Transnational Interlocks and Global Business A Dissertation Presented

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Abstract of the Dissertation

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Economic globalization raises questions about whether the emerging transnational business class acts in unison or whether the global business community is internally factionalized. In this context, interlocking directorates that connect transnational corporations play an important role. However, we know surprisingly little about the impact the growing number of such transnational interlocks has on national-level economic and political strategies. Transnational capitalist class (TCC) theory posits that a segment of global capital has emerged as a class and seeks to influence national governments on behalf of transnational class interests by engaging in political behavior that is 1) globally, rather than nationally oriented; 2) motivated by collective, rather than individual interests; and 3) unified, even among firms domiciled in different nations. My dissertation tests the relationship between transnational interlocks and transnational class-informed political behavior. To accomplish this, I combine data on corporate political action committee (PAC) donations with information about corporate interlocking directorates between Global Fortune 500 (G500) companies for every two years between 2000-2006. Data on the formation of Political Action Committees (PACs) and PAC donations originates from the Center for Responsive Politics (www.opensecrets.org). Data on corporate interlocks come from William Carroll's (2010) data. Carroll collected the names of directors from corporate annual reports, available electronically at official corporate websites or in the

Mergent Online database. Other data utilized in the dissertation comes from the website www.USAspending.gov, which is a searchable database of each federal contract, the database is made public as part of the Federal Funding Accountability and Transparency Act; and from the LexisNexis Corporate Affiliations Database. I find support for all three aspects of transnational class-informed behavior. In chapter 1, I examine the political donations of foreign G500 firms in the United States and find that, when controlling for individual interests, the most central firms in the transnational interlock network contribute the most money to U.S. politicians. In chapter 2, I demonstrate that of the foreign firms contributing money to U.S. politicians, the ones with the most interlocks designate the greatest percentage of their donations to changing the ideological composition of Congress to be more friendly to the collective interests of global business, rather than pursuing the individual interests of their firm through pragmatic donations to incumbents. In chapter 3, I find evidence of unified political behavior among pairs of firms domiciled in different countries that share directors. Finally, in chapter 4, I find that transnational interlocks have political consequences for American firms, contributing to the decline of corporate liberalism. Specifically, I find that the more central U.S. firms in the transnational interlock network exhibit a greater degree of corporate conservatism.

Dedication Page

To my wife and daughter, who inspire me to be my best.

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Acknowledgments

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Introduction to the Dissertation

Economic globalization raises questions about whether the emerging transnational business class acts in unison or whether the global business community is internally factionalized. In this context, interlocking directorates that connect transnational corporations play an important role. However, we know surprisingly little about the impact the growing number of such transnational interlocks has on national-level economic and political strategies. My dissertation tests the relationship between transnational interlocks and actions taken by members of the global business community that aim to influence national governments. To accomplish this, I combine data on corporate political action committee (PAC) donations with information about corporate interlocking directorates between Global Fortune 500 (G500) companies for every two years between 2000-2006. The dissertation is organized into chapters, where each chapter is a stand alone article examining a different research question pertaining to the issue of interlocking directorates and transnational class formation.

Chapter 1 tests the hypothesis that centrality in the transnational interlock network is associated with globally oriented and class-informed political behavior. Specifically, I utilize multilevel linear panel regression with random effects (hybrid random effects) to show that among G500 firms domiciled outside of the United States, highly central firms contribute more money to U.S. politicians through corporate PACs than firms with low centrality in the transnational network, even when the individual economic interests of firms are controlled for.

Chapter 2 looks at a different measure of class-informed behavior, which employs the distinction in the campaign finance literature between pragmatic donations to incumbents designed to further a firm's individual interests, and ideological donations to conservative challengers designed to further collective interests of business by changing the composition of Congress. Again using hybrid random effects models, I find that the foreign firms with the most interlocks to other firms in the transnational business network give the greatest percentage of their U.S. political donations to Republican challengers.

Chapter 3 addresses the issue of collective behavior by the transnational elite through an examination of the effects of interlocks on the behavior of pairs of G500 firms domiciled in different nations. In this chapter, I use hybrid random effects with dummy variables to show that transnational dyads with more shared directors are more likely to contribute to the same politicians than dyads that have less directors in common.

Finally, Chapter 4 explores the effects of the integration of the center of the U.S. inter-corporate network into the center of the transnational network on the political behavior of U.S. firms. Specifically, I find that while transnational centrality predicts corporate conservatism, firms that are central in the national network, but not in the global network, are less conservative. This suggests that one important reason for the decline in Corporate Liberalism in the late 70s and early 80s was the globalization of U.S. capitalist interests.

Ultimately, the strand that runs through each of the above chapters is a systematic empirical test of the some of the major claims of transnational capitalist class (TCC) theory. TCC theorists generally claim that economic globalization has generated common interests among a segment of elites from different nations, and has created a fraction of transnational capital that is conscious, and acts on behalf, of its transnational interests. These claims, however, are mostly supported by anecdotes, case studies, and a structural analysis of objective interests and inter-corporate networks. Critics identify numerous barriers to transnational class formation, such as fragmentation as a result of conflicting individual interests, the overriding importance of national identities and divisions, and a lack of transnational elite circulation through marriage, education, and socializing. In order to adjudicate between some of the opposing claims of TCC theory and its critics, this dissertation studies the behavioral consequences of transnational class indicators; namely, a firm's position in the transnational inter-corporate network. Thus, while each of the following chapters examines a different aspect of the issue, overall they all seek to answer the following: when controlling for various individual and national interests, do firms that are highly central in the transnational inter-corporate network behave as a transnational class?

CHAPTER 1: THE DETERMINANTS OF PAC ACTIVITY AMONG FOREIGN FIRMS IN THE GLOBAL FORTUNE 500, 2000-2006.

The issue of class formation has long been central to debates on power and control in capitalism. While these debates have traditionally been located within a national context and been focused on the extent of business class political unity, the increasing globalization of the economy has shifted the nature of the debate. Specifically, as the organization of capitalist production has moved from a national to a global base (Ross and Trachte, 1990; Robinson and Harris, 2000; Robinson, 2004), transnational class formation has become a central issue (Klassen and Carroll, 2011).

A group of scholars, including Jerry Harris, William Robinson, and Lesli Sklair, has utilized the shift from monopoly capitalism to global capitalism and the purported effects of economic globalization on the nation-state as a departure point for theories of an emerging transnational capitalist class (Robinson and Harris, 2000; Robinson, 2001; 2004; Sklair, 2001). Research mapping transnational inter-firm networks created by interlocking boards of directors (Fenema, 1982; Carroll and Fenema, 2003; Carroll and Carson, 2003; Kentor and Jang, 2004; Nollert, 2005; and Carroll, 2009) and cross-border ownership (Vitali, Glattfelder, and Battiston, 2011) provides support for transnational capitalist class (TCC) theory. These studies identify a small group of highly connected firms and directors, who are hypothesized to represent a class-conscious and politically active "inner circle" of the TCC.

While class-consciousness and political action on behalf of global interests are integral components of the formulation of the TCC (Robinson and Harris, 2000; Robinson, 2004), existing empirical evidence only establishes the presence of the structural conditions that are necessary for the emergence of a transnational class-for-itself. That is, economic indicators of class such as globalized production or increasingly transnational inter-firm networks may serve as evidence of common transnational interests among firms domiciled in different nations, but they do not entail consciousness or action on behalf of those interests. Systematic evidence linking economic indicators of class, such as centrality in interlock networks, to political behavior is currently missing. In this article, I provide a piece of this missing evidence by testing the link between transnational class and political behavior by the world's largest firms.

Transnational Capitalist Class Theory

The proposition that the political and economic interests of the capitalist class are no longer tied to territoriality or driven by national competition is rooted in the process of economic globalization. Jerry Harris (2011) identifies three steps in the process of economic globalization that tie various business interests together on a transnational scale and indicate the maturation of the TCC: the globalization of production, ownership, and control.

The globalization of production takes place as corporations from rich core countries move manufacturing to poor peripheral nations in search of cheap labor. Ross and Trachte (1990) point to this phenomenon as facilitating a shift from Monopoly Capitalism to Global Capitalism. Similarly, Robinson and Harris (2000) argue that the globalization of production marks the key difference between the prior system, where nationally produced goods and services were traded internationally, and the current system where both trade and production are transnational.

Step two is the globalization of ownership, as indicated by an increase in the percentage of foreign corporate stockholders and investments made in cross border deals (Harris, 2011). Transnational ownership is a significant step in creating the structural conditions necessary for the emergence of a TCC. In fact, the effects of the globalization of ownership on linking the economic interests of individual capitalists on a transnational scale parallels the effects of the corporate revolution on the U.S. business community at the turn of the 20th Century. Roy (1997) details the effects of the socialization of capital at the turn of the 20th Century. Before the corporate revolution, ownership was organized individually, with each capitalist owning a few economic entities, and each entity owned by only a few capitalists. In this world of private capital, ties between capitalists were largely formed through market transactions. After the corporate revolution and the emergence of the large publicly traded firm, ownership was organized socially, with each capitalist owning pieces of many economic entities, and each entity owned by many different capitalists. In the world of socialized capital, ties between capitalists are institutional and individual economic interests are linked to the business class as a whole. Similarly, in an economic system of national ownership, capitalists from different nations were linked largely through market transactions, or what Dickens (1998), terms "shallow integration" (p. 5). Global ownership, on the other hand, institutionally links capitalists from different nations together and broadens their economic interests from national capitalism to global capitalism.

In addition to creating a community of interests through shared ownership, the socialization of capital also resulted in a separation of ownership and control (Berle and Means, 1932). That is, as ownership is divided among many different capitalists, each individual's control over the firm is also divided; and control over publicly traded firms is conceded to management and the board of directors (Fama and Jensen, 1998). The implication of the separation of ownership and control for the emergence of a TCC is that, since it is possible for control of the firm to be organized nationally even when ownership is global, the third and final step in the transnationalization of the business class is the globalization of control. Control of firms is globalized through an increase in the proportion of corporate boards that are made up by directors of different nationalities (Harris, 2011).

Although Harris (2011) takes the above phenomenon to indicate a maturation of the TCC, he distinguishes between transnational economic integration and transnational political integration (Harris terms this *translateral* politics). The globalization of production, ownership, and control indicate transnational economic integration, but not the transnational political integration of the capitalist class. Another way to think about this is the distinction Marx (1995[1847]) draws between a "class-in-itself" and a "class-for-itself":

"Economic conditions had first transformed the mass of the people of the country into workers. The combination of capital has created for this mass a common situation, common interests. This mass is thus already a class as against capital, but not yet for itself. In the struggle, of which we have noted only a few phases, this mass becomes united, and constitutes itself as a class for itself. The interests it defends become class interests" (p. 189).

Utilizing Marx's formulation, we can conceptualize transnational economic integration as representing the formation of a transnational class-in-itself. That is, the globalization of production, ownership, and control create common interests among businesses domiciled in different nations. While it is clear from Marx's formulation in *The Poverty of Philosophy* that the formation of a class-in-itself is a necessary condition for the emergence of a class-for-itself, it is not sufficient. A class-for-itself is described, in addition to sharing common interests, as defending them as class interests. This implies that the distinguishing factors between a class-in-itself and a class for-itself are that a class-for-itself is conscious of and takes action on behalf of their common interests.

It is clear from the various expressions of TCC theory that the TCC is conceptualized as a class-for-itself. For example, Sklair (2001) proposes, “the TCC is beginning to act as a transnational dominant class in some spheres” (p. 5), while Robinson and Harris (2000) assert, “at the level of agency, the TCC is class conscious, has become conscious of its transnationality, and has been pursuing a class project of capitalist globalization” (p. 22). Robinson (2004) further refines claims of a transnational business class-for-itself, describing efforts by transnational groups to “capture” the policymaking power in national states (p. 50).

Despite these formulations of the TCC as class conscious and politically active, systematic evidence linking economic indicators of transnational class to political behavior is currently lacking. Some recent research that could be interpreted as linking indicators of class to political attitudes, however, is the World Values Survey (WVS). The survey includes questions pertaining to the respondent’s subjective social class and their income, along with questions regarding their sense of geographical belonging. Evidence appears to be mixed at best, and arguably to somewhat contradict TCC claims. For example, the upper class group is around 17% more likely to consider themselves as global citizens, but is also more likely to show pride in their nationality and to consider themselves citizens of their nation. Before drawing conclusions using these data, however, it is important to recognize that the survey questions do not actually test *any* of the claims of TCC theory. That is, neither rich individuals, nor individuals who consider themselves as part of the upper class are necessarily members of the class-conscious inner circle of the TCC. First, membership in the TCC is not determined by income, but the source of the income; namely, ownership or management interest in transnational corporations. Second, as previously discussed, class-consciousness does not necessarily flow from economic interests, but is the result of social ties that create an awareness of common interests. While the WVS is not relevant to the question of whether or not the TCC is a class-for-itself, interlock theory argues that an important source of social cohesion among the capitalist class is social ties resulting from individuals sitting on multiple boards of directors.

Interlocking Directorates, Class Consciousness, and Corporate Political Action

An interlocking directorate occurs when a person affiliated with one organization sits on the board of directors of another organization (Mizruchi, 1996: 271). There is extensive literature on the causes and consequences of interlocks within national contexts. Organizational theorists have proposed numerous explanations for why interlocks form, ranging from organizational factors such as resource dependency and monitoring by financial institutions, to individual considerations such as the desire for career advancement by directors who choose to sit on multiple boards (Mizruchi, 1996). Class theorists, on the other hand, have adopted a view of interlocks as a tool of social cohesion (Mizruchi, 1996). Mills (1956) reflects this position in his view that interlocks are important social ties that anchor the "community of interest" and "the unification of outlooks and policy" among the economic elite (p. 126).

Evidence supporting the various organizational and individual sources of director interlocks is mixed. In support of the theory that financial firms use interlocks to monitor firms in which they have a financial interest, Mizruchi and Stearns (1988) find that unprofitable firms are more likely to interlock with financial institutions, and interviews with bankers (Richardson, 1987) confirm that representatives of financial institutions often join the board of firms that are in financial difficulty. On the other hand, the idea that firms that are dependent on the same resources interlock as a means of co-opting sources of environmental uncertainty finds less support. For example, a number of studies on broken interlocks showed that the majority of ties severed accidentally (i.e., due to death or retirement) were not reconstituted within four years after the break, suggesting that resource dependence accounts for a minority of interlocks (Koeing et al, 1979; Ornstein, 1980; Palmer, 1983). The authors of these same broken-tie studies took the fact that the vast majority of broken ties were not reconstituted with the same organization to imply that interlocks were not primarily an organizational phenomenon and inferred from this that interlocks primarily reflected intra-class social ties (Mizruchi, 1996). Stearns and Mizruchi (1986) find additional support for this view, finding that the majority of broken interlocks are not reconstituted, even when accounting for firms that replace broken ties with interlocks to a different firm in the same industry. Of course, the inference that a lack of reconstituted broken ties reveals that interlocks are primarily a source of social cohesion depends on the problematic assumption that interlocks can only be formed for two reasons: organizational interests or class interests. In reality, there may be numerous alternative motivations behind choosing a director who already sits on other boards. In addition to the aforementioned idea that executives seek out multiple board positions to advance their career, Zajac (1988) argues that outside directors are chosen for their characteristics, rather than out of a desire to link to the organizations they represent.

Ultimately, all of the differing theories regarding the source of interlocks suffer from the problem of measuring motivation. However, as Mizruchi (1996) asserts, whether interlocks are created out of intra-class, organizational, or individual considerations, they can all have the consequence of facilitating business political unity. In other words, interlocking directorates may generate social cohesion among the economic elite, even if that is not the motivation behind interlocking in the first place.

The most compelling interpretation of the overall interlock network created by the collection of individual reasons for and responses to director recruitment is a general communication system (Mintz and Schwartz, 1985: 141). That is, corporate behavior is socially embedded and is primarily impacted by a firm's relationship to other actors, rather than abstract notions of norms or self-interest (Granovetter, 1985). The most central firms in the interlock network, by nature of being connected both directly and indirectly to a wide variety of firms, are able to access information flowing through the network from a wide variety of sources (Davis, 1991). Thus, as Useem (1984) argues, centrality in the interlock network improves a firm's "business scan", creating a consciousness of the interests of business as a whole.

Research on the consequences of interlocks confirms the above position. Mizruchi (1989; 1992) finds that indirect ties between firms through financial institutions are associated with similar donation patterns. In other words, firms that shared multiple sources of information exhibit unified behavior, which supports Useem's (1984) conception of interlocks functioning to improve a firm's "business scan." Useem (1984) also finds, through a series of interviews, that individuals who sit on multiple boards are more politically active and class-conscious. Mintz and Schwartz (1985) trace the U.S. interlock network and find that financial institutions are the most central firms, and they act to mediate inter-corporate disputes and act in the long-term interests of capital. Finally, Mizruchi (1992) also finds that firms that share directors are more likely to hold the same public positions on policy than two firms that are unconnected, and Burris (2005) finds that directors that are linked through the interlock network exhibit similar political donation patterns.

Transnational Interlocking Directorates

A consequence of the globalization of control and the increasingly transnational composition of corporate boards is that the inter-firm network formed by interlocking boards of directors is now also transnational in nature (Carroll, 2010). For example, a number of studies focusing on interlocks between the world's largest business and financial firms (i.e., members of the Global Fortune 500) find an increasing density in the transnational inter-corporate network between 1976 and 2006, due largely to an increase in the number of shared directors between firms domiciled in different nations (Fenema, 1982; Carroll and Fenema, 2003; Kentor and Yang, 2004; Carroll 2010). In addition, Carroll (2010), Nollert (2005), and Carroll and Carson (2003) all find that transnational interlockers (directors who sit on multiple boards of different national domiciles) are more likely to serve on global policy groups such as the Trilateral Commission and the European Roundtable of Industrialists, which they see as evidence of an "inner circle" of transnational elites analogous to Useem's (1984) inner circle in the United States and United Kingdom.

Generally, the findings of transnational interlock studies have been interpreted as evidence in support of the TCC thesis (Kentor and Jang, 2004; Nollert, 2005; and Carroll, 2009;

2010). This is because global power structure researchers have adopted the interpretation of interlock networks as systems of communication that build solidarity among leading corporate directors and are used to coordinate political and economic action. While this interpretation is empirically grounded, it is grounded in research on national networks. The shift to a global context complicates matters, since the effects of interlocks may not be the same in global and national networks.

Returning to the conception of the interlock network as a system of communication: the ends for which communication systems are used depend on the interests of those who are using them. For example, a business community that is already a class-for-itself may use a communication system to coordinate and mobilize political action on behalf of collective interests. On the other hand, a business community that is fragmented politically and unconscious of its class interests may only embed themselves in the interlock network as a way to reduce risk and serve their individual firm's interests. In other words, interlocks may only facilitate political unity, rather than cause it. Mills (1956) identified circulation interlocks such as intermarriage, education, and social clubs as functioning to create social cohesion and class-consciousness among economic elites in the United States. Thus, the findings of U.S. power structure research that interlocks tend to result in unified political action may reflect the pre-existing social cohesion of a class-for-itself. Conversely, Scott (1997) asserts that circulation is not prevalent between elites of different nationalities. Based on circulation alone, we should not expect the findings of research on the consequences of U.S. interlocks to hold up globally. However, as previously discussed, it is a central contention of TCC theory that the TCC is a class-for-itself. Thus, if the claims of TCC theory are correct, we should expect centrality in the transnational interlock network to be associated with political behavior on behalf of transnational class interests. This is a hypothesis to be tested, not inferred. That is, the transnational interlock network itself is not evidence of a transnational class-for-itself. Substantiation of that claim requires demonstration of a link between political behavior and centrality in the transnational interlock network.

Political Behavior on Behalf of Transnational Class Interests

Testing a potential link between indicators of transnational class formation and political behavior is complicated by the fact that most political action necessarily takes place within a national context. Notwithstanding the development of a transnational state (TNS) apparatus (for a full discussion see Robinson, 2001; Goldfrank, 2001; Block, 2001; and McMichael, 2001), nation-states are still powerful global actors whose policies have direct effects on the TCC. Thus, an important political aim of the TCC is to subordinate national interests within the nation-state in order to pursue the class project of capitalist globalization (Robinson and Harris, 2000).

Robinson (2004) sees the United States as a prime site of TCC political action due to its role as the last global hegemonic power before the rise of the TNS (p. 129). In fact, he argues that many U.S. policies function to promote global capitalism and the interests of transnational capitalist elites (p. 134). This function of the neo-liberal paradigm in the United States is in line with the arguments of David Harvey (2005), who sees neo-liberalism as a new form of imperialism that serves the interests of global capitalism, rather than the interests of one hegemonic power. Additionally, McMichael (2001) has noted that the United States was instrumental in forming many of the transnational institutions, such as the WTO and IMF, which Robinson (2004) identifies as being an important apparatus of the TNS. Furthermore, the United

States has the most voting power in the IMF, is the largest shareholder in the World Bank, nominates the bank's president, and is one of only five countries with veto power in the United Nations Security Council. The U.S. is also responsible for 43% of the world's military spending at $698 billion in 2010 (Stockholm International Peace Research Institute, 2011), and its economy as measured by GDP is the largest of any country and is only slightly smaller than the entire European Union's combined (CIA World Fact Book, 2011). Thus, the United States' unique position in the world as a global military, economic, and political power means its policies are potentially powerful tools for the transnational elite, making it a target of transnational business influence.

