

## Revolving Doors?

### A Network Analysis of Corporate Officers and U.S. Government Officials

Dror Etzion

*IESE Business School*

Gerald F. Davis

*University of Michigan*

This article analyzes the movement of personnel among elite positions in business and government, contrasting the staffing patterns at higher rungs of the executive branch during the Clinton and G. W. Bush administrations. We find that the Bush administration recruited far more heavily from among corporate officers and directors than did the Clinton administration, particularly when staffing ambassadorships. We also find that both administrations served as springboards for subsequent corporate board appointments. There were relatively few patterns with respect to industry or geography, with the exception of the military: All but one of the Joint Chiefs of Staff at the turn of the millennium ended up serving on the board of a military contractor after completing their government service.

**Keywords:** *corporate elite; network ties; business and government; corporate governance*

Corporate efforts to influence government can generally be classified into three channels—information, money, and votes (Hillman & Hitt, 1999). These three modes of exchange imply a sharply drawn line between source and target. On one side of the divide are corporations and other interests, whose strategy incorporates corporate political activity, and on the other are members of government, whose job is to set public policy. Those seeking to influence government have at their disposal a sizable arsenal including lobbying, trade associations, think tanks, political action committees, and other tools with which to impress their points of view upon the minds of key decision makers. This form of influence was brought to the fore by Barley (2007) in his detailed analysis of the passage of the Bankruptcy Abuse Prevention and Consumer Protection Act in the United States.

Yet, another form of possible corporate influence in the political arena does not involve the exchange of tangible or intangible goods but rather the movement of people. Corporate employees can and do fill positions in executive branches of government. Conversely, upon completing their service, many former government officials find employment in the corporate world. Whereas

lobbying, campaign contributions, and similar modes of political influence have been thoroughly analyzed by political scientists and economists (e.g., Austen-Smith, 1995; Baye, Kovenock, & de Vries, 1993), we are unaware of research on the migration of individuals between government and business.

Social critics have linked corporate elite networks to economic control for more than a century. Louis Brandeis wrote in 1914 of the malign influence of bankers holding shared board memberships with industrial firms: “The practice of interlocking directorates is the root of many evils. It offends laws human and divine. . . . It is the most potent instrument of the Money Trust” (p. 51). Subsequent researchers have documented the expansive connections among corporate boards of directors, finding that most pairs of firms in the *Fortune* 1000 could be linked by fewer than four shared directorships, even after banks had lost their position of centrality (Davis, Yoo, & Baker, 2003). And midcentury theorists linked business networks explicitly to political power. C. Wright Mills (1956) wrote, “By the power elite, we refer to those political, economic, and military circles which, as an intricate set of overlapping cliques,

share decisions having at least national consequences” (p. 18). A few individuals were particularly active in knitting together these distinct circles: “By their very careers and activities, they lace the three types of milieux together. They are, accordingly, the core members of the power elite” (Mills, 1956, p. 289). Subsequent research documented that well-connected corporate directors were particularly likely to serve on influential public policy organizations (Useem, 1984), and that corporations whose officers served on the same bank boards engaged in more similar political action (Mizruchi, 1992). Yet we are not aware of prior research documenting systematic movement among corporate and government service, or how it might vary over time.

In his 2007 *Journal of Management Inquiry* article, “Corporations, Democracy, and the Public Good,” Barley argues that corporations can undermine the concept of representative democracy through their influence on legislation and regulation and concludes that “It is time for organizational theorists to pay much closer attention to how organizations alter and even create their environments” (Barley, 2007, p. 214). In this article, we describe an initial attempt to understand one of the underexplored mechanisms by which corporate and government interests become more closely aligned, namely, through personnel transitions between corporations and government organizations in the United States. Specifically, we analyze how the business ties of political appointees in the Clinton and Bush administrations differ in terms of where they came from (before government service) and where they ended up (after government service).

## Data and Method

Our research design called for creating networks based on data on organizations and individuals. In our networks, organizations—both governmental and corporate—are represented as nodes. Each network tie between two nodes represents an individual who, at different points in time, was employed by both organizations thus linked. For corporations, we focused on board membership, whereas for government we looked at higher echelon appointments in the executive branch. To be included in the network, at least one of an individual’s ties had to connect a governmental organization and a corporation.

