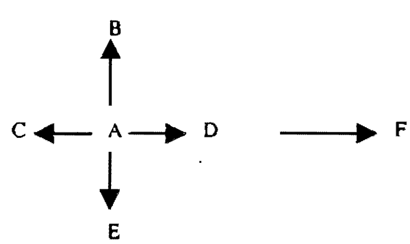
Table 1 seeks to summarise this complex picture using Mintz and Schwartz's (1985) centrality, breadth and depth analysis. Specifically in relation to interlocks, their method shows that the value of interlocks is dependent on the strength of the tie (e.g. between an executive or a non-executive director). Although interlocks between two directors bind two enterprises through one agent, not every interlock has the same density. The most intense interlock is a *tight* interlock, usually where a relationship exists between a parent company and its subsidiary. A *primary* interlock is one in which an executive director operates on another board as a non-executive director. An *induced* interlock is the serendipitous result of two primary interlocks (e.g. X is a chief executive officer on board A but is a non-executive on boards C and B). The most common interlock is where no primary relations occur. The basis of these calculations is as follows;

Breadth measures the immediate span of the interlocks. The following example would be 4.




Depth equals the number of vertical interlocks. In the following way. The following example would be 2.


Centrality is a total of these two indices. The following example (a combination of the above two, would be 5.)



Applying these calculations to the 1992 map of the top thirty interlocked companies shows the centrality of Pacific Dunlop and CRA and the key roles of John Gough and Alan Coates.

**Table 1: Interlocking directorates, 1992**

| Company | Total number of interlocks | Breadth | Depth | Centrality |
|---|---|---|---|---|
| Pacific Dunlop | 10 | 4 | 5 | 8 |
| CRA | 9 | 3 | 3 | 4 |
| CSR | 9 | 4 | 4 | 7 |
| IEL | 9 | 2 | 2 | 2 |
| BHP | 8 | 2 | 5 | 6 |
| AMP | 7 | 1 | 3 | 3 |
| ANZ | 7 | 4 | 7 | 9 |
| Amcor | 7 | 2 | 4 | 5 |
| Adsteam | 8 | 4 | 3 | 6 |
| Telecom | 4 | 3 | 3 | 4 |
| Westpac | 4 | 2 | 2 | 3 |
| FCL | 1 | 1 | 6 | 7 |
| Fosters | 1 | 1 | 1 | 1 |
| Qantas | 1 | 1 | 5 | 4 |

*Source*: Business Review Weekly 1000, October 23, 1992, p.76. and individual Annual Reports 1992.

*Note*: Adsteam owns David Jones. David Jones owns one third of IEL.

Table 1 reveals Pacific Dunlop as the leader with 10 interlocks, followed by other productive capital (e.g. CRA, BHP, etc). The only financial institution with some centrality is the ANZ Bank. In contrast to the European or US evidence, this material shows a lack of centrality of bank directors on boards of industrial enterprises in Australia. In the US and Europe directors from banks are visible as a force on boards. That is not the case in Australia or New Zealand, as a director explained to me:

> [It's] different from the way they are in Europe, particularly in Germany where the banks are usually the shareholders. Many of these companies or certainly the main shareholders of them...are very concerned with management, (Murray, 1990).

The predictive capacity of the collusive and discretionary models is evidently limited by their geographic and social specificity. However, when the patterns of share ownership are shown, the dominance that these models give to finance capital is vindicated. The interlocks, as a surface political integration of control, need to be considered in the context of a deeper underlying economic structural grid of ownership.

