

Transnational Business Influence: the Determinants of PAC Activity Among Firms in the  
Global Fortune 500, 2000-2006.

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## **ABSTRACT**

Transnational Capitalist Class (TCC) theory is rooted in the claim that the globalization of the economy has led to a globalization of economic interests and class formation on a global scale. Although scholars have provided clear and systematic evidence of the economic practices that have purportedly solidified a transnational capitalist class, evidence of the political practices used by members of this class to influence national governments is not nearly as robust. While the idea that corporate business interests have a large influence on national politics is generally accepted, the extent to which corporate political action is motivated by transnational class interests, national class interests, or individual rationality is highly contested.

A key missing piece of evidence in the debate over global power structure is a link between political action and the economic practices that have been identified as indicators of transnational class formation. One of the best documented of these economic practices is the tendency for the largest corporations in the world to share individual directors, resulting in the interlocking of the global business community into a large network. In this study, I combine data on board of director interlocks among the 500 largest business firms in the world between 2000 and 2006 with data on political donations in US elections via corporate political action committees (PACs). Controlling for various individual interests and characteristics (e.g., firm size, the amount of US government contracts received), I find that the difference between firms that have PACs and firms that don't, is that firms with PACs are highly central in the transnational interlock network. Given that prior research on the effects of interlocks has suggested that highly interlocked companies have a more class-wide orientation, these findings suggest that transnational class interests are driving political action by the world's largest business firms.

## **Introduction**

The issue of business influence on national politics 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 resulted in a shift in 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).

Within a national context, class theorists generally share the position that, while economic elites often have competing immediate interests, mechanisms exist that are capable of mediating and resolving inter-corporate disputes (Mizruchi, 1989). Thus, on issues of class-wide significance, the business community is able to act as a politically unified class. Globally, however, class theorists are divided between those who see transnational mechanisms for resolving inter-corporate disputes leading to a rise of a transnational capitalist class (TCC) capable of acting in a politically unified manner (e.g. Harris and Robinson, 2000; Sklair, 2001; Robinson, 2004), and those who see national or regional identity and interests as a barrier to global unity (e.g. Block, 2001; Goldfrank, 2001).

Robinson and Harris (2000) identify three economic practices that tie various business interests together on a transnational scale and indicate the transnationalization of the business class: 1) globalization of production as evidenced by an increase in global

manufacturing and employment<sup>1</sup>; 2) globalization of ownership indicated by an increase in the percentage of foreign corporate stockholders and investments made in cross border deals; and 3) globalization of control, or an increase in the proportion of corporate boards that are made up by foreign members and of transnational interlocks, or board interlocks that connect firms domiciled in different countries<sup>2</sup>.

While the above phenomena serve as evidence for an increasingly transnational business class-in-itself, they are not necessarily indicators that it is a class-for-itself. That is, having common transnational interests does not entail consciousness or action on behalf of those interests. 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), but systematic evidence linking economic indicators of class, such as transnational interlocks, 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. Testing a potential link between indicators of transnational class formation and political behavior is complicated, however, 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

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<sup>1</sup> Ross and Trachte (1990) identify this as the central practice indicating a shift to global capitalism.

<sup>2</sup> William Carroll demonstrates an increase in transnational interlocks in a number of studies (e.g., Carroll 2009; 2010; Carroll and Fenema, 2003; Carroll and Carson, 2003)

national interests within the nation-state in order to pursue the class project of capitalist globalization (Robinson and Harris, 2004).

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 the business class to gain access to U.S. policymakers is through donations to political campaigns through corporate political

action committees (Clawson, Neustadtl, and Scott, 1992). While foreign individuals and firms are not legally able to directly contribute to U.S. political campaigns, political action committees (PACs) formed by a foreign firms' U.S. affiliate are allowed to donate. Thus, members of the TCC who are not citizens of the United States can still use PACs to gain access to policymakers by indirectly donating to campaigns through their U.S. affiliates. Accordingly, I explore political activity by the transnational business class by testing the role of embeddedness in the transnational interlock network as a determinant of PAC formation.

