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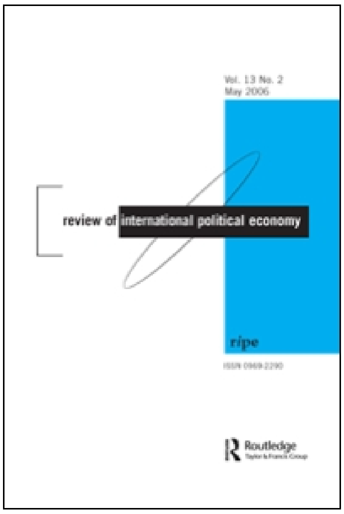

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The resurgence of German capital in Europe: EU integration and the restructuring of Atlantic networks of interlocking directorates after 1991

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ABSTRACT

European integration is interpreted in this paper as the route by which (West) Germany, profiting from close ties with the English-speaking West, was able to restore its full sovereignty and economic pre-eminence in Europe. Yet in shaping the actual integration process, it was France which played the key role. Most of the landmark steps towards the current EU were French proposals to pre-empt Anglophone–German collusion; creating European structures in which a resurgence of Germany (politically and economically) was made subject to permanent negotiation. German unification in 1991 removed the one reason why successive governments of the Federal Republic had gone along with this. Paradoxically, sovereign Germany today finds itself bound by the dense networks of consultation and decision-making which make the EU unique in the field of regional integration. The paper shows that between 1992 and 2005, German capital has moved to the centre of the network of corporate interlocks in the North Atlantic area. This helps to explain why in the post-1991, post-Soviet era of neoliberal, finance-driven globalisation, Germany is increasingly 'speaking for Europe', as its corporations have become nodal points in the communication structures through which the responses to the challenges facing the EU and the West at large are being shaped.

KEYWORDS

Transnational capital; Germany; European integration; interlocking directorates; corporate structures.

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INTRODUCTION: TRANSNATIONAL CAPITAL AND NATIONAL STATES

In this paper[1] we argue that German capital[2] has regained its historic position in the global political economy along with restoring the German pre-eminence in Europe lost in the Second World War. One of the indicators of this pre-eminence is the unprecedented central position of German firms in terms of interlocking directorates among the world's largest corporations.

European integration has greatly contributed to this development, but not as a straightforward projection of German power and influence. It is our claim that the Federal Republic regained its sovereignty in large part by allowing France to 'Europeanise' successive aspects of West German resurgence – from the expansion of steel-making capacity to monetary primacy, and from re-militarisation to *Ostpolitik*. With German reunification in 1991, this process was consummated, and European integration lost its specific inner dynamic (just as it lost, as a result of the simultaneous collapse of the Soviet Union, a key external driving force).

The European Union (the new name for the European Communities agreed in the same year, 1991) remains 'the central locus for continual, organized consultation and bargaining among the national governments and bureaucracies of Europe' (Calleo, 1976: 20). Paradoxically, the newly reunified German state thus finds itself enmeshed in a dense web of European regulation to which it signed up at successive stages of its political and/or economic recovery. In another paradox, however, German capital, along various transmission belts, is able to determine the direction of EU policy to an extraordinary degree. These paradoxes dissolve once we accept, as is our premise in this paper, that the centrality of German corporations in the transnational network of interlocking directorates, combined with their relative prominence in the European Round Table of Industrialists and other networks, must be interpreted in the context of an agenda-setting power of transnational capital which over-determines both EU and member state policy. Since the German network continues to link 'the strategic action of firms to enduring national systems of ownership and control' (Kogut and Walker, 2001: 320–1), we can still speak of 'German capital' in the transnationalised context.[3]

Transnational corporate power has been analysed in a variety of ways, and interlocking directorates are one instance by which this power can be documented empirically. It depends on one's theoretical framework whether a particular structure of the interlock network is then seen as having primarily economic, or also a wider socio-political significance (Scott, 1985; Nollert, 2005: 290–4). Thus, in an institutionalist political economy, director interlocks are interpreted as channels of communication and control. They allow the informal governance by which 'private actors ...

solve market failures by devising agreements independent of government' (Cutler, Haufler and Porter, 1999: 13). These agreements underpin the rules or 'regimes' under which corporations compete. Corporate regimes work to codify, formally and informally, mutual expectations and accepted practice across networks of joint directorates (Heemskerk, 2007: 28). Centrality in the interlock network is evidence of a relatively greater ability to guide the direction in which regimes should ideally evolve – the scope of market discipline, forms and foci of regulation, and so on.

Multiple directors are usually non-executive directors, 'network specialists' rather than actual managers (Fennema, 1982: 208). They also tend to be active in private policy networks along with politicians and media representatives, sit on advisory committees, and the like (Carroll and Carson, 2003). Corporate elite theory defines them as the 'inner circle' (Useem, 1984), to be distinguished from the 'upper tier' of inherited wealth (Domhoff, 1971, 1978). Yet in phases of severe social crisis it would seem that both tend to respond very much in step, as has been documented for the turn to neoliberalism in the 1980s (Jenkins and Eckert, 1989). This may be taken as pointing to a larger, more comprehensive process of class formation in which both top managers and large owners are equally involved.

In a historical materialist analysis, class formation is understood in terms of directive 'historic blocs' configured around shifting nodal points in the political–economic structure (Poulantzas, 1971: vol. 2, 65–70; Cox, 1987: Chapter 10; Overbeek, 2000). The forces at the centre of such configurations (on account of political–economic ascendancy, and firms and groups rather than personalities per se), must prove their ability to translate their particular interests into a recognised general interest in order to gain directive power (Overbeek, 1990: 26). Yet the 'comprehensive concept of control', which in the process becomes the unwritten programme for political–economic development (Bode, 1979), inevitably will unravel again at some point and be exposed as a special interest – in the way neoliberalism in the current crisis is being widely recognised as a strategy of high finance, after having enjoyed two decades of near-complete hegemony.

In the modern era, the dominant social forces in the global political economy are transnational in nature. States retain the sovereign power of enforcement, but pre-eminence in transnational networks entails the ability to bring power to bear in specific national contexts. To quote Gramsci, actors operating from the transnational plane 'propose political solutions of diverse historical origin, and assist their victory in particular countries – functioning as international political parties which operate within each nation with the full concentration of the international forces' (Gramsci, 1971: 182n.).

