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Outsider Elites. Women and Niche Actors in Finance

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FACULTÉ DES SCIENCES SOCIALES ET POLITIQUES

INSTITUT DES SCIENCES SOCIALES

Outsider Elites.

Women and Niche Actors in Finance

THÈSE DE DOCTORAT

présentée à la
Faculté des sciences sociales et politiques
de l'Université de Lausanne

pour l'obtention du grade de Docteure en Sciences Sociales

par

Lena Ajdacic

Directeur de thèse

Prof. Felix Bühlmann, Université de Lausanne

Jury

Prof. Kevin Young, University of Massachusetts Amherst

Prof. Megan Tobias Neely, Copenhagen Business School

Prof. Olivier Godechot, Sciences Po Paris

Prof. Stephanie Steinmetz, Université de Lausanne

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Faculté des sciences sociales et politiques

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- M. Felix BÜHLMANN, Professeur, Directeur de thèse
- Mme Stéphanie STEINMETZ, Professeure Associée à l'Université de Lausanne
- Mme Megan TOBIAS NEELY, Professeure Assistante à la Copenhagen Business School, Danemark
- M. Olivier GODECHOT, Professeur et Directeur de Recherche au CNRS à Sciences Po Paris, France
- M. Kevin YOUNG, Professeur Associé à l'Université du Massachussetts, à Amherst, USA

autorise, sans se prononcer sur les opinions de la candidate, l'impression de la thèse de Madame Léna AJDACIC, intitulée :

« Outsider Elites. Women and Niche Actors in Finance. »

Nicky LE FEUVRE
Doyenne

Lausanne, le 26 mai 2023

Résumé

Cette thèse étudie les dynamiques de transformation des élites dans le secteur financier. Au cours des dernières décennies, les changements politiques et les problèmes de rentabilité dans les grandes industries ont ouvert une fenêtre d'opportunité pour les acteurs financiers qui ont alors pu occuper des positions de pouvoir au sein du champ économique. Cette thèse part du postulat selon lequel les élites – et les luttes en leur sein – sont décisives pour l'organisation sociale du travail et pour la répartition des ressources économiques. Ce doctorat propose ainsi de prêter attention aux « élites marginales » dans le secteur financier aux États-Unis et au Royaume-Uni en s'articulant autour de deux axes. Premièrement, nous nous interrogeons sur les facteurs qui permettent à certaines femmes – en tant que élites marginales de statut inférieur – d'atteindre les sommets de la finance contre toute attente. En étudiant les diplômes et les structures de réseau, il s'agit d'étudier la composition d'une élite dominée par des hommes. Deuxièmement, nous nous demandons comment les acteurs de la finance alternative – en tant que élites marginales de statut élevé – affectent les normes de revenu dans la finance. Nous analysons en quoi les acteurs à la tête des hedge funds et des sociétés de capital-investissement participent à l'augmentation des revenus dans la finance traditionnelle. Pour ces recherches, nous utilisons un échantillon prosopographique de dirigeants de sociétés financières ainsi que des données financières sur les entreprises provenant des bases de données BoardEx et Orbis. Sur le plan méthodologique, nous adoptons une approche quantitative, en mobilisant des analyses des correspondances multiples, des analyses de réseau et des modèles de régression (longitudinales). Notre recherche montre ainsi comment les règles de l'accès aux positions de pouvoir et la distribution des bénéfices sont perpétuées ou altérées par l'arrivée des élites marginales.

Mots clés : élites, financiarisation, genre, statut, inégalité de revenus, finance alternative

Summary

This dissertation studies elite dynamics in finance. Political shifts and profitability issues in major industries opened a window of opportunity for financial actors over the past decades. This dissertation starts from the premise that elites, and the struggles within the elite, matter for the social organization of work and for distributional issues of economic resources. The project revolves around two foci involving outsider elites in the US and UK financial field. First, I ask how women, as low-status outsiders, reach the top against the odds. Focusing on educational credentials and network structures, I study the condition for access to a male-dominated elite. Second, I ask how alternative finance actors, as high-status outsiders, affect the income norms in finance. I shed light on actors at the helm of private equity firms, hedge and venture funds, and on their role in ratcheting incomes upward. For this research, I use a prosopographical sample and large-scale company data sourced from BoardEx and Orbis. The databases offer information on thousands of top executives worldwide and represent a rich, underexplored source for social scientists. Methodologically, I use a quantitative research approach, working with multiple correspondence analysis, network analysis, regression and longitudinal models. Overall, my research shows how the rules of the game regarding access to positions of power and the distribution of benefits are shaped or perpetuated by the entrance of outsider groups into the elite.

Keywords: elites, financialization, gender, status, income inequality, alternative finance

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1 Introduction

In 2020, a firm called Wirecard filed for insolvency. The chief executive got sentenced to prison and the chief operating officer went into hiding in Moscow to escape prosecution (Pladson 2022). Wirecard offered payment services and blew up when it became apparent that $1.9 billion in cash went missing. The case represented one of the largest finance scandals since the financial crisis. The parties who smelled that something was wrong early on were financial investors. Among them, as one of the first betting against Wirecard, was Fahmi Quadir—a woman. With her hedge fund, Safkhet Capital, named in analogy to the Egyptian goddess of wisdom, she shorted the payment platform as early as 2018 (Thind 2020). Quadir's success as a woman in the hedge fund business was praised by the financial press. But examples like hers mark the exception. To date, the financial industry is a place dominated by white males (Neely 2022). It is a highly lucrative one for those who make it to the top.

Financial professionals account for 13% of the top 1% of income earners in the US (Bakija, Cole, and Heim 2010). They are one of the largest groups at the top of the income distribution. Even during the Covid-19 pandemic, which represented a period of great insecurity and financial distress for most citizens, finance prospered. The industry "profited off the crisis" despite contractions in economic growth, insecurities in employment and severe difficulties in many other sectors of the economy (Neely and Carmichael 2021). In the year of the outbreak, Stephen Schwarzman, the founder and partner of the financial firm Blackstone, made US$610.5 million from dividends and compensation (Oguh 2021).

The influence of financial actors on firms in the "real economy," as shown in the scandal of payment provider Wirecard as well as the compensation concentration in the hands of individuals such as Stephen Schwarzman, are rooted in a process dubbed financialization. The first wave of financialization in the 1970s and the second wave in the 2000s profoundly transformed the economy (Auvray *et al.* 2021; Davis and Kim 2015). Shareholder value orientation led to a growth in dividend payouts and share buybacks (Valeeva, Klinge, and Aalbers 2022). Student loans and mortgages fostered the belief in a democratization of access to credit (Lin and Neely 2020). Furthermore, manufacturers, retailers and farmers became allies in the interest mobilization of the financial industry (Pagliari and Young 2021).