### **PAC Formation in Theoretical Perspective**

A single theoretical perspective dominates existing research addressing business PAC activity (Boies, 1989). The standard model of behavior applied in this research is a rational choice profit maximization model (Hansen and Mitchell, 2000). The result of this theoretical narrowness is that the existing literature identifies only factors related to the individual interest of the firm, while ignoring embeddedness and class interests. The factors identified 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).

While a class perspective on political action does not deny the importance of individual interest or profit maximization, it compliments individual factors with indicators associated with class interests.

### *Class Interests*

Transnational Class. Interlocking directorates, or the practice of individuals affiliated with one firm sitting on the board of another, have long been a feature of the business community (Mizruchi, 1996). Mills (1956) viewed interlocks as important social ties that anchored the “community of interest” and “the unification of outlooks and policy” among the capitalist class (p. 126). Subsequent research, within a national context, on the consequences of interlocks has found that individuals who sit on multiple boards are more politically active and class-conscious (Useem, 1984), firms central in the interlock network act to mediate inter-corporate disputes and act in the long term interests of capital (Mintz and Schwartz, 1985), firms that share directors are more likely to donate to the same political candidate and hold the same public positions on policy than two firms that are unconnected (Mizruchi, 1989; 1992), and directors that are linked through the interlock network exhibit similar political donation patterns (Burriss, 2005).

While interlock research in a global context has yet to explore the consequences of transnational interlocks (i.e., firms of different national origins who are linked together through one or more shared directors), a number of studies focusing on the world’s largest business and financial firms (i.e., members of the Global Fortune 500) between 1976 and 2006, found an increase in both the total number of transnational interlocks in the global network and an increase in the ratio of transnational to national interlocks (Fenema, 1982; Carroll and Fenema, 2003; Carroll and Carson, 2003; Kentor and Jang, 2004; Nollert, 2005; and Carroll, 2009).

Given that Robinson and Harris (2000) identify the globalization of boards and interlocks as an important indicator of transnational class formation, along with the above

findings with regard to the consequences of interlocks in a national context, it follows that the most central directors and firms in the transnational interlock network form an “inner circle” of the most class-conscious members of the transnational business community. Thus, a firm’s centrality in the global network represents its leaders’ consciousness of transnational class interests, and the firm’s political behavior will reflect these interests. TCC theory identifies US policy as an important tool for pursuing neoliberal economic policies and the project of capitalist globalization. Thus, I derive the following hypothesis:

Hypothesis 1: Firms that are more central in the transnational interlock network are more likely to have a PAC than less central firms.

National Class. As previously discussed, firms outside of the United States cannot contribute money to candidates directly. If they have a subsidiary that is located in the U.S., however, that subsidiary can form a PAC. For class theorists who see national capitalist interests and identification superseding transnational class interests and identity, the firms domiciled in the U.S. should have more interest in U.S. politics than subsidiaries of foreign corporations. The position that the nation still matters is exemplified by Block’s (2001) response to Robinson (2001), in which he claims national identities and interests stand as significant barriers to transnational unity among the business community. Block predicts that in times of crisis, especially, capitalists are likely to fragment along national lines (p. 218). Walden Bello (2008) makes a similar

argument, claiming that the foreign economic policies of the Bush administration marked a retreat from economic globalization as a project led by a transnational elite.

Hypothesis 2: US subsidiaries of firms domiciled in foreign countries are less likely to have a PAC than firms domiciled in the U.S.

It should be noted that research in the rational choice tradition also has found that foreign owned firms are less likely to have a PAC than U.S. firms (Hansen and Mitchell, 2000; Mitchell, Hansen, and Jepsen, 1997). These findings are explained, not by primacy of national class interests and identification, but by foreign corporations having a rational concern with appearing to interfere in another country's politics.