**1992 Shareholding in the Top Thirty Companies**

Table 2 shows the proportion of shares in the top thirty companies in Australia in 1992 that were owned/ controlled by the five major financial institutions. These amounts are particularly significant because, as O'Lincoln (1996) argues, strategic control of a company can result from as little as five per cent of the company's shares. Finance capital, by this evidence, had a very dominant ownership position in relation to the top thirty companies in Australia in 1992. The key owners of the major companies were not the little shareholders (the fifty four percent of 'mum and dad' Australian shareholders of whom forty two per cent had portfolios of $10,000 or less (ASX 2000 Survey, 2000: 1)). Nor were they the workers who may have employee funds tied up in the company. Rather, they were the large shareholders, taking the form of nominee companies representing banks, mutual insurance or superannuation funds and occasionally individuals. That these finance capitalists are the key to this web of power and research indicates that these large shareholdings are becoming more concentrated (O'Lincoln, 1996). O'Lincoln's research shows that, whereas in the 1950s the top twenty shareholders held thirty seven per cent of the shares in the top companies, by the 1990s this had grown to sixty-three per cent.

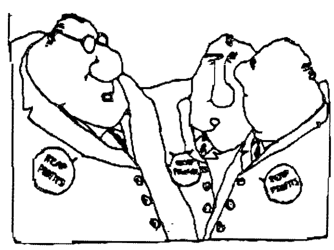


**Table 2: Available*Top 5 shareholdings of the Top 30 Companies, 1992.**

| Company | AMP | National Nominees | ANZ Nominees | Bank NSW | Westpac Nominees | Others |
|---|---|---|---|---|---|---|
| Amcor | 9 | 5 | 4 | 5 | - | State A-5 |
| Westpac | 13 | 3 | 3 | - | 2 | Pendal-3 |
| CSR | 13 | 4 | - | 3 | - | Qld I-3; Pendal-5 |
| TNT | 6 | 12 | 21 | 3 | - | Chase M-6 |
| Adsteam | 9 | 5 | 4 | 5 | - | State a-5 |
| BHP | 6 | 3 | 3 | - | 3 | Beswick-20 |
| Coles Myer | 4 | - | 9 | - | - | Colomy H-6; Voyager—8; Barclay-8 |
| NAB | 6 | 7 | 5 | - | - | State A-4; Chase M. 4 |
| Pioneer | 8 | 9 | 9 | - | - | Chase M.-5; Pendal-3 |
| Fosters | - | - | 5 | - | - | HKBA Nom-32; Asahi Beer Int.-20; State Auth. Super-4; Citicorp-5 |
| Boral | 8 | 4 | 3 | 3 | - | Pendal-4 |
| Pacific Dunlop | - | 7 | 6 | 4 | - | Qld Invest.-4 |
| ANZ | 6 | 10 | 6 | - | 8 | Chase M-3 |
| FCL | 7 | 7 | 7 | - | - | Employee Unit trust-20; NZ Govt-6 |
| CBA | - | .64 | 1 | - | - | Commonwealth of Aust. -71 State Austhorities Super-92; Nat Mut.Life of Aust.-79 |
| Woolworths (1993) | 7 | 3 | 3 | - | 3 | Chase Manhatt-3 |
| CRA (1993) | 3 | 5 | 6 | - | 4 | Rio Tinto-49 |
| National Mutual (unit holders) | - | - | - | - | 2 | Nat. Mut. Life Ass of Aust-43; OFP pty-10; Permanent Trus-3; Perpetual Trus.-2 |
| BTR Nylex | 5 | 3 | 2 | - | - | BTR Aust-57; Nat. Mut-2 |
| GFW | 11 | 5 | 5 | - | - | Pendal-6; Perpetual trustees-3 |
| Average | 5.33 | 2.67 | 2.33 | 0.58 | 1.5 | |

*Note 1:* *This is stated as *available* because the 1992 annual company reports were not consistent in including this data.

Note 2: Nominee companies are those registered by shareholders who do not need to register in the name of their beneficial holder. In this way the true ownership can be concealed. For example National Nominees' ultimate holding company is the National Australia Bank Ltd. The other Nominee companies listed (above) are self-explanatory.

