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Journal of Management Inquiry September 2008 vol. 17 no. 3 157-161

doi: 10.1177/1056492608316918

<http://jmi.sagepub.com/content/17/3/157>

# **Revolving Doors? A Network Analysis of Corporate Officers and U.S. Government Officials**

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## **ABSTRACT**

This paper 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: every member of Bush's Joint Chiefs of Staff ended up serving on the board of a military contractor after completing their government service.

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 sizeable 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 on 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. While lobbying, campaign contributions and similar modes of political influence have been thoroughly analyzed by political scientists and economists (e.g. Baye, Kovenock, and de Vries, 1993; Austen-Smith, 1995), 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 over 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.” 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, and Baker, 2003). And mid-century theorists linked business networks explicitly to political power. C. Wright Mills (1956: 18) 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.” 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: 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 JMI paper “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: 214). In this paper we describe an initial attempt to understand one of the under-explored 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 Methodology**

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, while for government we looked at higher echelon appointments in the executive branch. In order 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 US-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 US 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<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 SIC two digit level, as well as geographic dispersion, in terms of the state in which a corporate headquarters was located.

## Findings

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<sup>1</sup> Note that this design is somewhat out of the ordinary since it encapsulates two distinct “cross sections” of time per each network: year of government service and year of corporate board membership.

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 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 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 fundraisers 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.

Additionally, defense related organizations (the Department of Defense, the National Security Council and the Joint Chiefs of Staff) are also prevalent. Strikingly, as depicted in Table 3, 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**

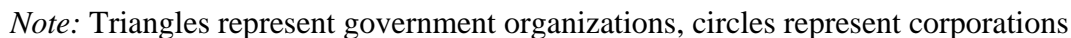
Our findings provide evidence that government service can serve as a conduit for joining the ranks of the corporate elite. Additionally, we find a marked difference between the Clinton and Bush administrations in terms of the talent pool from which they drew their appointees, with Bush having relied 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, at 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 on 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.



**Table 1: Comparison of movement between government and business in the second Clinton and first George W. Bush administrations**

| <b>Transition</b>                    | <b>Administration</b> | <b>Persons</b> | <b>Corporations</b> | <b>Government Organizations</b> | <b>Industries represented (2 digit SIC codes)</b> |
|--------------------------------------|-----------------------|----------------|---------------------|---------------------------------|---|
| <b>Into government (Incoming)</b>    | Clinton               | 16             | 29                  | 5                               | 15  |
|                                      | Bush                  | 73             | 133                 | 26                              | 45  |
| <b>Exiting government (Outgoing)</b> | Clinton               | 45             | 63                  | 27                              | 26  |
|                                      | Bush                  | 47             | 74                  | 23                              | 33  |

**Table 2: Top government organizations associated with movement of corporate directors for each of the four networks**

| <b>Incoming Clinton</b>       |                       | <b>Incoming Bush</b>                           |                       | <b>Outgoing Clinton</b>                        |                       | <b>Outgoing Bush</b>                           |                       |
|-------------------------------|-----------------------|--|-----------------------|--|-----------------------|--|-----------------------|
| Government Organization       | Number of Individuals | Government Organization                        | Number of Individuals | Government Organization                        | Number of Individuals | Government Organization                        | Number 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**

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

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