## **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 class theory hypotheses relate to the actions of the elite segments of the capitalist class (national, regional, and transnational). As Carroll (2009) affirms, the G500 represent the global corporate elite and are responsible for a disproportionate amount of the total business in the world.

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. Most of the foreign firms in the G500, however, do not have a US subsidiary. Since only U.S. affiliates of foreign firms can form PACs, this means that not every foreign firm in the G500 is legally allowed to form a PAC. Thus, I limit the sample to only those firms in the G500 eligible to have a PAC: firms domiciled in the U.S. and foreign firms with U.S. affiliates. This reduces to sample to 471 foreign firm-years and 854 US firm-years for a total of 1,325 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](http://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.

PACs. Data on the formation of Political Action Committees (PACs) and PAC donations originates from the Center for Responsive Politics ([www.opensecrets.org](http://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. This variable is coded as "1" if the parent firm has at least one PAC in a given year, and "0" if it has no PACs. For foreign firms, it is "1" if at least one of the firm's US affiliates has at least one PAC. Out of the 854 U.S. firm-years in the sample, 673 had PACs; while out of the 471 foreign firms with US affiliates, 194 had PACs.

#### *Independent Variables: Class Interests*

Transnational Centrality. Eigenvector centrality, which represents the importance of a node, is used as a measure of embeddedness in the transnational interlock network. It is calculated based on 1) the number of interlocks a corporation has with other members

of the G500 in any given year, 2) the number of interlocks the firms to which it is tied have, and 3) the number of interlocks the firms to which those firms are tied have, and so forth. Put differently, a high eigenvector value indicates that a firm is highly connected to other highly connected firms. This variable tests hypothesis 1: The more embedded/central a firm is in the transnational interlock network, the more likely it is to have a PAC.

Foreign domicile. This variable potentially measures both national class interests and individual firm interests. It is coded as “1” if the firm’s domicile is outside of the United States, and “0” if the firm is domiciled in the US. Foreign domicile is associated with hypothesis 2: U.S. subsidiaries of firms domiciled in foreign countries are less likely to have a PAC than firms domiciled in the U.S.

*Control Variables: Individual Firm Interests*

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). For example, corporate PACs draw on contributions from employees of the parent company<sup>3</sup> (Masters and Keim, 1985; Mitchell, 1995), and while corporations may not contribute directly to their PACs (only

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<sup>3</sup> Corporate PACs can only solicit contributions from executives, shareholders, and their families (Clawson, et al. 1992).

employees can contribute)<sup>4</sup>, they do pay the administrative costs of the PAC (Clawson, et al. 1992). While number of employees as a measure of size may seem intuitive due to PACs dependence on employee contributions, studies of PAC formation find a weak correlation between number of employees and PAC donations, while assets has been used as a proxy for size and has been found to be significant in a number of studies (Mitchell, 1995). Assets is measured in units of one million dollars.

Government Regulation. Masters and Keim (1985) posit that firms that are more dependent on the government have a greater interest in political activity. 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. 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. The variable is coded as “1” if a firm’s primary industry is highly regulated, and “0” if it is not. Highly regulated industries include firms in the transportation, energy, and communications (TEC) industries. These industries were selected on the basis of Masters and Keim’s (1985) finding that firms in TEC industries were more likely to have high PAC activity than firms in other industries due to the level of regulation faced by TEC industries.

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<sup>4</sup> After the Citizens United decision, Super PACs are allowed to receive direct contributions from corporations. These rules do not apply to the study period of 2000-2006.

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.

*Control Variables: Time*

Year. It is important to control for the effect of time whenever analyzing longitudinal data. Corporate PACs must register initially with the Federal Elections Commission (FEC). According to the FEC Campaign Guide for Corporations and Labor Organizations (2007), after initial registration, firms must file regular reports with the commission; and in order to terminate a corporate PAC, the firm must file a termination report. This means that in any given year, a firm makes a choice to continue with its PAC or to terminate it. Thus, the variable year is included to measure the effects of time on likelihood of PAC formation. 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.

