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# Articulating Global Wealth Chains

*Leonard Seabrooke and Duncan Wigan*

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This volume has been concerned with identifying and delineating asset strategies in the world economy through the management of global wealth chains (hereafter GWCs). By "asset strategies" we mean the overarching plans used by firms, elites, and professionals to create and protect wealth. Such plans engage a range of tactics and often rely on power structures in the world economy, including the replication of social and economic networks that can realize asset strategies. We suggested in the introductory chapter to this volume (Chapter 1) that an asset can be considered a *legal affordance that provides differential claims on wealth*. This affordance is typically held in the form of a legal document (paper or digital) that entitles the account holder or bearer to discrete rights. The financial and legal worth of the asset, and the rights surrounding who can access it, know about it, monetize it, or destroy it, are protected by an interpretative community of professionals. They commonly include lawyers, accountants, entrepreneurs, regulators, and other professionals. Asset strategies in the world economy typically concentrate on activities to harness legal affordances across multiple jurisdictions. It is the sustained articulation of legal affordances across jurisdictions that gives stability to GWCs, allowing firms, elites, and professionals to plan their use and maintenance.

In Chapter 1 we made the case for using ideal types of abstracted forms of behavior to locate asset strategies in GWCs. The logic here is that by comparing empirical findings from cases of GWCs with the typology of market, modular, relational, captive, and hierarchy types, one can reflect on how asset strategies are articulated. We have mirrored the types first put forward by Gereffi, Humphrey, & Sturgeon (2005) to analyze global value chains (hereafter GVCs). This is to highlight how the treatment of value and wealth differ, and how asset strategies used by firms and professionals choose different paths when the aim is not to produce value but to create, protect, or store wealth. The purpose of ideal types and typology

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is to provide abstract benchmarks against which empirical realities can be compared to reveal information. A further purpose is to permit a conversation between researchers over what is happening in their cases compared to others, and what collective lessons can be fostered through comparison. Our hope is that the original contributions in this volume provoke such conversations among readers, as they did among the authors. Discerning whether a case best fits with a modular or captive type, for example, is not about getting it right, but about how comparison reveals information that increases our knowledge about how asset strategies are developed through GWCs.

In this concluding chapter we suggest that the sum of contributions to this volume forces us to think through: (i) how firms and corporations act and differ; (ii) how professional strategies find stability in an interpretative community to select GWCs; and (iii) the future research agenda. We take each of these conceptual considerations in turn. First, we need to distinguish the firm from the corporation (Robé, 2011). This allows us to see how GWCs are articulated through the development of corporate structures rather than conflating the firm and the corporation as a single entity, or having an outdated vision of multijurisdictional activity as typified by multinational enterprises' (MNEs) foreign direct investment portfolio. Second, we need improved theoretical tools to locate how suppliers, clients, and regulators forge relationships that underpin the selection and maintenance of GWCs. Such a conceptual step can help us make micro-to-macro connections to improve case comparability and try to explain the sources of GWC strategies. Third, if we can think through the first two steps then we can also mark out what kinds of issues may be included in a future research agenda on GWCs. This includes some considerations about what factors replicate power asymmetries in both value chains and wealth chains.

## Firm and corporate strategies

As stated in Chapter 1, it is important to distinguish between the firm and the corporation to delineate how asset strategies are articulated in GWCs (see, especially, Robé, 2011). Conceptually, the distinction between the "going concern" of the firm—those who preside over decision-making—and the legal structures used as part of strategy has long been identified. Veblen (1921, 1923) was concerned that managers were separating from

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the industrial purpose of production and scientific advance, with managers in search of pecuniary gain. The contributions to this volume attest to the continuing relevance of this insight with the logic of action in firms not easily delineated through a binary of circulation and production. The firm and the corporation are not one and the same. The latter is the servant of the former, and this relationship is the key source of wealth chain articulation.