Early scholars called this development the turn to investor capitalism (Useem 1996). Later, authors described the finance sector as "the emblem of current day capitalism" (Folkman *et al.* 2007). Today, research on global finance transcends disciplinary borders. Historians, along with social scientists, developed an extensive literature on finance and crises (Fligstein 2021; Luyendijk 2015; Tooze 2018). Political economists studied the relationship between financial risk, monopolization of ownership and corporate control (Braun 2021; Fichtner, Heemskerk, and Garcia-Bernardo 2017). Economists, and more recently also sociologists, began to scrutinize the link between income inequality and finance (Célérier and Vallée 2019; Godechot *et al.* 2022).

In this dissertation I shift the attention to key actors in contemporary capitalism: financial elites. The expansion of financial logics into the sphere of the productive industry and everyday life of citizens (Epstein 2005; van Der Zwan 2014) has led to an increase in power of financial leaders. Executives, partners, and board members are decisive in defining the rules of the game in the financial field and beyond. For elite scholarship, which has been thriving over the past decade (Cousin, Khan, and Mears 2018; Ellersgaard *et al.* 2019; Friedman and Reeves 2020; Rossier *et al.* 2022; Valeeva, Takes, and Heemskerk 2022), it is therefore crucial to understand who gets access to the top and who benefits from it.

The research project focuses on actors who enter the financial elite as outsiders. Contemporary elite scholars have analyzed the incorporation of religious minorities and racial minorities to the US business elite (Zweigenhaft and Domhoff 2018), of foreign nationals into the banking elite (Araujo 2020) and the incorporation of women in top management in various contexts (Ballakrishnen 2021; Ginalski 2022; Heemskerk and Fennema 2014; Neely 2022). Based on status characteristics theory and relational inequalities theory, I argue that outsiders can be of low or high status, with status beliefs referring to shared conceptions about the worthiness of individuals in a delimited social context (Ridgeway 2014). The central claim is that not all outsiders are the same: status matters. In this project I explore two (asymmetric) cases: conditions in access for low-status outsiders; and consequences of access of high-status outsiders.

In the first empirical part of the dissertation, I study how women—as low-status outsiders—enter the financial elite. Over much of the twentieth century, women were excluded from leadership positions in the economy. With the advent of large, bureaucratic firms, the financial industry promoted the self-image of a diverse, meritocratic industry. Big banks claimed to recruit the best and the brightest (Ho 2009). A sober view shows a different picture. In 2019,

female leaders represented 6% of CEOs and 23% of board directors in US finance. Women continue to face negative performance stereotypes (Blair-Loy *et al.* 2017; Williams and Dempsey 2014), which are mirrored in the wide-spread idea that women have to be twice as good to get half as far (Glass and Cook 2020). In this research, I study women as low-status outsiders vis-à-vis male incumbents, asking: What resources do women have who reached the top against the odds?

In the second empirical part of the dissertation, I study whether alternative finance actors—as high-status outsiders—affect income increases in the financial field. Alternative finance is a weakly regulated subfield of finance that has developed into a highly lucrative niche. An increasing number of alternative finance partners figure among the richest people in the world (Eaton and Gibadullina 2020). Stephen Schwarzman, the founder of private equity firm Blackstone, is just one example among many. The question is whether these outsider groups change the compensation norms in traditional finance firms, such as investment banks or mutual funds. To advance the understanding of these opaque niche actors, I ask: How do high-status leaders from alternative finance shape income norms within traditional financial organizations?

The dissertation, with a core contribution on low- and high-status outsiders in finance, is structured as follows. I first embed my research in a sociology of finance and elites and delineate the methodological underpinnings of the research. In chapter 2, I outline the discussions on the transformation of the financial field and the need for sociological contributions focusing on the actors that shaped and benefited from the two waves of financialization. In chapter 3, I review scholarship on change in elite compositions and call for attention to status differences between outsider elites. In chapter 4, I provide an overview on the definitional stances, sample, data and methods of the project. The core chapters revolve around two parts. In chapters 5 through 7, I investigate the role of educational status signals and network resources in access to top positions for women as low-status outsiders. In chapters 8 and 9, I shift attention to the notion of alternative finance as high-status outsiders in finance and study whether they change compensation norms in the field. In chapter 10, the conclusion, I highlight the main insights and contributions of this project and discuss avenues for future research.

2 The transformation of the financial field

Over the past decades, the financial industry has undergone strong transformations (Lin and Neely 2020). This chapter aims to discuss the factors and contingencies that led to changes in the financialized systems in the US and the UK context. On the one hand, the historical review shows how finance played an increasingly important role in the organization of the economy. On the other hand, it provides context to issues that or of central interest to this dissertation, namely gender inequality and income concentration in the finance sector. While existing scholarship has well explained the structural conditions leading to financialization, I contend that a more nuanced understanding of the elite groups that are core actors and beneficiaries in this transition is needed.

The chapter is structured chronologically. I first portray the post-war period as a phase in which the main function of finance was the provision of credits and loans. Somewhat simplified, we can say that finance, in this phase, had a supportive function to the economy. I then outline the period of the first wave of financialization, which saw the rise of large bureaucratic firms and the expansion of financial activities. Scholars describe financialization as a "cluster of interdependent processes" (Durand 2017: 4), characterized by an effect on accumulation possibilities, its influence on firms and on the structure of daily life (Aalbers 2019; van Der Zwan 2014). Post-keynesian and neo-marxist authors understand financialization as a change in the accumulation regime. Financialization, according to Krippner (2005: 174), is "a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production." While Krippner's empirical work investigates the macro shifts in profit accumulation across the economy, this dissertation examines who gets what *within* finance. Among many definitions, the one of Epstein (2005) has probably been most widely shared. Insisting on the expansion of finance related logics in various spheres, Epstein defines financialization as "the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at the national and international level" (p.3). Despite different nuances, all definitions share the central idea that financialization is an ongoing process that

increases the importance of the financial field. This common ground is key for the dissertation, which seeks to shed light on the actors that occupy key decision-making positions in a field that has seen its power surge over the past decades.

Moving beyond the first wave of financialization, I then outline what can be labeled the second wave of financialization, a phase marked by the growth of alternative finance funds. Financialization did not unravel in a linear manner. Auvray *et al.* (2021) use the (ominous) notions of Mark I and Mark II[1] to describe financialization as a process with different periods. Benquet and Bourgeron (2021) introduce the terminology of first and second wave financialization to capture the multiple phases of financialization, notions which I will use throughout the dissertation. Some authors criticize the focus on the two most recent waves of financialization for ignoring phases of financialization that had already happened at the turn of the twentieth century and earlier (François and Lemercier 2016). While acknowledging the earlier phases of financial expansion, I argue that the image of two waves of financialization is useful for research that relates to transformations which occurred in recent decades. This dissertation asserts that the different waves of financialization are indicators of the rise of new elites in a changing environment in which different logics coexist.

In the final section, I elaborate why we need a better understanding of elites who are core actors in the process of financialization. In line with Savage (2015) I argue that the "massive accentuation of economic and social inequality over recent decades" (p.3) should mirror in a revival of scholarly interest in the social groups who profited most from those developments. The focus on elites is important if we want to better understand who gets access and who profits from hierarchies within organizations and between subgroups in a lucrative and powerful field.

