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BOOK REVIEW ESSAY

Transnational Elites and the Geographies of Power

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New Zealand*

T. Büthe and W. Mattli (2011), *The New Global Rulers: The Privatization of Regulation in the World Economy*, Princeton and Oxford: Princeton University Press, 301 pages. ISBN 978-0-691-14479-5.

W. K. Carroll (2010), *The Making of a Transnational Capitalist Class: Corporate Power in the 21st Century*, London and New York: Zed Books, 273 pages. ISBN 978-1-84813-443-0.

Y. Dezalay and B. G. Garth (2011), *Lawyers and the Rule of Law in an Era of Globalization*, Abingdon and New York: Routledge, 270 pages. ISBN 978-0-415-58117-2.

The growth in the degree and extent of power amongst transnational elites has been one of the important stories of the last few decades. Their ascendancy, however, is often pushed to the background in favour of analyses of neoliberal globalisation. Indeed, the idea that this world is a globalised one, even if it is not quite the completely interconnected space of flows that hyper-globalists imagined in the 1990s, is accepted as a background reality, while neoliberalism is increasingly evoked in mass media outlets, and even by heads of state,¹ in the wake of the 2008 global financial crisis. This mainstreaming has risks. Concepts can lose their critical purchase as they are put into the service of the world-making projects of powerful actors, becoming caricatures of themselves in the process. Arguably this has long been the case with globalisation, and as platitudes about reforming some aspects of neoliberalism (such as a deregulated financial sector) get trotted

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out, this hides its continuing hegemony in global geoinstitutional settings and as 'common sense' for the political class. This problem behoves critical social scientists to grasp what has changed after several decades of neoliberalism and globalisation, not so that we can define these terms ever more precisely, but so that we can understand the nature of power today, in terms of both who has it and how it functions. By focusing on the powerful actors and transnational elites themselves, we can cast some light in this direction.

In his book *The Making of a Transnational Capitalist Class: Corporate Power in the 21st Century*, William Carroll sizes up these transnational elites directly, and describes a social formation that cuts across international borders as well as the borders of the public and the private sectors. Carroll's work builds on arguments put forward by scholars like Kees van der Pijl and Leslie Sklair on an emergent community of capitalists who not only control large tracts of the global economic universe, but are linked together across transnational space through a combination of social networks and class interest. The book provides a strong empirical base for claims as to the existence of this class through social network analyses of company directors who sit on the boards of large corporations and the subset of them who are also members of important transnational policy groups such as the World Economic Forum. The analysis draws on data from as far back as 1976, although the most comprehensive data comes from company reports produced by the 500 largest corporations (the G500) and five key policy groups between 1996 and 2006. Carroll is especially interested in the interlocks between these corporations and policy boards, meaning those links that are created by directors who sit on multiple company and policy boards and so create linkages between them, facilitating community and class formation. Although this is a narrower definition of a transnational class than found elsewhere in the literature, it has the advantage of being able to provide snapshots of networks that are directly comparable over time.

Apart from illustrating the long-standing and ongoing existence of a transnational corporate community linked across large companies and policy boards and therefore likely to be involved in processes of class formation, Carroll's snapshots highlight some important trends. One is that the community is still unevenly spatially distributed, tending to cluster around regional blocs centred on North America, Europe and Asia, but there are slowly increasing numbers of transnational corporate interlocks, and growing numbers of transnationalists (referring to individuals who are directors in at least two G500 companies which are also domiciled in more than one country) forming a transnational 'superstructure' linking the more regional communities. Overall, despite some inroads being made into the transnational class by some elites from the Global South, it remains centred on the North Atlantic. This has been further consolidated by a strengthening of corporate networks in Europe following unification and the relative decline in corporate interlocking in Japan, which Carroll argues reflects the changes in corporate governance towards smaller boards in the wake of the Japanese 'lost

decade'. Meanwhile, these shifts have been overlaid by a general trend in the period towards a generalised thinning of the networks between corporations, but this has been offset by the continuing importance of transnational policy boards as additional sites of social organisation, albeit a highly centralised one, with a few dozen 'organic intellectuals' identified by Carroll participating in a number of policy boards and serving as corporate directors at multiple firms.