One of the central strategies employed by business to gain access to U.S. policymakers is through donations to political campaigns through corporate political action committees (Clawson, Neustadtl, and Scott, 1992). Accordingly, political action committee (PAC) data has been a standard means used by interlock researchers to examine the effects of interlocks on firm political behavior (Mizruchi, 1996: 285). Although foreign individuals and firms are not legally able to contribute directly to U.S. political campaigns, PACs formed by foreign firms' U.S. subsidiaries, divisions, and affiliates are allowed to donate. Additionally, there is a precedent in the PAC literature for utilizing donations by a subsidiary/division/affiliate's PAC as representing the interests of the foreign parent (Hansen and Mitchell, 2000; Mitchell, Hansen, and Jepsen, 1997; Mitchell, 1995).

Although firms acting on behalf of transnational class interests are expected to be politically active through corporate PACs, there is no reason to believe they will be more politically active than U.S. firms that are acting on behalf of either individual firm or national class interests.

The same complication does not exist for firms domiciled outside the United States. That is, foreign firms that are highly conscious of their respective national class interests are expected to be relatively uninterested in U.S. politics, as the politics of their home country are the most relevant to their class interests. In fact, prior research comparing the PAC activity of foreign and domestic corporations has found that foreign owned firms are less active through corporate PACs (Hansen and Mitchell, 2000; Mitchell, Hansen, and Jepsen, 1997). On the other hand, TCC theory predicts that foreign firms that are acting on behalf of transnational class interests will be highly interested in U.S. politics.

While foreign firms motivated by national class interests will be less likely to be politically active than those motivated by transnational interests, firms may be driven by individual economic interests to gain access to U.S. politicians. The factors associated with individual firm interests that have been identified by past research as important predictors of corporate PAC activity include the size of the firm and the firm's dependence on government, either through regulation or the receipt of federal contracts (Hart, 2001; Hansen and Mitchell, 2000; Mitchell, Hansen, and Jepsen, 1997; Mitchell, 1995; Masters and Keim, 1985). In addition, when looking at the political action of only foreign firms, the level of economic interest a firm has in the U.S. will also likely influence its level of political activity.

If certain characteristics simultaneously place a firm in a more central position in the interlock network and give a firm greater political interest in the United States, it is possible that the effect of centrality on political action will be spurious. TCC theory does not predict central firms will be more politically active because centrality coincides with individual firm political interests, but because the TCC is a class-for-itself that uses the transnational interlock network to build solidarity and coordinate political action around class interests. Thus, if TCC theory is correct, we would expect the most central foreign firms in this network to be the most politically active in the United States even when controlling for individual firm interests.

Hypothesis 1: Highly central foreign firms contribute more money through corporate PACs than foreign firms with low centrality in the transnational network.

Data and Methods

Data Sources

Sample. This study utilizes parts of William Carroll's (2009; 2010) dataset, which includes data on the global fortune 500 (G500) for every two years from 2000 to 2006. The G500 is made up of two samples: 1) the 400 largest industrial and commercial businesses as ranked by revenue according to the Global Fortune 500; and 2) the 100 largest financial intermediaries as ranked by assets according to the Forbes Global 2000. As Carroll (2009) explains, he adopts this purposive sampling, rather than simply using the Global Fortune 500 list, which is ranked solely by revenue, because rankings by revenue are biased against financial capital.

I use the G500 as the universe of firms under examination because the G500 represent the global corporate elite and are responsible for a disproportionate amount of the total business in the world (Carroll, 2009). Of course, this means that my sample is disproportionately firms that are very central to the global economy and are likely all relatively politically active as compared to smaller, more local firms. This is not a weakness of the sample. Sampling only the largest firms creates a conservative measure of the effects of network centrality since there is ostensibly less variation in what each firm stands to gain from political action than if some firms were small.

The above sample results in 2,154 observations, or firm-years, during the period under study, with 854 of the observations domiciled in the U.S. and 1,300 domiciled outside the US. However, as previously discussed, representatives of the TCC domiciled in the U.S. should be no more politically active than U.S. firms motivated by national class or individual firm interests. On the other hand, foreign firms who are motivated by transnational class considerations are expected to be more politically active than other foreign firms. Thus, I limit the sample to only firms domiciled outside of the United States. In addition, foreign firms can only contribute money indirectly through a subsidiary, division, or affiliate in the United States. Accordingly, I only include foreign firms that have a subsidiary/division/affiliate in the United States. Data on the location of a firm's subsidiaries, affiliates, and divisions come from the LexisNexis Corporate Affiliations database. The final sample includes 734 firm-years.

Firm Characteristics. Carroll's (2009; 2010) data also includes information about individual firms, such as revenue, assets, domicile, and primary industry. His information comes primarily from Fortune's global 500 and Forbes global 2000 list, but is supplemented with data from annual reports. Data on government contracts was not included in Carroll's data. I compiled this data using the website www.USAspending.gov, which is a searchable database of each federal contract. The database is made public as part of the Federal Funding Accountability and Transparency Act.

Interlocks and Network Position. Carroll's data also includes a list of every director, by year, for each company in the sample. The names of directors were taken from corporate annual reports, available electronically at official corporate websites or in the Mergent Online database. I entered the names of directors and companies into an affiliation network and used UCINet to transform the affiliation network into a matrix. Using the UCINet generated matrix, I was able to calculate network variables such as centrality in the interlock network. For network calculations, the full sample of 2,154 firm-years was used.

PACs. Data on the formation of Political Action Committees (PACs) and PAC donations originates from the Center for Responsive Politics (www.opensecrets.org). This data was merged by the name of the parent corporation of a PAC with the corporation name in Carroll's (2009; 2010) data.

Dependent Variable

PAC Contributions. This variable is measured in dollars and represents the total amount of contributions made by a foreign firm's U.S. subsidiaries, divisions, and affiliates through corporate PACs in a given year.

Independent Variables

Bonacich Centrality. The Bonacich measure of centrality is widely used in interlock research due to its plausible representation of power relations (Bonacich, 1972; Mizruchi and Bunting, 1981). It is calculated based on the number of interlocks a corporation has with other members of the G500 in any given year, but it weights interlock ties based on the number of interlocks the firms to which it is tied have, such that firms connected to other highly connected firms are more central in the network than firms connected to many isolated firms.

Degree Centrality. Degree centrality, which is the number of interlocks a firm has to other firms in the network, is the most straightforward measure of the inner circle thesis. Useem (1984) argues that firms that have several board members who are part of the inner circle of the capitalist class (i.e., sit on multiple boards, and thus, interlock the firm to multiple other firms) will tend to adopt a class-wide rationality. This measure is standardized for board size. This is important in the transnational network because the size of corporate boards varies from country to country (Carroll, 2010).

Control Variables

Number of direct interlocks to U.S. firms: This variable controls for a possible spurious effect between a foreign firm's economic interest in the United States and its centrality in the transnational interlock network. Specifically, foreign firms that have a large stake in the U.S. economy (either as a consumer market, a supplier, or for investors) may seek out interlocks with U.S. companies. This would result in said foreign companies having a greater number of transnational interlocks and potentially being more central in the network than firms with little economic interest in the U.S. To measure the number of direct interlocks to U.S. firms I count the number of a firm's board members who also sit on the board of at least one U.S. firm.

Assets. This variable is a measure of size. Larger firms are predicted to be more politically active than smaller firms because they have more assets at risk and thus stand to gain a larger share of any political benefits secured as a result of corporate political activity (Hart, 2001; Masters and Keim, 1985). Firm size is also an important indicator of resource availability (Boies, 1989). Firms are also hypothesized to seek out ties to large organizations as a signal of legitimacy to investors (Mizruchi, 1996). This could result in large firms being more central in the interlock network than small firms. Assets is measured in units of one million dollars.

Government Regulation. Hart (2001) argues that whether firms seek regulation for protection or to eliminate regulations that limit their behavior, they have an interest in gaining access to the policymakers responsible for crafting and passing the regulations. In order to control for this, I created industry dummy variables for highly regulated industries such as transportation, energy, communications, and banks/financial services (Masters and Keim, 1985). The primary industry of a firm is based off of the classifications used by Carroll (2010). He used the Standard Industrial Code (SIC) and the North American Industry Classification System (NAICS) to determine primary industry.

Federal Contracts. Firms that receive large amounts of money in government contracts also develop a similar dependence on government as firms who are heavily regulated. This provides an incentive to form a PAC, since political contributions provide a selective incentive for legislators to steer contracts to their friends in business (Hart, 2001). This variable is the dollar amount of all federal contracts received by a firm in a given year.

PAC in the previous time period. While my dependent variable measures the total amount of donations made through corporate PACs, this decision is influenced by past decisions. That is, there are a number of fixed costs, such as hiring staff, associated with establishing a PAC (Masters and Keim, 1985). In addition, special forms must be filed with the FEC in order to terminate a PAC. Thus, firms that do not already have a PAC will be less likely to begin one (and thus, unable to donate any money), than firms that have already sunk the costs of PAC formation. Inclusion of a lagged variable usually results in information loss as the first year in the data is dropped. To avoid losing data on the year 2000, I collected data on PAC activity for the 1998 election cycle.

Year. It is important to control for the effect of time whenever analyzing longitudinal data (Allison, 2005). However, since the effects of time cannot assumed to be linear, I include dummy variables for the years 2002, 2004, and 2006, with the year 2000 being the reference category.

Descriptive Statistics

Table 1 shows means, standard deviation, number of cases, minima, and maxima for all dependent and independent variables.

Table 1 Descriptive Statistics: G500 Foreign Firms with a U.S. subsidiary/division/affiliate, 2000-2006

	N	Mean	St. Deviation	Min	Max
PAC contributions	852	35,725.89	101,769.1	0	881,413
Bonacich Centrality	742	13.43	26.04	0.017	137.31
Degree Centrality	742	1.29	1.27	.2	6
U.S. interlocks	845	.38	.80	0	5
Assets (millions)	734	159,347.2	286,011.5	2,736.4	2,000,000
Federal Contracts (dollars)	888	39,100,000	326,000,000	0	6,710,000,000
Transportation Industry	888	.15	.36	0	1
Energy Industry	888	.11	.32	0	1
Communications Industry	888	.06	.24	0	1
Financial Industry	888	.25	.43	0	1
PAC in previous time period	888	.24	.43	0	1
Year	888	2002.83	2.25	2000	2006

Analytic Strategy

To estimate the relationship between transnational centrality and the amount of contributions made by a foreign firm's U.S. subsidiaries, divisions, and affiliates through corporate PACs in a given year, I use multilevel linear regression with random effects. Applied to longitudinal data, multilevel regression measures both how cases change over time and how these changes vary between cases (Singer and Willett, 2003).

One complication that arises with longitudinal analysis is the problem of repeated events. Each observation in my dataset is a firm-year, and there are multiple observations for each firm. Traditional regression methods assume that observations are independent from each other, but in the case of panel data, past values for any given firm have an unmeasured effect on current values. Two common approaches for dealing with this problem are to employ either random effects or fixed effects models. Random effects models can be very efficient, correcting the biased standard errors and coefficients that result from the assumption of independence. The consistency of random effects estimates depends, however, on the difference between within-case effects and between-case effects being random. Fixed effects models, on the other hand, eliminate between case effects and only look at variation within each case over time, which results in consistent, but inefficient estimation. Fixed effects models are especially inefficient when there is a lack of change within each case over time (Allison, 2005).

Due to the relatively small six-year time frame of my data, many of my time-varying predictors lack large amounts of within-firm change over time, the result being that the use of fixed effects saps most of the explanatory power out of the model. A Hausman test to determine which model is statistically appropriate suggested that a fixed effects approach was more appropriate because differences between within-case and between-case effects is not random.

One solution in situations where fixed effects are more statistically appropriate than random effects, but are not efficient, is to employ a hybrid (or multilevel) model that combines some of the virtues of fixed and random effects. The basic idea is to decompose each time-varying predictor into two variables: one that measures within-case variation, and one that measures between case variation. Then both parts of each time-varying predictor are placed into a random effects model along with time-invariant predictors. This allows for fixed effects estimates of time-varying predictors, along with between case estimates and estimates for time-invariant predictors. Hybrid random effects models can also be tested against a traditional fixed effects model using Hausman, to determine if the new model is appropriate. After decomposing the time-varying predictors, the Hausman test ($P>.050$) fails to reject the null hypothesis that differences between the random and fixed effects model are unsystematic, which suggests that the new hybrid random effects model is more appropriate than a fixed effects model. At this juncture it is important to note that the Hausman test has been critiqued for being too global (Allison, 2005). In light of these critiques, I also tested the hybrid random effects vs. fixed effects by testing whether the within-case coefficients are the same as the between-case coefficients for time-varying predictors. For each covariate, the result is that the test fails to reject the null hypothesis that between case coefficients are different from within case coefficients, which provides further statistical support for the choice of the multilevel random effects logit model.

Findings and Discussion

To first perform a basic test of hypothesis 1, I ranked all the firms in each year by transnational centrality and calculated the mean PAC contributions for firms in both the upper quintile and lower quintile. Highly central firms (i.e, those in the upper quintile in any given year) contribute a mean of $72,733, compared to the mean of $2,270 for low centrality firms ($p < .001$). This finding provides preliminary support for hypothesis 1. Of course, this analysis does not control for individual firm interests. In order to determine the unique influence of transnational centrality on political activity and rule out potential spurious effects, I estimate the amount of contributions made by a foreign firm's U.S. subsidiaries, divisions, and affiliates through corporate PACs in a given year from 2000 to 2006 using multilevel random effects. I present the results of two random effects model in table 2.

In performing the analysis, I calculated diagnostic statistics to guard against potential violations of multilevel linear regression's assumptions. One of the main assumptions of linear regression is that all interval-ratio and scale variables are normally distributed. Thus, all interval-ratio/scale variables (PAC contributions, transnational centrality, U.S. interlocks, assets, and contracts) are logged to normalize distribution. Another important assumption is that outliers do not bias the analysis. No Cook's residuals are above 2.5, indicating that there are no problems with outliers. Finally, the between case measure of assets and the dummy variable for financial industry both have variance inflation factor scores above 2.5, which suggests that there may be a problem with multicollinearity (Allison, 2005). Dropping the assets variable significantly reduces the model fit and changes the findings regarding other predictors, while the financial industry is not a significant predictor of PAC donations. Thus, I only present one model, with assets included and the dummy for financial industry removed.

The test of the full models with all independent variables against the constant only models is statistically significant (model 1, bonacich centrality, $X^2 = 367.91$, $p < .001$; model 2, degree centrality, $X^2 = 366.31$, $p < .001$), indicating that the predictors, as a set, reliably distinguish the amount of contributions made by a foreign firm's U.S. subsidiaries, divisions, and affiliates through corporate PACs.

Table 2 Multilevel Random Effects Regression Estimates of Foreign Firm's Corporate PAC Contributions (dollars), 2000-2006

	Model 1	Model 2
Transnational Centrality		
Bonacich Centrality (between case variation)	.59***	
	(4.56)	
Bonacich Centrality (within case variation)	0.40	
	(1.76)	
Degree Centrality (between case variation)		.95***
		(4.71)
Degree Centrality (within case variation)		.21
		(.74)
Control Variables		

U.S. Interlocks	1.29***	1.09**
	(3.70)	(3.07)
Assets (between case variation)	.18	.16
	(1.32)	(1.17)
Assets (within case variation)	0.95	1.02*
	(1.88)	(2.04)
Federal Contracts	.04*	.04*
	(2.07)	(2.07)
Transportation Industry	-.59	-.56
	(-1.17)	(-1.12)
Energy Industry	.02	.08
	(.04)	(.15)
Communications Industry	.08	-.08
	(.11)	(-.11)
PAC in the last election cycle	4.80***	4.74***
	(13.58)	(13.40)
2002	-.66**	-.67**
	(-2.71)	(-2.74)
2004	-.74**	-.76**
	(-2.61)	(-2.69)
2006	-.66	-.73*
	(-1.93)	(-2.14)
Number of Corporation Years (N)	716	716
Number of Corporations	238	238
Wald Chi-Square	367.91	366.31
R-square (overall)	.633	.627
R-square (within)	.003	.002
R-square (between)	.689	.681
Highest VIF	2.47	2.42
Mean VIF	1.39	1.40

Notes: The first number is the unstandardized regression coefficient, the second number is the Z statistic.

PAC Contributions, Transnational Centrality, Degree Centrality, U.S. interlocks, Assets, and Federal Contracts are logged to normalize distribution.

Assets is measured in units of $1 million dollars, and Contracts is measured in $1 increments; the year 2000 is the reference category for the year dummy variables

*indicates p < .05, ** indicates p < .01, and *** indicates p < .001

Even with the effects of various individual firm characteristics and interests controlled for, I find that centrality in the transnational interlock network is a significant predictor of a foreign firm's political activity. Specifically, transnational centrality is positive and significant (model 1, bonacich: $b = 0.59$, $z = 4.56$, and $p < .001$; model 2, degree: $b = .95$, $z = 4.71$, and $p < .001$), lending further support for hypothesis 1: highly central foreign firms contribute more money through corporate PACs than foreign firms with low centrality in the transnational network. To put the effect of transnational centrality in perspective, take the most central firm in the network, Allianz AG. Its bonacich centrality in 2006 was 137.31, which is 10.2 times greater than the 13.43 centrality of the average foreign firm in the network. Thus, based solely on its transnational centrality, we would expect Allianz to give 294% more money in PAC donations than an average firm (10.2^0.59=3.94). Given that the average foreign firm in my sample donated $35,725, we would expect Allianz to donate $140,756 to U.S. candidates in 2006. In reality, Allianz donated $123,750 through its subsidiaries/affiliates/divisions PACs. Taking into account that Allianz also received no federal contracts, the slightly smaller amount of donations than expected is not surprising.

The effect of transnational centrality is especially noteworthy given the positive and significant effect I find for U.S. interlocks (model 1: $b = 1.29$, $z = 3.70$, $p < .001$; model 2: $b = 1.09$, $z = 3.07$, $p < .010$). U.S. interlocks may or may not reflect the economic interests of foreign firms in the United States. It is only through an increase in U.S. interlocks stemming from resource dependence with U.S. firms, however, that a foreign firm's economic interest in the United States can plausibly be related to network centrality. Thus, the fact that transnational centrality is significant, even with the positive effects of U.S. interlocks controlled for, creates considerable doubt regarding the possibility that the relationship between centrality and political activity is a spurious effect explained away by economic interests.

While transnational centrality is a significant predictor, it only explains variation between firms, but not within cases. This is consistent with the interpretation of the interlock network as a system of communication created out of a collection of individual and organizational reasons for and responses to director recruitment (Mintz and Schwartz, 1985; Mizruchi, 1996). As previously discussed, the ends for which communication systems are used depends on the interests of those who are using them. Firms that are motivated by transnational class interests will utilize this system of communication to build solidarity and coordinate political action. Thus, one is likely to find the most class-conscious members of the TCC at the center of the network, which explains the finding that if you compare two different foreign firms, the more central one will generally be more politically active. On the other hand, changes in centrality over time for the same firm can be the result of interlock ties broken or formed out of a combination of individual, organizational, and/or intra-class considerations. Changes in centrality that are the result of individual and organizational aims do not reflect a change in transnational class-consciousness and, accordingly, are unlikely to be followed by a change in political behavior. In addition, the effects of changes in centrality that *are* motivated by class considerations may be muted by the short time frame of my study. In other words, it is possible that the lags between changes in class-consciousness, changes in political behavior, and changes in centrality are longer than the six-year span that I am analyzing. Thus, I may be underestimating some of the within-firm effects.

Conclusion

Michael Nollert (2005) argues that verification of the claims of TCC theory depends on evidence of “a social network whose members… pursue common political interests” (p. 294). I find that the foreign corporations in the G500 that are the most central in the transnational interlock network contribute the most money through corporate PACs. In addition, my findings provide support for the idea, implied by Granovetter (1985), explicitly proposed by Schwartz and Mintz (1985), and adopted by the majority of other interlock researchers, that the interlock network, as a whole, is a system of communication (Mizruchi, 1996).

If we adopt the view of the interlock network as a system of communication, and interlocks as mechanisms of communication that facilitate, but do not cause, political unity and class-consciousness, then it logically follows to infer from the finding that transnational centrality is a significant predictor of political activity, that there is a segment of the transnational business community that is indeed a class-for-itself. To resume an argument I have made throughout the paper: systems of communication are used for different ends depending on the interests of those who use it. A capitalist class that is fragmented politically and is largely motivated by individual profit motives will use the channels of communication and connections to further each firm’s individual economic interests. Thus, for a business community that is *not* a class-for-itself, network centrality should not be associated with political behavior outside of actions that serve the individual economic interest of firms. For a business community that *is* a class-for-itself, however, one would expect to see exactly what I have found: that centrality in the interlock network is associated with political action, even when individual firm interests are controlled for.