This is how we will interpret the importance of the centrality of German capital, and the power it exerts through the structures of European integration that allowed the Federal Republic to regain its sovereignty. We first look at the historic position of France, the architect of the process of European integration. This will enable us to argue why, even as an occupying power, it had no choice but to create a European space for West German resurgence.

THE FRANCO-GERMAN BALANCE AT THE ORIGIN OF EUROPEAN INTEGRATION

From the outbreak of the Russian Revolution, the prevailing view in the English-speaking West identified Germany as the bulwark and battleground against revolutionary socialism, and its Social Democrats as part of the defence line. A century earlier, at the Congress of Vienna, making France the stabilising factor on a continent tired of revolution had still guided the victorious powers; in 1918–19, 'the Anglo-Americans supported and the French tolerated the [Social Democrat] Ebert regime first and foremost as a hedge against the rising ecumenical Bolshevik Revolution' (Mayer, 1967: 254). However, the exorbitant demands for reparations made by France on defeated Germany threatened to undermine that country's ability to resist the revolutionary wave (Keynes, 1920: 222–6 and *passim*). This goes a long way in explaining why France would be overruled and Germany built up against communism – until the Weimar Republic proved no longer able to hold the line and the Nazis were invited to take over (Abraham, 1981).

To the extent a central node in the transatlantic networks of power and influence can be established in this period, the Rhodes-Milner Group of British Commonwealth politicians and financiers would be the prime candidate (Quigley, 1966, 1981). The group, trustees of the fortune of Cecil Rhodes and of the secret society he set up, was connected to the entourage of US President Woodrow Wilson via J.P. Morgan's transatlantic banking network (Burch, 1981, vol. 2: 205–7; Van der Pijl, 1984: 36–75). Morgan in 1901 actually offered Lord Milner the partnership in his London branch, but he declined and E.C. Grenfell took it instead (Quigley, 1966: 950–1).[4] The English-speaking connection was pre-eminent here. Shared conceptions of property, nurtured in a long history of transatlantic movement of people and capital, fitted into what in many respects remains a single transnational society (Kaufmann, 1999).

Comparable bonds tied the Netherlands to Britain. From the Glorious Revolution of 1688 to the opening of the Dutch East Indies to UK economic activity in the course of the nineteenth century, Anglo-Dutch connections were dense; in the twentieth century, interlocks and company bi-nationality built on this legacy (Gerretson, 1971). Since Dutch trading companies were also active in Germany, ownership and director links with German firms turned the Netherlands into a bridge between corporations from the Atlantic heartland and Germany, a source of perennial political conflict in the Netherlands itself (Bode, 1979; Van der Pijl, 1984: 46–7, 169).

In the First World War, Anglo-American corporate connections with Germany were suspended. Yet German financiers like the Warburg family (backers of Kuhn, Loeb and Co., Morgan's main rival on Wall Street) had by then established subsidiaries in Britain and/or the United States that were exempt from confiscation. Kuhn, Loeb and Co. also assisted in cloaking German assets in the US in the interwar years, and the neutral Netherlands again served as a bridge between German business and Anglo-American capital (Aalders and Wiebes, 1995: chapter 4).

Maintaining close relations with France, backed up financially by Morgan during the war, lost its rationale for Anglo-American capital in the face of German and Austro-Hungarian collapse and revolution in Russia. Quigley sums up the aims of the Milner Group at this juncture (before the issue of appeasing the Nazis would undermine its unity of purpose) as follows:

> To maintain the balance of power in Europe by building up Germany against France and Russia; to increase Britain's weight in this balance by aligning with her the Dominions and the United States; to refuse any commitments (especially commitments through the League of Nations, and above all any commitments to aid France) beyond those existing in 1919; to keep British freedom of action; to drive Germany eastward against Russia if either or both of these two powers became a threat to the peace of Western Europe (Quigley, 1981: 240).

For a brief period, especially after the conclusion of the Rapallo Treaty of 1922, Weimar Germany and the nascent USSR seemed actually to be moving closer to each other. But in 1924, the considerations cited above prevailed when the United States, with Britain and the First World War neutrals following up with private capital, launched a stabilisation operation for Germany – the Dawes Plan. This intervention, as Schuker documents in his eponymous book, sealed 'the end of French predominance in Europe' (Schuker, 1976). It was from this position that France would have to try and contain a German resurgence after 1945, when the combined weight of the Soviet Union and the communist movement in the balance of forces was incomparably greater than in the 1920s.

French European initiatives and the integration process

All forms of economic integration reflect the need for transnational pooling and coordination of state functions to adjust to and facilitate the transnationalisation of capital (Keohane and Hoffmann, 1991: 7–8; Moravcsik, 1993; Pond, 2002). They also allow the peaceful redistribution of economic spheres of influence, suspending the political effects of uneven development that early twentieth century theories of imperialism had identified as the cause of great power war (Hilferding, 1973; Lenin, 1965; Milios and

Sotiropoulos, 2009: 17–20). What makes the European integration experience unique was the fact that Germany had unconditionally surrendered to the Allies in 1945. In no other instance of contemporary international integration – NAFTA, ASEAN, Mercosur or other – do we find that the state with the largest population and economy enters the process defeated in war, partitioned, and forced to regain its sovereignty by compromises with its neighbours.

Once the Marshall Plan and the money reform in the Western occupation zones of Germany had drawn the contours of a liberalised European political economy from which the Soviet bloc was excluded, West German governments could only hope to achieve a return to its full economic potential and political sovereignty by accepting French proposals to 'Europeanise' the specific domains in which it aimed to advance. Politicians in Paris, mindful of the privileged treatment of Germany by the English-speaking West in the interwar years, feared both Anglo-American direct deals with the Federal Republic, and German rapprochement with the USSR, with an eye to reunification with East Germany. Hence they were anxious to embed Franco-German agreement in European arrangements. The 'father of Europe', French planning chief Jean Monnet, like few others in France was privy to the German–American connection on account of his international investment banking experience in the interwar years (Monnet, 1976: 126–9; Van der Pijl, 1984: 66).

It was Monnet who kick-started the process by which France intervened with 'European' proposals to prevent that direct agreement between the United States (with Britain in a number of cases) and West Germany would unleash the Federal Republic's political economic potential prematurely, threatening French interests. In this way, one framework of permanent negotiation after another was created at the European level.