Clearly there is more empirical detail to all of this than can be covered here, and Carroll touches on a variety of other themes. In general the social network analysis Carroll has employed gives a strong sense of the multi-layered and multi-centred nature of this group, although his tendency to slip between describing it in strong terms as a class and in a weaker version as a transnational 'corporate community' perhaps betrays the difficulty of inferring collective intentionality and action from this kind of analysis. Nevertheless, there are lessons here. The analysis establishes that insofar as the transnational class exists, it is still rooted in strong national and triadic networks, and their parochial interests, rather than floating freely between and across them. The tendency towards more transnational interlocking has not yet overcome the importance of national networks. As Carroll indicates, this suggests that although transnational policy boards may be important vectors through which class interests can, and will, be expressed, there will be inevitable tensions and conflicts that would need to be managed to advance any collective cause. These dynamics will likely temper the collective economic and political power the class possesses as a whole.

Carroll's analysis tells us little about the nature of these dynamics. Doing so requires a shift in focus from social networks and class structure to some of the more practical, and often more mundane, processes that are shaping what is possible in a globalising, neoliberalised economy. One key set of processes is standardisation. This is the work of creating standards which make particular activities and products comparable across space so that, for example, a consumer in France knows that their toaster meets necessary French safety requirements despite being made in Taiwan, an Indian manufacturer knows that nuts and bolts sourced from anywhere in the world can meet their specifications, or an American investor knows that the accounts they read for a Brazilian company tell them the same things as they would if it were an American company. In this way standardisation facilitates both trade and investment flows, and so globalisation itself. But, as Tim Büthe and Walter Mattli make clear in *The New Global Rulers: The Privatisation of Regulation in the World Economy*, this apparently technical task is shot through with political and institutional dynamics. Given which standards get adopted can have a major impact on competitive advantage – for example, adopting American standards as global standards would mean significant adjustment costs for European and Asian firms relative to their American counterparts – where and how they are written is an important battleground.

As the title suggests, the book is interested in the role of private regulators in the global economy. Such an institutional arrangement dovetails nicely with recent neoliberal ideology, although a number of private regulators have been around for the better part of a century, such as the International Organization for Standardization (ISO) and credit rating agencies like Moody's. Recent years have not seen a mania for more private regulators as such; more a growing importance attached to their work. With more international trade and investment, private regulators, which tend to work through the creation of reliable standards, come to the fore as managers and facilitators of these kinds of international relations. In terms of the research that constitutes the central analysis of the book, however, the title is misleading: rather than privatisation as a process it focuses on what the authors call 'institutional complementarity', meaning the fit between the structure of relevant representative organisations in a particular socio-political formation, and the structure of the private regulator that is setting global standards. Through the example of the International Accounting Standards Board and ISO, the authors find that high institutional complementarity enables that socio-political formation a greater say in which global standards are adopted, thus conferring an advantage on companies domiciled within its borders. As a result, for the formations analysed here, American companies had an advantage with the creation of global accounting standards, while European companies have an advantage with the creation of product standards. These hypotheses were tested through large-scale business surveys about the regulators and found by the authors to be reasonable.

While I was not entirely convinced that it was institutional complementarity conferring an advantage rather than institutional fragmentation amongst representative organisations in a socio-political formation meaning a disadvantage, these are arguably two sides of the same coin. Moreover, the analysis does highlight the way that institutions matter in the creation of these global regimes. There are always winners and losers when a particular standard is adopted, and the struggles over which ones will be adopted are conducted between companies, countries, classes and fractions of capital, but they will be realised and mediated through national and international decision-making institutions, giving these private organisations a rule-setting form of power not unlike that of the state, but without the democratic mandate. Büthe and Mattli recognise this problem as one of the 'distributional consequences' of the privatisation of regulation where industry interests are promoted at the expense of public interests (p. 220). These technical settings are not only a site where economic interests clash, they are also a key site in the larger struggle against the protectionism that remains the *bête noire* of neoliberal globalisation. Arguably of more importance than the institutional struggles that are central to the book is the fact that standard-setting remains largely in the hands of the private interests that stand to benefit from this longer war.

