The Network of Global Corporate Control

A Few Companies Have Power Over Most of the Real Economy

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The idea that the few dominate the many will not come as news to those gathered either to occupy wall street or to occupy everywhere. But up until now it has been just an intuition that a few corporations control the world.

Not any more. A team of Swiss mathematicians just proved that out of over 43,000 transnational corporations (TNCs), relatively few control almost 80% of the global economy. Find out who has the power below.

Global Domination a Facebook Phenomenon, Not a Conspiracy

The team, led by S. Vitali of the Swiss Federal Institute of Technology in Zurich, used a method of analysis often applied to connectivity in the internet. Called the “bow-tie model,” the method assigns companies onto the parts of a bow-tie.

Inter-connected companies sit on the knot of the bow tie shape. All of the companies in the knot have control relationships to other companies in the knot and are themselves controlled by other companies in the knot. Companies which control those in the knot, but are not themselves controlled in return, are visualized on one wing of the bow-tie. And companies controlled by those in the knot, but not themselves controlling, are on the other wing of the bowtie.

The fact that a small number of companies are highly connected in the knot does not prove unbalanced control; after all, it is normal in networking that everyone wants a connection to the powerful few, who connect out to those who can offer something in return. But by combining the bow-tie topology with a control ranking, the team came to an amazing conclusion.

Less than 1% of Companies in Control

The team found a core of 1318 companies (mostly financial services companies) with an average of 20 control links each amongst themselves. These 1318 companies represent only 0.7% of the TNCs but 18.7% of the revenue of all TNCs. When one adds in the 59.8% of the revenues from companies on the wing of the bow-tie controlled by those in the knot, these companies control almost 80% of the global economy.

A “super-entity” of 147 companies, or 0.3% of all TNCs, holds control over fully 40% of the economic value of TNCs. In the words of the authors:

“4/10 of the control over the economic value of TNCs in the world is held, via a complicated web of ownership relations, by a group of 147 TNCs in the core, which has almost full control over itself.”

The Danger: Conflict of Interest and Stability Risk, Not Conspiracy

This study is a sitting duck for those who want to twist the results to prove a huge conspiracy theory. But that would risk seeking the wrong solution, because this strong connectivity stems from a natural organization of entities in networks, not from conspiracy.

But as those who occupy everywhere loudly make known, when less than 1% are in control, the risk of instability is too high. “Too Big to Fail” arises when too few control too much.
Additionally, there are conflicts of interest inherent in the strong interconnectivity found by this study. Although this core may not be conspiring, it would be naive to suggest that the end effect does not suffer from the same economic downsides that governments and financial regulators attempt when preventing monopolistic practices. Or that this level of inter-connected, concentrated control does not harm fair trade, the environment, and other causes essential to sustainability but secondary to free market capitalism.

Observers have derided the Occupiers for not having a plan for change. But effective change requires understanding the outset conditions. This study proves what we have all suspected, and offers some powerful tools to begin to address the risks of instability and lopsided power intrinsic in the current global economic system.

The authors suggest that new regulatory mechanisms will have to extend beyond national borders. They are almost certainly right.

Christine Lepisto

The Top 50 Control Holders *

1. BARCLAYS PLC (GB)
2. THE CAPITAL GROUP COMPANIES INC (US)
3. FMR CORP (US)
4. AXA (FR)
5. STATE STREET CORPORATION (US)
6. JPMORGAN CHASE & CO. (US)
7. LEGAL & GENERAL GROUP PLC (GB)
8. THE VANGUARD GROUP, INC. (US)
9. UBS AG (CH)
10. MERRILL LYNCH & CO., INC. (US)
11. WELLINGTON MANAGEMENT CO. L.L.P. (US)
12. DEUTSCHE BANK AG (DE)
13. FRANKLIN RESOURCES, INC. (US)
14. CREDIT SUISSE GROUP (CH)
15. WALTON ENTERPRISES LLC (US)
16. BANK OF NEW YORK MELLON CORP. (US)
17. NATIXIS (FR)
18. THE GOLDMAN SACHS GROUP, INC. (US)
19. T. ROWE PRICE GROUP, INC. (US)
20. LEGG MASON, INC. (US)
21. MORGAN STANLEY (US)
22. MITSUBISHI UFJ FINANCIAL GROUP, INC. (JP)
23. NORTHERN TRUST CORPORATION (US)
24. SOCIÉTÉ GÉNÉRALE (FR)
25. BANK OF AMERICA CORPORATION (US)
26. LLOYDS TSB GROUP PLC (GB)
27. INVESCO PLC (GB)
28. ALLIANZ SE (DE)
29. TIAA (US)
30. OLD MUTUAL PUBLIC LIMITED COMPANY (GB)
31. AVIVA PLC (GB)
32. SCHRODERS PLC (GB)
33. DODGE & COX (US)
34. LEHMAN BROTHERS HOLDINGS, INC. (US)
35. SUN LIFE FINANCIAL, INC. (CA)
36. STANDARD LIFE PLC (GB)
37. CNCE (FR)
38. NOMURA HOLDINGS, INC. (JP)
39. THE DEPOSITORY TRUST COMPANY (US)
40. MASSACHUSETTS MUTUAL LIFE INSUR. (US)
41. ING GROEP N.V. (NL)
42. BRANDES INVESTMENT PARTNERS, L.P. (US)
43. UNICREDITO ITALIANO SPA (IT)
44. DEPOSIT INSURANCE CORPORATION OF JP (JP)
45. VERENIGING AEGON (NL)
46. BNP PARIBAS (FR)
47. AFFILIATED MANAGERS GROUP, INC. (US)
48. RESONA HOLDINGS, INC. (JP)
49. CAPITAL GROUP INTERNATIONAL, INC.(US)
50. CHINA PETROCHEMICAL GROUP CO. (CN)

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