While my findings provide some support for the existence of a transnational capitalist “class for itself”, it would be an overstatement to say that my study verifies this claim. This article adds one small, albeit important, piece of missing evidence to the larger puzzle of the organization of power and control in global capitalism. In order to fill in the puzzle further, there are other aspects of political behavior by the TCC that need to be explored. For example, my data suggests that transnational class interests motivate PAC activity, but it does not speak to the extent that the transnational business community acts collectively through PAC donations. In fact, Robinson and Harris (2000) argue that the TCC is fragmented along strategic lines regarding "how best to structure the new global economy, achieve world order, and assure the long-term stability and reproduction of the system" (p. 43). Thus, the extent to which the TCC acts collectively is an important empirical question, even in light of the evidence I present for a politically active transnational business class.

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CHAPTER 2: FOREIGN CORPORATE PAC DONATIONS TO REPUBLICAN CHALLENGERS, 2000-2006

One of the most enduring debates in political sociology revolves around the question of class formation among economic elites. In other words, are those who own and control large corporations motivated and united by the collective interests of the business class, or do they act primarily to maximize self-interest? Class theorists of power argue that various institutional and social ties among economic elites function to mediate inter-corporate disputes and unify the business class around common interests (Mizruchi, 1989). For example, Mills (1956) describes how the transition of business interests "from company to industry and from industry to class" is aided by dispersed stock ownership, business associations, and shared directorships (p. 121-123). The other dominant view, that business is motivated by self-interested utility maximization, is reflected in Dahl's (1961) conclusion that the nature of power in democratic capitalist societies is pluralistic. Specifically, that the various individual interests of business leaders fragment the economic elite into interest groups that compete with each other, thus, precluding long-term domination by any single group.

While class theorists have traditionally focused on collective interests organized around national identification, the increasing globalization of economic behavior by large corporations (Ross and Trachte, 1990; Robinson and Harris, 2000; Robinson, 2004) has shifted the nature of the debate so that transnational class formation has become a central issue (Klassen and Carroll, 2011). That is, in addition to the initial debates over individual vs. collective interests, questions over the extent to which the collective interests that potentially unite business are national or transnational have emerged. For example, a group of scholars, including Jerry Harris, William

Robinson, and Leslie Sklair, has utilized the shift from monopoly capitalism to global capitalism and the purported effects of economic globalization on the nation-state as a departure point for theories of an emerging transnational capitalist class (Robinson and Harris, 2000; Robinson, 2001; 2004; Sklair, 2001). Research mapping transnational inter-firm networks created by interlocking boards of directors (Fenema, 1982; Carroll and Fenema, 2003; Carroll and Carson, 2003; Kentor and Jang, 2004; Nollert, 2005; and Carroll, 2009) and cross-border ownership (Vitali, Glattfelder, and Battiston, 2011) provides support for transnational capitalist class (TCC) theory. These studies identify a dense network of inter-connected firms and directors, which is interpreted as representing a class-conscious and politically active inner circle of the TCC.

While class-consciousness and political action on behalf of transnational class interests are integral components of the formulation of the TCC (Robinson and Harris, 2000; Robinson, 2004), existing empirical evidence fails to systematically link indicators of transnational class to political behavior. Thus, whether or not the global business community is conscious of and motivated by collective transnational interests is a proposition that remains to be tested. In this article, I provide a piece of this missing evidence by examining the correlation between transnational class and political behavior by the world's largest firms.

Globalization and Class Formation

The process of class formation generally fluctuates between two phases. In the first phase, a group of individuals become an objective class when their shared relationship to economic resources creates among them common interests. This is reflected in Marx's (1995 [1847]) statement:

"Economic conditions had first transformed the mass of the people of the country into workers. The combination of capital has created for this mass a common situation, common interests. This mass is thus already a class as against capital, but not yet for itself. In the struggle, of which we have noted only a few phases, this mass becomes united, and constitutes itself as a class for itself. The interests it defends become class interests" (p. 189).

The above quote also reveals the second phase of class formation, when a class becomes aware of, and united by, its common interests. It is in this second phase, when a class-in-itself becomes a class-for-itself, that a class is imbued with power and agency. E.P. Thompson, in *The Making of the English Working Class* (1991 [1963]), recognizes the importance of the second phase of class formation when he describes "class" as something that happens when "some men, as a result of common experiences (inherited or shared), feel and articulate the identity of their interests as between themselves, and as against other men whose interests are different from (and usually opposed to) theirs" (p. 9). While the focus of both Thompson and Marx's quotes are the constitution of the working class, the process of class formation is also applicable to the economic elite. In fact, Thompson does just this when he describes how a "much divided" ruling class "gained in cohesion" as a result of the opposition of an insurgent working class (p. 11). In other words, it was a common enemy that revealed to the English elites their common interests and united them as a class-for-itself.

This distinction between the two phases of class formation is important with regard to evaluating the effects of economic globalization on elite class formation. Statements such as Sklair's (2001:5) proposition that "the TCC is beginning to act as a transnational dominant class in some spheres”, or Robinson and Harris’ (2000: 22) assertion that “at the level of agency, the TCC is class conscious, has become conscious of its transnationality, and has been pursuing a class project of capitalist globalization”, clearly demonstrate that the TCC is conceptualized as a class-for-itself. Despite these claims, however, the existing evidence is limited to demonstrating that economic globalization has changed the relationship of national economic elites to global economic resources in a manner that has created common interests that transcend national borders.

For example, Jerry Harris (2011) summarizes the evidence of transnational economic integration, identifying three steps in the maturation of the TCC: the globalization of production, ownership, and control. The globalization of production is indicated by a shift in manufacturing from rich core countries to poor peripheral nations, such that commodity chains become increasingly transnational, with pieces of each product manufactured in multiple nations. Robinson and Harris (2000) argue that the globalization of production marks the key difference between the prior system, where nationally produced goods and services were traded internationally, and the current system where both trade and production are transnational. A consequence of globalized production is that rather than being limited to the labor forces of only the nations they are domiciled in, corporations are able to search the globe for the cheapest labor (Silver, 2003; Robinson and Harris, 2000). Thus, corporations domiciled in different nations are increasingly tapping into the same labor pools, creating a common transnational interest.

In addition to corporate production now taking place on a transnational scale, the ownership of large corporations has become increasingly global in nature. Specifically, since the 1970s there has been a growth in the percentage of foreign corporate stockholders and investments made in cross border deals (Harris, 2011). Transnational ownership is a significant step in creating the structural conditions necessary for the emergence of a TCC. In an economic system of national ownership, capitalists from different nations are linked largely through market transactions. Global ownership, on the other hand, institutionally links capitalists from different nations together and broadens their economic interests from national to global capitalism.

The final step in the maturation of the TCC, according to Harris (2011), is the globalization of corporate boards. This step is made necessary by the separation of ownership and control in large corporations that results from the dilution of individual ownership rights through the stock market (Berle and Means, 1932; Fama and Jensen, 1998). The implication of the separation of ownership and control for the emergence of a TCC is that it is possible for control of the firm to be organized nationally even when ownership is global. Control of firms is globalized through an increase in the proportion of corporate boards that are made up by directors of different nationalities (Harris, 2011).

Although Harris (2011) takes the above phenomenon to indicate a maturation of the TCC, he distinguishes between transnational economic integration and transnational political integration. The globalization of production, ownership, and control indicate transnational economic integration, but not the transnational political integration of the capitalist class. In other words, the globalization of production, ownership, and control is evidence only of common transnational interests among economic elites of different nations. Whether the leaders and owners of the world's largest business firms are conscious of and united by their common interests is a question that remains to be tested.

One avenue of research attempting to accumulate evidence of a transnational class-for-itself has been a small group of scholars exploring the transnational network created by interlocking directorates.

The Significance of Transnational Interlocks

An interlocking directorate occurs when a person affiliated with one organization sits on the board of directors of another organization (Mizruchi, 1996: 271). Interlocking directorates are quite common among large corporations, or as C. Wright Mills (1956) puts it, they are "a solid feature of the facts of business life" (p. 123). The result of the many interlocks between firms is that the business community in any given nation is part of a large inter-connected network (Scott, 1997). There is evidence, however, that these national interlock networks are increasingly transnational due to the globalization of control (Nollert, 2005). In other words, as the composition of corporate boards becomes more transnational in general, it also becomes more common for individuals who hold multiple directorships to be affiliated with firms domiciled in different countries (Fenema, 1982; Carroll and Fenema, 2003; Kentor and Yang, 2004; Carroll 2010).

Generally, the findings of transnational interlock studies have been interpreted as evidence of social cohesion among the TCC (Kentor and Jang, 2004; Nollert, 2005; and Carroll, 2009; 2010). However, aside from a few studies (Carroll, 2010; Nollert, 2005; Carroll and Carson, 2003) that have demonstrated that transnational interlockers (directors who sit on multiple boards of different national domiciles) are more likely to serve on global policy groups, the majority of the research on transnational interlocking directorates does not explicitly test the association between position in the interlock network and political behavior. Rather, the consequences of transnational interlocks tend to be inferred through an analysis of the structure of the resulting inter-firm and interpersonal networks. These structural analyses ground their interpretation of the meaning of transnational interlocks in research on the causes and consequences of interlocking directorates within a national context.

For example, Mills (1956) asserts that interlocks between U.S. corporations are important social ties that anchor the "community of interest" and "the unification of outlooks and policy" among the economic elite (p. 123). While organizational theorists have proposed numerous additional explanations for why interlocks form, ranging from organizational factors such as resource dependency to individual considerations such as the desire for career advancement by directors who choose to sit on multiple boards, Mizruchi (1992; 1996) argues that, regardless of the motivation behind the formation of any single interlock, the resulting network may have the consequence of facilitating business political unity. Similarly, Useem (1984) states, "classwide informal organization... has indeed been formed, not through conspiratorial design, but as an unintended byproduct of other forces playing themselves out" (p. 17).

This line of reasoning drove much of the research on U.S. interlocks away from studying causes and instead refocused it on consequences. The ensuing research generally supports a view of interlocks as indicators of social cohesion. Mizruchi (1989; 1992) finds that indirect ties between firms through financial institutions are associated with similar donation patterns. In other words, firms that shared multiple sources of information exhibit unified behavior, which supports Useem's (1984) conception of interlocks functioning to improve a firm's "business scan." Useem (1984) also finds, through a series of interviews, that individuals who sit on multiple boards (who he deems the "inner circle" of the capitalist class) are more politically active and class-conscious. Mintz and Schwartz (1985) trace the U.S. interlock network and find that financial institutions are the most central firms and that they act to mediate inter-corporate disputes and act in the long-term interests of capital. Finally, Mizruchi (1992) also finds that firms that share directors are more likely to hold the same public positions on policy than two firms that are unconnected, and Burris (2005) finds that directors that are linked through the interlock network exhibit similar political donation patterns.

It is on the basis of the above findings that global interlock scholars such as Carroll (2010) interpret an increase in the density of the transnational inter-corporate network between 1976 and 2006 as evidence of a growing social cohesion among the transnational elite. At this juncture, however, it is important to note that there are significant complications with the implicit assumption of transnational interlock research that the consequences of interlocks in a national context can be transferred directly to a global context.

Among scholars of power structure, the view of interlocks most widely employed sees them as mechanisms of communication (Mizruchi, 1996). As Mintz and Schwartz (1985: 134) assert, "interlocking directorates provide enormous potential for information exchange", but rather than information about specific corporations, "broad business and economic information is the valued prize of multiple board memberships." There are two distinct views of how these mechanisms of communication function to influence the behavior of firms. The first approach views an interlock as an important phenomenon sui generis (Mizruchi, 1996). Under this conception, the presence or absence of an interlock directly influences the behavior of the connected firms. The logic behind this is detailed by Mintz and Schwartz (1985: 135), as they explain that having directorate interests in multiple companies places executives who sit on multiple boards "in a position to identify with the problems of diverse corporations and hence to generate policies reflecting a broad class interest." On an organizational level, the CEO and board of directors control firms. Thus a firm with more interlocks is subject to greater control by members of the inner circle, and we can expect the firm's behavior to reflect consciousness of common interests with the rest of the business community.

The second approach sees interlocks as important only as reflections of underlying social relations (Mizruchi, 1996). That is, interlocks are neutral tools of communication and their presence tells us nothing about how they are used. Thus, the effect of communication is conditional on what is being communicated and towards what ends. For example, a business community with a great deal of social cohesion and consciousness of class interests may use interlocks to coordinate and mobilize political action. On the other hand, a business community that is fragmented politically and unconscious of its class interests may only embed themselves in the interlock network as a way to reduce risk and maximize their individual firm's investments.

If interlocks function as direct causal factors, as described in approach one, then the assumption that the consequences of interlocks are the same transnationally as they are nationally is appropriate. If they function as described in approach two, however, there are reasons to believe that transnational interlocks may have different consequences than national interlocks. This is because underlying the U.S. interlock network is a system of circulation through intermarriage, co-attendance at elite private educational institutions, and co-membership in exclusive social clubs that generates social cohesion among economic elites (Mills, 1956).

According to John Scott (1997), systems of circulation are a feature of almost every national capitalist class, but are not as prevalent between elites of different nationalities. Thus, if the TCC lacks a system of circulation to provide social cohesion, interlocks in the transnational network may not have the effect of building solidarity and organizing political action on behalf of class interests. In fact, this is the position Scott (1997: 312) takes regarding the emergence of a TCC: that without circulation, it is not a class-for-itself.

However, as previously discussed, it is a central contention of TCC theory that the TCC is, in fact, a class-for-itself. This disagreement with Scott is explicitly stated by Sklair (2001: 11-12), who argues that members of the TCC having a tendency to "marry partners and interact mostly with those who live in the same country seems less important than the fact that they also partake differentially in recognizable global patterns of capital accumulation, consuming, and thinking." Thus, if the claims of TCC theory are correct, we should expect a greater number of interlocks in the transnational network to be associated with political behavior on behalf of transnational class interests. This, however, is a hypothesis to be tested, not inferred. That is, the transnational interlock network itself is not evidence of a class that is conscious of, and acts to defend, its common transnational interests. Substantiation of that claim requires demonstration of a link between centrality in the transnational interlock network and political behavior on behalf of transnational class interests.

Political Behavior on Behalf of Transnational Class Interests

Although the economic interests of the TCC are conceptualized as transcending national borders, their political interests are still located at the level of the nation-state. For example, Sklair (2001: 152) argues that "in the absence of genuinely global legal institutions" regulation of transnational business "can, at best, be multinational." In addition, Harris (2011) emphasizes that resistance to globalization, by both labor and fractions of national capital, is centered on the political process. Thus, government policy is a primary site of activity for the TCC.

The policies that the TCC purportedly advocate are centered on "openness of the state borders to commerce and finance, signing free trade agreements and securing proper legal frameworks for international trade" (Harvey, 2010: 41-42). As Robinson and Harris (2000: 28) assert, the TCC "articulate a coherent program of global economic and political restructuring centered on market liberalization." While neoliberal reforms can ostensibly be advocated for in any and every nation, many scholars of global capitalism see the United States as the prime target of transnational influence. For instance, Robinson (2004) sees the United States as unique due to its role as the last global hegemonic power before the rise of what he terms the Transnational State. He goes on to argue that many U.S. policies function to promote global capitalism and the interests of transnational capitalist elites (p. 134). This function of the neoliberal paradigm in the United States is in line with the arguments of David Harvey (2005), who sees neoliberalism as a new form of imperialism that serves the interests of global capitalism, rather than the interests of one hegemonic power.

There are numerous tactics available to business in the quest to influence U.S. government policies. Sklair (2001: 27) describes a three-stage model of corporate influence proposed by Ryan et al. (1987). The first stage involves turning public opinion away from unfavorable policies through media campaigns. In stage 2, corporations seek to influence the formation of policy through tactics such as lobbying and political donations. Finally, once legislation is passed, business turns to cooptation of regulatory agencies and legal resistance to stop the implementation of undesirable policies.

The tactics utilized in stage 2 are the most reliably recorded, as corporate political action committee (PAC) donations and lobbying activity must be reported to the Federal Elections Commission. Accordingly, PAC data has been a standard means used by interlock researchers to examine corporate political behavior (Mizruchi, 1996: 285). However, given that the TCC is theorized to include the owners and leaders of corporations domiciled both within and outside of the U.S., an appropriate measure of political behavior must be available to both foreign and domestic firms. While foreign domiciled firms are legally barred from directly contributing to U.S. political campaigns, they can influence U.S. politics indirectly via corporate PAC donations through their U.S. subsidiaries, divisions, and affiliates. In fact, the PAC donations of foreign subsidiaries/divisions/affiliates have been used in prior studies of corporate PACs (Hansen and Mitchell, 2000; Mitchell, Hansen, and Jepsen, 1997; Mitchell, 1995) and are also seen by experts as representing the influence of foreign money in U.S. politics.[1]

PAC donations, however, can be used on behalf of the interests of the individual firm, the national class, or the transnational class. In order to use corporate PAC donations to test the unity and class-consciousness of the TCC, it is important to delineate the donation patterns that would indicate action only on behalf of transnational class interests. This requires two related tasks:

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[1] The Center for Responsive Politics links PAC donations by foreign owned entities to their parent company (http://www.opensecrets.org/pacs/foreign.php. Accessed 1/2012)

first, we must identify political donations that serve the collective interests of the business class, but do not serve the individual interests of the firm; and second, we need to identify donations that serve the collective interests of the TCC, but not the collective interests of a firm's national capitalist class.

With regard to the dichotomy between individual and collective interests, campaign finance analysts distinguish between two types of PAC strategies: pragmatic and ideological (Clawson and Neustadtl, 1992; 1989; Burris, 1987; Sabato, 1984; Handler and Mulkern, 1982). A pragmatic strategy is designed to promote the individual interests of the firm through donations to incumbents, without regard for the recipient's party or ideology. These types of donations function by ensuring future access to elected officials, access which allows representatives to advocate in their firm's individual interests. Ideological donations, on the other hand, are directed towards challengers whose political philosophies are more aligned with the interests of business.

Since incumbents are re-elected in the vast majority of cases, donating money to a challenger risks access for the chance to change the ideological composition of congress. Thus, even when the incumbent favors policies in opposition of a firm's individual interests, such as strict regulations or higher corporate taxes, pragmatic firms will still donate to the incumbent. This is because the access that is gained through donations allows the firm to advocate for wording in bills that gives them an individual exception to taxes, regulations, and other unfavorable policies (Clawson et al., 1992). So, while a donation to an anti-business incumbent does nothing to help the business class as a whole, it allows the donating firm to protect its own interests. On the other hand, if a firm donates to a pro-business challenger and that challenger loses, the donating firm has now forfeited its access to the incumbent and will be fully subject to any anti-business policies that the incumbent is able to pass. For this reason, firms are unlikely to donate to challengers as a way of serving individual interests. This is supported by evidence that the vast majority of corporate PAC donations are given to incumbents (Clawson et al., 1992). Accordingly, donations directed to challengers are seen as representing action on behalf of collective interests.

Theory tells us that the TCC should generally prefer to support Republican politicians. Michael Schwartz (1998) describes the profile of the conservative agenda espoused by the Republican Party as including interventionist foreign policy, dramatic cutbacks in social spending, and withdrawal of government from business regulation. This conservative agenda is in line with the previously discussed interests of transnational capital in expanding the global economy through neoliberal economic policies. Thus, the clearest case of class oriented political behavior by the TCC is donations to Republican challengers. This is supported by the fact that donations to Democratic challengers are almost non-existent among firms in my sample (the 500 largest firms in the world every two years from 2000-2006). In fact, in the four election cycles from 2000-2006, just 0.4% of donations (an average of $540) were directed to Democratic challengers.

While donations to Republican challengers may represent class-informed political behavior, as opposed to behavior motivated by individual interests, the potential membership of firms domiciled in the United States in the TCC raises concerns over distinguishing between behavior on behalf of transnational and national class interests. This is due to the fact that the United States business class also ideologically prefers Republican politicians to Democrats

(Clawson, et al. 1992; Burris, 1987). Thus, donations to Republican challengers potentially serve both national and transnational class interests. In other words, while a U.S. firm that is motivated by transnational class interests would be expected to donate to Republican challengers, a U.S. firm that is motivated only by national class considerations will also be expected to donate to Republican challengers. Thus, donations to Republican challengers cannot be used as a reliable indicator of transnational class-informed behavior for U.S. firms.

One approach to differentiating between national and transnational class interests is to avoid the above complications by only considering firms domiciled outside of the United States. Political action by foreign firms on behalf of national class interests will be focused on the government of their home country, while donations to candidates in the United States will either represent action on behalf of individual or transnational class interests. Thus, for foreign firms, PAC donations to Republican challengers in U.S. elections are a clear indicator of action motivated by transnational class interests. Putting this information together with the discussion of the significance of transnational interlocks, we derive the following hypothesis:

H1: the more central a non-U.S. firm is in the transnational interlock network, the greater the percentage of its political donations will go to Republican challengers.

Data and Methods

Data Sources

Sample. This study utilizes parts of William Carroll's (2009; 2010) dataset, which includes data on the global fortune 500 (G500) for every two years from 2000 to 2006.