Following this logic in a multijurisdictional context recasts some well-worn stereotypes of how firms and corporations behave internationally. As has been pointed out, theoretical advances are stymied by attributing canon-like status to old theories of the firm and the corporation (Suddaby et al., 2011; Mathieu, 2016; Bryan et al., Chapter 5 in this volume), and there is a view that more can be done to study the fields and mechanisms that provide variation in corporate forms (Davis & Marquis, 2005). Thinking about how GWCs are articulated can assist this aim. With this in mind, Figure 14.1 illustrates three stylized conceptions of the firm. In image (i) we have the conflation of the firm and the corporation within a single legal jurisdiction. As suggested above, this conflation is common, with the chief executive officer (CEO) seen as running both the firm and the corporation and with a view that shareholders own this structure (the key bugbear for Robé, 2011). An example can be seen in the significant literature in economic and organizational sociology on shareholder activism (Jung, 2016; Hirsh & Cha, 2018). Here the key question is how the corporation can be held to account and reflect shareholders' priorities; a question that is most easily answered when the firm and the corporation are seen as synonymous (Campbell, 2007).

In image (ii) we have a standard view of how firms/corporations directly control their subsidiaries in multinational jurisdictions. Again the firm and the corporation are seen as one and the same, with an understanding of the corporate entity that is the "parent" company and HQ of the operation. The important aspect here is that the firm controls the parent corporate entity and the multinational entities are then tied to these interests. From there the CEO, chief financial officer (CFO), and chief operating officer (COO) coordinate to ensure they have control over foreign subsidiaries for strategic planning over financial interests and production (see e.g. Kristensen & Zeitlin, 2005). However, at the same time that this view of the firm came to prominence, some scholars noted the increasing prevalence of financialization within the firm. The rise of the finance-minded CEO using multi-divisional forms (Fligstein, 1985), as well as CFOs and COOs focused on financial returns (Zorn, 2004), has been important to the

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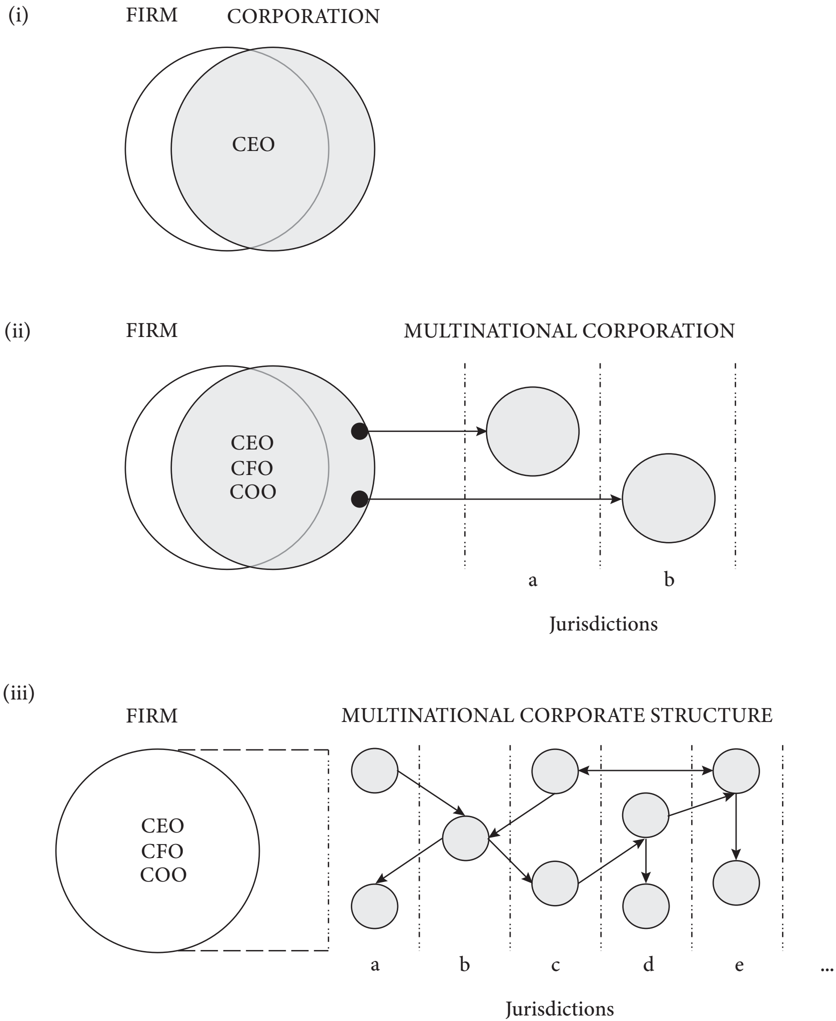