Note 3: The following companies did not nominate their top shareholders in the Annual Report 1992-CRA (so 1993 used), Woolworths (so 1993 used); The following were not available Mitsubishi, Mitsui, Qantas, Telecom, IEL, AMP, David Jones, News Ltd. The following were controlled entities- Shell, Caltex.

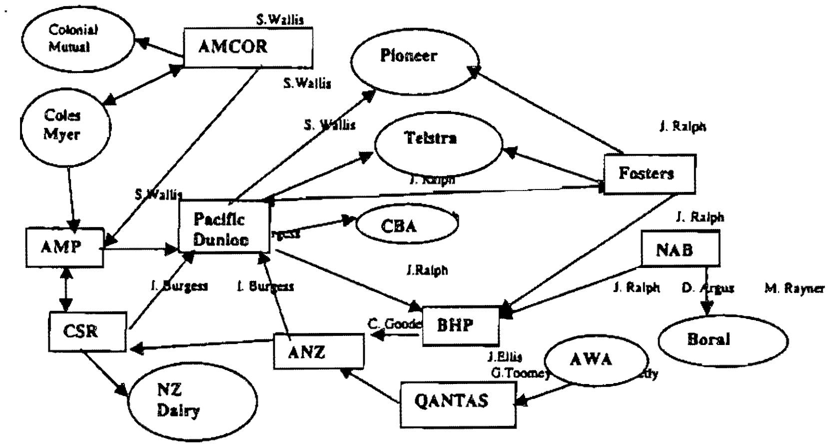
The distinction between ownership, management and board membership is important. Managers make key executive decisions about the running of companies and they are answerable to a (maybe interlocked) board of directors who are in turn answerable to the major shareholders. Though managers, directors and owners may be one and the same, the evidence above shows that in the top thirty companies they are not. The top shareholders are banks (usually operating through nominee companies) and investment fund holders. So the key role of interlocking directors must, by default, be read as primarily political. Managers often have a very healthy sized shareholding; for example, John Gough had 11,889 shares in BHP, 806,249 in Pacific Dunlop, and 26,838 in CSR. However, this does not necessarily give them a large shareholder status in a major company. The central point here is that, although a lot of the directors collectively manage, direct corporate strategy and gather corporate intelligence, ultimately their most important task is to protect the interests of their major shareholders. The data shows that these major shareholders are likely to be finance capitalists.

The key institution of financial capital in this period was AMP, the leading Australian mutual insurance company, subsequently de-mutualised in 1998. However, both AMP and Gough, the key interlocker, lost centrality by 1998. This change in key players reflects the changing needs of the class and the addition of new overseas players, alongside the continuity in the underlying structures of financial power irrespective of individuals or their companies.

## The 1998 Australian Interlock Data

### Figure 2: Interlocking Directors 1998

Figure 2 shows the pattern of interlocking directorates in the thirty top companies in 1998, using the same classification system as for Figure 1.




**JOHN RALPH**

**Biographical Details** Born 1932. Qualifications; FCPA, FAIM, went to Melbourne University. Married with six children.

**Career** - Known as the "nation's pre-eminent company director" (Gluyas, 1996), he is Chairperson of Telstra (1996), Calmalco Australia, Foster's Brewing, Pacific Dunlop (1998), Commonwealth Bank. Director of Pioneer International and Allied Industries Ltd. The ex-Chief Executive of CRA 1987-1994, director since 1971. Ralph joined CRA group in 1949.

**Associations** - President of the Business Council of Australia 1993-94. President of the Australia/Japan Business co-operation committee. Member of the executive committee of Australia Mining.

**Government Committees:** Headed the 1979 Fraser Government Commission on Pharmacies. Member of the Board of Management of the University of Melbourne. Also was a member of the PM Paul Keating's Science Group. Headed a business tax reform committee for the Howard government; which was published as the Ralph Report.

