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Abstract

“The rise of corporate power and the increasing importance accorded to markets mean that transnational corporations are eclipsing the nation state as the driving force behind policy-making. Free trade has been given precedence over goals such as environmental protection, improved working conditions, affordable and accessible electricity and water, universal health care and schooling.”

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“The rise of corporate power and the increasing importance accorded to markets mean that transnational corporations are eclipsing the nation state as the driving force behind policy-making. Free trade has been given precedence over goals such as environmental protection, improved working conditions, affordable and accessible electricity and water, universal health care and schooling.”

It would be a mistake to assume that today’s global elite is defined by solely by its wealth. Rather it is a transnational corporate class made up of top corporate executives wielding power founded in the giant institutions they command together with individuals and families who have derived great wealth from business enterprises.

This transnational corporate class organises and runs the business coalitions where common goals and strategies are worked out; coordinates the public relations specialists, think tanks and media outlets that manipulate public opinion; sets the agendas for policy groups; guides their policy recommendations onto government agendas; fills executive positions in successive government administrations and as government advisors; and thereby ensures public policy outcomes that are conducive to the business interests they favour. In this way governments are intimately connected with this business power elite. [1]

Since the 1970s corporate executives have begun to act as a class with a shared ideology rather than a collection of competing companies with some common business interests. In his book *The Inner Circle*, written in the 1980s, Michael Useem claimed that whilst “a sense of class affinity based on company stewardship can hardly be said to be new, the strength of the bond has increased and a select circle of those in corporate power are now far more willing to work towards goals that serve all large companies.” His study of the US and UK found that even at that time large corporations were becoming more and more interrelated through shared directors and common institutional investors. [2]

The inner circle are powerful within the corporate community because of their top level management positions within large corporations, their board membership of other large corporations, and their leadership positions in business associations. Because of these multiple positions they are able to network with others in similar positions and mobilize resources and express support for political goals shared by others in the circle. Their views tend to “reflect the broader thinking of the business community” rather than the concerns of an individual company. [3]

Susan George has referred to this inner circle as the Davos Class (referring to the annual meeting of the World Economic Forum (WEF) at Davos). She describes them as “interchangeable, international, individually wealthy, nomadic, with common attributes, speaking a common language and sharing a common ideology”.

Interlocking Directorates

The class consciousness of top corporate executives has been facilitated by the growth of inter-corporate networks of ownership and interlocking directorates of large corporations,

which give rise to a growing number of corporate executives who occupy positions on the boards of several companies. These corporate executives have become politically active on behalf of business in general, providing leadership for business coalitions and associations. [4] Many of these coalitions are now global in their reach, reflecting the transnational nature of the modern corporation. The corporate class has evolved into a transnational capitalist class. [5]

Various studies have shown that interlocking directorates have grown to become more global. What is more the size of corporate boards has decreased whilst the proportion of outsiders on each board has increased, with CEOs and executives from other companies dominating the composition of many boards. [6]

A team of Swiss systems theorists, utilising a database of 37 million companies and investors worldwide, studied the share ownerships linking over 43,000 transnational corporations. “Then they constructed a model of which companies controlled others through shareholding networks, coupled with each company’s operating revenues, to map the structure of economic power.” They found that a core 1318 companies, representing 20 percent of global operating revenues, “appeared to collectively own through their shares the majority of the world’s large blue chip and manufacturing firms... representing a further 60 per cent of global revenues”. [7] Then,

when the team further untangled the web of ownership, it found much of it tracked back to a ‘super-entity’ of 147 even more tightly knit companies – all of their ownership was held by other members of the super-entity – that controlled 40 per cent of the total wealth in the network. ‘In effect, less than 1 per cent of the companies were able to control 40 per cent of the entire network,’ says Glattfelder. Most were financial institutions. The top 20 included Barclays Bank, JPMorgan Chase & Co, and The Goldman Sachs Group. [8]

In the US, corporations with the most extensive interlocking board connections – American Express, Sara Lee, Chase Manhattan Bank, General Motors, Procter and Gamble – tend to play a central role in business networks. Their directors are 90-95 percent male, 95 percent white, usually business executives, bankers or corporate lawyers, and tend to vote Republican. The few business leaders who don’t fit this profile, nevertheless, adhere to corporate values. These directors, along with the leaders of supporting think tanks and policy groups, constitute a corporate class with common interests in fostering a pro-business political climate that has minimal scope for democratic intervention. [9]

Career and Education

Sociologists Bourdieu and Boltanski argued that the use of the right educational qualifications is “a method of class reproduction no less effective than the older mechanism of direct inheritance of wealth.” [10] These days career is more important than education in achieving membership of the transnational business class. However education plays an important role in achieving entry into corporate careers.