The first such structure was proposed in the Schuman Plan for a European Coal and Steel Community (ECSC) of May 1950. The plan was a response to the apparent Anglo-American willingness to lift the restrictions on West German steel production imposed under the Ruhr Authority. Marshall Plan deliveries of continuous wide-strip steel mills, intended to supply the 'Fordist' consumer durables industries, had increased capacity and would require an expanding market (Van der Pijl, 2006: 39–42; Milward, 2000: 119–20; Rupert, 1995). To ensure that France would not be out-competed by low-wage German production, Monnet proposed a structure of price and investment controls through which the six participating countries would negotiate steel production levels in the ECSC. Thus imbalances between the different countries would be avoided whilst maintaining a price level that would permit a Fordist political economy to take off. Marshall Plan administrator Paul Hoffman, a former auto executive himself, spelled this out in detail before the Senate Foreign

Relations Committee (SFRC, 1949–50: 546–8). Monnet in his memoirs recalls his concern that French modernisation would be derailed if the issue of West Germany's expanded steel production 'will not be regulated quickly' (Monnet, 1976: 346).

The second foundational event occurred when the United States and Britain wanted to proceed with re-arming West Germany after the outbreak of the Korean War in June 1950. This again prompted a French initiative (the Pleven Plan for a European Defence Community [EDC] of October of the same year). France had initially sought to embed its security (still against Germany) by the Treaty of Dunkirk with Britain in March 1947, and the Brussels Treaty with the UK and the Benelux countries a year later. In the same month (March 1948), Britain, unbeknownst to its Brussels Treaty partners, entered into secret negotiations with the United States and Canada about a defence pact aimed at containing communism. This resulted in NATO a year later (Wiebes and Zeeman, 1983). Now the English-speaking countries wanted to bring the Federal Republic into the NATO line-up too. For France this was anathema, as four years of bitter negotiations were to make clear. EDC was buried but Anthony Eden's affinity with the French position broke the deadlock by giving Paris a role in negotiating West German rearmament levels through the Brussels Treaty structure, renamed West European Union (Eden, 1960: 151). On this basis France consented to NATO membership of the Federal Republic in 1955 (McGeehan, 1971).

A complete calendar would show that in the majority of cases of European institution-building, the pattern of France seeking to forestall West German resurgence, by Europeanising the domain in which its more powerful neighbour was seeking to advance, was a characteristic feature. In the establishment of Euratom (a French initiative to forestall US–West German agreement in the area of nuclear energy), Monnet applied the same logic, although Euratom in the end remained a much less important structure than anticipated (Deubner, 1977). France had by then slipped into a crisis caused by the failure to hold on to its colonial and imperialist positions – Vietnam, Suez, and Algeria – and the establishment of the European Economic Community (in 1958, parallel with Euratom) was an initiative of the Benelux countries. The Common Agricultural Policy and the Association Policy with former colonies, two key pillars of the EEC, on the other hand were initiatives intended to commit the Federal Republic to Europeanising key French interests.

De Gaulle's return to power in France also fits into the picture. His investiture by the anti-communist majority of the French parliament (at a time when the Communists were still the largest single party) was not just a solution to the colonial crisis. It also was part of a process through which France sought to adjust to the West German *Wirtschaftswunder* in terms of productivity, wage levels, and concentration of capital (Delaunay, 1984:

235, Table 52; Djelic, 1998). Similarly, the suspension of French participation in the European institutions in 1965 aimed at ensuring that Paris retained veto powers when the EEC Commission (headed by Adenauer's right-hand man, Walter Hallstein) threatened to precipitate 'European' decision making in a direction that would prejudice French interests (Newhouse, 1967). With the central mechanism restored, the establishment of European Political Cooperation in 1969, which laid the groundwork for the Common Foreign and Security Policy, was again aimed at Europeanising Willy Brandt's *Ostpolitik* launched the year before (Dinan, 2005: 57–9).

Two final French initiatives may be singled out as steps towards completing the structure of European integration as we know it today. The first was the 1985 decision of the European Commission under Jacques Delors to complete the Single Market. It came on the heels of the French decision in 1983 to abandon its policy of supporting French capital, launched after Mitterrand's election victory. Having moved from the Paris ministry of economy and finance to Brussels, Delors hoped that at the European level, a protective Keynesian industry policy might yet be possible, given that the qualified majority voting in the Council of Ministers would rein in West Germany's ability to unilaterally decide on major economic policy issues (Tsoukalis, 1997: 81–92). By switching to a 'European champion' strategy (fostering intra-EU company mergers) and the 'Europe 92' project, it was expected that the West German export oriented strategy, based on high productivity and low inflation rates, could be emulated and contained (Deppe, 1992: 64–6; Holman, 1996: 140ff).

The second, final instance of a French initiative to contain German resurgence was the common currency. As the prior experience with the European Monetary System had shown, France's chances of staying in an exchange rate mechanism were premised on following German stabilisation policy; but it lacked the powerful investment goods sector that insulated the Federal Republic from currency and capital volatility to a considerable extent (Szász, 2001: 97–103; Marsh, 2009: 99–113). Economic and Monetary Union (EMU), a European Central Bank, and the euro were meant to Europeanise the evolution towards a unilaterally managed deutschmark zone (Marsh, 2009: 8; Abdelal, 2006). However, as it coincided with German reunification and the collapse of the Soviet Union, this particular achievement also marked the end of the route described here.[5] In addition, transnational capital had by now emerged as a key factor in the European equation.

TRANSNATIONAL CAPITAL AND THE POST-1991 EUROPEAN GOVERNANCE STRUCTURE

The complex institutional infrastructure that resulted from the specific trajectory of European integration described above may superficially look like an enlarged 'Trias Politica' ('executive' Commission, European Parliament, Court of Justice). It is better understood as a polycentric, hybrid structure in which, apart from the judicial power of the Court (itself a powerful driver towards a single European judicial space, see Cohen-Tanugi, 1987), executive and legislative powers remain incompletely integrated. The European Commission may explore the terrain for new policy measures and uphold European regulation and jurisprudence in an executive role, but the member states retain the final say. Intergovernmental agreement thrashed out in the Council of Ministers (in the case of heads of government, the European Council) in turn is difficult to subject to the controlling functions of national legislatures or (even more remotely) the European Parliament.