*Source*: Who's Who in Business in Australia 1994, p.542 Who's Who in Australia 1998

This pattern of interlocks addresses most clearly the social embeddedness hypothesis and those theorists' concern to identify the central interlocker as an innovator and key elite player (Davis, 1991). The distribution of interlocks amongst the top 1998 directors shows John Ralph at the political centre of top business. Ralph also has a lot of shares - in 1998 he had 160,000 shares in Pacific Dunlop, 14,134 shares in BHP, 10,602 shares in CBA, 40,000 in Telstra, 38,500 in Fosters. Ralph, a newspaper reporter suggests, was 'close to the Byzantine workings of government ... John Ralph, a ... former BCA President ... worked as a link man between the Federal government and the Alliance of business groups, the Business Coalition for Tax Reforms' (Gluyas, 1999). Ralph was also the person who helped put the concept of 'enterprise bargaining' into the lexicon, and into practice, as the Managing Director at CRA. In an interview this is how Ralph put this achievement:

> There was a study commission set up by the BCA that worked through a period of about five years [from 1983], from which time it developed the ideas of enterprise bargaining. Enterprise bargaining was, I won't say our greatest success, but it is a really good example. Enterprise bargaining was an anathema when the stake was put in the ground. Now the words are used commonly sometimes to mean something quite different but at least it's in most agendas and things have moved (Ralph, 1993).

Ralph acts for his class as both an innovator and a key connector to government.

Using the same methodology described earlier, Table 3 shows, in descending order, the number of interlocking directorates based on their breadth, depth and centrality.

These 1998 figures show an accentuated pattern of centrality of productive capital amongst the interlocks (e.g. BHP had 6 central interlocks, Pacific Dunlop 9 central interlocks and Amcor 10 central interlocks) with the banks showing relatively little centrality. This overall lack of centrality of banks (with the exception the ANZ Bank and the NAB, each with five central interlocks) is contrary to the predictions of the collusive and discretionary models.

**Table 3: Interlocking directorates, 1998**

| Company | Total number of Interlocks | Breadth | Depth | Centrality |
|---|---|---|---|---|
| BHP | 11 | 1 | 4 | 6 |
| Pacific D. | 10 | 5 | 6 | 9 |
| CBA | 9 | 0 | 0 | 0 |
| CSR | 8 | 3 | 6 | 8 |
| ANZ | 7 | 2 | 4 | 5 |
| Amcor | 6 | 3 | 8 | 10 |
| AMP | 5 | 2 | 6 | 7 |
| Fosters | 5 | 4 | 5 | 8 |
| NAB | 2 | 2 | 4 | 5 |
| Telstra | 4 | 0 | 0 | 0 |
| Qantas | 1 | 1 | 6 | 6 |
| Coles | 3 | 2 | 8 | 8 |
| AWA | 2 | 1 | 7 | 7 |
| Westpac | 2 | 0 | 0 | 0 |
| NZ Dairy | 1 | 0 | 0 | 0 |
| Colonial. M | 1 | 0 | 0 | 0 |

*Sources*: Business Review Weekly 1000, Nov. 16, 1998, p.120. and Individual Annual Reports 1998.

Some insight about why this is so can be gained from a New Zealand director who was interviewed for earlier research. When asked why banks were not prominent on company boards he explained that the banks have to stay strictly neutral because all big companies had four or five banks that they share. He responded to my questioning as follows:

> **Director**: No, in New Zealand they don't seek to have any influence - banks and insurance companies- they don't have people on boards and they don't seek to influence boards.
>
> **GM:** Does this mean that banks don't have any control over decisions about how industrials spend their money?
>
> **Director**: No, they deliberately keep out of it – the banks and the insurance companies - mainly because they act for different companies. Bigger companies these days have four of five banks – all the major trading banks as their bankers and they might see several insurance companies, life assurance companies, looking

after their pension funds and other different things – so the banks and the insurance companies stay strictly neutral....

