The domination of finance capital: Who rules the world?

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An article published on the Australian-based news web site the *Conversation* last week has brought into the public domain some important findings on the extent of the global domination of finance capital.

Based on research carried out in 2009, the article by David Peetz and Georgina Murray, academics at Griffith University in Queensland, Australia, summarises their analysis of the control exercised by finance capital over the world's 299 major very large corporations (VLCs).

Despite the fact that the research was carried out more than seven years ago, the authors note that "we've since found that the trend is of increasing concentration in several countries over three decades."

Their article begins by dispelling the myth that large public corporations are owned by many shareholders—an illusion continually promoted in the mass media to advance the claim that workers have an "interest" in the stock market.

"When one organisation [the US-based hedge fund Black Rock] alone controls more than 6 percent of shares in very large global corporations and 30 control more than half of all the shares in these corporations, that signifies very high concentration.

"Our 2009 study found that various forms of finance capital controlled the great majority (68.4 percent) of shares in the world's very large corporations. Individuals or families held only a minimal proportion (3.3 percent), and industrial companies held relatively little."

The research is based on a data base compiled by Bureau van Dijk, which combines information from around 100 sources, covering nearly 63,000 companies worldwide.

In a research paper published in 2009, entitled *Who Rules the World—Ownership and Financial Capital*, the two authors reported that some 30 organisations, banks and financial institutions between them owned or controlled 51.4 percent of the 299 VLCs in their database.

That is, just 1.5 percent of the shareholders controlled more than half the shares.

This paper pointed to the chief mechanism by which finance capital exercises domination of the companies in which it holds stock.

The financial institutions exercise their power "not through voice," that is, by holding directorships, but "through exit"—the continued threat of withdrawal of funds from the shares of the VLCs "if adequate profit is not forthcoming." By the exercise of their power on financial markets, and the pressure on managements to enhance "shareholder value," finance capital is able to dictate terms.

In effect, it tells management, via operations in financial markets: "If you do not do everything possible to maximise profit—be it through higher productivity, scale expansion or cutting costs—we will sell our stake or otherwise displace you as managers."

This mode of operation leads to an important conclusion which the authors draw from their analysis. From the standpoint of the essential logic of the system, the distinction drawn between industrial capital and finance capital is misleading.

"This is because, in the end, industrial capital is finance capital was once a time when the world was dominated by large corporations owned by a few families and individuals whose personal values, quirks and preferences shaped the way those corporations behaved, that time has passed. The world is dominated by corporations who follow the logic of finance capital—the logic of money—because that is what they are. Their logic is not the logic of individuals but the logic of a class."

The data on the country of origin of both the VLCs and the financial institutions that control them make for interesting and politically significant reading.

The largest number of companies in the 299 VLCs, 86 in all, or 29 percent, originate in the US. The next four in order are: Japan 48; Great Britain 23; France 23; Germany 20. Then come in order Korea, China and Italy and Australia.

The concentration of ownership in the major capitalist powers is even more pronounced when it comes to financial corporations. Out of the top 10 financial corporations which dominate the VLCs, 6 originate in the US, 3 in France and 1 in Great Britain. The US is the country of origin for 10 out of the top 21. Out of this group, 18 hold shares in at least 100 of the 299 VLCs

Two US financial institutions stand out—Black Rock and Capital Group. Both have the primary shareholding in a number of companies—in Black Rock's case, 42, representing 13 percent of its shareholdings. In 55 percent of its shareholdings, Black Rock is among the top five shareholders, as is Capital Group for 45 percent of its shareholdings.

The political significance of these findings is that they expose the claims by virtually all the various pseudo-left groups that Russia and China are imperialist powers. This claim is not based on any economic analysis, for that reveals that neither Chinese- nor Russian-based institutions feature among the leading financial entities which control the operations of the major corporations.

As Lenin made clear in his work *Imperialism*, the imperialist epoch is characterised by the global domination of finance capital, the ownership of which is concentrated in a handful of major powers.

This point was also underscored by Trotsky when he opposed the claim by various "state capitalist" tendencies, from which many of the pseudo-left tendencies are descended, that the territorial expansion pursued by the Stalinist bureaucracy in the Soviet Union in relation to Eastern Europe was "imperialist."

"In contemporary literature, at least Marxist literature, imperialism is understood to mean the *expansionist policy of finance capital*, which has a very sharply defined economic content."

To say otherwise is to sow confusion, he continued. This is exactly the objective of the pseudo-lefts. Casting aside any scientific economic analysis, they use the word "imperialist" as an epithet. This arises from their political motivations as they align themselves behind their "own" imperialist powers, above all the US, in the deepening war drive against Russia and China.

Furthermore, the research by Peetz and Murray is a striking confirmation of Lenin's entire analysis in *Imperialism*.

He insisted that imperialism was not a preferred policy, which could somehow be replaced by another orientation, but arose from a definite phase of capitalist development, its highest and final stage, replacing the capitalism based on the free competition of the 19th century.

Lenin emphasised that finance capital sought economic domination not just of the colonial countries and their resources, but the entire world, over advanced and oppressed countries alike. Its politics flowed from its economics—the end of liberal democracy and freedom and the imposition of reaction "all down the line."

He was writing at the beginning of the imperialist epoch, which announced its arrival with the eruption of World War I on August 4, 1914.

Much has changed over the past century, but what is striking is that the basic trends of economic development have followed the course Lenin outlined. For example, he listed five major countries—the US, Britain, France, Germany and Japan—as the core of the imperialist system. As the Peetz-Murray analysis makes clear, in the data on VLCs and the most prominent financial institutions, those powers remain at the top of the list.