This relatively unchecked, supranational/intergovernmental structure gives a key role to European big business organised in the European Round Table of Industrialists (ERT) and comparable bodies (Holman, 2004: 717–19; Van Apeldoorn, 2002; Oikonomou, 2007). Through the ERT, transnational capital is able to bring its interest to bear on the structures of European integration and through it, on the separate national states, 'with the full concentration of the international forces'. Obviously the 'nationality' of companies matters in this context, but it is the transnational level that allows them to amplify the power which, on their home ground, would be contested by countervailing forces.

The ERT emerged in 1982–83 to galvanise European capital in the changed circumstances created by the neoliberal departure in Britain and the United States a few years before. In a sharp break with the compromise policies of the previous, 'corporate liberal' period, the Thatcher and Reagan governments embarked on confrontational policies at home and abroad, encouraged the runaway transnationalisation of capital, and liberated investment banking and rentier incomes (dividends, interest, capital gains) from Keynesian constraints (Morris, 1982; Van der Pijl, 1984: 280, Table A2; Duménil and Lévy, 2001, 2004; Epstein, 2005: 58–9, Tables 3.1, 3.2). European countries were initially unwilling or unable to follow suit in either the confrontation with the Soviet bloc and the Third World, or the attack on social protection. However, neoliberal ideologues such as Herbert Giersch (future president of the Mont Pèlerin Society, see Walpen, 2004) did not fail to see that the European level offered unique opportunities for catching up. It was Giersch who coined the phrase 'Eurosclerosis', linking the supposed welfare state drag on 'competitiveness' to a lack of integration (Van Apeldoorn, 2002: 67–8).

The ERT grew out of the initiative of the European Commissioner for Industry, Étienne Davignon, to directly involve the corporations affected in the process of formulating a common strategy. This gave the organisation extraordinary access to the Commission from the start – access that no other body, not even the European employers' organisation UNICE, had previously enjoyed (Van Apeldoorn, 2002: 84–5). This was not just pressure group politics, but a process of adjusting to the ascendant concept of control within which interests are defined. Since the Davignon initiative brought together a corporate coalition that seemed intent on a defensive strategy, the three British companies represented in the original ERT (Shell, Unilever, and ICI) left soon after its launch (Van Tulder and Junne, 1988: 215). German capital initially did not play an active role either because it was less exposed to Anglo-American competitive pressures.

Transnational interlocks at the European level at the time were still thin on the ground. Dutch firms were interlocked with UK and German corporations but between German, French, and Italian business, hardly any interlocks existed (Fennema, 1982: 112). Of the 17 ERT companies in 1984, only four (after the walkout of Unilever) were interlocked – Krupp and Thyssen, both German; Swedish – Swiss ABB, and Volvo (which had worked closely with Davignon in launching the ERT) (Nollert, 2005: 301–2). The ERT governance structure, too, reflected Franco-German compromise rather than European capital, with officers representing either French and Walloon-Belgian corporations linked to the Suez group, or German, Dutch, and Flemish-Belgian firms linked to Deutsche Bank (Nollert, 2005: 304). Thus the institutionalisation of the transnational interest in Europe preceded the actual interconnection of business. Indeed the ERT's 'Changing Scales' report of 1985 complained that Europe was still a 'continent of economic nationalists' (quoted in Van Apeldoorn, 2002: 128).

However, with the reinforcement of the ERT and the stated intent of increasing 'competitiveness', French influence in the ERT began to decline from the late 1980s on. Following the return of UK companies, 'the participation of "liberal" British and German industrialists ... significantly increased' (Van Apeldoorn, 2002: 134, 122). After 1991, the dynamic of European integration switched from a process of French initiatives to contain German resurgence, to retooling the EU along neoliberal lines. The Maastricht Treaty and EMU, agreed in 1991, marked the belated adjustment of Europe to this new format (Grahl and Teague, 1990; Gill, 2001; Bieling, 2006). That corporate strategists were literate about the nature of the change is illustrated by Deutsche Bank head Rolf Breuer's claim that 'Rhineland capitalism' (Albert's 1991 label for corporate liberalism) 'has reached its limits and should be reformed' (quoted in Kogut and Walker, 2001: 329).

French politics and business in turn switched from a corporate liberal European to a neoliberal global strategy as well. Whilst the French corporations in the original ERT were among the least world-market oriented, by 2000 their top three (on the ERT) – Air Liquide, Lafarge, and Total – matched the level of sales outside Europe of the top three from Germany (Bayer, Siemens, and Bertelsmann), although both contingents still lagged behind the qualitatively larger share of UK companies (two-thirds global sales against half, Van Apeldoorn, 2002: 140). This is a reminder that capital is ultimately never identical within a given territorial entity; it operates as a flow process that avoids territorial caging, even relative to the 'territory' of the EU (Palan, 2003: 15; Holman, 1992). Its nationality on the other hand remains relevant, for instance through historically established regional axes of internationalisation. Thus the collapse of the Soviet bloc activated Europe's preferential access to Eastern Europe, which in the circumstances became a lever for reforming the remaining structures of social protection through flexibilisation of labour and downsizing welfare state arrangements (Cafruny and Ryner, 2007b; Raviv, 2008; Holman, 2008: 68ff).

Transnational capital in Europe, organised through regional patterns of corporate interlocks complemented by bodies like the ERT (Nollert, 2005; Staples and Braget, 2007; Carroll, Fennema and Heemskerk, forthcoming), thus has crystallised as a separate centre within the wider, Atlantic political economy. At that level, too, policy boards or private planning groups such as the World Economic Forum and others serve to increase network density at the inter-corporate level (Carroll and Carson, 2003: 95–6). Recently, the emergence of an EU security complex has added a new range of transmission belts between top corporations in the defence and surveillance fields and European institutions and governments (Oikonomou, 2007).

The restructuring of corporate interlocks in the Euro-Atlantic context, 1992–2005

We now turn to the process in which the centre of the global network of interlocking directorates has moved across the Atlantic, from the US to Germany. Although North American and British banks and corporations retain an ability to unload costs and risk on European financial centres (this is the thrust of Gowan, 1999), the shift of centrality to Germany must in due course be expected to give the country's business leaders an increased ability to back up their preferences with 'the full concentration of the international forces', to quote Gramsci again. These preferences may have become more cosmopolitan, but they will always retain characteristics that result from a country's specific social and international development trajectory.

To fully deploy in the wider transnational setting, for instance, German, French, and other continental EU corporations had to divest themselves of the structures of 'finance capital' in the sense of Hilferding (1973). These had formed in the context of late-industrialising 'contender states' facing the liberal, Anglophone West and left their business systems ill-prepared for transnationalisation. German capital for one was 'handcuffed by its ownership structure, the crux of which is its pervasive cross-holdings' (Johnson, 2002: 72; Menshikov, 1973; Van der Pijl, 2006: chapter 1).