**GM**: Is this pattern of no influence from banks changing?

**Director**: No, it's not changing in New Zealand. You ask the AMP or National Mutual and they will say the same- they don't get involved. If they don't think a company is being run well, in an extreme case they'll tell the chairman or the managing director. But normally they'll express their displeasure by selling out the company and investing somewhere else.

**GM**: But they do control industrials' access to credit?

**Director**: Oh, yes, they control credit.

**GM**: So they can make discretionary decisions about who they are going to loan money to?

**Director**: Oh yes, they can do all that. So indirectly they do have some influence on the appointment of a director – if a company wasn't doing well and the bank might say "You have to get one or two live wire directors, we suggest so and so and if you get them we may increase your credit".

**GM**: I have read that in the US banks can develop whole sectors. Does that happen here?

**Director:** No that doesn't happen.

(G. Murray, *Banker interview*, 1990: 277).

## 1998 Shareholdings in the Top Thirty Companies

When the evidence on director interlocks is correlated with information about the top five shareholders' ownership, the importance of the banks and nominee capital becomes more obvious. The extremely concentrated bank capital ownership (as represented by the top five shareholders) is barely reflected in the patterns of interlocking directorates.

These 1998 figures show a growth in the concentration of finance capital ownership in the top thirty interlocked companies since 1992, particularly in relation to Westpac Nominees (8% average ownership compared to 1.5% in 1992), Chase Manhattan Bank (7% ownership compared to zero ownership in 1992) and National Nominee (5% average ownership compared to 3% in 1992). The 1998 figures also represent a loosening of Australian finance since 1992 (particularly AMP, perhaps around the debacle of its hostile GIO takeover) with the integration of US capital (e.g. Chase Manhattan).

This ownership data muddies the picture of interlocks whose power is focused on productive capital and on key professional directors such as John Ralph. Instead it lends weight to the view of an underlying domination of finance capital, which has been misleadingly neglected by interlocking theorists because of the Australasian tradition of not commonly putting bank directors on others boards. Rather it seems that the prevailing pattern is for management to make decisions answerable to an interlocked board that in turn makes decisions answerable to finance capital, the board's major stakeholders.

## Evaluating the Results of the Australian Case Study

The data does not show a heavy pattern of directional interlocks or clusters from banks to productive capital (with the two exceptions of the ANZ Bank and the NAB). So little support is provided for either the collusive or the discretionary models of the general character of interlocks. These models would imply that, if bank ownership in the top thirty companies is high as they expect it to be, this will be reflected in dense patterns of interlocks between banks and industrials; and if directional clusters of bank directors occur (i.e. that centrality occurs) then it can be assumed this reflects the dominant position of financial institutions in capital-flow decision making. Instead it appears that finance capital ownership has not resulted in a dense pattern of interlocking directorates, because finance capital ownership is so ubiquitous throughout the top thirty companies that it has to be seen as acting neutrally between them. Collusive cartels cannot therefore be surmised from this data.

Finance capitalists' control of credit decisions is similarly removed from the direct control of the board because non-finance capitalist directors dominate these boards.