**Fig. 14.1** Stylized representations of firm to corporate structure dynamics

articulation of such corporate structures since the 1980s. Scholars have also noted that even when the focus is on foreign direct investment (the kind of relationship in image (ii)), firms have significantly invested in regional networks that draw on imperial legacies that provide legal affordances, rather than hub-and-spoke strategies based on efficiencies in production and market access (Haberly & Wójcik, 2015).

In image (iii) the firm and the corporate structure are separated. The CEO, CFO, and COO are all present within the firm with coordination

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duties. As officers they are charged with the duty of controlling assets owned by entities within the multinational corporate structure. They do not work for shareholders (Ireland, 1999; Robé, 2011). They oversee the structure. From a hub they direct activity within an ecosystem of corporate entities. The dashed lines represent such oversight. The corporate entities are present in many jurisdictions that may offer tax advantages but also risk- and liability-management services. It is a combination of affordances available in the ecosystem that determines the articulation of GWCs. Entities that manage value creation and those that protect wealth are delineated according to opportunities offered by different jurisdictions (Seabrooke & Wigan, 2017). This includes the location of wealth and functional differentiation in its placement, with some jurisdictions acting as "conduits" while others are "sinks" (Garcia-Bernardo et al., 2017). Levels of ownership are often ten layers deep and in multiple jurisdictions, reflecting the "decentering" and "great fragmentation of the firm" (Desai, 2008; Reurink & Garcia-Bernardo, 2020). This enables risk-management strategies and the avoidance of detection through corporate reporting that focuses on aggregations more beneficial in a world where image (ii) is dominant. This third image is the most accurate depiction of corporate reality for leading multinational enterprises.

The contributions concerned with firms in this volume confirm the relevance of this third image. As Haslam, Leaver, and Tsitsianis argue, noting the "Jekyll and Hyde" relationship between information transparency in value chains and non-disclosure and obfuscation in wealth chains, complex financial relationships are not well understood in the scholarship on GVCs and supply chain management. They show how a firm can strategize to combine the use of regulations, such as pricing floors on a public utility, with multijurisdictional corporate entity management, and accounting practices that essentially transfer booked profits from the UK subsidiaries to the French parent company. The outcome is that "the firm has become a conduit between debt markets and investor returns and a site that backs extended chains of financial engineering" (Haslam et al. in Chapter 2, p. 30). Similarly, Morgan (Chapter 6) describes how for private equity firms the practice of debt-related tax reductions is not about subsidizing debt but providing more room for maneuver in paying or creating new debts and dividends. The use of the multinational corporate structure is to maximize the return to investors from the sale of acquisitions where the "exit involves higher net returns for any given sale price because of the way wealth has previously been protected" (Morgan in Chapter 6, p. 122). Bryan et al.

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(Chapter 5) suggest that one consequence of the corporate logic depicted in image (iii) is that the view of the firm should focus more on movement and flows within the corporate ecosystem than linear relationships emerging from the parent company.

While many of the asset strategies that arise from the merger of financial and productive logics are marked in their complexity, others are audacious in their simplicity, yet are nonetheless effective. For example, Grondona and Burgos (Chapter 8) show the significant distributional impact of misreporting export prices to authority and the manipulation of profits through internal transactions (see also Vet et al., 2021). Similarly, as Stausholm (Chapter 12) demonstrates in the case of mining, even where the value chain assets are geographically fixed, wealth chain articulation is not necessarily constrained. Legal affordances can be provided in statutory law or negotiated contracts with little coordination or management needed for them to be realized.