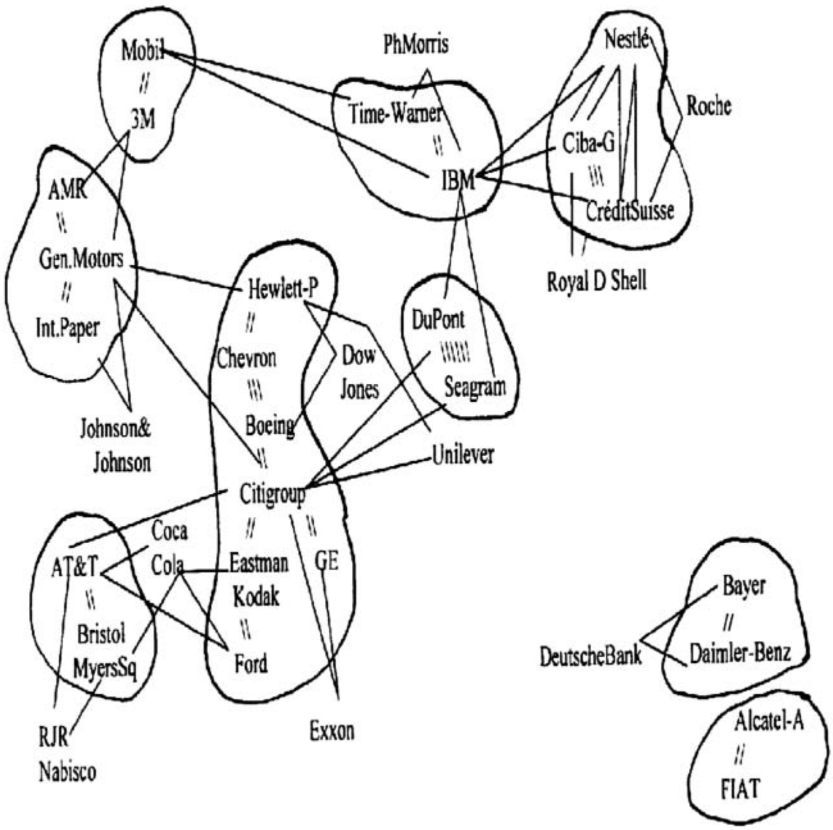

Figure 1 Clustered Joint Directorates, 100 Transnational Corporations, 1992. *Source:* Compiled from Mattera, 1992. Clusters of corporations linked by two or more directors, and corporations linked by two or more directors to clusters.

In Figure 1, based on the 100 'global players' of the business world compiled by Mattera (1992), the national isolation of continental European capital at the time of German unification and EMU (admittedly on the basis of a more limited sample and defined differently than the data for 2000 and 2005 in Figures 2 and 3) is illustrated. Mattera also confines himself to those directors who typify the 'global player' aspect of the listed corporations. The network has been presented here to visualise structure in terms of the stronger and, we may assume, strategically more meaningful connections by selecting companies linked by two or more directors to each other into *clusters*, and firms linked by two or more joint directorates with the clusters (*satellites*).

The figure depicts a US-centred interlock network with a Swiss cluster linked to the US network through IBM. The other continental European firms were not connected to this network at the multiplicity levels indicated (Japanese companies in the Mattera list were not connected into the global network, and this has not much changed in 2000 or 2005, cf. Fennema, 1982: 109).

The German cluster in the figure gives the tip of the iceberg of the Deutsche Bank financial group. The core of this group was stable throughout the corporate liberal era, with Daimler-Benz, Mannesmann, and Siemens most closely linked to Deutsche Bank in the 1930s, 1976, and 1986, and Hoesch, Allianz, and the energy companies RWE and VEBA (merged into E.On today) counted as members at two dates out of three (for the 1930s, OMGUS, 1985, 1986; for 1976, Ziegler, Reissner, and Bender, 1985; for 1986, Pfeiffer, 1993; cf. Van der Pijl, 1997: 204, Table 9.1). The Deutsche Bank group has historically been the bulwark of the independent fraction of German capital, comprising its most innovative sectors, and developing world market strategies from a European base (Gossweiler, 1975; Czichon, 1969). Its historical rival, Dresdner Bank, was connected to corporations typically operating in the slipstream of Anglo-American business, including subsidiaries in Germany (AEG and Krupp, later also BMW).

In the neoliberal setting, group structures soon got in the way of profit opportunities, as when Deutsche Bank (via Morgan Grenfell, its City subsidiary) advised Krupp, a historic Dresdner Bank ally, in taking over Thyssen – part-owned by Deutsche Bank (Kogut and Walker, 2001: 329). In the changed circumstances, the Deutsche/Dresdner structure mutated into a new one that pitted Deutsche Bank against Allianz, the insurance company evolved into a financial powerhouse ('the German equivalent of Citigroup', Johnson, 2002: 93) and twice the size of Deutsche Bank. Allianz absorbed Dresdner Bank (after a failed Deutsche/Dresdner merger in 2000) and to some extent inherited its 'Atlantic' profile but from a much more powerful position.

Neoliberal principles were also transmitted as German corporations tapped into international capital markets. Daimler-Benz, the historical crown jewel of the Deutsche Bank financial group, was listed on the New York Stock Exchange and thus was allowed to pay for its 1998, $38 billion take-over of Chrysler (de-merged again since) with shares; Deutsche Bank itself got the listing only in 2001 and had to pay for Banker's Trust in 1998 with $9.2 billion in cash (Johnson, 2002: 81, 95). However, raising capital on Anglo-American markets also implied submission to the prevailing shareholder value approach and accounting practices, as 'the US and UK institutional investors that are the predominant source of this capital have certain expectations of management' (Kogut and Walker, 2001: 323). One aspect of Anglo-US accounting practices is that benefits for employees are seen as negative whereas entrepreneurial risk-taking is counted as an asset. On this count Siemens is worth around 11 per cent of US competitor

GE although both companies are roughly the same size (Johnson, 2002: 82–3; Perry, 2009).