Lenin identified the objective driving force of the war as the conflict between these major powers as they each strove for world domination and came into violent conflict with each other.

The development of global corporations and global financial institutions brought to a head a fundamental contradiction of the capitalist mode of production: that between the development of the world economy and the national-state system in which the private profit system is rooted.

As Leon Trotsky explained, in the final analysis, war was a "revolt of the productive forces against the political form of nation and state." Imperialism sought to resolve this problem militarily to decide "which country is to be transformed from a great power into the world power."

In opposition to imperialism, the working class had to resolve it and prevent the plunge of civilisation into barbarism through the world socialist revolution—the overthrow of the capitalist private profit and nation-state system—in order to lay the foundations for a higher form of global socio-economic organisation.

Lenin emphasised the same issue in *Imperialism*. The transformation from the competitive capitalism of the 19th century to imperialism, or monopoly capitalism, not only created the conditions for war. It also laid the objective foundations for a planned world socialist economy. The domination of finance capital, the growth of corporations organising production on a world scale, the interlocking of the shareholdings of banks and corporations involved a transformation in the social relations of production—the tremendous socialisation of production and labour.

During the post-war boom, many short-sighted observers—bourgeois economists as well as some who claimed to be Marxists—maintained that the analysis of Lenin and Trotsky had become outdated.

It had been superseded, they said, by political and economic developments. The colonies of the imperialist powers had achieved independence—not without a considerable struggle—and were pursuing national economic development.

On the economic front, finance capital, upon which the Marxist movement had placed great emphasis, had receded into the background as it operated as a handmaiden to the large industrial corporations that filled the economic landscape.

But within the framework of broader economic and historical development, this period was but a short episode. The post-war boom lasted only a quarter of a century, finishing at the beginning of the 1970s. The deepening crisis of profitability which brought it to an end was the driving force behind a vast restructuring of world capitalism, based on the globalisation of production, to take advantage of cheap sources of labour, reaching a level of exploitation far beyond anything achieved in the era of direct colonialism and the rise of finance capital.

The result is that the trend of development has returned, at a higher level, to the path outlined by Lenin. And the ever-deepening drive to war has been its inevitable outcome.

At the same time, the integration of production has laid the objective foundations for the development of a planned world socialist economy. This is established not only by the findings of the Peetz-Murray analysis, but also by research carried out in 2011.

An article published in the *New Scientist* in September of that year entitled "The network of global corporate control" detailed both the tremendous socialisation of production and the domination of finance capital.

It showed that at the heart of the network of 43,000 transnational corporations was a "super-entity" of 147 even more tightly-knit companies, controlling a large portion of the wealth of the total network.

According to James Glattfelder, one of the three co-authors of the report: "In effect, less than 1 percent of the companies were able to control 40 percent of the entire total wealth in the network."

The top 20 of this group were dominated by finance capital, including Barclays Bank, JPMorgan Chase and Goldman Sachs.

At the conclusion of their 2009 paper, written in the immediate aftermath of the global financial crisis, Peetz and Murray point to the need for states to exercise "some control over capitalism," arguing that "to allow it unfettered freedom is to invite further crises."

But the prospect for some kind of reform of capitalism and its commanding heights in finance capital is an illusion.

In fact, the analysis of the two authors is itself a refutation of their political perspective. As they importantly draw out, the logic of the system is the logic of money itself.

The logic of money, as the material expression of capital, that is, self-expanding value, is to knock down all barriers to its growth.

Finance capital not only dominates and dictates to corporations. As Lenin made clear, it also determines the policies of nominally independent states, even the most powerful. Today it dictates all government policies, attacking vital social services such as education and health and demanding the restructuring of the labour market in accordance with the needs of profit.

The experiences of the past 30 years demonstrate this economic fact of life. In the early 1980s, when French President Francois Mitterrand sought to put some controls on the banks, his policies were blasted out of the water through the operations of the financial markets.

Another major experience was in 1992, when finance capital, in the form of the George Soros-owned hedge fund, forced the abandonment of the sterling peg by short selling the British currency and netting about $2 billion in the process, at the expense of the Bank of England.

Every government now lives in fear of a run on its currency and the verdict of the credit rating agencies on its policies.

At the end of 1993, when the yield on bonds rose because of concerns about the level of the US government deficit, the Clinton administration moved to put in place a series of measures to impose significant cuts in social welfare to meet the demands of finance capital. As Clinton's political adviser, James Carville, commented at the time: "I used to think that if there was reincarnation, I wanted to come back as the president or the pope or as a .400 baseball hitter. But now I would like to come back as the bond market. You can intimidate everybody."

There are two basic issues to be considered here.

First, finance capital is not some extraneous feature of the capitalist economy, some evil snake that has managed to slither into the veritable Garden of Eden of private ownership and profit, but arises out of the very foundations of this system.

At the start of his preparatory work for *Capital*, Karl Marx took on the conceptions advanced by the petty-bourgeois socialist Pierre-Joseph Proudhon, who maintained that it was possible to curb the depredations of finance while retaining private ownership and the capitalist market from which it arose.

As Marx drew out, this was akin to trying to do away with the Pope while retaining the Catholic Church.

Second, what is essential to Lenin's analysis, confirmed by the research of Peetz-Murray and others, is that the rise and domination of finance capital, bringing with it social deprivation and the ever-mounting danger of world war, is not a policy or preferred option, but the outcome of a definite phase or stage in the development of the capitalist system itself.

This means that the only viable and realistic perspective to end the drive to war, to secure peace and genuine equality—the theme of this year's May Day celebration by the International Committee of the Fourth International—is the fight in the international working class, whose objective life situation places it in opposition to capital, for the program of world socialist revolution.