The G500 is made up of two samples: 1) the 400 largest industrial and commercial businesses as ranked by revenue according to the Global Fortune 500; and 2) the 100 largest financial intermediaries as ranked by assets according to the Forbes Global 2000. As Carroll (2009) explains, he adopts this purposive sampling, rather than simply using the Global Fortune 500 list, which is ranked solely by revenue, because rankings by revenue are biased against financial capital. I use the G500 as the universe of firms under examination because, as Carroll contends, the G500 represents the global corporate elite. Of course, this means that my sample is disproportionately firms that are very vital to the global economy and, thus, may be more politically active than smaller firms. This is not a weakness of the sample. On the contrary, this results in a conservative estimate of the effects of centrality. That is, the corporate elite *should* be more political than the non-elite. If even within the corporate elite, the most central in the inter-corporate network are also the most ideological, then we can have extra confidence in this finding.

The above sample results in 2,008 observations, or firm-years, during the period under study, with 679 of the observations domiciled in the U.S. and 1,329 domiciled outside the United States. However, as previously discussed, in order to avoid the complications of distinguishing between nationally oriented and transnationally oriented class behavior, I limit the sample to only firms domiciled outside of the United States. In addition, the analysis is limited to firms whose subsidiaries/divisions/affiliates had active PACs (i.e., those that contributed at least one dollar). Data on the location of subsidiaries, divisions, and affiliates was obtained from the LexisNexis corporate affiliations database. The final sample includes 215 firm-years.

Firm Characteristics. Carroll's (2009; 2010) data also includes information about individual firms, such as revenue, assets, domicile, and primary industry. His information comes primarily from Fortune's global 500 and Forbes global 2000 list, but is supplemented with data from annual reports. Data on government contracts was not included in Carroll's data. I compiled this data using the website www.USAspending.gov, which is a searchable database of each federal contract. The database is made public as part of the Federal Funding Accountability and Transparency Act.

Interlocks and Network Position. Carroll's data also includes a list of every director, by year, for each company in the sample. The names of directors were taken from corporate annual reports, available electronically at official corporate websites or in the Mergent Online database. I entered the names of directors and companies into an affiliation network and used UCINet to transform the affiliation network into a matrix. Using the UCINet generated matrix, I was able to calculate network variables such as centrality in the interlock network. For network calculations, the full sample of 2,154 firm-years was used.

PACs. Data on Political Action Committee (PAC) donations originates from the Center for Responsive Politics (www.opensecrets.org). This data was merged by the name of the parent corporation of a PAC with the corporation name in Carroll's (2009; 2010) data.

Dependent Variable

Percent Ideological Donations. As per the discussion in the section on political behavior on behalf of transnational class interests, PAC donations directed to Republican challengers represent action on behalf of transnational class interests. Thus, ideological donations on behalf of transnational class interests are measured as the percentage of donations that go to Republican challengers. Races for open seats are a complicated case because there is no incumbent. To keep the ideological donations variable a pure measure of class-informed behavior, I drop open elections from the data. While the average firm in my sample gives approximately two-thirds of its PAC donations to Republican candidates, only 1.8% of them go to Republican challengers. In fact, no company used a majority of its donations for ideological purposes, as even the most ideological PAC gave only 35% of its donations to GOP challengers. This is not surprising, as prior research has documented the tendency for the corporate PACs to contribute mostly to incumbents (Clawson et al., 1992). This is due to two factors: 1) even firms that are highly conscious of class interests are still simultaneously motivated by individual interests, and 2) donations to pro-business incumbents serve both individual firm and class interests. Thus, some donations on behalf of class interests may be directed at Republican incumbents, making donations to Republican challengers an imperfect indicator of class-informed behavior, in that it underestimates the amount of donations motivated by class interests. Nevertheless, ideological donations, especially by foreign firms, represent a pure form of transnational class-informed behavior. In addition, donations to pro-business incumbents cannot be reliably used as an indicator of class-informed behavior because a firm acting only on behalf of its own interests would be just as likely to give to pro-business incumbents as firms acting on behalf of collective interests. Thus, a greater commitment to class interests will be reflected by a greater percentage of donations following an ideological pattern.

Independent Variable

Degree Centrality[2]. Useem (1984) defines members of the inner circle as those directors who sit on multiple boards. Thus, a firm with more inner circle members sitting on its board will have a greater number of interlocks to other firms in the network. In Clawson and Neustadtl's (1989) analysis of ideological donations by U.S. corporate PACs, they tested the predictions of interlock theory by measuring the number of interlocks a firm had to other firms in the U.S. inter-corporate network. Degree centrality is a similar measure, in that it is based on the number of direct interlocks a firm has to other firms in the network. The key difference is that degree centrality is normalized for the size of a firm's corporate board, so that degree centrality represents the percentage of all possible interlocks that a firm has. This is important in the transnational network because the size of corporate boards varies from country to country (Carroll, 2010). Thus, using degree centrality as a measure, a firm with three inner circle members out of a five person board will be more central than a firm with five inner circle members out of a twenty person board.

Control Variables

[2] The other standard measure of centrality in interlock analysis is Bonacich centrality. This measure is less about the influence of the inner circle on one's board and more about the influence a firm has in the network and its ability to access information from a wide variety of sources. Thus, only the findings for degree centrality are reported.

Firm Size. Firms size is measured as the total assets owned by a company. As previously discussed, the default ideology of business is conservatism. The reason corporate PACs donate to democratic incumbents is due to a pragmatic concern with individual access to lawmakers. However, larger firms (i.e., firms with more assets) are better equipped to sustain short-term losses in order to shape Congress in its long-term interests (Clawson and Neustadtl, 1989). Thus, large firms are able to direct more of their donations to Republican challengers than small firms. Firms are also hypothesized to seek out ties to large organizations as a signal of legitimacy to investors (Mizruchi, 1996). This could result in large firms being more central in the interlock network than small firms. Thus, size is an important factor to control for.

Government Regulation. Clawson and Neustadtl (1989) identify vulnerability to government pressure as a factor influencing the donation patterns of corporate PACs. Hart (2001) argues that whether firms seek regulation for protection or to eliminate regulations that limit their behavior, they have an interest in gaining access to incumbent policymakers responsible for crafting and passing the regulations. In order to control for this, I created industry dummy variables for highly regulated industries such as transportation, energy, communications, and banks/financial services (Masters and Keim, 1985). The primary industry of a firm is based off of the classifications used by Carroll (2010). He used the Standard Industrial Code (SIC) and the North American Industry Classification System (NAICS) to determine primary industry.

Federal Contracts. Firms that receive large amounts of money in government contracts also develop a similar dependence on government as firms who are heavily regulated. This provides a motivation to donate to incumbents, since political contributions provide a selective incentive for legislators to steer contracts to their friends in business (Hart, 2001). This is supported by research that shows that firms with a high percentage of their total sales coming from federal defense contracts are more likely to donate to incumbents (Burris, 1987; Clawson and Neustadtl, 1989). The unit of measurement is the dollar amount of all federal contracts received by a firm and its subsidiaries/divisions/affiliates in a given year.

Year. It is important to control for the effect of time whenever analyzing longitudinal data (Allison, 2005). For instance, the percentage of Congressional seats that either party holds changes from election cycle to election cycle and can influence donation patterns. It is plausible to think that a firm concerned with the ideological composition of Congress would give more money to Republican challengers if control of Congress was in the balance, than if the Republicans already had a comfortable control of the majority. In addition, fluctuations in the macro economic or social conditions may also create different donations patterns by year. Since the effects of time cannot assumed to be linear, I originally included dummy variables for the years 2000, 2002, 2004, and 2006, with the year 1998 being the reference category. Subsequent analysis, however, proved that the effects of year on the dependent variable were approximately linear. Thus, a linear term for year is included in the model presented in this article.

Descriptive Statistics

Table 3 shows means, standard deviation, number of cases, minima, and maxima for all dependent and independent variables.

Table 3 Descriptive Statistics: G500 Foreign Firms with a U.S. subsidiary/division/affiliate, 2000-2006

	N	Mean	St. Deviation	Min	Max
Percent Ideological	212	1.85	4.30	0	42.86

Donations					
Degree Centrality	206	2.04	1.44	.2	6
Assets (millions)	212	237,473.8	387,415.2	4,980	2,000,000
Federal Contracts (dollars)	212	129,000,000	652,000,000	0	6,710,000,000
Transportation Industry	212	.09	.29	0	1
Energy Industry	212	.11	.31	0	1
Communications Industry	212	.08	.28	0	1
Financial Industry	212	.31	.47	0	1
Year	212	2003.14	2.26	2000	2006

Analytic Strategy

To estimate the relationship between degree centrality and the percentage of contributions directed to Republican challengers by a foreign firm's U.S. subsidiaries, divisions, and affiliates through corporate PACs in a given year, I use multilevel linear regression with random effects. Applied to longitudinal data, multilevel regression measures both how cases change over time and how these changes vary between cases (Singer and Willett, 2003).

One complication that arises with longitudinal analysis is the problem of repeated events. Each observation in my dataset is a firm-year, and there are multiple observations for each firm. Traditional regression methods assume that observations are independent from each other, but in the case of panel data, past values for any given firm have an unmeasured effect on current values. Two common approaches for dealing with this problem are to employ either random effects or fixed effects models. Random effects models can be very efficient, correcting the biased standard errors and coefficients that result from the assumption of independence. The consistency of random effects estimates depends, however, on the difference between within-case effects and between-case effects being random. Fixed effects models, on the other hand, eliminate between case effects and only look at variation within each case over time, which results in consistent, but inefficient estimation. Fixed effects models are especially inefficient when there is a lack of change within each case over time (Allison, 2005).

Due to the relatively small six-year time frame of my data, many of my time-varying predictors lack large amounts of within-firm change over time, the result being that the use of fixed effects saps most of the explanatory power out of the model. A Hausman test to determine which model is statistically appropriate suggests that a fixed effects approach was more appropriate because differences between within-case and between-case effects are not random.

One solution in situations where fixed effects are more statistically appropriate than random effects, but are not efficient, is to employ a hybrid (or multilevel) model that combines some of the virtues of fixed and random effects. The basic idea is to decompose each time-varying predictor into two variables: one that measures within case variation, and one that measures between case variation. Then both parts of each time-varying predictor are placed into a random effects model along with time-invariant predictors. This allows for fixed effects estimates of time-varying predictors, along with between case estimates and estimates for time-invariant predictors. Hybrid random effects models can also be tested against a traditional fixed effects models using Hausman, to determine if the new model is appropriate. After decomposing the time-varying predictors, the Hausman test ($p > .050$) fails to reject the null hypothesis that differences between the random and fixed effects model are unsystematic, which suggests that the new hybrid random effects model is more appropriate than a fixed effects model. At this juncture, it is important to note that the Hausman test has been critiqued for being too global (Allison, 2005). In light of these critiques, I also tested the hybrid random effects vs. fixed effects by testing whether the within case coefficients are the same as the between case coefficients for time-varying predictors. For each covariate and all covariates as a set, the results are that the tests fail to reject the null hypothesis that between case coefficients are different from within case coefficients, which provides further statistical support for the choice of the multilevel random effects model.

Regression Diagnostics

Analysis of the variance inflation factor scores suggests that the original model, which included a dummy for financial industry, suffered from problems of multicollinearity stemming from the relationship between assets and firms in the financial industry. Specifically, firms in the financial industry tend to have more assets than firms in other industries. The most common way to deal with a problem such as this is to include each of the collinear variables in separate models. In this case, however, while the effect that dropping the financial industry dummy is to improve the overall fit of the model and change the significance and coefficient of the assets variable, dropping the assets variable changes nothing except to reduce the overall fit of the model. Thus, I only present one model, with assets included and the dummy for financial industry removed.

In addition, I took to other steps to guard against potential violations of multilevel linear regression's assumptions. One of the main assumptions of linear regression is that all interval-ratio and scale variables are normally distributed. Thus, all interval-ratio/scale variables (ideological donations, degree centrality, assets, and contracts) are logged to normalize distribution. Another important assumption is that outliers do not bias the analysis. No Cook's residuals are above 2.5, indicating that there are no problems with outliers (Allison, 2005).

Findings and Discussion

I present the results of a hybrid random effects or multilevel linear model in table 4. The model presented includes five distinct predictors in the analysis (degree centrality, firm size, government regulations, federal contracts, and year), but nine variables. This is because the time-varying predictors degree centrality, and federal contracts are broken down into components that measure within case and between case variation (tests show that there is no significant difference among within case and between case variation in firm size, so this variable is not broken down into components), and the level of government regulation is measured through a series of dummy variables for highly regulated industries (the transportation, energy, and communications).

The test of the full model with all independent variables against the constant only model is statistically significant ($X^2 = 30.56$, $p < .001$), indicating that the predictors, as a set, reliably distinguish the percentage of contributions made by a foreign firm's U.S. subsidiaries, divisions, and affiliates through corporate PACs that are directed to Republican challengers.

Table 4 Multilevel Random Effects Regression Estimates of Foreign Firm's Corporate PAC Contributions to Republican Challengers (percentage of total donations), 2000-2006

	Ideological Donations
Transnational Interlocks	
Degree Centrality (between case variation)	.19*
	(2.19)
Degree Centrality (within case variation)	-.01
	(-0.05)
Control Variables	
Assets	.11*
	(2.10)
Federal Contracts (between case variation)	-.01

	(-.93)
Federal Contracts (within case variation)	.03
	(1.45)
Transportation Industry	-.08
	(-.37)
Energy Industry	-.15
	(-0.61)
Communications Industry	-.10
	(-.41)
Year	-.09***
	(-4.12)
Number of Corporation Years (N)	206
Number of Corporations	80
Wald Chi-Square	30.56
R-square (overall)	.151
R-square (within case)	.089
R-square (between case)	.221
Highest VIF	1.51
Mean VIF	1.22

Notes: The first number is the unstandardized regression coefficient, the second number is the Z statistic.

Ideological contributions, Degree Centrality, Assets, and Federal Contracts are logged to normalize distribution.

Assets is measured in units of $1 million dollars, and Contracts is measured in $1 increments; the year 2000 is the reference category for the year dummy variables

*indicates p < .05, ** indicates p < .01, and *** indicates p < .001

Controlling for the effects of various individual firm characteristics and interests, I find that variation in degree centrality between firms is a positive and significant predictor of ideological donations ($b = .19$, $z = 2.19$, $p < .050$). While degree centrality is a significant predictor of class-informed behavior, it only explains variation between firms, but not change within firms. This finding is consistent with the interpretation of interlocks as neutral tools of communication whose consequences are reflective of underlying social relationships between members of the capitalist class, as opposed to direct causal factors whose mere presence creates class-consciousness. In other words, the fact that degree centrality only explains variation between firms suggests that centrality reflects class-consciousness, but may not cause it. Of course, it is important to note that the effects of changes in centrality on the behavior of a firm may be muted by the time frame of my study. Specifically, it is possible that the lags between changes in class-consciousness, changes in political behavior, and changes in centrality are longer than the eight-year span that I am analyzing. Thus, I may be underestimating some of the within-firm effects.

While a change in the number of interlocks a firm has is not associated with a change in political behavior, firms that are more central in the transnational network give a greater percentage of their total donations to Republican challengers, even when controlling for individual firm interests. For example, if we double a firms degree centrality, the expected ratio of the two geometric means for percentage of donations to Republican challengers will be 2.0^0.19, which is equal to 1.14. In other words, when all else is equal, we expect a firm that is twice as central as another firm to give 14% more of its money to Republican challengers as a percentage of total donations[3].

To make this example more concrete, let us consider the case of BNP Paribas. BNP is a banking firm domiciled in Paris, France. They embody the economic interests of the TCC in that their own interests are spread over the globe. For example, BNP has subsidiaries, divisions, and

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[3] To estimate the effect of centrality on ideological donations we multiply the regression coefficient by the logarithm of the ratio between the two values of the independent variable. In equation form, this looks like the following, where C2 and C1 are two different values of the independent variable, β_2 is the coefficient for the independent variable in question, and DV is the value of the dependent variable:

$$\log(DV*C2/DV*C1)= \beta_2*[\log(C2/C1)]$$

affiliates located in France, Italy, Belgium, Luxembourg, Poland, Turkey, Ukraine, North Africa, and the United States. In addition they have large investment banking operations in New York, Hong Kong, London, and Singapore. In terms of transnational interlocks, they are one of the most central firms in the interlock network with a 5.4 mean degree centrality. In 2006, BNP Paribas was the most highly connected firm in the entire G500 network with 32 interlocks, giving it a degree centrality score of 5.6. The average firm in the G500, between 2000 and 2006, had a degree centrality score of 2.19, which means that 2006 BNP Paribas is 2.56 times more central than the average firm. In 2006, BNP also contributed, through its U.S. subsidiary BancWest Corp, 18.18% of its total political donations to Republican challengers. This is almost 10 times greater than the amount that the average G500 foreign firm directed to GOP challengers.

To review, the mechanism through which degree centrality is theorized to affect a firm's political behavior is via the influence of members of the inner circle of the capitalist class on the firm's board of directors. Individuals are deemed members of the inner circle if they sit on the boards of multiple firms (Useem, 1984). Returning to the BNP Paribas example, one of their most highly connected directors during the period under study is the current chairman of the bank, Michel Pebereau. He served as the firm's CEO from 1993 to 2000, and has been the chairman of the bank since 2000. Between 2000 and 2006, Pebereau sat on 8 additional boards, in addition to BNP. Table 5 lists the additional boards he sat on, and each firm's primary industry and domicile.

Table 5 Additional Directorships of Michel Pebereau, 2000-2006

Corporation	Industry	Domicile
Renault	Auto (transportation)	France

Elf Aquitaine (merged with Totalfina, renamed Total in 2003)	Oil (energy)	France
Total	Oil (energy)	France
Sanofi-Aventis	Pharmaceutical	France
Dresdner Bank	Banking (financial)	Germany
AXA	Insurance (financial)	France
Saint-Gobain	Construction	France
Lafarge	Construction	France

Almost all of the additional firms that Pebereau served on the board of are, like BNP, domiciled in France. This clearly indicates that he is a highly connected member of the inner circle of the French capitalist class. Useem (1984) finds that members of the inner circle in the United States and the United Kingdom are more politically active than regular business executives, and sees the core of the inner circle as those who interlock business with government by serving on advisory committees and in top administrative posts (p. 108). Pebereau began his career at the Ministry of the Economy and Inspection Générale des Finances in 1967, and in 1970 joined the French Treasury, and occupied various high-ranking positions between 1970 and 1982, such as Advisor to the Cabinet of the Finance Minister, Head of the Public Revenue Department of the Finance Ministry, and Head of the Finance Minister's Cabinet.[4]

Notwithstanding his seemingly important position at the core of the inner circle of the French capitalist class, Pebereau's directorship at Dresdner Bank also places him in the inner circle of the TCC. Useem (1984) also describes involvement in business associations and policy planning groups as an important indicator of inner circle membership. Transnationally, Robinson

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[4] Biographical information about Michel Pebereau, including past positions in government and business is available at http://investing.businessweek.com/research/stocks/people/person.asp?personId=740916&ticker=BNP:FP&previousCapId=873976&previousTitle=BNP%20PARIBAS, accessed February 2012.

and Harris (2001) identify groups like the World Economic Forum and Trilateral Commission as important components of the TCC, while research on the transnational interlock network confirms that members of the transnational inner circle are more involved in global policy planning groups (Carroll and Carson, 2003; Carroll, 2009; 2010). Further illustrating Michel Pebereau's position at the core of the transnational inner circle is his numerous appointments to important transnational business associations and policy planning groups. For example, he was the president of the European Banking Federation, a member of the International Capital Markets Advisory Committee to the Federal Reserve Bank of New York, and is currently a Trustee of the Aspen Institute. In its own words, the Aspen Institute seeks to foster "values-based leadership, encouraging individuals to reflect on the ideals and ideas that define a good society, and to provide a neutral and balanced venue for discussing and acting on critical issues[5]." The Institute is based in Washington, DC, Aspen, Colorado, and on the Wye River on Maryland's Eastern Shore and has an international network of partners in Berlin, Rome, Madrid, Lyon, Tokyo, New Delhi, and Bucharest.

To recap, BNP gives an unusually high percentage of its political donations to Republican challengers. This can be explained as class-informed behavior, which is the result of the influence of members of the transnational inner circle on its board, as represented by its high degree centrality in the interlock network. Further supporting this view, BNP's most influential director, its CEO and Chairman, is a member of the transnational inner circle.

On the other end of the spectrum is the Japanese manufacturing company, Bridgestone. Bridgestone is completely isolated from the transnational interlock network, with not a single

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[5] http://www.aspeninstitute.org/about, accessed February 2012

member of the transnational inner circle on the board in any of the years under study. Despite having business interests in 24 separate nations, including the U.S., they did not exhibit class-informed political behavior, giving none of their $266,200 in total donations to Republican challengers between the years 2002 and 2006 (when their U.S. division Bridgestone Americas had a PAC). Instead they followed a pragmatic strategy, directing all contributions to incumbents. For almost the entire period under study Shigeo Watanabe was the CEO of Bridgestone. Unlike Michel Pebereau, who represents a class-conscious member of the inner circle of both the French and transnational capitalist classes, Watanabe, having begun his career with Bridgestone in 1965 and only ever holding positions with the company[6], represents individual firm consciousness. Thus, PNB Paribas and Bridgestone are concrete examples of the findings presented in table 4: that highly central firms in the transnational interlock network are more likely to take action on behalf of transnational class interests, suggesting that a firm's position in the transnational inter-firm network and the presence of members of the inner circle on corporate boards reflects a firm's consciousness of its transnational class interests.