Comparable shifts took place in France. French financial groups were historically polarised between the Suez bank, the inheritor of the Canal company and 'Atlantic' in outlook, and the *Banque de Paris et de Pays-Bas*, 'Paribas', with its European, even Gaullist profile. In addition there were the state-owned commercial banks, Crédit Lyonnais, Société Générale, and Banque Nationale de Paris (BNP) (Morin, 1974; Swartz, 1985). In the mid-1990s, the Suez and Paribas groups were still in existence, and Morin ranked Alcatel-Alsthom (cf. our Figure 1) as belonging to the Paribas group, with the financial firms AGF and Société Générale, Générale des Eaux (utilities) and Navigation Mixte (shipping); the Suez group comprised financials BNP and UAP, Saint-Gobain, the glass-maker, and oil company ELF (diagram in *The Economist*, 1 July 1995). Paribas and BNP, both part-owned by AXA, the French counterpart of Allianz (diagram in *Financial Times*, 12 March 1999), later merged into today's BNP Paribas, reinforcing the traditionally national–independent pole.

Italian business, finally, is organised in characteristically complex patterns, with often intractable cross-holdings. In the late 1970s, interlock networks still had a regional profile: family-controlled FIAT (Agnelli) and Olivetti in Turin; Banco di Roma, Finsider, IMI, and Finmecannica (all state-owned) in the capital; and companies controlled by the Pesenti family of Milan, such as Italcementi, Falck (steel, controlled by the eponymous family), and Snia-Viscosa (Chiesi, 1985: 211; Martinelli, Chiesi, and Dalla Chiesa, 1981; Martinelli and Chiesi, 1989). By 1999, this situation had been transformed into one with three centres: FIAT, Generali (insurance), and Mediobanca (Italy's main investment bank which under its chairman Cuccia has long been the secretive central node in the Italian capitalist class, Galli 1995). The four main banks connected to this (mutually interlocked) triangle each had their own distinct international connections (diagram in *Financial Times*, 5 November 1999).

We can now turn to the year 2000. The decade leading up to it had seen the neoliberal turn of the EU. The horizontal diversification of EU director interlocks away from traditional reliance on the respective states at this point transpires in a visible compartmentalisation of European capital from the overall Atlantic network. In Figure 2, the Swiss network is connected to the French and German networks (in 1992, with the Atlantic network). British and Scandinavian companies are distributed over the network as a whole, underscoring notably the new bridge position of capital headquartered in the UK.

The neoliberal turn in Germany also permitted foreign capital to penetrate the German economy. Thus Vodafone moved into the German network through its 2000 hostile take-over of Mannesmann (the steel tube

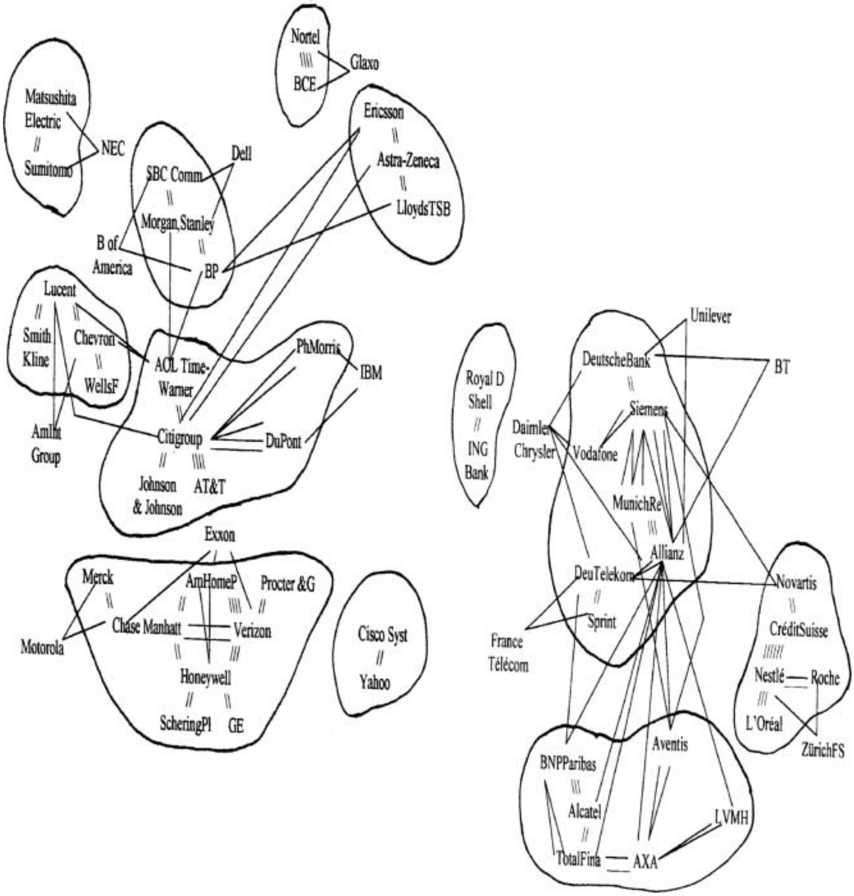

Figure 2 Clustered Joint Directorates, 150 Transnational Corporations, 2000. *Source:* Executive and non-executive directors as in Annual Reports, top 150 companies by assets, *Financial Times*, Global 500, 4 May 2000. Clusters of corporations linked by two or more directors and corporations linked by two or more directors to clusters. Data collected with the assistance of Stijn Verbeek.

maker of the Deutsche Bank group which by acquiring Orange, had diversified into the mobile phone business briefly before). At 181.4 billion euros, the Vodafone deal was some 50 billion larger than the AOL takeover of Time-Warner that earlier created the largest wireless telecoms company in the world (Johnson, 2002: 88; AOL-Time-Warner is in the Citigroup cluster in Figure 2).

At this point, German companies still operated at a competitive disadvantage. Thus when Deutsche Bank through a new subsidiary, DB Investors, began selling some of its German holdings (beginning with its participation in Allianz) in 1999, the estimated one billion euro capital gain was taxed at a 50 per cent rate, on top of the discount at which it had been compelled to sell the stock. When Chancellor Schröder soon after proposed to eliminate that very capital gains tax, this was a radical turnabout, given that he earlier had denounced the takeover of Mannesmann by Vodafone and had intervened to save the construction company, Philipp Holzmann. The chairman of Deutsche Bank's supervisory board, Hilmar Kopper, confessed his surprise since he had 'been talking about this for the last five years and there's been no reaction' (quoted in Johnson, 2002: 75–6).