[1] The labels refer to Schumpeterian writings, which used these notions to distinguish two similar phenomena of innovation from each other.

Bankers dining at Pimm’s snack bar in the City of London, 1951. Source: *Guardian* (Bullough 2018)

2.1 Gentlemanly post-war finance

At the beginning of the twentieth century, finance was flourishing. After the second world-war, however, finance became for the most part an unspectacular arena. The depression in the interwar period and the two wars had shifted power relations in favor of governments (Binder 2019) and led to the age of "boring banking" (Foster and Holleman 2010). Between 1945 and 1970, financial activities were strictly regulated, both in New York and London. Consequently, most banks had a local orientation. The main business was to give loans and take deposits from business and consumers (Benquet and Bourgeron 2021; Neely 2022).

In the UK context, the fate of the Bank of England is emblematic of the period (Binder 2019). When Labour took over the government in 1946 they nationalized the central bank. To stabilize the currency, the government adopted measures more severe than those seen in previous periods. It included restrictions on financial trade in other currencies and credit limitations. The Bank of England had to request smaller banks to hold over a quarter of their deposits in liquid funds (Thompson 1997). This was good for local business; however, it also meant that capital sources for merchant and overseas bankers were reduced (Binder 2019) and that there was little room for manoeuver for the financial establishment (Thompson 1997).

In the US, rise of large industrial corporations kept the finance industry tamed and the Glass-Steagall Act strongly regulated the banking industry. The act led to the separation of commercial banks and investment banks and induced a decline in investment banking. After the Great Depression of the 1930s, banking was a rather boring and conservative activity and less profitable than it had been at the beginning of the century (Foster and Holleman 2010). In the post-war period, financial sector employees received average salaries and selection into finance was less demanding in terms of educational attainment (Philippon and Reshef 2012).

At that time, merchant banks were often headed by male family members (Thompson 1997). A typical banker would be "a financial steward" in the service of the local community (Neely 2022), but also one who "read cattle herd books rather than bank accounts, refused to converse with other partners, and left for home in the early afternoon" (Thompson 1997: 294). Thompson (1997) and his collaborators interviewed people born between the 1920s and 1940s who had reached top positions in the City until the end of the 1980s. According to Thompson's interviewees, education was not key to get access to the City. One did not even need any relevant professional qualifications to reach top positions in finance. Some finance professionals came from university, but they would be more likely to have dropped out than

excelled in their studies, as “before the 1960s, the City was not a favored direction for top school or university leavers” (Thompson 1997: 296).

To get a job in the City, personal connections were more important than degrees. It was important to know how to handle clients and have relational skills. For this reason, financial elites in the post-war period came from “comfortable backgrounds,” from upper-class families or at least from middle-class households (Thompson 1997). It was rare to see people reach leadership positions with working-class background. One of Thompson’s interviewees testified that for top level positions financial firms would target people who “are at ease in industrialist’s drawing-rooms” (Thompson 1997: 297).

While most banks had a local orientation at that time, finance was “made up of a mix of types” (Thompson 1997). Not all bankers were committed to “boring banking.” Young City merchant bankers in the 1950s were trying to break out from the narrow and conservative environment of their time. When colonies started to crumble and former settlers returned from the colonized areas, some merchant bankers ventured into new business activities. They found promising, but also more risky opportunities in the “offshore business.” Merchant bankers started to open branches in Jersey (Binder 2019) and developed a market in Eurodollars and Eurobonds, for which the regulations of neither London nor New York applied (Thompson 1997). The Eurodollar business continued to grow from the 1960s until the 1980s (Binder 2019). However, the dramatic change in perspectives for young, enthusiast bankers was yet to come.

Deutsche Bank centennial celebration in April 1970. Source: *Bulletin Finance & Photography* (Hofmann and Massaglia 2021)

2.2 First wave financialization: The rise of the financial elite

From the 1970s onwards, the first wave of financialization profoundly transformed the financial field and its place in the economy. Broadly speaking, financialization marks a historical process through which finance became central to the organization of the economy (Davis and Kim 2015). Authors labeled these developments the advent of investor capitalism (Useem 1996), or the "triumph of financial capital" (Foster and Holleman 2010: 7, citing Sweezy 1994). The first wave took off in the US, and spread to the UK from there.

The financial industry became known as a rough environment reigned over by a "work hard, play hard" spirit (Lewis 2010), with the typical figure of the time being an "ambitious, aggressive, and bold" banker gambling in the stock markets (Neely 2022). Key developments that marked the period were the increase in size of investment banking and asset management and the advent of large, bureaucratic firms. While in 1979 the number of employees at the five largest US investment banks ranged from 2,000 to 27,000 employees, by 2000 employee numbers at the top five banks had increased to between 12,000 and 72,000 (Morrison and Wilhelm 2007). Financial actors that expanded during the first wave of financialization relied on the investment of savings and pension money and pursue a short time investment strategy in shares acquired on stock markets. Most often, these actors have a passive investment style (Benquet and Bourgeron 2021). Due to the enhanced prestige of the financial industry and higher levels of pay, finance became a prime destination for the well-educated upper class from elite universities (Ho 2009). Not only did most top bankers at investment banks have a degree from an elite institution, but by the end of the 1990s many graduates saw investment banking as one of the only suitable job destinations for someone with an elite university degree (Ho 2009). By 2007, 47% of Harvard graduates entered either finance or management consulting (Binder, Davis, and Bloom 2016). How did this transformation happen? As stated by Soener (2021: 819) "there is nothing automatic about the development of financialization."

Political and macro-economic shifts

The first wave of financialization started in the late 1970s, early 1980s and marked a fundamental shift from the locally oriented finance in the post-war era driven by trade and production to a financial industry that affected firm culture, lobbying practices, governmental decision making and citizens' relationship to debt (Davis and Kim 2015). Economic and political sociologists worked towards a solid understanding of the contingencies that fueled the expansion of the financial industry and the profitability of the sector in the 1980s. They argue

that the increasing importance of finance was linked to changes in the economic environment, the political sphere and technological advances (for excellent overviews on the US case see Davis and Kim 2015 and Tomaskovic-Devey and Lin 2011).

The US were at the forefront of the transition. In 1973 oil prices surged and put a heavy burden on all industries that were dependent on transportation and energy for production (Tomaskovic-Devey and Lin 2011). Strong labour unions impeded corporations to pass the losses on to workers, and competition from other economies increased the pressure on the US industry. This led to a decline in corporate profits (Davis and Kim 2015). Wall Street blamed the decline of corporate profits on the supposedly inefficient conglomerate firms and on bankrupt managers. In fact, Wall Street saw itself exposed to a crisis of profitability in the 1970s: "many of its stable revenue-generating tools, such as underwriting, had been saturated, many (if not most) of its conglomerate deals had gone sour" (Ho 2009: p.137). The financial industry was thus suffering from stagnating business and had to find new profit sources. The mergers and acquisition wave, during which companies were restructured and re-combined, was profitable for investment banks. They could generate high fees through the provision of advice to both buyers and sellers (Ho 2009).