Conclusion

There are numerous separate, but sometimes overlapping, sets of interests that corporations act on behalf of when making political contributions; three of the most important are: those of the individual firm, the national business class, and the transnational capitalist class. The interests of the individual firm are best served through a pragmatic donation strategy that

[6] Biographical information about Watanabe, including past positions in government and business, is available at http://www.referenceforbusiness.com/biography/S-Z/Watanabe-Shigeo-ca-1943.html, accessed February 2012

seeks to purchase access to lawmakers by directing contributions to incumbents, regardless of political party or ideology. An ideological strategy, or contributions that are directed to Republican challengers, on the other hand, generally reflects action on behalf of class interests, as they seek to change the ideological composition of Congress in a way that will benefit business as a whole. For foreign corporations that use their businesses in the United States to make corporate PAC donations, an ideological strategy can generally be conceptualized as action on behalf of transnational class interests. This is because action on behalf of firm interests will most likely take the form of donations to incumbents, while a national class strategy will entail funneling money to politicians from the firm's home nation, instead of engaging in U.S. politics. In support of this interpretation of the interests involved with different political contribution strategies for foreign companies, the majority of foreign firms in the G500 do not have U.S. PACs, and of those that do have PACs, less than 2% of their money is directed to Republican challengers. In other words, most G500 foreign firms are acting on behalf of either individual or national interests.

However, interlock theory predicts that corporations that have members of the inner circle of the TCC sitting on their boards will behave in a class-conscious manner. Looking only at foreign G500 firms that have active PACs in the U.S., I find that firms that have the greatest presence of inner circle members on their boards (as measured by degree centrality) give the highest percentage of their contributions to Republican challengers. This supports not only the predictions of interlock theory, and is consistent with the contention by TCC theorists that there is a segment of global capital that is class-conscious and acts on behalf of common transnational interests.

While my findings provide some support for the existence of a transnational capitalist "class for itself", in as much as the most highly connected firms in the transnational inter-firm network exhibit political behavior that appears to be motivated by transnational class interests, there is still the issue of unified action. That is, class-conscious members of the TCC may recognize their common interests and agree on end goals, but whether they generally agree on the strategic means for reaching those end goals is a question that remains to be answered.

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CHAPTER 3: TRANSNATIONAL INTERLOCKS AND THE CORPORATE UNITY

The effectiveness of a group's power is largely dependent on that group's ability to act in a unified manner. For example, Dahl (1961) argues that even if elites are conscious of common interests, their ability to influence political policy on behalf of their common interests will be limited in the absence of unified political activity. Thus, the extent to which economic elites act in unison has long been a central issue in the debate over the nature of power and control in capitalist societies. Mizruchi (1989) asserts, "what currently distinguishes unity, or class theorists from disunity, or pluralist, theorists is the former's view that mechanisms exist that are capable of mediating and resolving inter-corporate disputes" (p. 402). These mechanisms include formal and informal ties between elites, such as intermarriage, co-attendance at exclusive educational institutions, dispersed stock ownership, business associations, and shared directorships (Mills, 1956; Domhoff, 1967; Mintz and Schwartz, 1985; Mizruchi, 1989; 1992; Burris, 2005).

Of all the potential sources of elite social cohesion, the mechanism that has the strongest empirical support is social ties created by individuals who sit on multiple corporate boards; also known as interlocking directorates. For instance, Mizruchi (1989; 1992) finds that pairs of firms who share directors are more likely to make political contributions to the same Congressional candidates, than pairs of firms with no ties. In addition, Mizruchi (1992) finds that two interlocked firms are more likely to hold the same public positions on policy, while Burris (2005) finds that individuals that are linked through the interlock network also exhibit similar political donation patterns. Finally, Dreiling and Darves (2011) find that pairs of firms linked through director interlocks are more likely to both have representatives on Trade Advisory Committees and participate in temporary trade policy alliances.

While these studies have made an important contribution to our understanding of the conditions in which elites are able to act collectively, they are limited by their focus on the behavior of firms domiciled only in the United States. In fact, Mizruchi (1989) notes, “corporate unity has generally been perceived as a characteristic of a particular nation or local business community at a particular time” (p. 404). Thus, the increasing globalization of economic behavior by large corporations (Ross and Trachte, 1990; Robinson and Harris, 2000; Robinson, 2004) complicates the issue of elite unity. Specifically, claims of an emergent Transnational Capitalist Class (TCC), that “is beginning to act as a transnational dominant class in some spheres” (Sklair, 2001: 5) and “has been pursuing a class project of capitalist globalization” (Robinson and Harris, 2000: 22) hinge on the ability of economic elites from different nations to act in unison. Put differently, the claims of TCC theory necessitate that we ask if the mechanisms that have been demonstrated to facilitate corporate unity in a national context, function the same in a transnational context?

The rest of this article will be organized as follows. First, I will discuss the rationale underlying the relationship between interlocking directorates and corporate unity, and how it potentially applies to the TCC. After that, I will address potential barriers to corporate unity posed by conflicting national identities and interests within the TCC. Finally, I will test the effect of transnational interlocks on corporate unity by examining the political behavior of pairs of firms in the Global Fortune 500 between the years of 2000 and 2006 (Carroll, 2010).

Interlocking Directorates and Transnational Unity

Organizational theorists have proposed numerous explanations for why interlocks form, ranging from organizational factors such as resource dependency and monitoring by financial institutions, to individual considerations such as the desire for career advancement by directors who choose to sit on multiple boards (Mizruchi, 1996). For class theorists, however, the cause of interlocking directorates is less important than the consequences. That is, regardless of the motivation behind the formation of any single interlock, the fact that interlocked firms tend to be more similar in their political behavior than non-interlocked firms suggests that interlocks have the consequence of facilitating business political unity (Mizruchi, 1992). This interpretation is reflected in Useem's (1984) statement, "classwide informal organization... has indeed been formed, not through conspiratorial design, but as an unintended byproduct of other forces playing themselves out" (p. 17).

The manner in which interlocking directorates are conceptualized to facilitate corporate unity is through the creation of a small group of individuals who, by the nature of their positions with multiple firms, are able to see beyond the narrow interests of an individual firm. Mintz and Schwartz (1985) elaborate, "their interests- both directorate and investment- in several companies place them in a position to identify with the problems of diverse corporations and hence to generate policies reflecting a broad class interest" (p. 135). Useem (1984) deems this group the "inner circle" of the capitalist class and argues that firms that have several board members who are part of the inner circle will tend to adopt a class-wide rationality. This is because, while company managers control the day-to-day implementations of corporate policy, the board of directors and the CEO determine policies through ratification and monitoring (Fama and Jensen, 1998). Thus, political behavior such as public policy positions, participation on various policy committees, and the behavior of corporate political action committees (PACs), is generally the domain of CEOs, who often serve as chair of the board. In addition, Mintz and Schwartz (1985) also see the overall network formed by interlocking directorates as a general system of communication, where each shared director between firms provides “enormous potential for information exchange” (p. 134). Accordingly, the finding that two firms that share directors are more likely to behave similar politically can be explained by the following processes: 1) the rationality of both boards will be influenced by members of the inner circle to encompass the interests of business as a whole; and 2) the individuals who sit on both boards provide conduits through which the firms in question might coordinate political actions.

The ability of firms domiciled in different nations to act in unison is central to the various conceptions of the TCC as class-conscious and unified politically (Robinson and Harris, 2000; Sklair, 2001; Robinson, 2004). For example, according to Robinson and Harris (2000), the TCC is “conscious of its transnationality” (p. 22) and “articulate a coherent program of global economic and political restructuring centered on market liberalization” (p. 28). Robinson (2004) further refines conceptions of unified action by the TCC, describing efforts by transnational groups to “capture” the policymaking power in national states (p. 50). However, at the same time, TCC theorists also recognize that unity is not omnipresent. In fact, Robinson and Harris (2000) argue that the TCC is fragmented along strategic lines regarding “how best to structure the new global economy, achieve world order, and assure the long-term stability and reproduction of the system” (p. 43). In other words, TCC theorists recognize that mechanisms that facilitate unity are key to the functioning of the TCC as a class-for-itself. Thus, it is especially noteworthy that research suggests that over the last 30 or so years it has become more common for individuals who hold multiple directorships to be affiliated with firms domiciled in different countries (Fenema, 1982; Carroll and Fenema, 2003; Kentor and Yang, 2004; Carroll 2010).

If we apply the previously discussed interlock theory to transnational interlocks, individuals who sit on multiple boards of firms domiciled in different nations would be in a position to not only see beyond the narrow interests of individual firms, but identify with interests that transcend any individual nation. Hence, members of the transnational inner circle are able to generate policies reflecting a transnational, rather than national, class interest. In addition, transnational interlocks would serve as a channel of communication that firms from different nation could use to mobilize political action. The application of interlock theory to transnational interlock leads to the following hypothesis:

H1: the more directors that two firms domiciled in different nations share, the more similar their political behavior will be.

Of course, the above interpretation relies on an understanding of interlocks as an important phenomenon sui generis. Under this conception, the presence or absence of an interlock directly influences the behavior of the connected firms. A second approach sees interlocks as neutral tools of communication, important only as reflections of underlying social relations (Mizruchi, 1996). Under this approach, the finding that national interlocks are associated with corporate political unity is explained by a priori social cohesion that is the result of the system of circulation described by Mills (1956) that underlies national interlock networks.

Specifically, the tendency of elites within nations to marry each other, attend the same elite private educational institutions, and hold membership in the same exclusive social clubs generates unity among national elite classes (Scott, 1997). For those who adopt this approach to the function of interlocks, the various national identities and interests that make up the transnational business community represent significant potential barriers to transnational class unity.

Barriers to Transnational Unity

Critics of TCC theory generally question the unity of capitalists from different nations in the face of the continuing importance of national states and state-based divisions and rivalries (Kick, 2011a). For example, William Tabb (2009) asserts that national regional economic conflicts, such as the launch of the Euro as a way of escaping dollar hegemony, “are the dominant realities of the dynamics of the global political economy”, rather than TCC unity (p. 49). William Carroll (2010) also adopts this middle ground position that does not fully reject the TCC thesis, but questions “the extent to which such state capitalists are ‘on board’ as members of the transnational capitalist class” (p. 227). This position that the nation still matters is also exemplified in Block’s (2001) prediction that in times of crisis (e.g., economic recession, war, etc.), the business community is likely to fragment along national lines (p. 218).

Of course, the above does not deny the possibility that transnational interlocks function to increase unity between firms domiciled in different nations. As previously mentioned, however, if we adopt a perspective on interlocks as important only as reflections of deeper social relations, then the effect of transnational interlocks is dependent on pre-existing sources of social cohesion.

For example, a business community with a great deal of social cohesion and consciousness of class interests may use interlocks to coordinate and mobilize political action. On the other hand, a business community that is fragmented politically and unconscious of its class interests may only embed themselves in the interlock network as a way to reduce risk and maximize their individual firm's investments.

John Scott (1997) sees networks of interlocking directorates within countries as reflective of the deeper and more important system of elite circulation through marriage, education, and social clubs that is the feature of every advanced capitalist society. In fact, Scott explicitly states that without circulation, the TCC is not a class-for-itself, and that currently, national classes are still more significant than global classes because capitalists of different nationalities do not take part in the same social circles globally as often as nationally (p. 312). Essentially, the argument is that board members of different nationalities do not spend enough time together outside of the boardroom to generate the type of social cohesion needed to coordinate political action through interlocks.

Others also adopt the position that there is currently very little evidence of social cohesion among capitalists of different nations. For instance, Beckfield (2010) examines the structure of world polity since 1820 and finds "evidence of growing disintegration, fragmentation, heterogeneity, and regionalization" (p. 1051). Kick (2011a) interprets these findings, along with his own (Kick, 2011b), to counter any notion of a new globalization or of a TCC (p. 685). In addition, evidence from the World Values Survey (WVS)[7] can also be interpreted as suggestive of a lack of social cohesion among the TCC. Specifically, those who

[7] Results of the survey can be viewed and analyzed at http://www.worldvaluessurvey.org/, accessed 4/24/2012

consider themselves in the upper class of their nation are more likely to show pride in their nationality and to consider themselves citizens of their nation than any other social class. Combining the claim that there is a lack of transnational social cohesion with the interpretation of interlocks as neutral tools of communication, leads to the following hypotheses:

H2: the number of directors that two firms domiciled in different nations share will not be associated with similarity in political behavior

H3: Firms domiciled in the same nation will exhibit a greater similarity in political behavior than firms domiciled in different nations.

Data and Methods

Data Sources

Due to the fact that the purpose of this study is to test the effect of transnational interlocks on fomenting unity within the TCC, my universe for sampling is the Global Fortune 500 (G500). This is the same universe of firms that Carroll (2009; 2010) used to explore the inter-corporate structure underlying the TCC.

The G500 is made up of two samples: 1) the 400 largest industrial and commercial businesses as ranked by revenue according to the Global Fortune 500; and 2) the 100 largest financial intermediaries as ranked by assets according to the Forbes Global 2000. As Carroll

(2009) explains, he adopts this purposive sampling, rather than simply using the Global Fortune 500 list, which is ranked solely by revenue, because rankings by revenue are biased against financial capital. Carroll's (2010) data contains information on director affiliations, which I used to generate interlock data, and a firm's primary industry and the domicile of its headquarters.

The dataset for the dependent variable is a list of all contributions to U.S. political candidates in the 2000, 2002, 2004, and 2006 elections. Data on Political Action Committee (PAC) donations originates from the Center for Responsive Politics (www.opensecrets.org). This data was merged by the name of the parent corporation of a PAC with the corporation name in Carroll's (2009; 2010) data. I should note, that foreign firms are only able to contribute to U.S. elections indirectly through their U.S. subsidiaries, affiliates, or divisions. Thus, to keep the sample of U.S. and non-U.S. firms comparable, only parent companies affiliated with a corporate PAC are included in the sample. Furthermore, all corporate PACs that are affiliated with the parent, be it directly or through subsidiaries, affiliates, or divisions, are considered to be acting on behalf of the parent for both foreign and U.S. based firms. This results in a sample of 275 individual firms that had active PACs (contributed to at least one candidate) during the time period 2000 to 2006. This yielded 66,360 distinct dyads where both firms had active PACs and 29,676 transnational dyads where both firms in the pair had active PACs. Overall, the sample includes 187,142 total observations, or dyad-years, of which 78,262 are transnational dyads.

Dependent Variable

Political Similarity. To measure behavioral similarity I employ the same measure used by Mizruchi (1989):

$$S_{ij} = n_{ij}/(n_i*n_j)^{1/2}$$

Where S_{ij} equals similarity, n_{ij} equals the number of candidates the two firms in a given dyad contribute to in common, and n_1 and n_j equal the number of candidates contributed to by firms *i* and *j* respectively. Essentially, the measure is the number of candidates both firms in a dyad contribute to, controlling for the total number of candidates each firm contributes to. It's important to have the measure of similarity be independent from each firm's total political activity because the more candidates a firm contributes to, the greater the likelihood they have of contributing to a common candidate just by coincidence. I make one adjustment to the above measure, which is I multiplied the value by 100 to enhance interpretability.

Independent Variables

<u>Number of Direct Interlocks</u>. The number of direct interlocks between two members of a dyad was calculated using Carroll's (2010) lists of each firm's board of directors. Every director that the two firms had in common counts as one interlock between the two firms. Since each interlocking director necessarily sits on at least two boards, the number of interlocks between firms also indicates members of the inner circle that sit on both boards. Other studies, such as Mizruchi (1989), and Dreiling and Darves (2010) also employ a measure of indirect interlocks between pairs of firms. Indirect interlocks occur when two firms share a director with a common third firm. Prior research finds that indirect interlocks in a national setting also facilitate corporate unity. Thus, my inclusion of only direct interlocks results in a conservative test of hypothesis 1 and 3 regarding the effect of interlocks on transnational unity.

Transnational Dyad. This variable is a dummy variable coded 1 if the two firms in a dyad are domiciled in different nations, and 0 if they are domiciled in the same nation. It will be used to test hypothesis 2 regarding national vs. transnational unity. It will also be used to isolate the effects of transnational interlocks on unity.

Control Variables

Common Industry. As Mizruchi (1989: 408) argues, since government policies often affect entire industries, firms in the same industry will have similar political interests and exhibit similar donation patterns. Mizruchi also measured the effects of market constraint on behavioral similarity, but found that when presence in a common industry is controlled for, constraint was not a significant predictor. The measure is a dummy variable coded 1 if both firms in a dyad are in the same primary industry, and 0 if they operate primarily in different industries. The primary industry of a firm is based off of the classifications used by Carroll (2010). He used the Standard Industrial Code (SIC) and the North American Industry Classification System (NAICS) to determine primary industry.

Year. It is important to control for the effect of time whenever analyzing longitudinal data (Allison, 2005). However, the effects of time cannot assumed to be linear. For instance, due to external events, historical contingency, etc. business in general may be more united in 2004 than in 2000. In fact, Clawson and Neustadtl (1989) discuss how the 1980 election featured an especially unified business community as compared to 1982 (p. 760). Thus, I include dummy variables for the years 2002, 2004, and 2006, with the year 2000 being the reference category.

Descriptive Statistics

Table 6 shows means, standard deviation, number of cases, minima, and maxima for all dependent and independent variables.

Table 6 Descriptive Statistics: G500 transnational dyads with a PAC, 2000-2006

	N	Mean	St. Deviation	Min	Max
Similarity	78,262	20.56	11.93	0	77.62
Interlocks	79,366	.02	.17	0	7
Common Industry	79,366	.17	.38	0	1
Year	79,366	2003.04	2.23	2000	2006

Analytic Strategy

In order to test the competing hypotheses 1 and 2, I employ hybrid random effects models with dummy variables to estimate the effect of interlocks on political similarity by transnational dyads. Hybrid regression models are ideal for longitudinal data because they measure both how cases change over time and how these changes vary between cases (Singer and Willett, 2003). In addition, the inclusion of dummy variables for each of N-1 firms helps to avoid potential autocorrelation resulting from the analysis of dyads.

Specifically, since each dyad consists of two firms, multiple observations within any given time period have at least one firm in common. This means that observations in my data are not completely independent and raises the possibility of autocorrelation in regression results.

Mizruchi (1989) solves this problem by employing a Least Squares with Dummy Variables (LSDV) regression model, which removes autocorrelation by controlling for the effects of each firm's dummy.

While LSDV models are sufficient when dyadic analysis is cross-sectional, longitudinal data presents an additional source of dependence to deal with. Namely, each observation in my dataset is a dyad-year, and there are multiple observations for each dyad over time so that past values for any given dyad will potentially have an unmeasured effect on current values. There are a number of potential solutions, including random effects, fixed effects, and quadratic assignment procedures. I employ a hybrid model that combines some of the virtues of fixed and random effects. This is accomplished by breaking each time-varying predictor into two variables: one that measures within case variation, and one that measures between case variation. Then both parts of each time-varying predictor are placed into a random effects model along with time-invariant predictors. Hybrid random effects models can be tested against a traditional fixed effects models to determine which is more appropriate by testing whether the within case coefficients are the same as the between case coefficients for time-varying predictors. For all covariates as a set, the results are that the tests fail to reject the null hypothesis that between case coefficients are different from within case coefficients, which provides statistical support for the choice of the hybrid random effects model. To the hybrid random effects model I add the dummy variables for N-1 firms, making the final analytic choice a hybrid random effects with dummy variables.

The method I employ to test hypothesis 3 is a group mean comparison using a one-tailed t-test. Specifically, I compare the mean similarity score of national dyads to transnational dyads to test if pairs of firms from the same nation behave more similarly than pairs of firms domiciled in different nations.

Findings and Discussion

Table 7 presents the results of hybrid random effects regression with dummy variables estimate of corporate political similarity among pairs of firms domiciled in different nations. In performing the analysis, I calculated diagnostic statistics to guard against potential violations of multilevel linear regression's assumptions. First, the dependent variable, similarity, is normally distributed, so no adjustments are needed to correct for skewedness. In addition, no Cook's residuals are above 2.5, indicating that there are no problems with outliers. Finally, none of the variables have a variance inflation scores above 2.5, which suggests that the model is not biased by multicollinearity (Allison, 2005).

The test of the full models with all independent variables against the constant only models is statistically significant ($X^2 = 16241.04$, $p < .001$), indicating that the predictors, as a set, reliably distinguish the level of political similarity between pairs of firms.

Table 7 Hybrid Random Effects with Dummy Variables Regression Estimates of Political Similarity Among Transnational Dyads, 2000-2006

	Model 1
Transnational Interlocks (between case variation)	.88
	(1.44)
Transnational Interlocks (within case variation)	1.26**
	(2.98)
Control Variables	
Common Industry	3.09***
	(21.56)
2002	-.78***

	(-11.03)
2004	-.53***
	(-7.55)
2006	1.80***
	(24.61)
Constant	18.13***
	(17.28)
Number of Dyad-Years (N)	78,262
Number of Dyads	29,676
Wald Chi-Square	16,241.04
R-square (overall)	.286
R-square (within)	.038
R-square (between)	.313
Highest VIF	1.53
Mean VIF	1.26

Notes: The first number is the unstandardized regression coefficient, the second number is the Z statistic.