Business organizations included in the sample were all U.S.-based corporations traded on NASDAQ and the New York Stock Exchange. Director data for these corporations came from company proxy statements via Compact Disclosure. Government organizations in the sample

included all organizations listed under “executive branch” and “executive agencies” in the *U.S. Government Manual*. The *U.S. Government Manual*, updated and republished annually by the U.S. Government Printing Office, is the official handbook of the federal government and provides contact information for all U.S. government office holders. Examples of government organizations in our sample are the State Department, the Securities and Exchange Commission, and the Tennessee Valley Authority. Our sample did not include individuals appointed to positions in federal regional or field offices, nor members of the U.S. military below the level of chief of staff, and thus contained about 3,000 records for each year collected.

Based on these data, we created four independent networks, two each for the Clinton administration and for the George W. Bush administration. For each administration, we created one network for individuals moving from the world of business into government and a different network depicting the movement of individuals from government to publicly traded companies (see figure 1).<sup>1</sup> Specifically, the four networks are

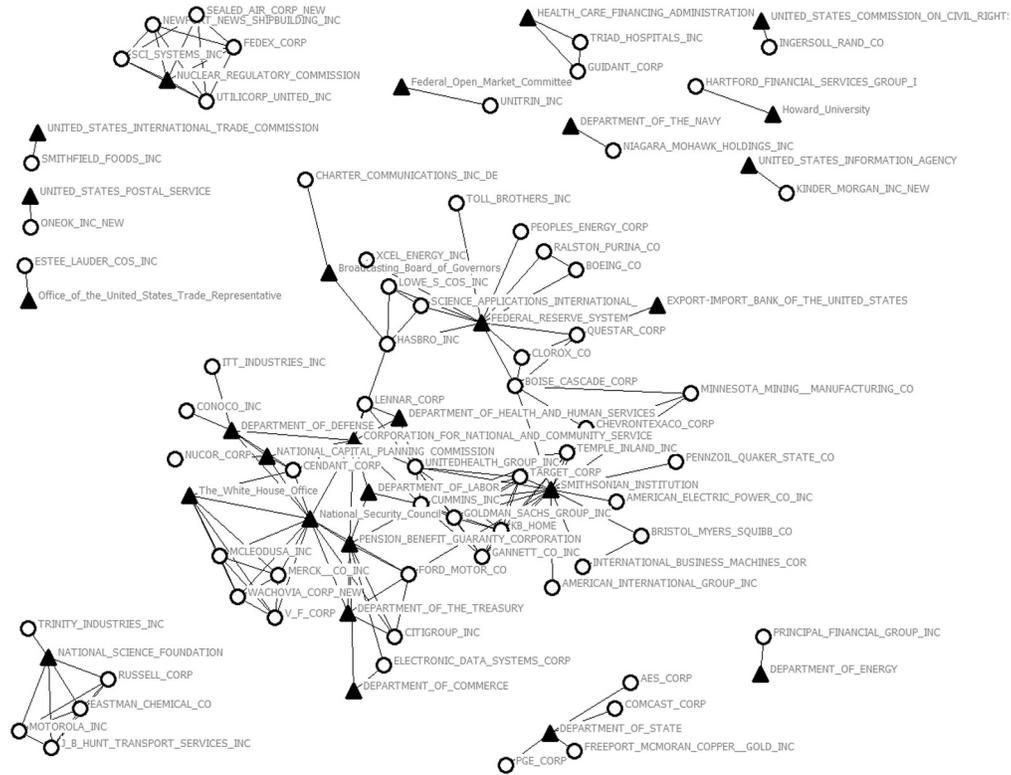
1. Individuals who served as corporate directors in 1990 and as senior officials in the federal government in 1998 (“incoming Clinton”)
2. Individuals who served as senior officials in the federal government in 1998 and as corporate directors in 2001 (“outgoing Clinton”)
3. Individuals who served as corporate directors in 2000 and as senior officials in the federal government in 2002 (“incoming Bush”)
4. Individuals who served as senior officials in the federal government in 2002 and as corporate directors in 2006 (“outgoing Bush”)

For each network, we counted the number of individuals, corporations, and government organizations represented. We also examined the industries represented at the Standard Industrial Classification (SIC) two-digit level, as well as geographic dispersion in terms of the state in which a corporate headquarters was located.