In Britain a public school education (‘public’ schools being exclusive private schools in Britain) and a non-technical degree from one of the more prestigious universities – Oxford or Cambridge (referred to as Oxbridge) – are better keys to top corporate jobs than a technical education even at university level or a postgraduate business qualification. This is referred to

as the 'old boy network', suggesting that connections made at school are an invaluable aid to future careers. [11]

A study by the Social Mobility Commission in the UK found that three years after graduation from University, those who attended private schools were more likely to have high status jobs, even if they had the same grades, went to the same universities and did the same degrees. [12]

Schools in the supposedly more equalitarian countries of Australia and the US also perform a selecting role. Daniel Golden, in his book *The Price of Admission* has demonstrated that the wealthy elites in the US are able to buy the way for their children to attend prestigious, ivy league universities (such as Harvard, Duke, Brown, Notre Dame, the University of Virginia, Princeton, Stanford and Amherst), thereby jumping the queue ahead of others who have better academic records and exam scores. By attending these universities, they "acquire a prestigious career credential and high-powered friends and spouses" and the elites are able to perpetuate themselves as a class. [13]

However career connections are still more important than educational background. The top CEOs of the largest transnational corporations (TNCs) have similar backgrounds and corporate experience. In 2008 USA Today observed:

One in every five CEOs running the 1,187 publicly traded corporations with a market value of at least \$2 billion have at one time held a job at one of just 20 companies. One in every 10 CEOs worked at one of eight companies. One in 27 have earned a paycheck at one of these two leadership factories: General Electric (GE), with 26 CEO alumni; and IBM (IBM), with 18. [14]

It is the top management consulting firms – McKinsey, Deloitte, Pricewaterhouse Coopers, Ernst & Young and the now-defunct Arthur Andersen – that have produced the highest proportion of CEOs given their relatively smaller size (see table below). This is not surprising since these firms hire the most talented business graduates and then give them experience advising firms on how best to manage their companies. Those who gain a reputation for sound business management advice are then sought for top executive positions, including CEOs. [15] Such career connections create a powerful network of contacts and shared values.

Companies Producing CEOs for Wealthiest Corporations

<u>Company</u>	<u>Employees</u>	<u>CEOs</u>	<u>* Odds</u>
McKinsey	11,000	16	1:690
Deloitte & Touche	17,170	8	1:2,150
Baxter International	48,000	11	1:4,365
PricewaterhouseCoopers	47,750	10	1:4,775
Ernst & Young	103,000	12	1:8,585
Merrill Lynch	62,200	7	1:8,885

Motorola	66,000	7	1:9,430
Intel	88,100	8	1:11,010
Procter & Gamble	138,000	12	1:11,500
General Electric	300,000	26	1:11,540
Honeywell	118,000	10	1:11,800
Novartis	100,735	8	1:12,590
PepsiCo	168,000	13	1:12,925
Disney	133,000	9	1:14,780
ExxonMobil	106,400	7	1:15,200
Johnson & Johnson	122,200	8	1:15,275
IBM	366,485	18	1:20,360
AT&T	301,840	13	1:23,220
Citigroup	332,000	11	1:30,180

** CEOs of 1,187 publicly traded companies with market values of \$2 billion or more as of October 2007. Source: Del Jones, 'Some firms' fertile soil grows crop of future CEOs', USA Today, 9 January 2008.*

McKinsey & Company is a global management consultancy that is a launch pad for some of the top executives in transnational firms around the world. It claims to have 20,000 former employees in leadership positions globally. [16]

The secretive firm has been the go-to strategy consigliere for the globe's top companies – from Procter & Gamble to American Express – as well as governments for more than a half century. Its influence is staggering. Consider this: More current and former Fortune 500 CEO's are alumni of McKinsey than of any other company. [17]