**Table 4: Top 5 Shareholdings of the Top 30 Companies, 1998.**

| any | Westpac Nominees | Chase Manhattan | National Nominee | ANZ Nominee | Permanent | Other |
|---|---|---|---|---|---|---|
| | 12 | 12 | 4 | 3 | - | Citicorp-2 |
| | 10 | 7 | 6 | 3 | - | Beswick-16 |
| | 13 | 7 | 7 | 4 | - | AMP-4 |
| | 8 | 4 | 3 | - | - | AMP-1; Qld Invt-2 |
| | 14 | 4 | 5 | 3 | 3 | - |
| nlop | 7 | 11 | 5 | 6 | 6 | - |
| | 6 | 9 | 6 | - | 7 | British Air-25 |
| | 5 | 5 | 3 | 2 | - | AMP-2 |
| | 8 | 5 | 4 | - | 3 | Telstra-3 |
| | 8 | 5 | 4 | 4 | - | Qld Invest-2 |
| | 8 | 7 | 7 | 6 | 4 | - |
| Ayer | 6 | 9 | - | - | 5 | Voyager distributers-7; MF Custodians-6 |
| Corp | 8 | 5 | - | 6 | - | Cruden-30; Citicorp-19 |
| | - | - | - | - | - | NZ Securities Depositary-52; FCL Employees-4; FCL Employees Educ Fund- 3; SAS Trustee- 1; AMP-.6 |
| | - | - | - | - | 3 | Belike Nominees-17; NRMA-9; Potter Warburg—5; BT Custodial—3 |
| ; | 16 | 15 | 11 | 4 | - | BT Custodial-4 |
| ic | 9 | 9 | 5 | - | - | National Australia- 9; Lendlease- 7 |
| al l | 6 | 5 | 6 | - | - | Colonial Fd.-5; AMP-5 |
| orths | 8 | 6 | 6 | 5 | - | Citicorp-2 |
| nto | - | - | - | - | - | Rio Tinto Plc-49 |
| p | 11 | 10 | 7 | - | 5 | Perpetual trustees-4 |
| Jones | 14 | 12 | 8 | 3 | - | SAS Trustee-7 |
| ge | 8.33 | 7.33 | 5 | 1.5 | 1.67 | |

ce: 1998 Annual reports. *Notes*: Information was not available on shareholdings of Tattersalls, ui, Mitsubishi, BTR Nylex, Reserve Bank, or on the controlled entities- Rio Tinto, Shell, CC til; or on the cooperative company – NZ Dairy Board. 'By way of background, Westpac iinees is a wholly owned subsidiary of Westpac Banking Corporation. Westpac nominees holds holdings on behalf of other parties, and as such does not own shares in its own right. By the nature of it being a 'holding' company, the names of its customers (and the shares being held) iot publicly available.' Hugh Devine, Westpac, 16.6.2000.

Finance capitalists intervene when they see their interests at stake in a crisis, and may then step in to suggest changes in strategy and board members, but they normally give day-to-day autonomy to the executive and the board. Australian finance capitalists seldom put their members on boards because their large ownership stake gives them ultimate hegemonic control. Australian boards even appear to favour having board members who are not major shareholders or do not represent the major shareholders. For example, in 1992 the CRA chief executive officer, John Ralph, was on the Commonwealth Bank board but the company's major shareholders were Bankers Trust, Chase Manhattan and Westpac Nominees. Whilst the defining characteristic of finance capital in Australia, like elsewhere, is the realisation of surplus value through the lending of money to productive companies, the special characteristic identified here is the organization of relationships that allow it to exert dominance whilst maintaining only arm's length control of industry.

There is more support for the fourth major hypothesis, which centres on the political role of the clustered interlocked individuals as a vanguard of the corporate elite and as its most likely innovators. These key directors are held to integrate the class and reassure them as to the value of the innovations that they propose. The values, as in the case of John Ralph, are typically based in economic rationalist thought – support for enterprise bargaining, low tariffs, low corporate tax rates, privatisation and other ideas that are generally compatible with the pursuit of competitive advantage. These measures are held to be necessary to discipline labour, to get more productivity and in return give workers insecurity of tenure, lower real wages and poorer working conditions (Bryan and Rafferty, 1999). As Higley *et al's* (1979) work suggests, the interlocks run parallel to positions of power in the lobby groups; specifically in the 1990s the BCA, of which Ralph was President from 1992 to 1994.