However, what the head of Deutsche Bank can say to the Chancellor is not the only channel of communication between transnational capital and the German government. In the European part of the network in Figure 2, German capital is at the centre, and Allianz, Daimler, Siemens, Deutsche Telekom were also represented on or linked to the ERT (as were TotalFina, BNP Paribas, L'Oréal, Nestlé, Zürich FS, Crédit Suisse and BP – the carriers of the interlocks were often the same persons in both lists). In all, 28 German corporations were among the firms in which ERT members held directorships, against 22 French, and six UK (including Unilever, Van Apeldoorn, 2002: 108–9, Table 3.4). Once we remind ourselves that the ERT operates as a powerful relay of the preferences of transnational capital into decision making processes at both the EU and national levels, a 'flash of insight' on the part of Chancellor Schröder becomes less of a miracle.

In hindsight (with the data for 2005 in hand), the 2000 network marks the half-way transition point from a US-centred transnational network to a German-centred one. The Bush Junior presidency may have contributed to this as well. Ideally, capital circulates in a non-national, de-territorialised 'smooth' space (Palan, 2003: 15). However, by 2005, both as a result of post-Enron regulation (the Sarbanes-Oxley legislation) and by the limits to foreign access resulting from the 'War on Terror', there was a drop in foreign business visits to the US of 10 per cent compared to 2000, in a period of vibrant economic activity. Resistance to foreign takeovers of US assets also resulted from the response to 9/11 (*The Independent*, 22 November 2006).

The 2005 network is given in Figure 3.

Two conclusions emerge from this figure. First, the return of a single Atlantic cluster, this time with Allianz and other German corporations at the centre. Its four joint directorates with JPMorganChase and Goldman Sachs were the result of putting together a transatlantic board (otherwise, with some change in companies, the links with other EU corporations remain broadly the same as in 2000). Through purchases of US life insurance and mutual funds operations and a listing on the NYSE in November 2000, Allianz complemented the European centrality it had already obtained relative to French capital in 2000. But then, 'no other member of Germany, Inc., [stood] to benefit from the corporate gains tax repeal' (Johnson, 2002:

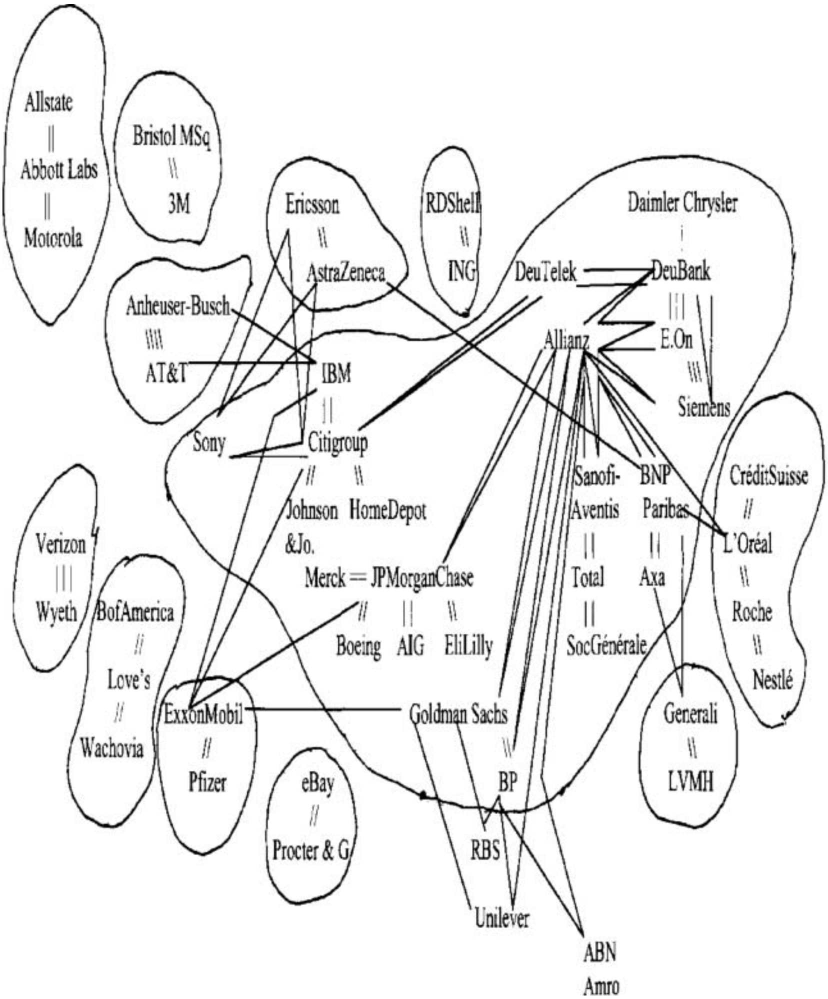

Figure 3 Clustered Joint Directorates, 150 Transnational Corporations, 2005. *Source:* Executive and non-executive directors as in Annual Reports, top 150 companies by assets, *Financial Times*, Global 500, 11 June 2005. Clusters of corporations linked by two or more directors, and corporations linked by two or more directors to clusters.

96). To match the competitive advantage of Allianz, Deutsche Bank (linked in Figure 3 to the US rival of Allianz, Citigroup, via Deutsche Telekom) would have to acquire an insurer such as AXA (still connected to Allianz via BNP in Figure 3).

Second, the partial dissociation of German capital from the EU as a zone of expansion after 2000, the year in which the post-unification German current account deficit turned (indeed skyrocketed) into surplus

(Cafruny and Ryner, 2007a: 69). French corporations have not joined in this trans-Atlantic leap directly; at the level of interlocks used here, and abstracting from other channels of communication, they are 'represented' by German capital in the network depicted.

The same holds for the energy relations with Russia. E.On, interlocked in Figure 3 with core German capital – Allianz, Deutsche Bank, and Siemens – also has a privileged connection to Gazprom, the Russian natural gas monopoly. E.On board member and CEO of its Ruhrgas subsidiary, B. Bergmann, sits on the Gazprom board (Gazprom, 2007). In addition, there is a joint venture between BASF's Wintershall subsidiary and Urengoygazprom, a Gazprom subsidiary, concluded in the last days of the Schröder government of Germany and of which the former chancellor became the equivalent of chairman of the board (in December 2005); the heads of BASF (Jürgen Hambrecht) and Gazprom also sit on the board. This joint venture, Achimgaz, has begun construction of a seabed gas pipeline bypassing the Baltic countries and Poland, to be operated by the Nordstream consortium (BBC, 2005; Achimgaz, 2007). Hambrecht of BASF was also one of the (few) new faces on the 2005 international advisory board of Allianz compared to 2000. BASF and E.On are major partners in the construction of Nordstream (Nezavisimaya Gazeta, 2007). Although other EU companies are also active in Russian energy ventures (Italy's ENI has a history of its own here), it is not inappropriate to claim that German capital very much guards the energy back door of the EU, reaping a range of related benefits in East–West commercial exchanges.