The year 2000 is the reference category for the year dummy variables

*indicates $p < .05$, ** indicates $p < .01$, and *** indicates $p < .001$

Controlling for the effects of common interests resulting from operations in the same industry, and the varying overall degree of corporate unity exhibited in different election cycles, I find that the number of transnational interlocks two firms share is a positive and significant predictor of political similarity ($b = 1.26$, $z = 2.98$, $p < .010$). This provides support for the predictions of both interlock and TCC theory, represented by hypothesis 1: the more directors that two firms domiciled in different nations share, the more similar their political behavior will be. In addition, this finding does not support hypothesis 2, and in fact stands in contrast to TCC critics who question the ability of economic elites of different nations to act in a unified manner. Furthermore, the fact that an increase in the number of transnational interlocks predicts increased similarity within each case, rather than between cases, suggests that interlocks are a direct causal mechanism facilitating social cohesion, rather than merely reflective of underlying social relations. That is, the interlock created between two firms by sharing a director is an important social tie that directly influences the political behavior of the firms involved. For example, a transnational dyad with everything else held constant would be expected to have a similarity score of 18.13. Our coefficient for transnational interlocks tells us that if the pair of firms in question increased the number of directors shared between them from 0 to 2, their similarity would be expected to increase by 2.52 to 20.65.

To give a concrete example, take the pair Allianz and Sanofi Aventis. Sanofi is domiciled in France and operates in the pharmaceutical industry, while Allianz is a financial services company headquartered in Germany. In 2004, through its affiliate PACs Aventis-Pasteur USA and Aventis Pharmaceuticals, Sanofi contributed to 115 U.S. political candidates. Allianz, on the other hand, contributed to 92 candidates through it subsidiary Fireman's Fund Insurance PAC. Out of all their 2004 campaign contributions, the two firms donated to 28 common candidates for a similarity score of 27.22. Allianz and Sanofi also had three directors in common in 2004: Jurgen Dormann, Igor Landau, and Hermann Scholl. Each of these directors was born in Germany, but are members of the inner circle, as they sit on a total of five, two, and four corporate boards respectively. In fact, in 2004, Dormann sat on the boards of firms domiciled in Germany (Allianz), France (Sanofi), Switzerland (ABB, Addecco), and the United States (IBM). However, by 2006, only Igor Landau still sat on the boards of both Allianz and Sanofi Aventis, as Dormann left the board of Allianz and Scholl left the boards of both Allianz and Sanofi. This decline in the number of interlocks between Allianz and Sanofi was followed by a decline in similarity. Specifically, in 2006, the firms only contributed to 20 common candidates (a decline of 8 candidates from 2004), which reduced their similarity score to 22.99.

The example above illustrates how interlocks can directly function to facilitate transnational unity. To review, Useem's (1984) inner circle thesis explains that directors who sit on multiple boards develop a class-wide rationality and this perspective influences the policy of the boards they are members of. The directors that Allianz and Sanofi shared in 2004 all sat on multiple boards, domiciled in different nations. The transnational class-wide rationality that these directors are likely to operate based on is the first factor contributing to unified action by the two firms, as TCC interests will likely influence their corporate policies. In addition, the three directors, by nature of sitting on both boards, provide the two companies with mechanisms of communication that can be used to coordinate political action. As the number of interlocks between companies changes (either increasing or decreasing), the influence of class-wide rationality and the ability of firms to coordinate actions also change, which results in variation in their political similarity.

Although the above finding regarding direct transnational interlocks is an important piece of evidence in support of TCC theory, the potential for unified action by TCC as a result of interlocking directorates is likely underestimated by my exclusion of indirect interlocks. For instance, it is not hard to imagine a situation where firms A and B are heavily interlocked and exhibit a high degree similarity, and firms B and C are also heavily interlocked and exhibit unified political behavior. Even if firms A and C share no directors, it is likely that firm C's behavior will at least somewhat converge with Firm A's since both of their behavior is similar to firm B's. The potential for corporate unity to "diffuse" through the inter-corporate network provides a concrete mechanism through which divisions in the TCC can be mediated.

The unifying effects of interlocks not withstanding, TCC critics still claim that even with the development of transnational networks, economic elites of the same nation are more unified than elites of different nations. Table 8 presents a test of this claim through a comparison of the mean similarity for national and transnational dyads.

Table 8 Mean Similarity of National and Transnational Dyads, 2000-2006

	Similarity	N
National Dyads	25.84	108,880
Transnational Dyads	20.56	78,262

T = 91.53
Degrees of Freedom = 187,140
P < .001

Pairs of firms domiciled in the same nation display a significantly greater similarity in political donations (mean similarity score = 25.84) than pairs of firms domiciled in different nations (mean similarity score = 20.56). This empirical validation of hypothesis 2 supports the contention by analysts such Williams Tabb (2009) and John Scott (1997) that there is greater social cohesion within national capitalist classes than within the TCC.

Conclusion

Claims by scholars such as William Robinson, Lesli Sklair, and Jerry Harris that economic globalization has led to the emergence of a TCC that acts as a global ruling class hinge on the assumption that elites from different nations are able to see beyond conflicting individual and national interests in order to collectively pursue actions on behalf of transnational class interests. However, unity cannot be derived from objective interests. Rather, unity is the result of social mechanisms that mediate intra-class conflicts.

One of the most well documented sources of corporate unity within national classes is shared directors, or interlocking directorates, between firms. In this study, I find evidence that interlocks between firms domiciled in different nation also function to promote collective political action by large businesses. That is, the more directors two firms domiciled in different nations share, the more similar their political donation patterns. Given that I also find that corporate unity between businesses from the same nation is generally greater than transnational unity, this mechanism is critical to the ability of transnational elites to overcome national divisions that critics point to as fragmenting the TCC. While it can be difficult to decipher the motives behind specific donations, Mizruchi (1989) argues that regardless of the reason for similar political behavior, its consequences are the same as if firms are unified. Thus, the positive effect of interlocks on transnational unity suggests that the development of a transnational network of interlocking directorates demonstrated by scholars such William Carroll (2010) represents a structural basis for collective action by the TCC.

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CHAPTER 4: WHERE HAVE ALL THE CORPORATE LIBERALS GONE? CORPORATE CONSERVATISM AND THE GLOBALIZATION OF THE U.S. CAPITALIST CLASS

Aside from a few high profile critiques (Block, 1977; Burris, 1987; Burris and Salt, 1990), most analysts agree that before the mid 1970s, the politics of the leading edge of big business was characterized by corporate liberalism (Weinstein, 1968; Domhoff, 1967; Ferguson, 1984; Mizruchi, 2010), and that beginning in the mid 70s, those politics shifted to the right (Ferguson and Rogers, 1981; Clawson and Clawson, 1987; Pescheck, 1987; Clawson and Neustadtl, 1989; Diamond, 1995).

Many on the left did not anticipate the rightward shift in U.S. corporate politics. Burris and Salt (1990) cite a number of analysts who, during the economic crisis of the 1970s, predicted that corporate elites would respond with new forms of state economic intervention (p. 345). Even organized labor believed that the de facto “accord” with big business, which had been the norm since the late 1940s (Aronowitz, 1973; Bowles, 1982), would lead most of business to support the 1978 Labor Law Reform Bill (Clawson and Neustadtl, 1989). Instead, in a sign of the decline of corporate liberalism, big business opposed labor law reform, fighting it with all its resources (Ferguson and Rogers, 1981; Clawson and Clawson, 1987; Clawson and Neustadtl, 1989). In 1980, when, Reagan won the presidency and the Republicans took control of the Senate with almost complete support from the corporate elite (Ferguson and Rogers, 1981), researchers began searching for the cause of the corporate shift to conservatism.

While various analysts have proposed a number of factors, most accounts of the rightward swing share the view that external threats to the power of U.S. business played a role in the rise of corporate conservatism (Clawson and Clawson, 1987; Pescheck, 1987; Clawson and Neustadtl, 1989). There is certainly much validity in existing accounts of the decline of corporate liberalism, but there is also clearly an important factor missing from the analysis. If external threats to their power were the sole reason behind the adoption of corporate conservatism, then one would expect that the removal of said threats would result in a return to corporate liberalism. However, even though most, if not all, of the threats cited by scholars as causal factors in the corporate shift to the right had been minimized by the mid 1990s, corporate conservatism did not decline. For example, Beth Mintz (1998) asserts that the defining event in the defeat of the Clinton Administration's Health Security Act of 1993 was opposition by the Business Roundtable.

Mizruchi (2007; 2010) has proposed an additional explanation. He argues that besides the external factors cited by existing analyses, a change in the internal organization of the American capitalist class played an important role in the decline of corporate liberalism. Specifically, commercial banks, which used to be at the center of the U.S. inter-corporate network and fulfill the role of acting in the interest of the class as a whole, shifted from commercial lending to acting more and more like investment banks. As non-financial firms began borrowing money from other sources, directorate interlocks between banks and non-financials began to decline (Davis and Mizruchi, 1999). The long-term result of these trends has been that commercial banks and bankers abdicated their position at the center of capitalism, and the U.S. capitalist class lost the structure necessary to make collective decisions in the best interest of the class as a whole (Mizruchi, 2010). In other words, the corporate elite atomized, and the leading edge of U.S. business, like smaller and more peripheral American business, now acts largely on behalf of individual firm interests.

I propose that an additional change took place to the organization of the American elite that has driven the center of U.S. capitalism further to the right. Specifically, the financial institutions at the center of the U.S. inter-corporate network globalized their operations during the 1970s (Mizruchi and Davis, 2003), and while most American banks had decreased their global presence by the 1990s, the general trend for the largest businesses in the world, including the most central U.S. businesses, has been the increasing globalization of production, ownership, and corporate boards (Harris, 2011). A number of scholars have pointed to these globalizing trends in business as the necessary conditions for the rise of a transnational capitalist class (Robinson and Harris, 2000; Robinson, 2001; 2004; Sklair, 2001). It is my contention that the integration of the center of U.S. capitalism into the center of global capitalism changed the class interests of the leading edge of American business from being nationally oriented to being transnational in nature. While corporate liberalism often serves the long-run interests of U.S. capitalism, the long-run interests of global capitalism are best served by corporate conservatism. When the above is combined with the atomization of the rest of the U.S. business class described by Mizruchi (2007; 2010), the result is that corporate conservatism faces no real opposition within the U.S. capitalist class.

In this article I provide a test of my above account by looking at the relationship between centrality in national and transnational inter-corporate networks and patterns of corporate political donations that are indicative of corporate conservatism. The rest of the paper is organized as follows: first, I'll review the decline of corporate liberalism, along with existing explanations for it; second, I will further elaborate on my theory of the role played by the globalization of class interests in the persistent commitment of U.S. business to corporate conservatism; Finally, I will develop a number of hypotheses and conduct an empirical test of some of the central claims of the above theory. Namely, that the center of the U.S. capitalist class is integrated into the center of the transnational capitalist class (TCC), and that transnational class interests are associated with corporate conservatism, while national class interests are linked to corporate liberalism.

The Decline of Corporate Liberalism

While there are many different strands of corporate liberal theory, all have in common the contention that the largest most central firms are more supportive of liberal reforms than the rest of the U.S. business (Clawson and Neustadtl, 1989; Burris and Salt, 1990). For example, Domhoff (1967) describes corporate liberalism as coming from the biggest, most internationally minded companies. Similarly, Weinstein (1968), in a study of Progressive Era politics, asserts that liberalism in that era-and since- "was the product, consciously created, of the leaders of the giant corporations and financial institutions" (p. xii); while Ferguson (1984) finds that the firms that provided the greatest support for New Deal policies tended to be highly capital intensive (as opposed to labor intensive), so that reforms that were friendly towards labor did not hurt them as much. Finally, Useem (1984) identifies executives who sit on multiple corporate boards as possessing a class-wide perspective that leads to a "rejection of rigid opposition to everything that organized labor and government programs represent, an embracing of that complex of attitudes perhaps best termed "corporate liberalism" (p. 114). Essentially, the business executives whose position in the capitalist structure enables them to see things in terms, and act on behalf, of what is in the best interest of business as a whole, have tended to recognize that the long-term stability of the U.S. economic system requires liberal reforms, and thus, worked to ensure that these reforms would be shaped to strengthen the position of the biggest corporations (Clawson and Neustadtl, 1989).

While the above conception of class-informed behavior by U.S. business may have been true in the past, evidence suggests that at least since the mid 1970s, it would be inaccurate to characterize major corporations or leading business executives as supporting liberal, or even moderate, reforms (Clawson and Neustadtl, 1989). For instance, studies of corporate political donations in the elections of the mid 70s and early 80s find no support for corporate liberal theory (Burris, 1987; Clawson and Neustadtl, 1989; Burris and Salt, 1990). Ferguson and Rogers (1981) cite the difference between the 1964 Goldwater campaign, which received relatively little support from major corporations, and the 1980 Reagan campaign that received almost complete support from big business, as indicative of the rightward shift in the politics of U.S. business. Pescheck (1987) notes that the 1970s saw a large increase in funding for right wing think tanks such as the Heritage Foundation, American Enterprise Institution, and the Hoover Institution. In addition, he documents the increasing adoption of conservative ideology by corporate liberal think tanks like the Brookings Institution and the Council on Foreign Relations. Sarah Diamond (1995), in a study of right wing movements and politics, documents the influence that increased corporate funding had on the rise of the New Right in the 1970s. For example, during the 1972 elections, right wing organizations raised $250,000; but by 1976, with the addition of corporate funding, the figure rose to an estimated $3.5 million (p. 133). Finally, as previously discussed, a number of analysts have identified the almost universal opposition to the 1978 Labor Law Reform Bill by major corporations, along with the surprise of the AFL-CIO at the turn of events, as a key sign of the decline of corporate liberalism (Ferguson and Rogers, 1981; Clawson and Clawson, 1987; Clawson and Neustadtl, 1989).

The explanations for this shift generally focus on external threats to the power of the U.S. capitalist class. Ferguson and Rogers (1986) cite the recession between 1973-1975 as catalyst to the "right turn" of big business. They argue that the recession stemmed from a decline in the position of U.S. business in the world economy due to a rise in international competition, and that by the mid-1970s, business leaders sought to increase their rate of profit by squeezing labor and pushing a free market ideology (pp. 86-87). A slew of other analysts have also identified the combination of economic crisis and a rise in foreign competition in the 1970s as factors that constrained business to an accumulation strategy of lowering wages and cutting welfare (Clawson and Clawson, 1987; Pescheck, 1987; Clawson and Neustadtl, 1989).

Additionally, Clawson and Clawson (1987) and Clawson and Neustadtl (1989) argue that events such as the U.S. suffering military defeat in Viet Nam, the 1973 OPEC oil embargo, and the 1979 Iranian Revolution all signaled a decline in U.S. hegemony. For U.S. firms with international interests (i.e., the former leaders of corporate liberalism), this decline in hegemony made the world less safe for U.S. capital, and thus, emphasized the need to both restore the conditions for profitable domestic production and for the U.S. to strengthen its military.

Finally, some scholars argue that corporate elite saw the oppositional movements of the mid 60s and early 70s as threats to the power and authority of business. As Pescheck (1987) asserts, "elites saw the expansion of liberal democracy as endangering the social order and the economic system they presided over" (p. 241). According to Clawson and Neustadtl (1989), the leaders of American business feared that the changes won by these movements during the period of 1964-1974 would eventually lead to a Social Democracy. Thus, the strategy adopted in order to maintain business power was deregulation and a reduction of the role of the state.

All analysts, however, do not agree upon the role of oppositional movements in the rise of corporate conservatism. Domhoff (1983) sees successful popular protest movements as catalysts to corporate liberalism. It is the absence of such movements that leads large corporations to align with the conservative small businesses. As he writes, "in times of domestic tranquility, as in the late 1970s and early 1980s, the moderates will join with the ultra conservatives in pushing for cutbacks in welfare programs" (p. 145). It could be argued that the two perspectives are not mutually exclusive; that the movements of the mid 1960s and early 1970s did scare business, and so when those movements subsided in the late 1970s and early 1980s, business was primed to align with conservatives to roll back the gains made by oppositional movements. There are two problems with this explanation, however. First, evidence from studies of political funding of conservative candidates (Burris and Salt, 1990) and right wing movement organizations (Diamond, 1995) indicate that the rightward shift by major corporations began in the early 1970s, while movements were still strong. Second, the contention that a lack of strong popular protest movements leads to corporate conservatism appears to have its causal order reversed. That is, there is evidence that it was the rise of corporate conservatism and the concomitant increase in funding that strengthened right wing movements in their opposition to the gains of left wing movements (Diamond, 1995; Lo, 1982).

On the other hand, if we accept the contention that a decline in U.S. hegemony abroad, coupled with an economic recession at home, represented external threats to capitalist power and motivated the shift to corporate liberalism, we would also expect that the removal of these threats would be associated with a return to corporate liberalism. By the mid 1990s, the U.S. capitalist class faced an environment where most, if not all, of the external threats to their power cited above had been minimized. The fall of the Berlin wall in 1989 signaled the end of the Soviet

Union as a world power. That, coupled with a U.S. military victory in the first Gulf War in 1991 indicated the restoration of U.S. hegemony. Economically, 1992 marked the first of eight straight years of economic growth at 2% or higher[8]. This was most consecutive years of economic growth in the U.S. since the 1962-1971 period.

Despite a strong economic environment, major U.S. corporations continued opposing liberal reforms and pushing an ideology of free trade. For example, Dreiling (2000) finds that the leadership of the business coalition that played a large role in creating favorable political conditions for the passage of the North American Free Trade Agreement (NAFTA) came mostly from firms highly central in inter-corporate networks or from members of the Business Roundtable. As previously mentioned, Mintz (1998) details how opposition from the Business Roundtable also helped to defeat health care reform. In fact, in an analysis of the business lobbying organization the Washington Business Group on Health (WBGH), Mintz (1995) finds that members were most likely to come from firms that were highly central in the U.S. interlock network.

While the conservatism of major corporations persisted through the end of the 20th Century, the beginning of the 21st Century has provided some evidence that corporate conservatism is not only continuing, but is actually increasing. Mizruchi (2007; 2010) contrasts the position of the Business Roundtable on the federal deficit during the early 1980s and during the 2000s. In both the early 80s and the early 00s, newly elected Republican presidents enacted sweeping tax cuts, to the benefit of the wealthy, that created deficits of historic proportions. However, the response by the leading edge of business in 1983 was to call for tax increases and

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[8] Annual GDP growth data comes from the World Bank; http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=3, accessed 4/5/2012

the forestalling of any tax cuts for the wealthy until the deficit was brought under control; while the Business Roundtable of the 2000s never called for a tax increase or suggested the possibility that the Bush tax cuts played a role in the deficit.

What explains the continuing commitment to corporate conservatism among those at the center of U.S. capitalism? While I have no doubt about the validity of existing explanations for the rightward shift in corporate politics during the 1970s, its persistence in the 1990s and beyond requires additional explanation. Mizruchi (2010) attributes it to the decline of the centrality of banks in the U.S. inter-corporate network from the 1980s through the 1990s. Essentially, he sees the decline of corporate liberalism as a decline in class-wide rationality. In other words, corporate conservatism represents action on behalf of immediate individual interests, which is the result of the increasing atomization of the U.S. business class.

Some segments of U.S. capital have definitely experienced an atomization process; however, I diverge with the above explanation in regards to the behavior of the most central firms in the U.S. inter-corporate network. I propose that the inner circle of the U.S. capitalist class is, in fact, operating based on class-wide rationality; but it is organized around transnational, rather than national, class interests. Put differently, a significant factor in the decline of corporate liberalism is the globalization of U.S. class interests associated with its integration into the emergent transnational capitalist class (TCC).

Transnational Class and Corporate Conservatism

Slightly before the leading edge of U.S. capitalism began to shift to the right, an internal change in the organization of capitalism began. Ross and Trachte (1990) detail the origins of the process of economic globalization in their theory of Global Capitalism. They argue that the falling rates of profits in the late 1960s, coupled with the gains that manufacturing labor in the core had made, spurred business leaders from rich developed countries to begin moving production to poor developing countries, where labor costs were low and governments were repressive. The effect of the globalization of production on the structure of capitalism is twofold. First, commodity chains become increasingly transnational, with pieces of each product manufactured in multiple nations. Second, corporations domiciled in different nations are increasingly tapping into the same labor pools, creating a common structural transnational interest.

Robinson and Harris (2000) assert that this marks the key difference between the prior system, where goods and services are produced nationally and traded internationally, and the current system where both trade and production are transnational. This is a very important difference because large manufacturers had been engaged in international trade before the globalization of production. For example, Mizruchi and Davis (2003) note, "among 389 large manufacturers that shared a director with a major bank in 1966… over 70 percent had at least some international operations" (p. 7). In fact, if you'll recall, Domhoff (1967) describes corporate liberalism as coming from the most internationally minded firms. The liberalism of international firms is due to the fact that, while trade interests for these firms transcended national boundaries, production still took place largely within their home nations. Thus, internationally minded firms still had an overriding interest in ensuring peace with domestic labor and a stable domestic economy through liberal reforms. Firms with transnational commodity chains and globalized production, on the other hand, are able to abandon domestic labor forces for less organized and cheaper labor abroad. The result of this is that the class interests of globally minded firms do not lay in liberal reforms, but in reforms geared towards opening national markets to global capital.

