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Department of Accounting

The American Corporate Elite and the Historical Roots of the Financial Crisis of 2008*

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Abstract

The events surrounding the financial crisis of 2008 are well-known, and subject to a broad level of agreement. Less accepted are theories regarding the larger context within which this crisis was able to unfold. Much has been made of the financialization of the American economy and the lax regulation of new financial instruments, both of which stem from the trend toward a laissez-faire economic policy that has characterized the United States since the late-1970s. I do not take issue with these claims. Instead, I argue that these developments have an earlier and deeper source: a breakdown in the ability of large American corporations to provide collective solutions to economic and social problems, a phenomenon that I term “the decline of the American corporate elite.” From a group with a relatively moderate political perspective and a pragmatic strategic orientation, this elite, through a series of historical developments, became a fragmented, largely ineffectual group, with a high degree of societal legitimacy but a paradoxical lack of power. I trace the history of this group, from its origins in the early-1900s, through its heyday in the post World War II period, to its decline beginning in the 1970s and escalating in the 1980s. I argue that the lack of coordination within the American business community created the conditions for the crises of the post-1980 period—including the massive breakdown of 2008—to occur.