At the macro-economic level, the first seeds of a transition to the financialization of the economy were thus planted in a low-growth environment with high inflation. As a reaction to the threat of recession and declining profits, corporations started to put pressure on governments for new economic regulations and less restrictions (Tomaskovic-Devey and Lin 2011). Business mobilization showed in the growth of the lobbying apparatus and in the foundation of neoliberal think tanks (Lin and Neely 2020). Two prominent examples of think tanks that were founded during this period are the Cato institute and the Heritage Foundation, which lobbied for neoliberal reforms (Lin and Neely 2020). At the same time, high volumes of capital became available for investment through the privatization of the retirement system and through budget surpluses in countries such as Japan (Tomaskovic-Devey and Lin 2011). The pension money of upper-middle classes led to the rise of institutional investors (Blackburn 2002), who, in a high-inflation environment, were pressured to take higher risks in investments to increase their returns. Pension funds started to invest in corporate stock. When in the post-war period pension funds were "barred from gambling depositors' savings on the securities market" (Ho 2009: 136), legal restrictions on investments in the stock market for pension funds were lifted in the Reagan era. Pension funds became a major shareholder of the largest US corporations (Ho 2009). Investment banks profited from this development, because they could

sell stocks and bonds to pension funds and get fees from the organization of the transactions. These parallel developments fueled US financialization (Tomaskovic-Devey and Lin 2011).

At the political level, the response to declining corporate profits, distributional conflicts and high levels of inflation was an unprecedent liberalization of the financial sector (Soener 2021). A neoliberal policy regime was put in place, so that difficult decisions could be delegated to market mechanisms (Tomaskovic-Devey and Lin 2011). In the US, it was the Reagan administration which set the political agenda for this retraction of the state and the expansion of policies that favored corporate interests and corporate self-regulation (Lin and Neely 2020). The path to corporate financialization was set by laws that favored the dispersion of ownership (Soener and Nau 2019). Examples of such laws are protections for minority shareholders, or legal discouragement of "block ownership" (Soener and Nau 2019). For the financial sector itself, these deregulation policies implied that several barriers, which had regulated risk taking and imposed restrictions on parallel activities of separate financial actors during the post-war era, got withdrawn. One consequence was that the separation between commercial and investment banks vanished (Lin and Neely 2020). Various states removed capital controls and lowered restrictions on capital movements. Regulations on commercial banks which restricted their ability in operating across states and setting flexible interest rates were abolished (Tomaskovic-Devey and Lin 2011). These policies were driven by the idea that an internationally dominant financial system would stabilize the US economy. Lin and Neely (2020) discuss how the mobilization of business and finance interests played a role in this development. However, they argue that other parties played a major role, too. The ideology to favor markets over social protection was endorsed by the administration and dominant political circles, as well as by citizens from a middle-class strata who had invested their savings in financial markets.

In the UK, the expansion of finance followed the trends in the US. By the 1980s there were two types of financial markets in the City (Thompson 1997). There was the regulated domestic industry supervised by the Bank of England. Next to it grew a new international financial sphere. In the mid-1980s over 500 foreign banks were based in London (Thompson 1997). Many British traders were dealing in US dollar, were subject to US influence and they were "rapidly attempting to extend the technique of worldwide dealing by computer-backed telephone calls, which had been established for currency-dealing, into bonds and equities, futures and options" (Thompson 1997).

The neoliberal policy-turn during the Thatcher era only strengthened the position of foreign financial capital (Binder 2019). The reform of the Stock Exchange - the "Big Bang" - lifted the separation of banking and finance and removed the remaining symbolic wall between old and new finance (Thompson 1997). The government abolished exchange controls and enabled investments in the global markets. Many British banks were under American ownership. Morgan Stanley, Goldman Sachs and Citibank all had set up branches in the UK by buying British banks (Binder 2019). This had consequences for the elite configuration, with a new separation of the financial from the political elite (Binder 2019: 59). The foreign-owned banks spread practices of US investment industry to the UK (Benquet and Bourgeron 2021) and induced growing levels of financial assets and rents. The US influence is still traceable today. Recent studies show that US investors spread American-style remuneration practices in the British economy (Linsi, Hopkin, and Jaupart 2021).

The increase of profits and income levels in finance

To grasp the change of accumulation dynamics during or in the wake of financialization, scholars studied the share of profits and income made in the finance sector (Godechot 2015). Krippner, who was one of the leading authors in this research field, pointed out that the share of corporate profits captured by the finance sector in the US increased from less than 10 per cent in the 1950s to more than 30 per cent beginning of 2000 (2011: 28). During the financial crisis of 2008, profits in the financial sector dropped, but quickly rebounded afterwards (Lin and Neely 2020). In the UK, financial profits have been less pronounced than in the US. The same data as in the US is not available, but the best proxy for it, which is the finance-and-insurance sector's share of gross operating surplus, remained below 15 per cent over the past decades (Christophers 2019). A recent study suggests that profit measures in the US underestimate the importance of finance (Gibadullina 2023). The most impressive consolidation of financial power in the US happened in capital ownership patterns. By tracing the share of finance in total net worth, Gibadullina (2023) shows the evolution of the share of capital owned and managed by the financial industry. She finds that the share of net worth of finance has grown from 16 to 64 per cent between 1964 and 2017.

Most of the profits accumulated in the financial industry were distributed among a small number of well-paid actors (Boustanifar, Grant, and Reshef 2018; Denk 2015; Godechot 2012). The first wave of financialization has led to an increase of earnings for leaders in investment banks, mutual funds and finance more broadly. With business managers, financial professionals represent the largest fraction of earners in the highest section of the income

distribution (Bakija *et al.* 2010). There are differing views among scholars on the precise share of top income growth attributed to financial sector professionals, depending on the data source and estimation approach. However, there is broad agreement that financial sector compensation has had a significant role in fuelling top income growth in recent decades (Bakija *et al.* 2010; Bell and Van Reenen 2014; Boustanifar *et al.* 2018; Godechot 2012; Kaplan and Rauh 2010; Philippon and Reshef 2012). Using US tax return data, Bakija *et al.* (2010) report that financial professionals account for 13% of the top 1% income earners, and 18% of the top 0.1% income earners. Kaplan and Rauh (2010: 1042) find that professionals in financial firms make up for over twice as many individuals compared to nonfinancial top executives in the top 0.1%. The higher up in the income distribution, the higher the proportion of finance professionals (Kaplan and Rauh 2010).