Around the same time that manufacturers were globalizing their production, American banks began to globalize their operations. Prior to 1960, only a handful of American commercial banks had any foreign operations, but by 1980, nearly every major bank established or expanded its overseas operations (Mizruchi and Davis, 2003). This was an important development in the globalization of class interests and the decline of corporate liberalism, since the class-conscious center of American Capitalism prior to the mid 1980s was made up of east coast banks and financial institutions, not manufacturers (Mintz and Schwartz, 1985).

Although Mizruchi and Davis (2003) document a de-globalization among American commercial banks starting in the late 1980s, two parallel trends suggest that the globalization of class interests continued. First, also beginning in the mid to late 80s, the presence of commercial banks in the center of the U.S. interlock network declined (Davis and Mizruchi, 1999). Thus, the fact that, by the mid 1990s, American banks had closed down their foreign branches does not mean that the center of American capitalism had returned to a domestic focus. That is, someone is always the most central in a network. The decline of bank centrality simply means that other U.S. industries had replaced commercial banks at the center of U.S. capitalism. Evidence suggests that the transnational interests of the rest of U.S. industry have only increased since the late 80s. For example, between 1986 and 1999, the proportion of revenues accounted for by international business for the average Fortune 500 manufacturer steadily increased from under 15 percent to around 25 percent (Mizruchi and Davis, 2003: 12). In addition, Mizruchi and Davis (2003) also find that the few U.S. banks that remain as global institutions tend to be highly central in the U.S. inter-corporate network. This implies that the class-conscious center of American business has remained globally focused.

The second trend that leads me to argue that the class interests being defended by the U.S. center are transnational in nature is the globalization of the inter-corporate network created by board of director interlocks. According to Harris (2011), control of firms has been globalized through an increase in the proportion of corporate boards that are made up of directors of different nationalities. As the composition of corporate boards becomes more transnational in general, it also becomes more common for individuals who hold multiple directorships to be affiliated with firms domiciled in different countries (Fenema, 1982; Carroll and Fenema, 2003; Kentor and Yang, 2004; Carroll 2010). Fenema (1982) documents an increase in transnational interlocks in a sample of 176 large financial and non-financial corporations, between 1970 and 1976, while Carroll and Fenema (2003) examined the interlock network formed by the same group of 176 firms in 1996 and found that the transnational network had become more dense and interconnected. Finally, Carroll (2010) finds that by 2006, director interlocks between firms in the Global Fortune 500 resulted in a highly connected transnational network dominated by North American and European companies.

The globalization of control and the development of a transnational interlock network, along with the previously discussed globalization of production and financial flows, has led a number of scholars to theorize the rise of a transnational capitalist class (TCC) that is conscious of its collective interests (Robinson and Harris, 2000; Robinson, 2001; 2004; Sklair, 2001). The globalization of interlock networks is one of the more important developments for the rise of a class-conscious TCC. Within a national context, Useem (1984) identifies individuals who sit on multiple corporate boards as making up the class-conscious inner circle of the business community. He argues that positions with multiple firms provide members of the inner circle a sort of "business scan", which allows them to see beyond the narrow interests of an individual firm. Mintz and Schwartz (1985) detail the logic of the inner circle, "their interests- both directorate and investment- in several companies place them in a position to identify with the problems of diverse corporations and hence to generate policies reflecting a broad class interest" (p. 135). For individuals who sit on multiple boards of firms domiciled in different nations, they are not only in a position to see beyond the narrow interests of individual firms, but also beyond the interests of a single national economy. Thus, the development of a transnational interlock network is an important factor in providing the necessary conditions for the emergence of an inner circle of global capitalism with a class-wide rationality that is transnational in nature.

It is my contention that the center of American capitalism is, and has been since at least the early 80s, integrated into the center of global capitalism, such that the class interests they pursue are those of the TCC. This leaves to be addressed the question of how transnational class interests are different from national class interests. If you'll recall, corporate liberal theory essentially argues that the overriding interest of U.S. capital is ensuring a stable national economic system, and that the manner in which this has been historically achieved has been through liberal reforms aimed at creating a docile workforce more focused on consumption than class struggle. Thus, national class interests can be seen as focused on stalling national class politics, creating stable conditions for national production, and increasing national consumption. Accordingly, political behavior that is informed by national class considerations should be somewhat liberal or moderate.

Transnational class interests, on the other hand, are focused on creating and maintaining the conditions necessary for global capitalism through neoliberal economic reforms. According to David Harvey (2010), the TCC advocates policies centered on “openness of the state borders to commerce and finance, signing free trade agreements and securing proper legal frameworks for international trade” (p. 41-42). Similarly, Robinson and Harris (2000: 28) assert, the TCC “articulate a coherent program of global economic and political restructuring centered on market liberalization.” The global nature of production for transnational businesses also means that the TCC is less vulnerable to nationally based class struggle, and thus, less likely to compromise with labor. Take General Motors (GM), for example. Between the late 1940s and the economic globalization of the 1970s, GM often chose to work with unions, rather than face the costs of engaging in class struggle. Clawson and Neustadtl (1989) cite and example given by Cochran (1977) of GM actually lending the United Auto Workers (UAW) money while the UAW was on strike against the company (p. 322). However, by the mid 1980s, GM was able to adopt the strategy of outsourcing production to countries with weak labor movements, such as Mexico, as a way to lower labor costs both directly through the use of cheaper labor, and indirectly by pressuring the UAW to make wage concessions (Rubenstein, 1992: 243-244). This ability of transnational corporations to move operations around the globe also allows these firms to oppose liberal reforms by lowering the potential costs of radicalizing the national labor force. Thus, political behavior informed by transnational class interests generally advocates policies that open national markets to global capital and strip away social safety nets so that local labor is more vulnerable to capital mobility.

An examination of the ideological profile of the Republican Party illustrates how the class-wide interests of the TCC are best served through corporate conservatism. Michael Schwartz (1998) describes the profile of the conservative agenda espoused by the Republican Party as including interventionist foreign policy, dramatic cutbacks in social spending, and withdrawal of government from business regulation. Each of these components of the conservative agenda directly serves the interests of the TCC. Dramatic cutbacks in social spending work to make labor more vulnerable to capital mobility, resulting in lower labor costs for transnational firms. Deregulation, in general, serves to open markets to global capital by removing regulatory barriers. Finally, interventionist foreign policy can also function to open markets to global capital. For example, Schwartz (2008) details the ways in which the reforms implemented by L. Paul Bremer, following the U.S. invasion of Iraq in 2003, represented a neoliberal project designed to privatize the formerly state-owned and heavily regulated Iraqi economy (pp. 37-42).

To review, the shift in U.S. capitalist class politics from corporate liberalism to corporate conservatism, which took place between the mid 1970s and early 1980s, was immediately preceded by the globalization of the leading edge of the U.S. capitalist class beginning in the late 1960s. As economic globalization continued through the 1980s and 1990s, a transnational network of interlocking directorates developed. This transnational inter-corporate network contributed to the emergence of a class-conscious inner circle of the TCC. The transnational class interests advocated by the TCC are best served through a strategy of corporate conservatism. Thus, the decline of corporate liberalism in the United States, and the persistence of corporate conservatism as the political strategy of business can best be explained by the integration of the center of the U.S. capitalist class into the center of the TCC. If the above narrative is correct, the following three statements should be true:

H1: Highly central firms in the U.S. inter-corporate network will be more likely than non-central U.S. firms to be highly central in the transnational inter-corporate network

H2: Centrality in the transnational inter-corporate network will be associated with corporate conservatism.

H3: Centrality in the U.S. inter-corporate network will be associated with corporate liberalism.

Data and Methods

Data Sources

An analysis of the effect of transnational and national class on the political behavior of U.S. business requires three types of data: 1) the position of U.S. firms in the national inter-corporate network, 2) the position of U.S. firms in the transnational inter-corporate network, and 3) political behavior by those U.S. firms.

Inter-Corporate Network Data. This study utilizes data on U.S. firms in William Carroll's (2009; 2010) dataset, which includes data on the global Fortune 500 (G500) for every two years from 1998 to 2006.

The G500 is made up of two samples: 1) the 400 largest industrial and commercial businesses as ranked by revenue according to the Global Fortune 500; and 2) the 100 largest financial intermediaries as ranked by assets according to the Forbes Global 2000.

Carroll's data includes a list of every director, by year, for each company in the sample. The names of directors were taken from corporate annual reports, available electronically at official corporate websites or in the Mergent Online database. To generate network data, I entered the names of directors into an affiliation network and used UCINet to transform the affiliation network into a matrix. Using the UCINet generated matrix, I was able to calculate network variables such as centrality. The transnational network contained director affiliation data for all firms in the G500 for a given year, for a total of 2,008 firm-years. I include only firms in the G500 to construct the transnational network because those firms can be seen as constituting the global elite (Carroll, 2010). The U.S. network, on the other hand, contained director affiliations for all firms domiciled in the U.S. for which Carroll had data, regardless of if they were in the G500 in that particular year. I included non-G500 firms in the U.S. network in order to increase the sample size, as U.S. firms only make up about 33% of the G500 between 2000 and 2006. This resulted in a total sample during the time frame of the study of 842 U.S. firm-years.

Corporate Political Behavior. Corporate political action committee (PAC) data has been a standard means used by interlock researchers to examine corporate political behavior (Mizruchi, 1996: 285). In addition, a number of studies have used patterns of corporate PAC donations to test the claims of corporate liberal theory (see Burris, 1987; Clawson and Neustadtl, 1989; Burris and Salt, 1990). Data on PAC donations originates from the Center for Responsive Politics (www.opensecrets.org). This data was merged by the name and year of the parent corporation of a PAC with the corporation name and year in Carroll's (2009; 2010) data. Out of the 842 U.S. firm-years in the dataset, 665 have PACs.

Firm Characteristics. In addition to centrality, there are a number of other attributes that are theorized to influence the level of liberalism exhibited by a firm. In order to control for these I also include information about individual firms contained in Carroll's (2009; 2010) data, such as assets, number of employees, and primary industry. The primary source of this is Fortune's global 500 and Forbes' global 2000 list, but supplemental data was also collected from annual reports. Data on government contracts was not included in Carroll's data, but is one of the factors identified by previous research as influencing the political behavior of firms. Thus, I compiled this data using the website www.USAspending.gov, which is a searchable database of each federal contract awarded between 2000 and the present. The database is made public as part of the Federal Funding Accountability and Transparency Act.

Dependent Variable

Corporate Conservatism. As previously discussed, both corporate conservatism and corporate liberalism are conceptualized as political strategies informed by class interests.

Campaign finance analysts identify donations to challengers, which they term ideological donations, as motivated by collective, or class, interests (Clawson and Neustadtl, 1992; 1989; Burris, 1987). Accordingly, the denominator of the corporate conservatism measure is total donations to challengers. The sample is limited to U.S. firms that contributed at least $100 to challengers, which reduces my final sample to 500 observations. Removing donations to incumbents from the equation means that all the behavior being analyzed is class-informed behavior.

Much of the prior research testing the claims of corporate liberalism has used donations to Republicans as a measure of conservatism and donations to Democrats as a measure of liberalism (Burris, 1987; Clawson and Neustadtl, 1989; Burris and Salt, 1990). I use donations to Republican challengers as the numerator in my measure. Elections for open seats are excluded, as are donations to third party or independent challengers. The result of this is that I am measuring the extent to which a firm's class-informed behavior is conservative or liberal in nature. Specifically, my corporate conservatism measure ranges from 0-1, with anything under 0.50 representing a corporate liberal strategy (i.e., a greater percentage going to Democratic challengers), and anything over 0.50 representing a corporate conservative strategy (i.e., a greater percentage going to Republican challengers).

Independent Variables

Interlock Centrality. The use of interlock centrality as a predictor of a firm's corporate conservatism is predicated on the assumption that highly central firms operate based on a class-wide rationality. This assumption is rooted in the tradition of interlock theory and is based on a number of studies that find that both interlocked firms and the individuals who create the interlock by sitting on multiple boards are more collectively oriented than other firms or executives (Mintz and Schwartz, 1985; Useem, 1984; Mizruchi, 1989; 1992; Burris, 2005). Interlock researchers generally use two standard measures of network centrality: degree centrality and Bonacich centrality. Degree centrality, which is the number of interlocks a firm has to other firms in the network, is the most straightforward measure of the inner circle thesis (Burris, 1987; Clawson and Neustadtl, 1989). Useem (1984) argues that firms that have several board members who are part of the inner circle of the capitalist class (i.e., sit on multiple boards, and thus, interlock the firm to multiple other firms) will tend to adopt a class-wide rationality. The use of degree centrality becomes a problem, however, when comparing centrality in two different networks with overlapping membership. That is, most of the firms that are in my U.S. interlock network are also in my transnational interlock network. The overlap means that a U.S. firm that has many interlocks only to other U.S. firms, will have a high degree centrality in both the national and transnational interlock network. In this hypothetical case, the firm in question is really only connected to other U.S. firms. Thus, the assumption that its high degree centrality in the transnational network is indicative of transnational class-wide rationality is not well founded. On the other hand, if the other U.S. firms in this hypothetical example were also highly connected to foreign firms, then transnational class rationality may spread through the network to the focal firm, despite the absence of direct transnational interlocks. Degree centrality is incapable of measuring this possibility.

The above problem calls for a measure of network centrality that captures the position of a firm in each network, vis-à-vis the firms it is connected to both directly and indirectly. The Bonacich centrality measure, utilized in work such as Mintz and Schwartz (1985) and Davis and

Mizruchi (1999), is calculated based on the number of interlocks a corporation has with other members in the network, but it weights interlock ties based on the number of interlocks the firms to which it is tied have, such that firms connected to other highly connected firms are more central in the network than firms connected to many isolated firms. Thus, Bonacich centrality is not as vulnerable to the problems caused by overlapping memberships in the national and transnational network. Accordingly, I employ Bonacich as my measure of interlock centrality for both the national and the transnational network. These measures, transnational interlock centrality and U.S. interlock centrality, are associated with all three hypotheses. H1 predicts that firms with high U.S. interlock centrality will be more likely to also have high transnational interlock centrality; H2 predicts that firms with high transnational interlock centrality will give more of their ideological donations to Republican candidates; and finally, H3 predicts that firms with high U.S. interlock centrality will give less of their ideological donations to Republican candidates.

Control Variables

Analysts have identified a number of other factors that are expected to influence a firm's level of conservatism. Some of these factors may be associated with network centrality. Thus, to control for any potential spurious effects or other omitted-variable biases, I include measures of these additional variables.

Capital Intensity. Ferguson (1984) and Ferguson and Rogers (1986) identify capital-intensive firms as being more supportive of liberal reform. There are two reasons behind this: 1) these firms have a greater fixed investment in plants and equipment making them more vulnerable to recessions and labor stoppages, and thus more willing to compromise on liberal reforms; and 2) wages, payroll taxes, and other liberal reforms have less of an impact on these companies compared to labor-intensive firms. A number of studies have utilized the ratio of a firm's assets to employees as a measure of its capital intensity (Burris, 1987; Clawson and Neustadtl, 1989; Burris and Salt, 1990). I adopt this same measure here.

Geographic Region. Burris (1987) explains the "Yankee-Cowboy" thesis as an explanation of corporate conservatism. Essentially, due to the fact that they are mostly "newer money", along with the influence of the culture of the American South and West, firms located in the Sunbelt region are seen as more conservative than firms located in the Frostbelt (Sale, 1975; Dye, 1976; Crawford, 1980). This variable is measured by two dummy variables for firms headquartered in the Frostbelt (i.e., states located in the Great Lakes, Upper Midwest, and Northeast regions) and in the Sunbelt (i.e. states located in the South and Southwest). About 20% of the firms in my sample are located in neither the Frostbelt nor Sunbelt. These firms are the reference category that the dummies are compared to.

Government Regulation. Clawson and Neustadtl (1989) identify vulnerability to government pressure as a factor influencing the donation patterns of corporate PACs. Generally, this is seen as explaining the proportion of a firm's contributions directed to incumbents, rather than explaining their partisanship. For example, Hart (2001) argues that whether firms seek regulation for protection or to eliminate regulations that limit their behavior, they have an interest in gaining access to incumbent policymakers responsible for crafting and passing the regulations. However, plausible arguments could be made both for highly regulated firms supporting conservatives in an attempt to push for deregulation, or for these firms supporting Democrats in an attempt to gain protection from liberal regulations. In order to control for the possibility that a firm's presence in a regulated industry may influence its political ideology, I created industry dummy variables for highly regulated industries such as transportation, energy, communications, and banks/financial services (Masters and Keim, 1985). The primary industry of a firm is based off of the classifications used by Carroll (2010). He used the Standard Industrial Code (SIC) and the North American Industry Classification System (NAICS) to determine primary industry.

<u>Federal Contracts.</u> Firms that receive large amounts of money in government contracts also develop a similar dependence on government as firms who are heavily regulated. While this provides a motivation to donate to incumbents (Hart, 2001), it also may provide business with an incentive to support bigger government. That is, if a firm receives large amounts of money in federal contracts, they will be less likely to oppose government involvement in the economy and thus, will be more liberal than firms with little to no money coming in from federal contracts. The unit of measurement is the dollar amount of all federal contracts received by a firm and its subsidiaries/divisions/affiliates in a given year.

Year. It is important to control for the effect of time whenever analyzing longitudinal data (Allison, 2005). For instance, the percentage of Congressional seats that either party holds changes from election cycle to election cycle and can influence donation patterns. As Clawson and Neustadtl (1989) note when explaining the differences between their findings and Burris (1987), "1980 is different than 1982" (p. 760). In the same way, 2002 may be very different from 2006. To control for this I include dummy variables for the years 2002, 2004, and 2006, with the year 2000 being the reference category.

Descriptive Statistics

Table 9 shows means, standard deviation, number of cases, minima, and maxima for all dependent and independent variables.

Table 9 Descriptive Statistics: G500 Firms domiciled in the U.S. that contributed at least $100 to political challengers, 2000-2006

	N	Mean	St. Deviation	Min	Max
Corporate Conservatism	509	.76	.35	0	1
U.S. Interlock Centrality	500	12.39	10.87	.01	63.44
Transnational Interlock Centrality	422	2.97	2.96	.02	17.82
Capital Intensity	398	1,966,301	88,082,814	31,758	149,000,000
Federal Contracts (dollars)	509	667,000,000	2,960,000,000	0	31,700,000,000
Transportation Industry	509	.13	.33	0	1
Energy Industry	509	.21	.41	0	1
Communications Industry	509	.07	.25	0	1
Financial Industry	509	.17	.38	0	1
Frostbelt	506	.49	.50	0	1
Sunbelt	506	.31	.46	0	1
Year	509	2002.79	2.21	2000	2006

Analytic Strategy

To test hypothesis 1, I calculate the χ^2 statistic for independence in the cross-tabulation of membership in the upper quintile for U.S. interlock centrality in a given year and membership in the upper quintile for transnational centrality in a given year. A significant deviation from the pattern of independence indicates a greater likelihood for a firm in the upper quintile of one network to also be in the upper quintile of the other.

To test hypotheses 2 and 3, I estimate the relationship between interlock centrality and corporate conservatism using multilevel linear regression with random effects (also known as a hybrid random effects model). Hybrid regression models are ideal for longitudinal data because they measure both how cases change over time and how these changes vary between cases (Singer and Willett, 2003).

One complication that arises with longitudinal analysis is the problem of repeated events. Each observation in my dataset is a firm-year, and there are multiple observations for each firm. Traditional regression methods assume that observations are independent from each other, but in the case of panel data, past values for any given firm have an unmeasured effect on current values. Two common approaches for dealing with this problem are to employ either random effects or fixed effects models. In the case of my data, a Hausman test suggests that a fixed effects model is statistically appropriate. When there is a lack of change within each case over time, however, fixed effects models can be inefficient (Allison, 2005). Due to the relatively small time frame of my data, many of my time-varying predictors lack large amounts of within-firm change over time, the result being that the use of fixed effects saps most of the explanatory power out of the model.

One solution in situations where fixed effects are more statistically appropriate than random effects, but are not efficient, is to employ a hybrid model that combines some of the virtues of fixed and random effects. This is accomplished by breaking each time-varying predictor into two variables: one that measures within case variation, and one that measures between case variation. Then both parts of each time-varying predictor are placed into a random effects model along with time-invariant predictors. Hybrid random effects models can be tested against a traditional fixed effects models to determine which is more appropriate by testing whether the within case coefficients are the same as the between case coefficients for time-varying predictors. For all covariates as a set, the results are that the tests fail to reject the null hypothesis that between case coefficients are different from within case coefficients, which provides statistical support for the choice of the hybrid random effects model.

