

Project: The Rise of the Financial Elite – Access, Integration and Spread of Power

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The aim of this project is to study the rise of “capital market intermediaries” as a new financial elite and to investigate the access to this group, its internal integration and the spread of its power beyond the financial sector.

Capital market intermediaries, the senior managers or partners at the helm of large investment funds, hedge funds or private equity firms are an increasingly influential social group. Since the 1970s, starting from the US and the UK, the world economy has undergone a thorough process of financialization: after the collapse of the Bretton-Woods system, increasing financial deregulation allowed the financial industry to develop new instruments (securities, derivatives); firms increasingly funded themselves on the financial market and “profits primarily accrue(d) through financial channels rather than through trade and commodity production” (Arrighi, 1994: 174). Financialization is closely linked to – and has been fuelled by – a radical transformation of large firms, known as maximization of shareholder value. This business practice consists of concentrating on core competencies, restructuring, mergers and acquisition or hostile takeovers to raise the net worth of the firm and to distribute it to the shareholders. The shareholder value conception of the firm led to a reshuffling of the role and the power of different groups within the economic elite. We observe a relative decline of influence of top executive managers and the relative rise of “capital market intermediaries” (Folkman et al., 2007). This group, even though endowed with a large influence on corporate strategies, political discourse and the legal framework, is surprisingly little known in sociological terms.

Therefore, based on a prosopographical sample of about 1200 financial managers of the globally most important investment firms and 1000 managers of the world’s largest non-financial firms at two bench-mark years (2000 and 2015), this research project raises three research questions: 1. What are the pathways of access to senior positions as capital market intermediaries in terms of educational level, type of education and nationality? 2. Are the financial elites different from traditional corporate managers and do they, internally, form a homogenous and cohesive group? 3. Is the power of financial elites restricted to the financial domain or does it spread to the administrative, political or academic sphere? These questions are studied with an analytical framework consisting of three dimensions of comparison: the differences between “financial elites” and “managerial elites”, the internal differences between different groups of financial elites (investment fund managers, hedge fund managers, pension fund managers, private equity managers, sovereign wealth fund managers) and the historical differences between 2000 and 2015.

In terms of methodology, this project will collect a coherent body of data about the organizational positions, the careers and socio-demographic characteristics of these new financial elites and develop a series of innovative indicators of cohesion and influence. It will study the education, the meeting places and the (multi-)positionality of capital intermediaries with a combination of regression analyses, sequence analysis and multiple correspondence analysis. The results will make a valuable contribution to the sociology of elites, economic sociology and the sociology of inequality and, beyond academia, stimulate the public debate about the power of shareholders and capital market intermediaries – both in Switzerland and internationally.