The dust jacket of Büthe and Mattli's book features two suit-sleeved hands in the foreground shaking as if a deal has just been struck, while the background shows the shadow they cast is of one of the men about to be stabbed in the back by the other. It is disappointing that the kinds of social relations this image allegorises are missing from the book in favour of institutional analysis. Indeed, when the shifting social relations between competing and cooperating elites that have occurred in different places in recent decades are considered, it can offer compelling insights into how geographies of power are changing. In their edited collection *Lawyers and Rule of Law in an Era of Globalization*, Yves Dezalay and Bryant Garth bring together a range of work on the changing place of an important group of elites in developing economies and societies that have become more and more entangled with the West and its ideals. Taken together, the chapters provide a fascinating illustration of how the transnational circulation of elites and ideas contributes to changing political and legal landscapes as they provide resources for the accumulation and reconversion of social, economic and political capital in diverse ways.

The central theme the book concerns itself with is the globalisation of the idea of the rule of law and the way that lawyers are implicated in this. The majority of the chapters focus on situations in peripheral and semi-peripheral countries in South America, Eastern Europe and Asia, as well as a chapter on Italy. The book distinguishes itself from other scholarship on the rule of law, however, through the way this notion is conceived: by treating the rule of law not as an objective state that a country progresses towards but as an assemblage of discourses and practices that vary in importance and efficacy depending on the society they get situated in. As a result, this regime establishes itself differently in different places. So a chapter by Virginia Vecchioli looks at how the rule of law entered Argentina following the end of the last military dictatorship in 1983 on the back of emergence of human rights lawyers who used a combination of imported 'know-how' from North America and local 'know-who' in Argentina to advocate for human rights protections in the country through the establishment of the rule of law. In contrast, Kay-Wah Chan discusses how the rule of law has found a foothold in Japan, a society whose legal system had a limited role until recently, as a result of the growing legal needs of business in a period of massive economic development and expansion. As all the chapters make clear, lawyers have a key role in these kinds of processes by acting as brokers between different groups vying for power, between transnationally sourced ideas and local political realities, and between what constitutes the rule of law and regular social relations. As these lines solidify, blur and shift in any given society lawyers find their own status changes as they convert various forms of social, political and economic capital into the rule of law.

As the editors point out, the spread of the idea of the rule of law cannot be separated from the globalisation of the market economy. The focus

on countries that have, for the most part, only relatively recently been networked into capitalist modernity and are also seeking to establish the rule of law implies a relationship between the two. In this sense the chapters represent a series of thematic case studies on the underlabouring that occurs below some of the more visible and discussed manifestations of globalisation. Put simply, transnational networks of lawyers enable the rule of law to be established, which in turn opens up space for trade and capitalism to spread. The rule of law provides a transnational framework in which market players from the wealthy West feel comfortable, and a bridging language across business culture divides that facilitates transnational trade and investment relationships. But as this book demonstrates, this is a local process. Lawyers have different positions and different kinds of work to do in every locality. As a result, transnational and local relations intermingle to produce a distinctive geography to the rule of law internationally.

The very different elite geographies these books present show the many ways that geographies of power have changed in the last few decades. Globalisation has not simply been a neutral economic development, and neoliberalism is not just a style of economic reasoning: both have dramatically altered the way power works in our world. One place this is clear is at the public-private interface, which is now less interface and more full-blown integration. What might be called traditional forms of political pressure from the policy activities of the transnational capitalist class discussed by Carroll is supplemented by the privatisation of forms of regulation discussed by Büthe and Mattli, and the networks of elite actors that connect private and public spaces not just nationally but transnationally, as demonstrated in Dezalay and Garth's collection. This also highlights the multiple sites where power can be exercised, from within the most mundane and technical of matters, to the overlapping political, social and economic networks that elite actors circulate through, to agenda-shaping international policy boards and committees. But reading all the books together shows that the parameters of the world that is emerging are not being set by overarching global actors, whether it is a particular class or a particular set of organisations, but through the interaction of transnationally stretched and more localised relations, producing a geography that is richer and more complex than any one of them can describe on their own.

NOTE

1. Then Australian Prime Minister Kevin Rudd described neoliberalism as 'that particular brand of free-market fundamentalism, extreme capitalism and excessive greed which became the economic orthodoxy of our time' in 2009. See <<http://www.themonthly.com.au/monthly-essays-kevin-rudd-global-financial-crisis--1421>>.