## Findings

Our aggregated results are described in Table 1. Two main findings are readily apparent. First, the Bush administration employed a much larger number of corporate directors than did the Clinton administration (73 vs. 16). Second, the number of outgoing Clinton officials later joining corporate boards was markedly higher than the

**Figure 1**  
**Network diagram depicting linkages via members of the Clinton administration**  
**in 1998 that were corporate directors in 2001**



Note: 1. Triangles represent government organizations, circles represent corporations 2. This network design is somewhat out of the ordinary as it encapsulates two distinct “cross sections” of time per each network: year of government service and year of corporate board membership.

**Table 1**  
**Comparison of Movement Between Government and Business in the**  
**Second Clinton and First George W. Bush Administrations**

Transition	Administration	Persons	Corporations	Government Organizations	Industries Represented (2- digit SIC codes)
Into government (incoming)	Clinton	16	29	5	15
	Bush	73	133	26	45
Exiting government (outgoing)	Clinton	45	63	27	26
	Bush	47	74	23	33

Note: SIC = Standard Industrial Classification.

number of incoming directors (45 vs. 16), indicating that government service in the Clinton administration served as a path to corporate power. Similarly, 47 Bush officials in 2002 were corporate directors in 2006, but it is quite likely that this number is considerably right truncated and will grow significantly over the next several years.

Drilling deeper into the data, we examined which government organizations are especially prone to employ corporate directors or are associated with subsequent appointments to corporate boards. These data are presented in Table 2. Many appointees to the Federal Reserve System are, perhaps unsurprisingly, pulled from

**Table 2**  
**Top Government Organizations Associated With Movement of Corporate**  
**Directors for Each of the Four Networks**

Incoming Clinton		Incoming Bush		Outgoing Clinton		Outgoing Bush	
Government Organization	No. of Individuals	Government Organization	No. of Individuals	Government Organization	No. of Individuals	Government Organization	No. of Individuals
Federal Reserve System	5	Department of State	20	Federal Reserve System	6	Federal Reserve System	7
Department of State	2	Federal Reserve System	8	Department of State	4	National Science Foundation	4
National Science Foundation	1	National Science Foundation	7	Corporation for National and Community Service	4	Corporation for National and Community Service	4
Federal Open Market Committee	1	Corporation for National and Community Service	4	National Security Council	3	Joint Chiefs of Staff	4
		National Security Council	4	Pension Benefit Guaranty Corporation	3	National Security Council	2
		Department of Defense	4	Department of Defense	3		

Note: Appointments to the Smithsonian Institution, which are largely honorary, are not depicted.

**Table 3**  
**Subsequent Corporate Appointments of the 2002 Joint Chiefs of Staff**

Name	In 2002	Currently
Richard B. Myers	Chairman, Joint Chiefs, (2001-2005)	Director, Northrop Grumman
Peter Pace	Vice chairman, Joint Chiefs, (2001-2005)	Chairman, Joint Chiefs until October 2007, now retired
Vernon E. Clark	Chief of Naval Operations (2000-2005)	Director, Raytheon
John P. Jumper	Chief of staff, Air Force (2001-2005)	Director, Goodrich
Eric K. Shinseki	Chief of staff, Army (1999-2003)	Director, Honeywell
James L. Jones	Commandant, Marine Corps (1999-2003)	Director, Boeing

the ranks of corporate directors. Personnel from the Department of State are also linked to corporate interests, especially in the incoming Bush network. This appears to reflect the propensity of the Bush administration to appoint high-level fund-raisers to ambassadorships. Of the 20 corporate directors appointed by Bush to the State Department, 16 were posted as ambassadors.

Ten of these 16 (or in one case a husband and in another a brother) were Bush “pioneers” or “rangers”—individuals who gathered \$100,000 or \$200,000 respectively for the Bush 2000 and 2004 presidential campaigns.

In addition, defense-related organizations (the Department of Defense, the National Security Council, and the Joint Chiefs of Staff) are also prevalent. It is

striking, as depicted in Table 3, that all five members of the Joint Chiefs of Staff in 2002 who left military service before October 2007 were subsequently appointed as directors to corporate boards. Moreover, these five corporations are central firms in the defense industry.

Finally, in examining the influence of industry and geographic location (state of corporate headquarters), we did not uncover striking relationships between these attributes and appointment to government positions. For example, the two states where most outgoing Clinton officials were appointed as directors were New York (10) and Texas (7); for Bush they were Texas (9) and Virginia (8).