Not all GWCs are, in the first instance, motivated by pecuniary reward. The establishment of layers of corporate entities can also service contiguous ends, such as regulatory and reputational risk mitigation. This is especially important in maintaining information asymmetries between the parties involved in GWC transactions. For example, Dahl (Chapter 7) notes with a large beer firm that the parent "sets up intermediate companies to shield the parent company from operational risks and to avoid impairment losses for badly performing subsidiaries. Intermediate companies are also useful in shielding the parent company from political risks and regulatory change" (Dahl in Chapter 7, p. 141). In a different context, Hearson (Chapter 3) walked us through the stages of international tax treaty negotiation, which had reflected the second image of the firm in Figure 14.1, but are now better represented by the third image. "Treaty shopping" is now incorporated into the multinational corporate structure rather than reflecting a simple relationship between a headquarters, a strategically placed "base" company, and operational jurisdictions. In the wake of regulatory upgrading by the OECD, firms are harnessing tax treaties by placing high value business functions and risks in "hub" companies in low tax jurisdictions. "In contrast to "base" company tax avoidance, which has little connection to the firm's tangible activities, "hub" company structures . . . are the leveraging of the value chain in order to create a wealth chain" (Hearson in Chapter 3, p. 63).

We note that variation in firms' strategies operating multinationally, or across national jurisdictions, has expanded beyond the conventional

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image of a firm engaged in foreign direct investment. These trends have been noted in the literature but are not currently integrated into GWC research. Examples here include the rise of firms in the passive index fund industry—such as BlackRock, Vanguard, and State Street—especially notable in affirming the kinds of concerns between pecuniary and industrial goals noted by Veblen above (Fichtner et al., 2017; Fichtner & Heemskerk, 2020; Petry et al., 2021). The power of such entities is affirmed by their introduction into digital platforms that accentuate reliance on passive indices (Haberly et al., 2019), including forms of everyday finance, such as automated app-based trading (Hayes, 2021).

## Delineating professional strategies

Given that firms and corporations are separate in how they are articulated in asset strategies, we need theoretical tools to establish the kinds of micro-level relationships that underpin the articulation of GWCs. Legal affordances emerge from negotiations between clients, suppliers, and regulators. In the cases provided in this volume, the suppliers are commonly professionals that belong to established interpretative communities, and are enmeshed in professional and social networks, as well as working on behalf of private geopolitical actors, such as GPSFs (Boussebaa & Faulconbridge, 2019). It is professionals in these interpretative communities that secure legal affordances, in that what is legitimate and acceptable is shaped by relationships of dominance and deference that emerge from professional standing and social hierarchy. Veblen (1899, 1919) had a great deal to say on this, linking social status dynamics to the production of "suitable legal decisions bearing on the inviolability of vested interests and intangible assets," which underpins a great deal of wealth protection (Veblen, 1919, p. 60). In the same spirit, we suggest that linking micro-level forms of interaction to macro outcomes is important in the articulation of GWCs. The focus on firms above reveals much about the circuits of capital in GWCs, but social circuits that produce, bolster, and maintain GWCs are less known. As Collins has noted, we have "yet to measure, and to conceptualize, the mechanisms by which 'profit' moves across circuits" (Collins 2004, p. 267).

One way to develop this is to focus on the relationships and relations among the triad of clients, professionals (suppliers), and regulators. We follow the view from Martin (2009, 2011) that agents develop

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"action profiles" that give regularity to their conduct and how it is seen by others. Shortcuts on likely forms of action are provided internally through identity maintenance and shared "habitus" (Spence & Carter, 2014), and signaled externally through styles of professional engagement and qualification, including how knowledge is codified in corporate and professional organizations (Morris, 2001; Suddaby & Greenwood, 2001). Relationships within the triad of clients, professionals, and regulators define what information is available to act upon, and the boundaries that define which behavior is permitted or sanctioned (Thiemann & Lepoutre, 2017). For GWCs, the professionals commonly involved are lawyers, accountants, financiers, etc. who have a foothold in national regulatory systems but are also used to working in a transnational social space that provides them with some freedom of movement (Seabrooke, 2014).

Figure 14.2 provides a conceptualization of the links between micro-level relationships between clients, professionals, and regulators and the selection of asset strategies via GWC types. These selections are then embedded in the transnational economic and legal order, and affirmed through recursive cycles of conflict and consensus (Halliday & Carruthers, 2007; Halliday, 2009; Broome & Seabrooke, 2020).