CONCLUSION: GERMAN CAPITAL, EUROPEAN INTEGRATION, AND GERMAN SOCIETY

The US corporate lawyer, Benjamin Johnson, claimed a decade ago that 'within German borders, Germany, Inc., is losing its grip over the country's economy, yet the same German corporations may now become larger players in the global economy' (Johnson, 2002: 99). Others maintain that German capital, by the connections established by a number of 'big linkers', keeps together what in number terms might seem a less cohesive structure (Kogut and Walker, 2001: 318). As noted above, we argue that this apparent disagreement can be overcome once we include the European level and German influence in the ERT and parallel networks.

In 1991, the German political economy was able to redeem the European mortgage imposed by the outcome of the Second World War, and through which France had been able to weave German resurgence into webs of European agreement. At the same time, in what may be understood as a final French move, a new mortgage was accepted in the form of EMU. Whilst outright deutschmark dominance was thus avoided, EMU and the Stability Pact effectively constitutionalised the strong currency policy favoured by German business for the entire Eurozone (Gill, 2001). The room for manoeuvre of the weaker Eurozone member states was simultaneously limited by the restrictive monetary policy of the European Central Bank and the removal of the devaluation valve by which they could protect themselves from German competition prior to EMU (Jacque, 2009: 7).

Its advanced, export-oriented capital goods industry gives Germany, Inc. advantages that make it relatively immune to upward pressures on the euro, whilst the strong currency encourages transnational diversification for other sectors (Martin, 2004; Holden, 2004; Konings, 2008). The capital earned by an export offensive that made Germany the largest exporter in the world in absolute terms (one trillion US$ in value in 2004, with sales of foreign affiliates even larger, and a trade surplus six times as large as China's; see Cafruny and Ryner, 2007a: 69), has been invested largely in the United States and other overseas destinations. Over the period 2002–06, the stock of German portfolio investment in UK and US financial markets grew by 102 per cent and 74 per cent respectively (IMF data quoted in Konings, 2008: 270; cf. IMF, 2008).

At the same time, German reunification has presented a huge bill to German society by destroying the economy of the German Democratic Republic. This taxed the existing social insurance system of the Federal Republic to breaking point, thus hastening the transition from corporate liberalism to neoliberalism. In 1997, the Kohl government announced the largest cutbacks in social policy post-war Germany had seen (Cafruny and Ryner, 2007a: 96). The succession of neoliberal adjustments of the corporate liberal social security infrastructure advocated by transnational business through the ERT and other EU-level structures (the Hartz I-IV packages initiated by the Grand Coalition of SPD and CSU-CSU from 2002) has wreaked havoc on German society. According to ILO data, average wages in Germany have failed to keep pace even with (low) economic growth, whilst inequality has risen. Between 2001 and 2007, real wages rose by an average of half a per cent a year, one of the lowest by international comparison (*SpiegelOnline*, 2008). According to a study by the German Institute for Economic Research (DIW), the proportion of people defined as being 'at risk of poverty' has risen significantly over the course of a decade, with the result that some 11.5 million Germans, 14 per cent of the population, fell into that category in 2008, roughly a third more than 10 years earlier (IRP Poverty Dispatch, 2010).

The transnationalisation of capital, led from Europe by German corporations, is slowly undermining the key compromises that contributed to making it possible, including European integration itself. The EU remains in place, just as France remains the most prominent partner of Germany within it. Together they hold 33 per cent of the EU population, finance 36 per cent of its budget, and account for just under half of Eurozone GDP (*Le Monde*, 7 November 2008). Yet the leverage France enjoyed until 1991 has become unstuck. The 1999 decision to go ahead with a 'Big Bang' enlargement towards Central and Eastern Europe favoured German capital through EU conditionality, without any regulatory or compensatory mechanisms left in French hands. After 2000, no European institutional development has occurred apart from naming a few figurehead officers who stand out by insignificance. As French historian Jacques-Pierre Gougeon has argued, the increasingly structural divergence between French and German positions requires 'a more general reassessment of the capacity of France to play a role of the first order in Europe' (quoted in *Le Monde*, 7 November 2008).

Meanwhile, given the adherence of all the main political parties to the neoliberalism prescribed by the EU, 'Brussels' has become a populist scapegoat against the background of growing xenophobic sentiment across Europe (Holman, 2004: 721–5). Whether the mass protests in Greece at the time of this writing confirm Alain Lipietz's prediction that the socially destructive implications of EMU could ignite civil war in a few decades (quoted in *Le Monde Diplomatique*, August 1992: 30), remains to be seen. There is no doubt that by gearing European integration to the neoliberal format desired by its strongest capitals (with German business meanwhile occupying the commanding heights), the market discipline imposed on all EU societies has its most destructive effects in the European periphery.

NOTES

1 This is a revised version of a paper presented by van der Pijl and Raviv at the PSA Annual Conference, Bath, 11–13 April 2007. The authors thank Magnus Ryner, the panel convenor, and other participants for their comments. The paper also builds on earlier collaborative work of Holman and van der Pijl (1996, 2003). Research support for the 2005 interlock network analysis was provided by the British Academy under grant SG 41935. In rewriting the paper, the comments of three anonymous reviewers for RIPE were an important help.

2 Companies and banks headquartered in Germany. We abstract from tax haven domicile making Volkswagen no longer German or Pirelli no longer Italian (Palan, Murphy and Chavagneux, 2010: 143)

3 In smaller economies like the Netherlands this is no longer the case, see Heemskerk (2007).

4 Morgan Grenfell was taken over by Deutsche Bank in November 1989.

5 Proposals like the 1994 Schäuble/ Lamers paper for a core group of EU states around Germany and France, or Joschka Fischer's Humboldt speech of 2000 are already echoes of a past that for all intents and purposes had been brought to a close (Schäuble and Lamers, 1994; Fischer, 2000).

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