PAC in the previous time period. While my dependent variable measures the annual decision of a firm to have a PAC, this decision is likely heavily 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, once these initial costs have been sunk and a PAC established a firm might be more likely to continue using its PAC. Inclusion of the lagged dependent 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.

### *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 2000-2006**

	N	Mean	St. Deviation	Min	Max
Transnational Centrality	1,255	1.84	4.69	0	41
Domicile (1=foreign)	1,325	0.35	0.48	0	1
Assets (millions)	1,325	124,228.3	248,317.4	2,458.6	2,000,000
Government Regulation (1= highly regulated industry)	1,325	0.28	0.45	0	1
Federal Contracts (dollars)	1,325	299,000,000	1,950,000,000	0	31,700,000,000
Year	1,325	2002.40	2.65	1998	2006
PAC in previous time period	1,163	0.59	0.49	0	1

### *Analytic Strategy*

To estimate the relationship between class interests and the probability that a firm has a PAC in a given year I use multilevel logistic 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).

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. In addition, foreign domicile does not vary over time and cannot be included in the fixed effects 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**

In table 2, I present multilevel random effects logit estimates of the probability that a firm has a PAC in a given year from 2000 to 2006. I include seven distinct predictors in the analysis (transnational centrality, foreign domicile, assets, government

regulation, federal contracts, a lagged dependent variable, and year), but eleven variables. This is because all time-varying predictors (centrality, assets, and contracts) are broken down into components that measure within case and between case variation, and year is included as a series of dummy variables to measure the non-linear effects of time.

In performing the analysis, I calculated diagnostic statistics to guard against potential violations of logistic regression's assumptions. None of the variance inflation factor scores exceeded 2.5, which suggests that there is no problem with multicollinearity (Allison, 2005).

The test of the full model with all independent variables against the constant only models is statistically significant ( $X^2 = 314.79$ ,  $p < .001$ ), indicating that the predictors, as a set, reliably distinguish between having and not having a PAC.

**Table 2 Multilevel Random Effects Logit Regression Estimates of Corporate PAC Activity (1= had a PAC), 2000-2006**  
Model 1

**Class Interests**

Transnational Centrality (between case variation)	0.46** 1.59 (2.75)
Transnational Centrality (within case variation)	0.08 1.08 (0.18)
Foreign domicile (1 = foreign)	-1.22*** 0.29 (-4.10)

**Individual Firm Interests**

Assets (between case variation)	0.04 1.04 (0.49)
Assets (within case variation)	0.94* 2.55 (2.12)
Government Regulation (1= highly regulated industry)	-0.08 0.92 (0.31)
Federal Contracts (between case variation)	0.06* 1.06 (2.35)
Federal Contracts (within case variation)	-0.04 0.96 (-1.00)

**Time Effects**

PAC in the last election cycle	4.48*** 88.55 17.14
2002	-1.03** 0.36 (-3.27)
2004	-0.86** 0.42 (-2.71)
2006	-1.31*** 0.27 (-3.73)
Number of Corporation Years (N)	1147
Number of Corporations	382
Wald Chi-Square	314.79
Highest VIF	2.01
Mean VIF	1.42

Notes: The first number is the unstandardized logistic regression coefficient, the second number is the odds ratio, and the third number is the Z statistic.

Transnational Centrality, Assets, and Federal Contracts are logged to normalize distribution.