James O'Shea and Charles Madigan noted this trend in their 1997 book *Dangerous Company*:

McKinsey business missionaries not only whisper and advise at the highest levels, they have a propensity for moving from the consulting world into the executive suite. IBM, Sears, AT&T, American Express, the list could stretch for pages, all huge companies that first bought McKinsey's top dollar advice, and then saw McKinsey veterans shift loyalties and join executive ranks, frequently turning back to their old employer to buy consulting services. It is one of the world's greatest old-boy networks. Job placement is only part of the point. When a Fred Gluck moves from directing McKinsey to running Bechtel Corp., in San Francisco, he takes along McKinsey values, experience, and most important, contacts. There are signs of these connections almost everywhere now, the legacy of decades of consulting and executive contacts. [18]

Examples of McKinsey employees who went on to bigger and better positions in business and government include:

- John Cecil, former CAO, Lehman Brothers
- Vittorio Colao, CEO of Vodafone
- Hillary Rodham Clinton, US Secretary of State
- Don Cruickshank, former general manager of the Sunday Times (UK), former chairman of the London Stock Exchange
- Louis V. Gerstner, Jr., former chairman and CEO of IBM and RJR Nabisco, and chairman of The Carlyle Group
- Harvey Golub, former chair and CEO of American Express, former chair of AIG
- James P. Gorman, President and CEO of Morgan Stanley
- Stephen Green, chairman of HSBC
- William Hague, former UK Tory leader
- Fred Hilmer, former CEO of Fairfax newspapers, former chair of Pacific Power, Vice-Chancellor of University of NSW
- Michael H. Jordan, former chair and CEO of Pepsi Co and Westinghouse Electric
- Marius Kloppers, CEO of BHP Billiton
- James McNerney, chairman and CEO of Boeing
- Lukas Muhlemann, former chair of Swiss Re• Helmut Panke, former chairman and CEO of BMW AG
- Susan Rice, the U.S. ambassador to the United Nations
- Sheryl Sandberg, COO of Facebook
- Jonathan Schwartz, former CEO of Sun Microsystems
- Christopher A. Sinclair, former chairman and CEO of PepsiCo
- Jeffrey Skilling, former CEO of Enron
- Kevin Sharer, CEO of Amgen
- Adair Turner, former Director-General of the Confederation of British Industry (CBI), Chair of the Financial Services Authority
- Peter Wuffli, former CEO of UBS AG

Social Networking

The inner circle of corporate executives have various opportunities to meet and socialise, which facilitates their social cohesion as an elite or social class as well as the formation of some sort of consensus about directions that government policy should take. In 1998 Time magazine identified a number of what it called 'Power Camps' attended by the wealthy and powerful. These included the Bilderberg Conference and the Bohemian Grove.

According to social psychology literature,

people who meet in relaxed settings, and see their group as exclusive, become even tighter with each other than people in ordinary groups. Even better, people in exclusive groups are more likely to listen to each other and come to a compromise if they have the task of figuring out what to do about some policy issue. [19]

In the US, private/exclusive men's clubs have helped to maintain the 'old boy networks' of power:

American men's clubs served a similar function as did their British models. They were extremely homogeneous, representing the upper elite of white male society. Similarities of interest, values and social status were strict criteria for club admittance and a shared feeling of collectively-justified superiority... [20]

The Bilderberg conference is held each year at an expensive hotel in Europe or North America. The 120 or so people invited attend in a private rather than official capacity and the conference aims to enhance "mutual understanding". It is attended by North American and European corporate leaders (from BP, Microsoft, Google, IBM, Shell, Unilever, Barclays), bankers, top politicians – including heads of state and royalty – and military leaders, and senior newsmedia (who are not there to report on the discussions).

Bilderberg steering Committee members have included:

- David Rockefeller, former director on the Council on Foreign Relations and co-founder of the Trilateral Commission
- Henry Kissinger, former US Secretary of State
- James D. Wolfensohn, formerly president of the World Bank
- Conrad Black, newspaper publisher
- Giovanni Agnelli, former chair of Fiat, and
- Jorma Ollila, chair of Nokia and of Shell.