At the bottom of Figure 14.2 we can see the triadic relationship between clients, professionals (again, suppliers in the broader GWC framework), and regulators. These parties engage in the transfer or withholding of information, have the potential to sanction (through law, professional censure, or financially), and are all involved in exchanging status and identity affirmations. They can agree on common goals and understandings, seek to exploit each other, or fail to generate any meaningful engagement. In

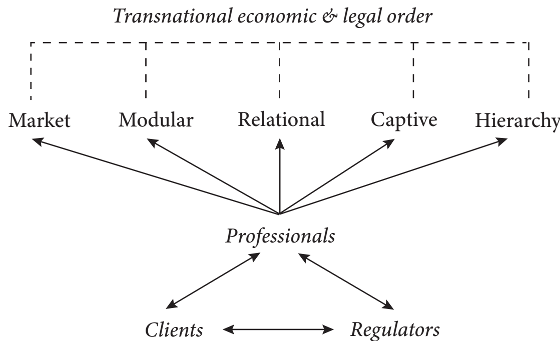


**Fig. 14.2** Linking micro-level actions to global wealth chain articulation

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principle the relationships are dyadic (client ↔ professional, professional ↔ regulator, regulator ↔ client), where the action profiles are intensely developed. From these relationships builds a cumulative profile where consensus in this interpretative community develops on what is legitimate and permittable behavior. Relationships become relations that are more regular and permit GWC articulations.

Variations in the kinds of relations within the triad support different asset strategies. Variation is strongly informed by information asymmetries between the parties, on who is willing to share knowledge, who is guarding information, and how expertise about information is conveyed to other parties. Given this, understanding more about the micro-level relationships tells us what undergirds asset strategies and GWC selection. Critical here is the management of uncertainties. These uncertainties include social relations and role performance, the interpretation of signals from other parties, and the potential for shocks from the external environment (White, Godart, & Thiemann, 2013). Information asymmetries and perceptions of uncertainty among the parties inform interactions in the selection of GWCs, including clients' appetite for risk, fear of regulatory incursions, and compliance with the spirit and letter of the text in legal affordances.

Many of the contributions in this volume shed light on these interactions and processes that link the micro level to macro outcomes. This includes the role of status and social hierarchy in relations, as well as the presentation of knowledge to induce deference in others. Such dynamics are also critical to the operations of organizations heavily involved in the articulation of GWCs, such as GPSFs and especially the Big Four global accounting firms.

The most obvious assertions of power through social hierarchy can be seen from elite professionals. As Clair Quentin (Chapter 13) writes in their view on Queen's Counsel barristers, some professionals have "god-given gravitas." As Quentin describes, where status and prestige is extenuated what is possible expands considerably. Queen's Counsel barristers operate in an interpretative community that is extremely permissive. They write that there

> is no moral, legal or regulatory impediment standing in the way of an advocate's inventiveness in this regard; no upper limit to the scope for a skilled advocate to press upon a court speculative interpretations of the law which turn out to be wrong, in the hope that they are right.
>
> (Quentin, in Chapter 13, p. 267)

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This creates an "offshore" system for wealthy elites and professionals that is at the heart of English jurisprudence.

In a different case, but in reference to elite networks and their replication, Santos (Chapter 10) shows how professionals cultivate relationships with "next-gens" to maintain intergenerational wealth management through GWCs. Here the role of professional–client relations is not only to maintain a financial connection but to foster an emotional one. As Santos writes, "portfolios are meant to work as affective thermostats, nurturing the right sort of emotional orientations toward investing—namely, long-term investing, investment of total returns, etc.—and keeping a foothold in descendants' life events" (Santos, in Chapter 10, pp. 205–6). These relationships are maintained among peers and in closed environments with physical co-presence—such as Santos's Mandarin Oriental example—to ensure that there is emotional intensity and collective agreement on shared goals.