Centrality is multiplied by one hundred to enhance interpretability, 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  $p < .001$

As with prior research, I find that indicators of rational individual firm interests are statistically significant predictors of PAC activity. The size of a firm, measured in assets, is positive and significant ( $b = 0.94$ ,  $z = 2.12$ ,  $p < .050$ ), but this effect only explains within case variation, not between cases. That is, large firms in general aren't any more likely than small firms to have a PAC, but as an individual firm's assets increase, the probability that it has a PAC increases. On the other hand, federal contracts are also positive and significant ( $b = 0.06$ ,  $z = 2.35$ ,  $p < .050$ ), but this effect only explains variation between firms, but not within them. In other words, while the likelihood that a given firm will have a PAC is not changed by increases or decreases in the amount of federal money that it receives, firms that receive more in federal contracts are in general more likely to have a PAC than firms that receive less. This suggests that the relationship between federal contracts and firms may be partially explained by reverse causation. That is, firms with PACs may be successful in getting contracts and thus, receive a higher amount than firms without PACs. However, it is not a desire for contracts, in and of itself, that motivates PAC activity. So, when a firm with a PAC sees a decline in the amount of government contracts it receives, it does not shut its PAC down.

In addition, I find that some combination of national class and individual interests, represented by a firm's home nation, influence corporate PAC activity. Specifically, foreign domicile is negative and significant in ( $b = -1.22$ ,  $z = -4.10$ ,  $p < .001$ ), providing support for hypothesis 2: U.S. subsidiaries of firms domiciled in foreign countries are less likely to have a PAC than firms domiciled in the U.S. As mentioned previously, this effect can be interpreted both as evidence for national class considerations (i.e., a firm

whose primary class interests lie in the Spanish capitalist class will have less interest in donating to U.S. politicians than a firm whose primary class interests are with the U.S. capitalist class) and rational individual considerations (i.e., a concern with appearing to be influencing foreign politics).

Even with the effects of rational individual and national class interests controlled for, I find that transnational class interest is an important factor in a firm's decision to have a PAC. Specifically, transnational centrality is positive and significant ( $b = 0.46$ ,  $z = 2.75$ , and  $p < .010$ ), lending support for hypothesis 1: firms that are more central in the transnational interlock network are more likely to have a PAC than less central firms. However, transnational centrality only explains variation between firms, not within. This suggests that network centrality is likely not an immediate source of class-consciousness, but that it is an indicator of a firm's transnational class-consciousness. Put differently, firms that are conscious of their transnational class interests are 1) more likely to use PACs to influence the U.S. government, and 2) more likely to share directors with many other members of the transnational business community, placing them at the center of the transnational network; but if a firm that is conscious of its transnational class interests loses a few interlocking directors, and thus, becomes less central in the network, they don't suddenly forget their class interests and shut down their PACs.

## **Discussion**

The finding that highly central firms are more likely to form PACs, but foreign firms are less likely to form PACs, speaks to the debate between class theorists regarding how class interests are organized. National class theorists do not deny that firms have

transnational interests, but rather, they doubt that those interests are enough to overcome well-entrenched national identities and the primacy of national interests (e.g. Block, 2001; 218). If we look at the odds ratios from table 2 for foreign domicile and between case transnational centrality, however, we can see that the potential effects of centrality on the likelihood of a firm having a PAC are greater than those of a firm's national domicile. For example, the odds ratio of foreign domicile is 0.29, which suggests that a foreign firm, when controlling for all other factors, is 71% less likely to have a PAC than a U.S. firm. On the other hand, the odds ratio for between case transnational centrality is 1.59, suggesting that a firm that is one unit/one percent more central than another firm, will be 59% more likely to have a PAC. Since centrality can range from 0-100 units (in reality the range of my sample is 0-41), the effects of transnational class have the potential to be much greater than those of national affiliation. For instance, imagine a hypothetical case with two firms, one foreign and one domiciled in the United States, who are completely disconnected from the transnational network and have centrality scores of 0. In this case the foreign firm will be 71% less likely to have a PAC than the U.S. firm (0 for the effect for centrality plus -71 for the effect of foreign domicile=-71%). If we take a different foreign firm, however, one that is just a little bit more central than the disconnected American firm, it changes everything. If the foreign firm in our hypothetical has a centrality score of 2 instead of 0, it is now 47% *more* likely to have a PAC than the U.S. firm (+59\*2 for centrality= 118; 118-71 for effect of foreign domicile= 47%). This hypothetical example, then, illustrates how transnational class interests can override national considerations, even at low levels of centrality. Put differently, it illustrates that when a firm is highly central in the transnational network, its

leaders are conscious of its transnational class interests, and those interests supersede national class identities and interests.