An analysis of the 1999 list of people attending Bilderberg found that those "from the U.S. are almost always members of the Council on Foreign Relations, and since 1973 Japanese elites have been brought into the fold through a third overlapping group, the Trilateral Commission".

Future presidents and prime ministers have been invited including Bill Clinton (in 1991 – became president in 1993), Tony Blair (1993 – became Leader of Opposition in 1994 and

PM in 1997), and various presidents of the European Union, all before they were elected to those positions. “This has led to accusations that the group pushes its favoured politicians into high office. But Viscount Davignon [head of Bilderberg] says his steering committee are simply excellent talent spotters... But its critics say Bilderberg’s selection process gives an extra boost to aspiring politicians whose views are friendly to big business.” [21]

Each summer around 1500 members of America’s male corporate elite meets for a summer camp at Bohemian Grove, a 2,700 aced forest in Northern California. Each member of the Bohemian Club can bring a guest. Also invited, for the enjoyment of attendees, are the nation’s top male entertainers, artists and professors. These associate members don’t have to pay the high Club membership fees but must preform in several productions at Bohemian Grove as well as on 20 or more Thursday evening events at the City Club in San Francisco. [22]

The all male event involves lots of drinking, entertainment, outdoor activities and relaxation and most of all an opportunity to socialise, let their hair down, and bond. The gathering offers opportunities for intimacy and personal interaction in a relaxed atmosphere, and this helps develop a class cohesiveness that facilitates the formation of joint policy objectives and strategies. [23]

According to Peter Martin Phillips, who attended Bohemian Grove in 1994 and wrote a PhD thesis on the Bohemian Club:

it was apparent that the term elite is a self-identifier for many Club members, and that because of that identity they feel they have an obligation and right to set the political policies and direction for America... The homogeneity of the Club and the close inter-relationships of the men, allows for the articulation of shared values and beliefs on numerous socio-political topics. [24]

Membership is by invitation only and very exclusive. Most regular members, as opposed to the talented associate members, are business executives. They include “directors from major corporations in every sector of the American economy” and “at least one officer or director from 40 of the 50 largest industrial corporations in America”, and 23 out of the top 25, attended Bohemian Grove in 1970. This heavy corporate presence was confirmed for the early 1990s camps by Phillips in his thesis. In addition 27% of the local members were listed in the San Francisco Social Register, indicating that they were part of the social upper class. [25]

Martin found that Bohemian Club members and guests held 13% of the directorships of the most interlocked policy-planning groups and think tanks, including almost 40% of the Hoover Institute, 27% of the American Enterprise Institute, 26% of the Business Council, 21% of the Conference Board and 18% of the Trilateral Commission. [26]

Over the years all the usual suspects have made appearances: Rumsfeld, Kissinger, two former C.I.A. directors (including Papa Bush), the masters of war and the oligarchs, the Bechtels and the Besses, the board members of top military contractors – such as Halliburton, Lockheed Martin, Northrop Grumman, and the Carlyle Group – Rockefellers, Morgans, captains of industry and C.E.O.s across the spectrum of American capitalism. The interlocking corporate web – cemented by prep-school, college, and golf-club affiliations, blood, marriage, and mutual self-interest – that makes up the American ruling class. Many of

the guys, in other words, who have been running the country into the ground and ripping us off for decades. [27]

Each day, at 12.30pm there are lakeside talks or “chats” by professors, business leaders, cabinet officers, and presidents (past and future) in an informal atmosphere free from reporters.

Chats stimulate political and policy discussions among the men at the Grove, and serve the purpose of allowing consensual understandings to take shape. This is not to say that there is not disagreement among Club members... Lakeside Chats are a shared experiential process that enhances a sense of elite weness [sic] in unison with shared challenges and in opposition to common threats. [28]

Lakeside chats allow the businessmen present to size up politicians and politicians to strut their stuff in front of influential and powerful businessmen. In fact the Grove is an essential venue for presidential hopefuls. “Collectively, Bohemians offer political candidates a concentrated network of potential contributors and influential contacts in the U.S. corporate world.” For example in 1991 speakers included Bill Clinton (who was elected president in 1992), Helmut Schmidt (former Chancellor of West Germany), Dick Cheney (then Secretary of Defense) and George Schultz (former Secretary of State). In 1995 George Bush (former president) promoted his son as a future president. [29]