## Conclusions

Our findings provide evidence that government service can serve as a conduit for joining the ranks of the corporate elite. In addition, we find a marked difference between the Clinton and Bush administrations in terms of the talent pool from which they drew their appointees, with Bush having relied much more heavily on the corporate world for his choice of officials. With the limited data we have available, however, we can only speculate as to whether these differences between the two administrations are idiosyncratic, ideological, or perhaps associated with a broader shift in the balance of power between government and business. Moreover, we believe that the picture we provide is not full, because some personnel transitions are undetectable using our mode of analysis.

Two examples help illustrate this point. First is the Philip A. Cooney episode. Cooney served as chief of staff for the Bush White House Council on Environmental Quality and, without any scientific training, edited climate research studies under his purview, downplaying the robustness of scientific studies on global warming (Revkin, 2005a). Prior to his appointment to the Council on Environmental Quality, Cooney was a lobbyist at the American Petroleum Institute. Two days after the press reported on Cooney's tampering with reports, he resigned from government and was immediately hired, for an unspecified position, by ExxonMobil (Revkin, 2005b). Another example is Gale Norton, secretary of the Interior in the years 2001-2006. As secretary of the Interior, Norton oversaw the Bureau of Land Management, which is responsible for oil and gas leases on federal lands. After leaving government, Norton joined Royal Dutch Shell as general counsel for the firm's unconventional resources division, which focuses on extraction from shale and heavy oil sources (*MarketWatch*, 2006).

These two examples were undetected in our study because the persons involved were not appointed to corporate boards, yet they are undoubtedly meaningful indicators of corporate influence in the political arena.

In noting these shortcomings of our study, we conclude that future research should be concerned with expanding the breadth of data analyzed, and also with greater theoretical development, to place findings in an accurate and meaningful context.

## References

- Austen-Smith, D. (1995). Campaign contributions and access. *American Political Science Review*, 89(3), 566-581.
- Barley, S. R. (2007). Corporations, democracy, and the public good. *Journal of Management Inquiry*, 16, 201-215.
- Baye, M. R., Kovenock, D., & de Vries, C. G. (1993). Rigging the lobbying process: An application of the all-pay auction. *American Economic Review*, 83(1), 289-294.
- Brandeis, L. (1914). *Other peoples' money: And How the bankers use it*. New York: Frederick A. Stokes.
- Davis, G. F., Yoo, M., & Baker, W. E. (2003). The small world of the American corporate elite, 1982-2001. *Strategic Organization*, 1(3), 301-326.
- Hillman, A. J., & Hitt, M. A. (1999). Corporate political strategy formulation: A model of approach, participation, and strategy decisions. *Academy of Management Review*, 24(4), 825-842.
- MarketWatch*. (2006, December 27). Ex-Interior secretary Norton to join Shell as counsel. Retrieved from <http://www.marketwatch.com/news/story/ex-interior-secretary-norton-join-shell/story.aspx?guid=%7BD222FD60-8116-41AC-B1B2-342CB0F65BE7%7D>
- Mills, C. W. (1956). *The power elite*. New York: Oxford University Press.
- Mizruchi, M. S. (1992). *The structure of corporate political action: Interfirm relations and their consequences*. Cambridge, MA: Harvard University Press.
- Revkin, A. C. (2005a, June 8). Bush aide softened greenhouse gas links to global warming. *The New York Times*. Retrieved from <http://www.nytimes.com/2005/06/08/politics/08climate.html>
- Revkin, A. C. (2005b, June 15). Ex-Bush aide who edited climate reports to join ExxonMobil. *The New York Times*. Retrieved from <http://www.nytimes.com/2005/06/15/science/14cnd-climate.html>
- Useem, M. (1984). *The inner circle*. New York: Oxford University Press.

**Dror Etzion** is joining the Desautels Faculty of Management at McGill University and is on the cusp of obtaining his PhD from IESE Business School. His research interests are at the juncture of strategy and organization theory, focusing on the natural environment and the social context of business.

**Gerald F. Davis** is the Wilbur K. Pierpont Collegiate Professor of Management at the Ross School of Business and a professor of sociology at the University of Michigan. Davis's research examines the effects of politics and social networks on the evolution and structure of the institutions of corporate governance, as well as the influences of financial globalization on social structure and politics. His recent books include *Organizations and Organizing: Rational, Natural, and Open System Perspectives* (with W. Richard Scott) and *Social Movements and Organization Theory* (co-edited with Doug McAdam, W. Richard Scott, and Mayer N. Zald).