The proportion of financial executives in top income group brackets has also increased over time. Financial sector professionals have boosted their incomes faster than professionals in other industries (Bakija *et al.* 2010). Bell and Van Reenen (2014), looking at the UK, find that financial sector incomes account for 75% of the increase of the top 1% between 1998 and 2008. Godechot (2012) finds that between 1996 and 2007 in France, the financial sector contributed 50% of the rise in the top 0.1%. Because financial professional incomes move in lockstep with equity markets, compensation levels in finance were particularly high during the boom between 1993 and 2000, dropped after the dotcom bubble burst, and subsequently recovered (Bakija *et al.* 2010).

Numerous scholars used a comparative approach to study the pay premium of financial sector employees compared to other economic sectors (Denk 2015; Goldin and Katz 2008; Oyer 2008). Denk (2015) finds that financial sector wages are 50% higher than in other sectors after controlling for characteristics like age, gender, education and OECD country work experience (Denk 2015). Foster and Holleman (2010: 11) state that prior to 1982 "average compensation in the financial sector ranged between 99 percent and 108 percent of the average for all domestic private industry." From 1983 onward, the average compensation in the financial sector increased. In 2007, it was at 181 percent of the average of other industries (Foster and Holleman 2010).

Beyond shareholder value ideology

The first wave of financialization is characterized by an expansion of financial logics to non-financial firms. Finance affected firm cultures and exposed firms to to pressures of shareholder

value ideology (Lazonick and O'Sullivan 2000). To create value for shareholders became the mission statement of large firms. Ho (2009), in an ethnography on Wall Street in the late 90s, describes how she was surprised to discover that firms would not try to hide their blunt profit orientation. Expecting that firms would formulate overarching mission statements like "we feed the world," instead, she discovered that companies communicated their main aim in the service of shareholder interests. Shareholder-value, according to Ho (2009), was the term she heard most during her entire fieldwork. The growing emphasis on financial performance rather than productive output directed attention to the value of firms shares. Thinking about profit was not a new phenomenon in the corporate world, but the strict focus on stock price and the neglect of employment conditions was novel (Ho 2009). While in the post-war period, the firm was still seen as a social institution with a local anchoring, Ho (2009) argues, that by the 1990s this was not the case anymore.

The orientation of firms towards financial activities and shareholders benefits was for long understood as a movement of shareholders against managers, which had become too powerful (Lazonick and O'Sullivan 2000; van Der Zwan 2014). Scholars pointed out how financial actors took a leading role in re-organizing the economy, partly by constraining the power of giant firm managers (Davis 2009; Useem 1996; Windolf 2016; Zorn *et al.* 2004). Some argue that investment bankers spread a corporate culture that turned managers into investors (Useem 1996). The "shareholder revolution" should thus re-impose discipline on managers. Zorn *et al.* (2004) argue that shareholder value has been formed and spread by institutional investors and other financial actors in their direct financial interests. The takeover movement, during which corporate acquisitions increased significantly, started in the 1980s and transformed corporations in exchangeable stock pieces. Investors could impose a stock price oriented strategy on companies, followed by the downsizing and restructuring of larger firms (Ho 2009). A recently published study, however, empirically examines how shareholder value orientation was an unintended consequence of struggles among different groups within corporations (Knafo and Dutta 2020). Managers, they claim, benefitted greatly from shareholder orientation too. Regardless of whether the shareholder value orientation was pushed for by financial actors or whether it happened due to other forces, it benefitted investors and increased the power and reach of those groups heading financial firms.

Research shows that the largest American firms such as Exxon, Microsoft, IBM or Pfizer, are most strongly financialized (Soener 2021). The standard approach of studying "internal financialization" (Pagliari and Young 2021) of non-financial firms is to focus on the financial

character of asset structures. The higher the share of interest, capital gains and dividends in total profits, the higher the internal financialization. For non-financial businesses the share of profits from interest, capital gains and dividends went from under 10 per cent in the 1950s to over 40 per cent at the start of the 2000s in the US (Krippner 2005). Recent studies challenge these findings in a comparative perspective. Soener (2021), for example, shows that for many countries, the financial incomes in non-financial companies have declined since the 1990s. He finds, however, that dividend payouts and share buybacks, which directly benefit shareholders, were growing over the same time. Before the global financial crisis in 2008, shareholder payout levels dropped and returned to pre-crisis levels by 2012 (Valeeva, Klinge, *et al.* 2022). The rising levels of shareholder payouts in large firms are nothing else than the transfer of economic resources to investors (Soener 2021: 823). These trends are indications of distributional struggles in favor of financial actors. A new approach to studying the financialization of non-financial firms focuses on the political activity of corporations in financial regulation (Pagliari and Young 2014, 2016, 2021).

The rise of finance and financial actors also marked societies beyond the realm of businesses and industries. By changing relationships of states and citizens to debt, financial wealth and imaginaries of the future and sustainable systems, financial activities expanded into various spheres of social life (van Der Zwan 2014). Scholars show that welfare state governance became subject to financial logics, with the prominent example of higher education in the US (Eaton *et al.* 2016; Eaton and Gibadullina 2020). Increasing monetary resources, structural power and revolving doors enhanced the capacity of the financial industry to mobilize for their interests (Hacker and Pierson 2010). Financial industry mobilization in regulatory policy had to adapt to changes in the regulatory environment, policy network reconfigurations and different levels of public salience of financial regulation (Young 2013), but overall, the financial industry increased their influence on policy making.

At the level of households, financial logics spread with the shift to market-based pension systems (Tomaskovic-Devey and Lin 2013), with the expansion of mortgages (Fligstein 2021), credit cards and educational loans (Lin and Neely 2020) and with facilitated access to individual investment (Fichtner *et al.* 2017). The promise of financialization towards citizens was one of a democratization of access to the benefits of the financial markets. For the bottom 90% of households in the wealth distribution the largest amount of wealth is used for their homes (51% on average) (Keister 2014). While they have considerably lower shares of wealth in form of financial assets than individuals with high fortunes, they still hold a large share of

their wealth in retirement accounts (15%) (Keister 2014). Investment decisions of financial actors thus do not only concern the resources of few rich people, but a share of the personal savings of most people in society. For financial actors, the financialization of the everyday life implied new possibilities for financial investment opportunities and an increasing acceptance of society for a financialized capitalist system.

To sum up, the first wave of financialization in the 1970s led to a transformation of the economy which lifted finance and financial actors to the core of the US and UK economy. The stereotypical figure of this period is an adrenaline pumped investment banker living a “work hard play hard” lifestyle (Neely 2022). The expansion of financial activities led to higher profits in finance, higher incomes for financial leaders and an increasing say of over important processes in society and the economy. While the first wave of financialization started over four decades ago, shareholder value orientation, political influence and income accumulation of financial actors are issues that continue to be of concern for societies to this day.