The Bohemian Grove has long been a political networking point for Republicans. Dewey, Hoover, Wilkie, Eisenhower, Taft, Goldwater, Nixon, Bush, Ford, and Reagan have all been members or guests at the Grove along with significant numbers of cabinet members and White House officials... Eisenhower gave a premier political address at the Grove in 1950 setting himself on the path to the presidency, and presidential hopeful... [30]

The World Economic Forum (WEF) also organises gatherings of top level business people. They meet annually at the Swiss ski resort of Davos, and at numerous other more specialised meetings during the year, to network, have private discussions, share information and ideas, form alliances, and influence policy-makers. A “club atmosphere” is deliberately cultivated and a “privileged, informal, framework for intensive business networking”. Government leaders are invited to WEF meetings. The World Economic Forum likes to see its annual meetings in Davos as a forum for politicians, business people and regulators to discuss the problems facing the world. For many captains of industry, however, the gathering is largely an opportunity to talk to each other – in private... While delegates debate rising food prices or the outlook for the global economy in the conference centre, many chief executives will be deep in conversation with their counterparts in hotel meeting rooms, bars and restaurants. [31]

Business Mobilisation

Business coalitions and networks work on the principle that a “combined voice is more powerful than one that is fragmented”. [32] Companies that are theoretically competitors in the market, cooperate with each other to protect business interests against democratic regulations and restrictions. Individual firms network with national sectoral associations, national sectoral associations network within national peak associations such as the US Chamber of Commerce or the US Council for International Business (USCIB), and national

peak associations network with international peak associations such as the ICC. The USCIB noted that:

Leading American companies increasingly recognize that, to succeed abroad, they must join together with like-minded firms to influence laws, rules and policies that may undermine U.S. competitiveness, wherever they may be... By helping shape international regulation and expand market access for U.S. products and services, USCIB members can lower the costs of doing business abroad and enhance their long-term profitability. [33]

The mobilisation of business interests through the building of networks and formation of strategic alliances and coalitions is necessary in a business-managed democracy “to ensure that corporate and political elites are able to think and act with considerable unity” and to manage “elite consensus”. [34]

An inner circle of corporate executives has facilitated the formation of many business associations and coalitions that seeks a more general political agenda than traditional trade associations; one that is not industry or region specific. Business associations present a united front for their corporate members and assert the power of large corporations in political forums. These associations cooperate with each other and “perform largely complementary tasks.” [35]

They not only share members and even leaders, but associations and coalitions often join other associations and coalitions as members, or create new associations and coalitions for specific purposes. They have also created an array of front groups that achieve their political goals whilst appearing to be independent of the founding corporations or associations.

In this way a vast network of business coalitions and groups, supported by an array of well-funded think tanks and public relations firms, proliferated during the 1980s and 90s. Their purpose is not only to coordinate public relations campaigns as in earlier times but to exert collective pressure on policy makers to ensure that policies increase the power and autonomy of those corporations. And many of these coalitions are now global in their reach reflecting the transnational nature of the modern corporation, which seeks to pressure governments worldwide to implement corporate-friendly, open-access policies.

The ‘unprecedented levels of strategic alliances and global networks’ created by transnational corporations (TNCs) have been referred to as a new form of capitalism: ‘alliance capitalism’. In this new form of capitalism, TNCs have more in common with and show more loyalty to TNCs from around the world than with the countries they are headquartered in. Despite this shift in allegiance, national governments still go out of their way to facilitate the business activities of these TNCs and to ensure their policies do not unduly impede those activities. [36]

The rise of corporate power and the increasing importance accorded to markets mean that TNCs are eclipsing the nation state as the driving force behind policy-making. The corporate goal of free trade has been given precedence over other citizen goals such as environmental protection, improved working conditions, affordable and accessible electricity and water, universal health care and schooling. Each of these areas of social policy has been subject to commodification, marketisation, privatisation and deregulation in the name of free markets. [37]

The purpose of these powerful business coalitions is to ensure that corporate interests are advanced over the welfare, health and other interests of national populations and to undermine the democratic process for deciding government priorities and policies. What business leaders seek, and to a large extent have achieved, are 'business-managed democracies', that is, democracies where the politics and cultural life of nations are managed in the interests of business.

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