Regression Diagnostics

Analysis of the variance inflation factor scores suggests that the inclusion of a dummy for financial industry along with the capital intensity measure resulted problems of multicollinearity. Specifically, firms in the financial industry tend to have a higher ratio of assets to employees than firms in other industries. The most common way to deal with a problem such as this is to include each of the collinear variables in separate models. However, the effect of being in the financial industry on corporate conservatism is the same as the effect of capital intensity. The only differences in the models are that the model with only capital intensity is a better fit. Thus, in the interest of space, I only present models with capital intensity.

Finally, I took two other steps to guard against potential violations of multilevel linear regression's assumptions. One of the main assumptions of linear regression is that all interval-ratio and scale variables have normally distributed error terms. Thus, all interval-ratio/scale variables (corporate conservatism, interlock centrality, capital intensity, and contracts) are logged to normalize distribution. Another important assumption is that outliers do not bias the analysis. No Cook's residuals are above 2.5, indicating that there are no problems with outliers (Allison, 2005).

Findings and Discussion

To test the first hypothesis, that firms at the center of U.S. capitalism also tend to be at the center of global capitalism, I first rank firms by U.S. and transnational centrality in each year between 2000 and 2006, so as to determine the upper quintile for centrality in both interlock networks in each year. Table 10 presents a cross-tabulation of membership in the U.S. upper quintile and membership in the transnational upper quintile.

Table 10 Cross Tabulation of Firm Membership in the Upper Quintile of the U.S. Interlock Network and Membership in the Upper Quintile of the Transnational Interlock Network

	Firms outside the transnational upper quintile	Firms in the transnational upper quintile
Firms outside of the U.S. upper quintile	96.6%	3.4%
Firms in the U.S. upper quintile	71.4%	28.6%

N= 509
Chi-square= 147.09, $p < .001$

The results presented in table 2 provide a measure of support for my claim that the center of U.S. capitalism has globalized and is now also at the center of the TCC. Specifically, 28.6% of firms in the upper quintile in the U.S. interlock network are also in the upper quintile of the transnational interlock network, while almost all the firms (96.6%) that are non-central in the U.S. network are also non-central in the transnational network. These results have a 99.9% statistical significance level. Although, it should be noted that this is a test of recent conditions, not historical ones. A full test of the claim that the shift to corporate conservatism was preceded by a shift of the U.S. center to the global center would require historical longitudinal data. Nevertheless, the above findings suggest that from 2000 to 2006, at least, a significant portion of the U.S. center was also at the center of the TCC.

To test hypotheses 2 and 3, that transnational centrality is associated with corporate conservatism and U.S. centrality with corporate liberalism, I present the results of two hybrid random effects models in table 11. Both models include capital intensity and federal contracts variables broken down into components that measure within case and between case variation, along with dummy variables for regulated industries (transportation, energy, communication), geographic location (Frostbelt and Sunbelt), and year (2002, 2004, 2006). Model 1 tests hypothesis 2 and includes within and between case measures of transnational interlock centrality. Model 2, on the other hand, tests hypothesis 3 and includes U.S. interlock centrality broken into within and between case measures.

The test of the full models with all independent variables against the constant only model is statistically significant (model 1 $X^2 = 113.31$, $p < .001$; model 2 $X^2 = 111.55$, $p < .001$), indicating that for each model, the predictors, as a set, reliably distinguish the percentage of a firm's ideological donations that go to Republicans.

Table 11 Hybrid Random Effects Regression Estimates of U.S. Firms' Corporate Conservatism, 2000-2006

	Model 1	Model 2
Interlock Centrality		
U.S. Centrality (between case variation)		.03
		(1.89)
U.S. Centrality (within case variation)		-.02
		(-.99)
Transnational Centrality (between case variation)	.05*	
	(2.07)	
Transnational Centrality (within case variation)	-.04	
	(-1.26)	
Control Variables		
Capital Intensity (between case variation)	-.02	-.01
	(-1.42)	(-1.25)
Capital Intensity (within case variation)	.11*	.11*
	(2.26)	(2.25)
Federal Contracts (between case variation)	-.01	-.01
	(-.75)	(-.75)
Federal Contracts (within case variation)	-.01	-.01
	(-.66)	(-.68)
Transportation Industry	.04	.03
	(.87)	(.73)
Energy Industry	.07	.06
	(1.64)	(1.35)
Communications Industry	-.06	-.06
	(-1.06)	(-1.05)
Frostbelt	.01	.02
	(.38)	(.48)
Sunbelt	.01	.02
	(.22)	(.39)
2002	.12***	.13***
	(4.14)	(4.95)
2004	.08*	.08**
	(2.53)	(2.92)
2006	-.14***	-.12***

	(-3.88)	(-3.75)
Number of Corporation Years (N)	390	395
Number of Corporations	157	158
Wald Chi-Square	113.31	111.55
R-square (overall)	.22	.21
R-square (within case)	.25	.25
R-square (between case)	.21	.20
Highest VIF	2.42	1.96
Mean VIF	1.57	1.48

Notes: The first number is the unstandardized regression coefficient, the second number is the Z statistic.

PAC contributions, transnational Centrality, U.S. centrality, capital intensity, and federal contracts are logged to normalize distribution.

Contracts is measured in $1 increments

*indicates p < .05, ** indicates p < .01, and *** indicates p < .001

I'll begin the discussion of the regression findings by first addressing the various control variables, because the findings are consistent across both models. Capital intensity has a positive and significant relationship with corporate conservatism (model 1: b = .11, z = 2.26, p < .050; model 2: b = .11, z = 2.25, p < .050). Corporate liberal theory predicts that capital intensity will be associated with liberalism (Ferguson, 1984; Ferguson and Rogers, 1986), so these findings run counter to corporate liberalism. However, the findings are consistent with the findings of Burris and Salt (1990), and may indicate the general shift to conservatism among American business. Neither variable measuring dependence on government (federal contracts and regulated industries) is significant. This is not entirely surprising as these variables are largely theorized to influence whether or not a firm directs contributions to incumbents or challengers. Since my dependent variable is limited to variation in donations to challengers, it eliminates those theorized effects. I had theorized that it was possible that high levels of involvement with the federal government either through contracts or regulations may influence a firm's level of conservatism, but these findings do not support that view. Finally, there does appear to be a difference between elections that is not attributable to any of the independent variables. Specifically, I find that in 2002 and 2004, firms were generally more conservative in their ideological behavior, while in 2006 (when the Democrats took control of Congress) U.S. firms were less conservative.

With all of the above factors controlled for, I find that centrality in the transnational interlock network is positively associated with corporate conservatism ($b = .05$, $z = 2.07$, $p < .050$). For example, if we compare Deere and Co. in 2006, which was the most central firm in the transnational network out of the current sample of U.S. firms who contributed at least $100 to challengers, to an average firm in the sample for that year, their centrality of 17.82 is 8.95 times greater than the average firm's centrality of 1.98 in 2006. Thus, the expected ratio of the two geometric means for corporate conservatism between Deere and Co. and the sample mean is 8.95^0.05, which is equal to 1.16. In other words, if all else were equal, we would expect Deere and Co. to give 11.6% more of its ideological donations to Republicans than the average firm in 2006. In reality, all else is not equal and Deere and Co. was actually 75% more conservative than the average firm in 2006, giving 100% of their $17,000 in ideological donations to Republican challengers.

While transnational interlock centrality is a significant predictor of corporate conservatism, it only explains variation between firms, but not change within firms. One interpretation of this result is that interlocks are neutral tools of communication whose consequences are reflective of underlying social relationships between members of the capitalist class, as opposed to direct causal factors whose mere presence creates class-consciousness. However, it is also highly plausible that the effects of changes in centrality on the behavior of a firm may be muted by the time frame of my study. Specifically, it is possible that the lags between changes in class-consciousness, changes in political behavior, and changes in centrality are longer than the 6-year span that I am analyzing. The chance that I may be underestimating some of the within-firm effects means that I cannot speak confidently about them. The between firm effects, however, provide important support for the argument that globalization of class interests has contributed to the decline of corporate liberalism.

A central contention in the narrative that I have presented in this paper is that the collective interests of the TCC are best served by corporate conservatism. Given the existing theory and empirical research that suggests that behavior by firms at the center of inter-corporate networks tends to reflect the class interests of the network, hypothesis 2 predicts that U.S. firms that are central in the transnational interlock network should be more conservative than other firms engaging in ideological behavior. The above findings support hypothesis 2.

Combining the above findings with the earlier finding, that firms central in the U.S. network are more likely to be central in the transnational network, gives a measure of support to my explanation for the persistence of corporate conservatism in America. Namely, that the interests of global capitalism are conservative in nature and the center of the U.S. capitalist class is integrated into the center of the TCC, which has shifted their class-wide rationality from U.S. capitalism to global capitalism. An important part of the explanation, however, is the claim that U.S. capitalist class-wide rationality has not shifted to the right. That is, centrality in the U.S. network is generally associated with corporate liberalism, but the fact that much of the U.S. center is also at the center of the TCC makes it seem as though the most class-conscious firms in the U.S. have adopted corporate conservatism, when in reality that is because they are acting on behalf of transnational interests. My findings do not fully support this notion. If U.S. class interests were associated with corporate liberalism, centrality in the U.S. network should be negatively associated with corporate conservatism. Model 2 shows, however, that centrality in the U.S. network does not significantly predict the level of corporate conservatism. Thus, I do not find support for hypothesis 3.

There are three plausible interpretations of the finding of non-significance for U.S. interlock centrality. First, the existing theories of the shift to corporate conservatism are at least partially correct, in that the class interests of U.S. capitalism have shifted to the right so that the most central firms in the U.S. are now just as conservative as firms on the periphery have always been. Second, Mizruchi (2007; 2010) may be correct in that the decline of the moneyed center in the U.S. has led to the atomization of the U.S. capitalist class. The result being that centrality in the national interlock network no longer predicts class-informed behavior, but rather all firms act on behalf of individual firm interests, which are conservative in nature. Under both of these explanations, all of U.S. business is conservative, but the ones acting on behalf of transnational class interests are just *more* conservative. So, the divide isn't between corporate liberal and corporate conservative, but rather between the extent and type of conservatism. The third plausible explanation is that U.S. class interests are corporate liberal and transnational class interests are corporate conservatism, but my inability to control for centrality in the transnational interlock network in model 2 results in the non-significant finding. That is, many of the firms in the U.S. network are motivated by transnational class considerations, so they exhibit corporate conservatism, while some of the firms in the network are motivated by national class interests, and are corporate liberal; these two trends in political donations cancel each other out so that centrality appears to not be related to corporate conservatism.

The nature of my data preclude my adjudicating between the above three possibilities. Specifically, the significant overlap in membership in the two networks, combined with the propensity of firms central in the U.S. network to also be central in the global network, creates problems with multicollinearity when both network measures are included in the same model. Even with this limitation, my findings support the following, softer, explanation for the persistence of corporate conservatism among American business: transnational class interests are best served through corporate conservatism; and the integration of American firms into the center of the TCC has, at the very least, increased the conservatism of a segment of American capital.

To further concretize the influence of transnational centrality on corporate conservatism, let us consider the case of Safeway. Safeway is a grocery retail company headquartered in Pleasanton, CA. In the year 2000, they were the 96th most central firm out of 500 in the transnational interlock network with a transnational centrality score of 10.75, which is 3.65 times greater than the average transnational centrality of the sample. Their transnational interlocks tied them to three foreign firms: Invensys Plc and Vodafone Group, both domiciled in the United Kingdom, and DaimlerChrysler, domiciled in Germany. Safeway's high centrality is not due to direct interlocks, but rather its indirect ties gained through its interlocks with Vodafone (18th most central firm in the transnational interlock network in the year 2000) and DaimlerChrysler (16th most central firm). On the other hand, Safeway was not very central in the U.S. interlock network, ranking 173rd out of 239 firms in the year 2000. Finally, their capital intensity in 2000 of $83,152 per employee was much lower than the mean for the sample of $1.96 million per employee. Thus, Safeway is a relatively labor intensive firm that is peripheral in the U.S. interlock network, but located at the center of the transnational interlock network. Interlock theory predicts that Safeway will operate based on a transnational class-wide rationality and hypothesis 2 predicts that this will result in more conservative behavior than the average U.S. firm. In fact, the company donated $15,000 to challengers in federal elections in 2000, which represents 14.4% of their total donations. To put that in perspective, the average firm in my sample contributed only 3.9% of its donations to challengers. Thus, Safeway exhibited a higher level of class-informed behavior than the average U.S. firm that gave at least $100 to challengers. In addition, 86.6% of Safeway's ideological donations were directed to Republican challengers. In comparison to the average firm in the sample, which contributed 65.2% of its ideological donations to Republicans in 2000, Safeway was much more conservative in their class-informed political behavior. In fact, Safeway exhibits a much greater level of corporate conservatism in 2000, even if we compare their behavior to only firms that were in the upper quintile for centrality in the U.S. inter-corporate network, but not in the upper quintile of the transnational network (mean of 67% of ideological donations going to Republican challengers).

Conclusion

Between the mid 1970s and early 1980s the politics of the largest, most central, businesses in the U.S. shifted to the right. From that time to the present, the commitment of business to corporate conservatism has been persistent, arguably reaching new heights during the Bush Presidency. Many analysts have pointed to external threats to the power of American business during the 1970s as responsible for the rightward shift. In addition, a number of articles by Jerry Davis and Mark Mizruchi (Davis and Mizruchi, 1999; Mizruchi and Davis, 2003; Mizruchi, 2007; 2010) can be read as advancing the argument that the persistence of corporate conservatism is attributable to the atomization of the U.S. capitalist class due to the decreasing centrality of commercial banks in the U.S. inter-corporate network. In this article, I do not necessarily seek to replace these theories, but to compliment them with what I see as a missing piece of the puzzle: the globalization of American class interests.

Around the time that corporate liberalism began to decline in America, U.S. business, along with large businesses the world over, were globalizing their production, ownership, and corporate boards. These trends have continued and have led to the rise of what many theorists term the Transnational Capitalist Class (TCC). Examining the U.S. interlock network, the transnational interlock network, and ideological donations by U.S. corporate PACs between 2000 and 2006, I find support for the notion that the integration of American firms into the center of the TCC has increased the conservatism of a segment of American capital. Specifically, I find that firms in the upper quintile of the U.S. interlock network are more likely to also be in the upper quintile of the transnational network. In addition, I find that a firm's centrality in the transnational network is positively associated with corporate conservatism, while centrality in the U.S. network is not associated with partisanship in ideological donations. The non-significance of U.S. network centrality appears to support Mizruchi's (2007; 2010) argument that the center of American capitalism is atomized and now acts on behalf of individual firm interests, similarly to non-central American firms. However, as previously discussed, this interpretation of U.S. interlock centrality is complicated by the nature of my data.

While these findings illustrate the role that transnational class interests play in the corporate conservatism exhibited by American business from 2000 to 2006 and, thus, support the claim that the rise of the TCC during the last 30 years likely contributed to the decline of corporate liberalism, there are a number of important questions that remain to be answered. First, is the center of American capitalism, in the absence of transnational class ties, conservative or liberal? If they are conservative, is it due to a shift in the external environment or the atomization of the class? Second, what role did the globalization of American business play in the initial decline of corporate liberalism? The first question may best be answered by case studies of business support for specific policies. As Robinson and Harris (2000) assert, "the struggle between descendant national fractions of dominant groups and ascendant transnational fractions has often been the backdrop to surface political dynamics and ideological processes in the late 20th century" (p. 23). Thus, studies of business support for both liberal and conservative reforms, in the context of transnational and national social and economic ties, may be illustrative. The second question requires historical data in order to analyze the effect of changes in transnational centrality on changes in conservatism between the late 60s and early 80s. Although answering the above questions is beyond the scope of this paper, my findings point to the need to further study the role of globalization and the rise of the TCC in the politics of American business.

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SUMMARY AND CONCLUSION

To tie together the various chapters that compose this dissertation, let us return to the motivating question of the project: does the segment of the global corporate elite (as represented by the G500) that is the most embedded in the transnational inter-corporate network behave as a transnational class-for-itself? Chapters 1 and 2 discuss the distinction between a class-in-itself and a class-for-itself. From those discussions, it is clear that a class-for-itself is distinguished both by its consciousness of its common interests and its collective action to defend those interests. Thus, we would expect a transnational class-for-itself to be more likely to engage in political behavior that is 1) globally, rather than nationally oriented, indicating an awareness of common transnational interests; 2) motivated by collective, rather than individual interests; and 3) unified, even among firms domiciled in different nations.

I find evidence of all three aspects of class-conscious behavior. In chapter 1, I find that foreign firms that are highly central in the transnational interlock network give more money to U.S. candidates than non-central foreign firms. For a firm domiciled outside of the United States, political donations to U.S. candidates represent globally oriented behavior. The fact that the effect of centrality on donations holds even after controlling for a multitude of individual firm interests suggests that this behavior is likely to also be geared towards serving collective interests. This is confirmed by the findings of chapter 2. That is, of the foreign firms that have corporate PACs, the firms with the most interlocks in the transnational network direct the greatest percentage of their donations to Republican challengers. Given that donations made to conservative challengers, rather than to incumbents of both parties, represent an ideologically driven political strategy at changing to composition of Congress in order to serve the collective interests of business, this finding suggests that highly embedded foreign firms exhibit a greater level of class-informed behavior. Finally, in chapter 3, I document that shared directors between firms facilitates transnational collective political action. Specifically, an increase in the number of shared directors between two firms domiciled in different nations leads to an increase in the political similarity of those two firms. Thus, firms that are deeply embedded in the transnational inter-corporate network exhibit a greater transnational unity than firms that are isolated from the network.

In addition to providing some empirical evidence in support of TCC theory, the dissertation also speaks to the conditions that facilitate elite class formation. That is, I extend interlock theory beyond its traditional national sphere and show that the association between interlocks and class-consciousness and unity is not limited to just a national context. This is an important finding given lingering questions regarding the direct significance of interlocks. Specifically, there are those who view interlocks as simply reflective of a priori social cohesion among national capitalist classes generated through social circulation mechanisms. This perspective leads to the position that interlocks will not be as significant globally, because, as John Scott (1997) argues, elites of different nationalities do not spend as much time socializing as elites of the same nationality. My findings in chapters 1 and 2 somewhat contradict this perspective. While I do find and association between interlock centrality and class-informed behavior, I find that the association explains variance between firms, but not change within a firm over time. In other words, I find evidence that interlocks in a global context are still indicators of class-informed behavior, but I do not find evidence that they directly cause it. This could be interpreted as evidence in support of the claims of theorists such as Sklair (2001) and Robinson (2004) that there are processes that generate social cohesion among the transnational elite. However, in chapter 3, I *do* find evidence that transnational interlocks directly cause, as Mills (1956) put it, "the unification of outlooks and policy" (p. 126). There are two ways to interpret the totality of findings from chapters 1, 2, and 3 regarding the role on interlocks in class formation. First, we can view interlocks as directly contributing to all aspect of class formation, but the effect on unity is stronger and more immediate so my data picks it up, while the effect on class-consciousness is lagged and the time span of my data misses the effect. This interpretation is not necessarily supported by my data, but it is not ruled out either. It would require longitudinal data spanning more than six years to test.

The second way of interpreting the findings from chapters 1, 2, and 3 is completely supported by the data. This interpretation would argue that interlocks directly contribute to class formation by generating unified action, and they also serve as indicators of class-consciousness. That is, other sources of social cohesion generate an awareness of common interests, and business elites that are class-conscious seek out positions on multiple boards, while firms controlled by class-conscious managers actively seek to interlock to other firms. This is reflected by the findings of chapters 1 and 2: that highly interlocked firms display greater levels of class-informed behavior than firms with few interlocks, but that an increase or decrease in a specific firm's interlock centrality has no direct effect on behavior. At the same time, interlocks provide firms with an "enormous potential for information exchange" (Mintz and Schwartz, 1985: 134). Each interlock is a channel of communication between the tied firms, and thus interlocks between class-conscious boards are utilized to mobilize collective defense of common interests. This is supported by the findings of chapter 3: interlocks between firms of different national domiciles increase the similarity of their political behavior.

While the two above interpretation differ in the extent of the direct impact on class formation they attribute to interlocking directorates, both interpretations of the findings of chapters 1, 2, and 3 agree that networks of interlocking directorates are an important structural indicator of elite class formation, whether it is in a national or a global context. Thus, transnational interlocks and centrality in the transnational network are indicators of transnational class-consciousness and unity. In chapter 4, I employ both national and transnational interlock network embeddedness as measures of national and transnational elite class in order to test the effects of transnational class formation on the politics of American business. Specifically, I develop a complimentary theory to existing explanations for the decline of corporate liberalism during the 1970s and 80s that attributes some of the increase in corporate conservatism to the globalization of class interests. While my analysis does not test the historical causal aspects of these claims, I do find that transnational centrality is associated with corporate conservatism, while national centrality is not. Furthermore, deeply embedded firms in the American network tend to be more central in the transnational network than isolated American firms. This suggests that the most class-conscious members of the American capitalist class are also class-conscious members of the TCC, and that firms whose actions are informed by transnational class interests tend to be more conservative than other firms.

Overall then, the findings of this dissertation suggest that the development of a transnational inter-corporate network has created the structure necessary to facilitating transnational class unity; that transnational interlocks are a strong indicator of TCC-consciousness; and that the transnational class interests of a segment of American capital has important implications to the politics and policies of the United States.

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