Henry Kravis, co-founder of private equity firm KKR in June 2016. Source: *Bloomberg Markets* (Shea 2016)

2.3 Second wave financialization: Niche actors

The timing of the transition to the second wave of financialization is vague. Some scholars define a turn around 2000 (Auvray *et al.* 2021; Neely 2022) or later, with the financial crisis in 2008 (Gibadullina 2023). The second wave of financialization is marked by the expansion of "alternative finance," by new sources of profit accumulation (Gibadullina 2023) and less transparent actors. Alternative finance refers to financial activities that do not fall under the traditional financial system (Fichtner 2013), such as hedge funds, private equity funds or venture funds. Alternative finance has developed at the margins of finance, by actors speculating on investments that were and are restricted for most others (Benquet and Bourgeron 2021). The business models on which these actors at the margins rely date back in time much further. One of the first private equity firms was KKR, founded by Kohlberg, Kravis and Roberts in the 1960s (Baker and Smith 1998). New financial techniques such as leveraged buyouts played an important role during the takeover movements from the 1980s onward. However, the expansion of alternative finance beyond few large firms can be dated at the turn of the 21st century. The dot-com bubble in 2001 marks the end of the boom in the digital economy and a shift in the macro-economic political environment that strongly affected the financial industry (Auvray *et al.* 2021). Changes in corporate and tax laws enabled financial actors to pool capital and to use it for financial innovation rather than for investments in corporations (Appelbaum and Batt 2014). Referring to the expansion of the pay-model that tied managers incomes to corporate performance, by 1997 a financial economist claimed: "we are all Henry Kravis now" (Baker and Smith 1998 citing Steven Kaplan).

Neely (2022) translates the idea of multiple phases of financialization with a description of typical figures in finance for distinct periods. The most recent phase in the typology is marked by the advent of the "Flash Boys" (Neely 2022). While the first wave of financialization could be characterized with the competitive, loud figure of a (male) investment banker, Neely (2022) describes the ideal-typical figures of the second wave of financialization as the "Flash Boys," the "lone, tech-savvy operators who can move the market in a matter of seconds" (p.45). The figure of the "Flash Boy" describes a hedge fund manager involved in the Flash Crash in 2010, which was a major stock market plunge leading to a temporary loss of 1 trillion US$ within few minutes. Hedge fund managers might have played a major role in the crash. Alongside hedge fund managers, a major figure of the second wave, I add, is that of a private equity fund partner. A prominent example is Stephen A. Schwarzman, the founder and CEO of the private equity firm Blackstone Group who made a fortune during the Covid-19 pandemic. Schwarzman

graduated at Harvard Business School and worked at the investment bank Lehman Brothers before launching his own fund. Contrary to the Flash Boy, the typical private equity founder needs to build close ties to other corporate leaders to raise money for buyout operations. Private equity partners thus need "relational skills" and be at ease in contacts with other corporate elite members (Foureault 2019; Hall 2007).

Alternative business models

The second wave of financialization has been marked by the rise of outsider actors, among which private equity and hedge funds. While first wave actors follow mainly a passive investment mode and delegate the control of the firms to the managers, (most) second wave actors can be characterized as following an active investment style (Benquet and Bourgeron 2021). The label "alternative finance" refers to the unconventional way of investing: either investments target private firms (stocks that are not listed in the stock markets) or investments are made in very risky sectors of the stock market style (Benquet and Bourgeron 2021). Private equity funds acquire private firms or take public firms private throughout the acquisition process. Their business model is based on leveraged buyouts (LBO). The acquisition process usually succeeds as follows: a group of individuals acquires a company by raising capital from pension funds, investment funds or others and then issues debt from a bank (Appelbaum and Batt 2014). The capital structure of the firm is consequently reversed (Froud and Williams 2007). Private equity firms then try to improve the profitability of the company and to sell it to another owner about five years after the acquisition. The LBO activities affect a large number of individuals in their economic lives as employees, savers or taxpayers (Foureault 2019).

Hedge funds represent a heterogeneous group of investment vehicles (Fichtner 2013). They mainly pool investment from wealthy individuals and institutional investors. Not only do they face very limited reporting obligations to national instances, but also their reporting obligations to their own investors are very restricted (Fichtner 2013). For some funds, investors have to commit to keep their money in the fund over several years (Stulz 2007). Initially, hedge funds traded arbitrage opportunities, betting on pricing mistakes in markets (Stulz 2007). They tried to identify mispriced assets and define positions which allow them to cash in once the price is corrected. Such investments can result in high returns but at the same time bear high risks. Over the years, hedge funds diversified their investment strategies. As a weakly regulated actor, they can "buy and sell whatever assets or financial instruments they want to, trade any kind of derivatives instrument, engage in unrestricted short-selling, employ unlimited amounts of leverage, hold concentrated positions in any security without restriction, set redemption

policies without restriction, and can employ any fee structure and management compensation structure that is acceptable to their investors" (Fichtner 2013: 34).

Political and regulatory contingencies

The early stages of the expansion of alternative finance were driven by a few "financial entrepreneurs" (Baker and Smith 1998), able to exploit surging opportunities provided by a changing economic and policy environment. The private equity industry saw a boom in the 2000s, retrenched during the 2008 crisis, and recovered from 2010 onwards (Appelbaum and Batt 2014; Fichtner 2013; Yadav and Mishra 2017). For hedge funds, the development had been exponential (Fichtner 2013) Between the 1990s to 2000, hedge funds increased the assets they hold to around US$500 billion. By 2007, they saw a peak in number and volume of assets under management (around US$2,000 billion). The financial crisis hit the industry hard, but losses were covered again by the end of 2010 (Fichtner 2013). Tight monetary policy and low inflation led to an inflow of capital that was partly absorbed by alternative finance funds (Flaherty 2015) and several aspects of deregulation were particularly favorable for actors in alternative finance (Appelbaum and Batt 2014).

The early foundations of future prosperity in the hedge and private equity niche were laid in the 1980s. In the 1980s, tax and pension legislation was eased so that capital could be invested in private markets – benefiting private equity firms - and making pension capital available for financial innovation by which all alternative finance actors profited (Appelbaum and Batt 2014). The 1990s deregulation of securities legislation in the US (particularly the National Securities Markets Improvement Act - NSMIA) further enhanced actors' abilities to raise private capital (Ewens and Farre-Mensa 2020). In parallel, new legislation allowed corporations to merge and operate interstate, which presented lucrative opportunities for leveraged buyouts by private equity firms (Baker and Smith 1998). According to Tomaskovic-Devey and Lin (2011), regulators came to be "cheerleaders for new financial instruments." Particularly important was the deregulation of share buybacks, especially for hedge funds (Fichtner 2020) and a laissez-faire attitude towards new financial instruments, such as derivatives and credit default swaps, which enhanced risky activity (Appelbaum and Batt 2014). Regulators often shielded hedge funds from enhanced oversight. In 1985, for example, the US regulatory authority developed a "safe harbor rule" (under the Investment Advisers Act) to provide hedge funds with certainty in determining when they might be exempted from registration (Kaal and Oesterle 2016).