## Towards Globalisation

The major difference between the situations in 1992 and 1998 is that finance capital, still primarily Australian based in 1992, had been infiltrated by overseas finance capital by 1998. However, only a small degree of penetration is revealed by the data considered here. Industrial capital has until relatively recently been tied to the local (later national) circuits of capital, whereas finance capital circulates equally easily nationally or internationally (van der Pijl, 1989). The as yet small degree of international finance capital penetration ties into other similar findings. Bryan and Rafferty (1999) found that the bulk of capital investment continues to be by Australian capitalists in Australia. What this data has shown is that the bulk of the investment is made by finance capitalists who are happy to see industrial capital's directors running industrial boards and in some cases also as directors of banks (e.g. Ralph, chairperson of the Commonwealth Bank). This is not because globalisation (interpreted as the penetration of overseas capital) is in the process of disintegrating finance capital in Australia (as suggested by Carroll and Alexander, 1999), but rather the opposite. Finance capital in Australia is only a part of the circuit of capitalist production, but it has a dominant role in controlling and organising productive capital.

## Limitations and Future Research

Criticisms of this sort of research on interlocking directorates fall into two groups. The first agrees that it is acceptable to quantify corporate interlocks, but argues that this mapping does not tell anything about the behavioural motives of the actors (e.g. Fligstein and Brantley, 1992). The second rejects the quantitative method outright, charging that it is an unsuitable mechanism for understanding the richness and diversity of business behaviour. Although I have some sympathy with both criticisms, they can both be answered by integrating the data with interviews and other primary sources, such as ownership data. Mizruchi argues that interlocks may not reveal a great deal about individual directors' motives but they can predict much that is interesting in firms' strategic allegiances, choices and information flows, and thereby help create a picture of rich and complex board relations (Mizruchi, 1996). This Australian case study highlights the centrality of productive capital and key figures such as John Gough (in 1992) and John Ralph (in 1998), and the underlying power of finance capital through the control of nominee companies.

The most obvious limitation of these findings is that the small sample sizes gives little information on the impact of globalisation on the structure of interlocks and ownership. However, Fennema (1982) argues, with a similarly based but much larger sample of 176 major industrial and banks, that there 'exists a cohesive international network of interlocking directorates [but at the same time it] should be considered primarily a communication network rather than a network of domination and control'. Interlocking networks show aspects of the political structure, but you have to look at the ownership structure to see hegemonic power. That is why the very interesting work of Carroll and Alexander (1999), quantifying the number of outsiders (non-executives) and the board's size as indicators of finance capital's hegemony and the degree of global penetration, misleadingly concludes that finance capital is only 'evident' in Australia. They note, however, that Australian industrials do provide indirect channels of communication between financial institutions interlocked with the same industrial firms.

The evidence here points to a much heavier involvement than this by finance capital, because it goes beyond the political and communication levels of the board interlocks to focus on the level of ownership as a significant indicator of power relations. I would argue that ownership figures are pivotal and that, by just looking at the largest stakeholders in the top thirty companies, as is done here, it can be shown that over a period of ten years there is some penetration of 'new' finance capital in to positions of prominence in Australia, e.g. by the US based institutions Chase Manhatten and Citicorp. A much wider sample of interlocks and ownership data, correlated, would be an interesting basis for future globalization research. This might reveal more about global and national financial integration, overseas trade, investment and tax evasion, areas that are as some of the most interesting aspects of contemporary capitalism (e.g. van Fossen, 1993, Bryan and Rafferty, 1999).

The ties between business and the state (for example, through board membership of political associations, think tanks, quangos, commissions and political lobby groups) are also worthy of further research. Tracing networks of power and information between state and business board members would be very interesting because of the corporatist nature of the Australian state. The Labor government 1983-1996 was crucial in helping shape these ties. The strong tie between the state and the BCA built a reliance on the latter's policy advice (verified by Dawkins, in Williams and Ellis, 1994). It would be most interesting to analyse whether these national political integrations reveal a 'general reluctance to use board positions for class wide, hegemonic functions' (Alexander and Carroll, 1999) or, rather, provide further evidence of leadership to unify class fractions and promote the further erosion of conditions for workers.

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