What Santos describes has been called by others a "Zelizer circuit," after Viviana Zelizer's (1994, 2005) foundational work, where what is being exchanged is shared interpretations of worth that enable GWC articulation, including a preference for asset strategies that signal social standing to peers. Emotional and financial energies flow together and affirm each other (Collins 2004; Gammon & Wigan, 2015). Such relationships are important in elite replication, establishing what is socially acceptable (Friedman & Reeves, 2020; Adamson & Johansson, 2020), as has been noted in scholarship on transnational elites and advanced business services (Beaverstock et al., 2004, 2013; Wójcik, 2013). As noted by Santos, micro-level preference formation occurs at the educational level in repeated staged interactions, and is especially noteworthy among Anglophone elites who are transnationally mobile (see Santos in Chapter 10; Harrington & Seabrooke, 2020). At a macro level this also helps maintain the educational and racial composition of global elite networks (Young et al., 2021).

Many of the contributions to this volume note that deference and hierarchy are fortified through interactions between professionals and clients, or professionals and regulators. The rituals of esteem and rarefication in the high-value art market are an essential part of controlling wealth. Helgadóttir (Chapter 9) notes how GWC articulation in the context of high-value art is largely a function of sending and affirming the right signals between professionals and clients, construing access to a sacred arena. Global art investment funds have boomed in Europe and the US, and especially in China, to facilitate this global market. The reformulation of

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professional networks has followed the success of GWC asset strategies, such as changing relationships between designers of high-end property interiors and gallerists for the promotion of art, and between freeport managers and investors for its storage.

Christensen shows (in Chapter 11) how professionals can use technical language to overwhelm those opposing their views. He details how professionals involved in policy processes aimed at making GWCs more transparent—the OECD and G20's Base Erosion and Profit Shifting project—used "technicization" to constrain who was able to speak to policy and to guide policy content. As Christensen notes: "Policy discussions were conducted in a highly technical, specialized language, thick with specific legal and economic terminology" (Chapter 11, pp. 231–2). These types of constructed information asymmetries are omnipotent in GWCs. They can be found in the stretching of accounting regulations (Haslam et al. in Chapter 2), or in the filigree of structured finance (Bryan et al. in Chapter 5). Stausholm illustrates (Chapter 12) how in the negotiation of mining contracts government officials are disempowered in the face of overwhelming expertise deployed by firms. While they have clear options in what they can offer mining firms, the professionals and clients have much greater knowledge on what can be exploited from beneath the ground and the costs of its extraction. The elevated profits provided by the legal affordances written into contracts then travel beyond the reach of government through strategically placed multinational corporate entities to maximize wealth creation and protection.

The coordination of GWC asset strategies is a task often dominated by GPSFs. The role of these actors is especially prominent in tax treaties and advance pricing agreements, as discussed by Hearson (Chapter 3) and Ylönen (Chapter 4). Hearson argues that, due to the widespread use of "tax-efficient supply chain management," GPSFs are now inverting the relationship between the value chain and the wealth chain, so now the "tail now wags the dog" (Chapter 3, p. 50). This occurs in parallel to the shift from image (ii) to image (iii) in Figure 14.1. Ylönen (Chapter 4) also points to the power of GPSFs, in particular the Big Four global accounting firms, in facilitating advance pricing agreements and advanced tax rulings, with the intervention of professionals from these firms who determine the character of wealth chains. The sovereign capacity to provide such legal affordances is also now commercialized. Ylönen describes how some sovereign entities that authorize advance tax rulings and advance price agreements have effectively outsourced the allocation of these affordances to GPSFs and

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consultancies, further affirming their power (Boussebaa & Faulconbridge, 2019; Elemes et al., 2021).

## The future research agenda

Our first step in this concluding chapter has been to set out how firms and corporations are not one and the same and how we can see firm management of GWCs through multinational corporate structures. The second step is to suggest ways of thinking about how micro-level interactions are stabilized through social relations that enable the selection of asset strategies in GWCs. The third step is then to think through how connections between the first two steps can inform a future research agenda.