The alternative finance industry body (AIMA) holds that until the global financial crisis in 2008, significant inconsistencies in the regulation of alternative investment funds existed across jurisdictions (AIMA 2016). Earlier calls for stricter regulation, following criticisms regarding transparency and potential systemic risks in alternative finance, failed due to considerable industry opposition (Kaal and Oesterle 2016). This changed in the aftermath of the crisis. The Dodd-Frank Act in the US (which requires funds to be supervised by the US authorities and imposes rules on derivatives and other financial instruments) and the AIFMD (Alternative Investment Fund Managers Directive) in the EU, mandated stronger oversight (AIMA 2016). However, by comparison with banking and mutual funds, alternative finance remains lightly regulated (Security Exchange Commission 2013). The growth of the alternative finance sphere is in fact related to the increased regulatory effort of investment banking after the 2008 financial crisis. Governments have partly tightened policy on their financial sectors. In consequence, investors shifted their funds to alternative finance, which remained - despite somewhat stronger oversight - less regulated spheres within the financial field. Over a long period, alternative finance fund managers have been able to exploit the opportunities provided by weak oversight and tax advantages.

A lucrative niche

What unites the different figures that profited from second wave financialization, is that they show at the apex of the income distribution. The example of Stephen Schwarzman, the private equity mogul, who made 610.5 million US$ during the first year of the global pandemic is illustrative (Oguh 2021). At the very top of the income distribution, hedge fund and private equity fund managers are more numerous than other top executives. By 2007, the 25 most highly paid hedge fund managers were estimated to earn more than the CEOs from the 500 large firms at S&P stock market index (Kaplan and Rauh 2010).

Sociologists are currently studying how the second wave of financialization changed the relationship of finance to businesses or society at large (Benquet and Bourgeron 2021; Foureault 2019; Neely 2022). One line of research studies the effect of alternative business models on workers in the economy. Private equity firms, for example, bring new business and profit logics into play which affect the lives of millions of people (Foureault 2019). Economists have tried to establish quantitatively whether private equity firms affect employment negatively (for an overview see Foureault 2014). In the US and the UK the results are relatively consistent in showing that leveraged buyout strategies of private equity firms decline the number of employees in the firms which got acquired.

In short, the second wave of financialization has been marked by the development of niche actors in a less regulated sphere of finance. Individuals at the helm of hedge and private equity funds have profited from the changing regulatory environment at the turn of the 2000s and figure today among the richest individuals in the US and beyond (Eaton and Gibadullina 2020). The idea of first and second wave financialization conveys the image of a radical replacement within the financial field. However, this project builds on the assumption that the different waves of financialization let to the rise of outsider elites with different conditions and consequences in access to power.

2.4 From financialization to financial elites

Over the past years, multiple elite scholars have suggested that research efforts should be directed to the small groups that profited from ongoing financialization processes, and that potentially also shape them. In *Elites: remembered in capitalism and forgotten by social sciences*, Savage and Williams (2008) argue that financialization has benefitted actors in the finance sector, those "switching or servicing the flows of money," and therefore, these groups need more scholarly attention. "Financialization," Davis and Williams (2017) claim in the same line of argument, "has not only delivered less than it promised but also only clearly benefited its elite operators through processes which are not easily reversible" (p.11).

The call for attention to elites in contemporary capitalism draws on the idea that leaders in the economy not only profit from those hierarchies in which they occupy the most powerful positions, elites also shape the system itself. While some aspects of the processes of financialization can be explained by "accidental" (Ballakrishnen 2021), uncoordinated developments, such as the phases of economic stagnation and the co-occurrence of international budget surpluses, authors argue that the small groups are "driving and benefitting from the structures of financial capitalism" (Moran and Flaherty 2022: 2). In their account of the financial elite, Moran and Flaherty (2022) argue that "viewing 'causes' solely in terms of 'deregulation', 'neoliberalism' or 'shareholder managerialism' means that the agents of these significant financial changes are, for the most part, undertheorized" (p.3).

Structural explanations that are situated at the national political, ideological or the macro-economic level, these authors would argue, are not sufficient in understanding the causes and consequences of financialization. The financial elite, in that sense, is seen a small group of leaders who have an overproportionate say over how financialization processes materialize.

While this dissertation does not study how actors in high finance control other business fields or influence regulation and politics, it proceeds from the assumption that in the wake of two waves of financialization, the social groups who managed to occupy top position within finance have increased in both monetary and operational influence. I argue that the study of who gets into elite positions in finance and who benefits from it, is central for a sociological understanding of how access to positions of power and financial wealth are distributed in society. Despite being identified as central actors in multiple theoretical scholarly contributions, the financial elite has received little empirical attention to date. Empirical studies on social groups that lead financial firms are still scarce (for exceptions, see Araujo 2020; Blair-Loy 1999; Toft 2013). Accordingly, this dissertation aims to investigate issues of access to positions of power in finance and the distribution of rewards among subgroups of leaders in the Anglo-Saxon context.

The first focus of this dissertation is on women in the financial elite. The historical review of the transformation in finance showed that the typical figures in any of the three phases are male. During the phase of "boring banking," the typical banker would reach the financial elite due to family ties and find himself in a relaxed atmosphere based on masculine trust and bonhomie (Thompson 1997). The rise of investment banking during the first wave of financialization was characterized by the male figure of the aggressive and risk-seeking banker (Neely 2022) with male "hetero confidence" (McDowell 2011). The second wave of financialization can be symbolically represented with the picture of a nerdy, male, hedge fund manager and the charismatic elite university alumni. Alternative finance, even more than investment banking, is reserved mostly for white males and "hedges out" women and other outsider groups (Neely 2018). This male dominance ultimately raises questions about the role of women in the higher spheres of finance. In this research project I investigate the question of conditions in access to the top by examining elite composition and the interplay between gender and different types of status signals.

The second focus of the dissertation is on niche actors and income concentration in the financial sector. In the past few decades, scholars have well documented how financial actors contributed to income trends and inequalities across regions (Godechot 2016b, 2016a; Kus 2012; Lin and Neely 2020; Lin and Tomaskovic-Devey 2013; Nau 2013; Roberts and Kwon 2017). The short overview on the historical transformations in finance showed that by building their niche at the margins of the financial field, alternative finance actors were able to make large gains from their investment activities in the second wave of financialization (Tomaskovic-Devey and Lin

2011). While scholars showed that the financial sector contributed to rising income inequalities and has captured a high share of the profit accumulation that has occurred over decades, I argue that a focus on elites helps to capture the stratification of incomes within the financial field. I investigate whether outsider groups from highly lucrative segments labeled "alternative finance," can shape norms of top managerial income in traditional segments of the financial sector.

Given that the power of social groups at the top in finance has grown with the expansion of the sector, this dissertation aims to study who gets access to managerial and board positions and who benefits from it. With a focus on women and alternative finance actors, this dissertation shifts attention to "outsider elites," to shed light on conditions and consequences of access to the elite in the financial field.