Moving from the above hypothetical cases to some actual empirical examples, Thyssen Krupp AG is a firm in the G500 that exemplifies the above pattern. The firm is domiciled in Germany, produces steel and provides components for the automotive industry, elevators, escalators, and industrial services. While it is one of the largest steel manufacturers in the world, its size as measured by assets was below average for the G500. For example, the mean size of a firm in the G500 between 2000 and 2006 was \$124.2 billion, but Thyssen Krupp held only an average of \$25.4 billion in assets in from 2000-2006. In addition to being a smaller than average G500 firm in those years, Thyssen received no money in U.S. federal contracts. From both a national class interest perspective and an individual rationality perspective, Thyssen Krupp would appear to be a perfect example of a firm that would be less likely to form a PAC to lobby the U.S. government. Its national interests lie in Germany, it is not dependent on the U.S. government through contracts, stands to gain less from favorable policy than larger firms, and has fewer resources available to pay for the day-to-day operations of a PAC. Despite all this, Thyssen Krupp, through its U.S. subsidiary the Budd Company (an automobile parts manufacturer), *did* have a PAC in both 2000 and 2002. From a transnational class perspective Thyssen Krupp's PAC activity makes sense. In 2000 and 2002, Thyssen was the eleventh and second most central firm in the interlock network respectively, with centrality scores of 24.9 and 34.4, suggesting a high degree of transnational class-consciousness.

Allianz (formerly Allianz AG) is another example of a firm whose political behavior seems to be primarily motivated by its transnational class interests. Allianz is a financial services firm domiciled in Munich, Germany. It is a larger than average company compared to other G500 firms and grew in size between 2000 and 2006, but it did not receive any money in federal contracts during the period. Despite the fact that its large size is the only rational individual factor that would predict Allianz having a PAC, its subsidiary Fireman's Fund Insurance did have an active PAC during every year under study. As with Thyssen Krupp, Allianz' PAC activity may largely be explained by its position in the transnational interlock network. In fact, Allianz was the most central firm in the entire network in 2002, 2004, and 2006, and they were the third most central firm in the network in the 2000.

While consciousness of transnational interests increases the more embedded a firm is in the transnational network, the reverse is also true. That is, the less central a firm is in the network, the less conscious they are of their transnational class interests and in turn, the more their national class interests are primary. Nippon Telegraph and Telephone Corporation is an example of a firm in the G500 whose national class interests override both its transnational class interests and its individual rational interests. Nippon is the dominant telecommunications firm in Japan, and one of the largest overall in the world. In every year from 2000 to 2006, it has above average assets for a G500 company. In addition, Nippon received between 4.5 and 6.9 million dollars in federal contracts each year. Thus, from an individual standpoint, aside from being domiciled in a foreign nation, Nippon stands to gain individually from gaining access to politicians through their PAC donations. Despite this, Nippon did not have a PAC in any of the election cycles between

2000 and 2006. From a class perspective this is not surprising, as the firm is almost completely isolated from the rest of the transnational interlock network in each year. This suggests that Nippon had little to no consciousness of its transnational class interests, and that its national class interests were its chief concern.

## **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 corporations that are the most likely to form PACs and donate money to US politicians are those firms that make up the “inner circle” of the TCC. In other words, the firms in the G500 that are the most central in the transnational interlock network are the most likely to form PACs. In addition, my findings suggest that consciousness of transnational class interests, as indicated by centrality, overrides national class interests as a potential barrier to transnational unity.

While my findings provide support for one of the central claims of TCC theory: that the segment of the global business community connected through interlocking directorates is politically active, it would be an overstatement to say that my study verifies the existence of a transnational “class for itself.” This study adds one small, albeit an 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 formation, 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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