Figure 14.3 complicates the third image presented in Figure 14.1. These are useful complications that can provoke a discussion. On the left side of the image is the firm, including the CEO, CFO, and COO. On the right-hand side are suppliers of services to the maintenance of multinational corporate structures, including GPSFs and professionals. Both are involved in the management of GVCs and GWCs. In the middle of the illustration we can see not only wealth chain entities but also value chain entities. Knowing how to distinguish between the two is critical for the future research agenda. Scholars working in this area suggest a great degree of caution is necessary in this pursuit, especially with "big data" (Heemskerk et al., 2018). Jerry Davis warns that while the data to answer many questions may be available, "We are drowning in a sea of data, much of it conveniently formatted, which eliminates a traditional constraint on building knowledge

**Fig. 14.3** Distinguishing global value chains from global wealth chains

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about organizations" (Davis, 2010, p. 705). A solution to this problem is to build cases that follow multiple lines of data verification. Building a series of comparative cases follows the logic of ideal types presented in Chapter 1, and permits a common conversation on how GWCs are articulated, and how we can distinguish wealth and value in practice.

Dahl (Chapter 7) takes a big step here in proposing a concrete method in her investigation of beer and pharmaceutical firms and the link between firm size, their regional or global ambitions, and value/wealth chain mix. Her method is to find the entities associated with a known firm in the Orbis database and then note the stated purpose of business for each entity. This provides a rough indicator as to whether the entity is related to production and supply chain activity, or to legal and financial management. The second step is to note the jurisdictional location of corporate entities, linking these to the presence of known sectors in the same geographic location (cf. Garcia-Bernardo et al., 2017; Reurink & Garcia-Bernardo, 2020), as well as known information on levels of financial secrecy in the jurisdiction (Cobham, Janský, & Meinzer, 2015). Third, based on estimates from the first two steps, it is possible to then assess the number of employees in each entity and profit per head. Low numbers and high profit per head are likely indicators of wealth chain activity (Murphy et al., 2019). In combination such methods can be used to distinguish value and wealth corporate entities. Furthermore, "equity mapping" can also be conducted, in which Orbis data is cleaned to distinguish direct and indirect forms of ownership, and to eliminate double counting. Visualizing such data can distinguish between "stand-alone" and "in-betweener" corporate entities (Phillips et al., 2021). From there it would be possible to harness insight from teams of professionals (lawyers, financiers, accountants, etc.) to identify the purpose of each entity and its role in the overall corporate structure.

In developing the GWCs framework our opening gambit was to state that "wealth chains are the yin to the yang of value chains" (Seabrooke & Wigan, 2014, p. 257). This pithy remark has attracted some attention to promote the idea that multinational enterprises can be viewed as "organisational circuits" (Morgan, 2016) and that we should recognize the hidden costs of legal practices that underpin value chain activity (Cutler & Lark, 2021). These are early signs that there is a clear intellectual and policy desire to understand and explain how value chains and wealth chains are entangled. There are also clear policy implications from such research. For instance, it would allow us to locate the link between multinational

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financial management and labor and wage suppression, which is a function not of power asymmetries in production but of access to the numerous legal affordances that allow wealth extraction to dominate corporate strategy (LeBaron, 2021; Selwyn & Leyden, 2021). More information on how firms use multinational corporate structures would also permit pressure on international organizations to not promote development in a manner that ignores the effects of GWCs on development (Bair et al., 2021).

The development of a broader conversation on how to build cases that can distinguish or capture the integration of value and wealth is fundamental to the future research agenda. As it stands we have scholars working on GVCs, global production networks (e.g. Yeung & Coe, 2015), financialized global value chains (e.g. Durand & Milberg, 2020), global financial networks (Haberly & Wójcik 2021), and GWCs. This scholarly interpretative community has noted transformations in internationalization and capital accumulation. The GWC project raises the question of how to conceptualize and trace these transformations in a world where capital in commodity form and capital in money form are not easily parsed (see Bryan et al. in Chapter 5). It may be that the GVC project, despite its numerous achievements, has limitations in its understanding of how value and wealth differ, and how they are integrated. A new community of scholars has begun to interrogate how wealth is created and protected across jurisdictions, and how wealth and value are related in the asset strategies used by elites and firms. This community of scholars, as shown in this volume, has begun the process of developing conceptual, theoretical, and methodological tools. Such development will benefit from a broader interdisciplinary input and dialogue. Ultimately, the concern of the approaches noted above is the same. What is sought to be explained are the distributional outcomes from global economic activity. The common enterprise is to locate the macro-, meso-, and micro-level relationships and processes that underpin distributional outcomes, and then determine how to correct them.

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