3 Outsider elites and status relations

Recently, scholars have voiced the opinion that research on elites should move on from an emphasis on stability and pay closer attention to the "dynamic and 'mobile' nature of present day elites" (Savage and Williams 2008: 3). In this chapter I will outline the empirical contributions and theoretical debates which speak to the question of elite renewal. What does it take for outsider groups to incorporate in established elite circles? And what are the consequences thereof? The key driving force of change in elites are, I argue, struggles between different elite fractions and their status hierarchies.

To understand who gets access to power and who benefits from it, enhanced attention to outsider groups is central. Outsider elites are of focal interest because their in- or exclusion from established elite-circles draws a picture about the social structure and the state of democratic power distribution within a given society or—in this case——in a given economic segment. At the same time, the incorporation of outsider groups in traditional elites might lead to changes in how leadership is enacted, or, in contrast, how existing leadership and business practices get legitimized and stabilized.

While the literature has well advanced our understanding of disadvantaged minority groups and their incorporation in the elites such as racial, religious minorities, or women, this research argues that a broader view on outsider group is needed. Outsiders can be of low-, but they can also be of high-status. Status characteristics theory and relational inequality theory expose how status conceptions influence claims over authority, monetary rewards and valuable resources and working conditions more broadly. To take the "ghost out" of how disparities in access to such valuable goods and positions, authors shifted attention to the unit of the organisation (Acker 1990; Tomaskovic-Devey and Avent-Holt 2019).

I will prelude this chapter by briefly outlining major research contributions on stability in elites. This, I argue, is the dominant focus in contemporary elite scholarship. I will then dive in to previous research on elite renewal and outsider groups in the business elite. In a detour to early scholars I will sketch how authors throughout the twentieth century have thought about change in elites. I then outline the theoretical foundations of the argument discussing relational inequalities theory and status characteristics theory. In the final section, I show how the theory

informs my empirical contributions which build on the claim that not all outsiders are the same––status matters.

3.1 The focus on stability in elite studies

Over the past two decades, elite scholarship has tended to direct attention towards the description and explanation of stability within elites. Sociologists built a solid understanding on mechanisms of reproduction, closure and persistence of social hierarchies in contemporary societies. Before discussing accounts of how outsider groups can lead to change in the elite composition, I will give a short overview on what I argue has been the predominant focus of elite scholarship so far: to disentangle the mechanisms that help a social group to maintain their privilege and status.

Research with a focus on stability revolves around the notions of persistence, reproduction, and closure, and is often rooted in Pierre Bourdieu's theoretical heritage. One of the key issues addressed in Bourdieu's work is how social hierarchies and structures of domination persist (Bourdieu 1979a; Bourdieu and Wacquant 1992). Social actors draw on cultural, economic, and social capital to maintain their positions in a field. Their possibilities and patterns of distinction are, to some extent, determined by their position in social hierarchies. A common reading of Bourdieu's theory views accounts of stability in social structures at the core of his work. He provides explanations of "how cultural socialization places individuals and groups within competitive status hierarchies, […] how actors struggle and pursue strategies to achieve their interests within such fields, and how in doing so actors unwittingly reproduce the social stratification order" (Swartz 2012: 6). Bourdieu's work does include ideas and concepts that explain how social hierarchies can change. Boyer (2003) argues that the popular understanding of Bourdieu as a scholar of stability is based on a misconception of his work, since "far from being limited to the analysis of reproduction, he provides insights in a series of determinants of change" (p.65, translated from French). In his early works, Bourdieu discussed factors that lead to the emergence of new fields and pointed at various elements that can lead to change in existing fields (Boyer 2003). Nevertheless, Bourdieu's conceptual tools often appear in contemporary work that address questions of reproduction and elite stability.

Contemporary elite scholars who focus on stability and reproduction have highlighted the role of educational systems, dynamics of wealth concentration, the role of justification narratives therein and how class background influences careers, impedes access to elite positions through

"mobility closure" (Toft 2019) and leads to pay differences at the top (Laurison and Friedman 2016).

There is a solid line of research on the role of educational institutions in maintaining social hierarchies. Scholars show that although meritocratic schooling systems have emerged, and educational reforms have marked the past decades, elite schools and universities remain important in protecting advantages of privileged subgroups within society (Delval and Bühlmann 2020; Karabel 2006; Khan 2010; Reeves *et al.* 2017). In the UK context, for example, the likelihood of reaching Britain's elite is 94 times higher for alumni of one of the nine most prestigious British schools (Reeves *et al.* 2017). High entry costs and the embodiment of upper-class habitus have been pointed out as crucial features of social reproduction through elite schools (Khan 2010). Other research shows that top elite universities increasingly included criteria such as leadership or character in the admission process over the past decades. This leaves more leeway to the admission committees and led to the exclusion of lower status groups (Karabel 2006). More recent work expands the research on education as a means for elite reproduction to a context of globalization, and thereby to a wider range of upper-class members. Families convert economic capital to cosmopolitan and educational capital to maintain their status (Delval and Bühlmann 2020).

An important scholarly contribution to education-based mechanisms of upper-class reproduction in competitive professions, such as the finance sector, is the research on recruitment processes by Rivera (2016) titled *Pedigree: How Elite Students Get Elite Jobs*. Drawing on interviews with consulting, banking, and law professionals and on observations in numerous recruitment events, Rivera (2016) found that the title from a top university became increasingly important for recruitment into elite professions. This, she argues, leads to the reproduction of class advantage in access to elite professions. A system that selects individuals into high paying jobs based on elite university degrees, stabilizes class advantages because the socioeconomic background of parents is one of the most important predictors in admission to elite universities. Building on these findings, a study with colleagues (Bühlmann *et al.* 2022) shows managers of financial companies are more likely to have a background in elite universities than managers in other economic sectors. For example, managers in finance are 40 percentage points more likely to have a Harvard degree than managers in any other business sector (Bühlmann *et al.* 2022).

Alongside insights into educational mechanisms underlying upper-class stability, elite scholars have produced a solid understanding of the stickiness of wealth and economic capital. A key

issue at stake in this literature is to explain how incomes and wealth are transferred and stabilized within families (Korom, Lutter, and Beckert 2017). Studies dismantle the "poor to rich" stories by showing which groups reach the highest income brackets (Keister 2014) and by investigating the reinforcement of social closure through the combined concentration of wealth and income (Keister and Lee 2017). Scholars examined the stability of "wealth careers" of the upper class (Toft 2018), wealth hoarding (Hansen and Toft 2021), and wealth accumulation in the upper class (Waitkus and Groh-Samberg 2017). As outlined in the previous chapter, sociologists have also shown a vivid interest in studying the role of financial sector professionals in hoarding wealth and income (Godechot 2016b; Lin and Tomaskovic-Devey 2013)[2]. In the book *Hedged Out: Inequality and Insecurity on Wall Street*, Neely (2022) shows how white elite men maintain and defend their positions within hedge funds, entities designed to capture wealth and privilege. Neely (2022) investigates the social organizations of the hedge fund industry and shows how men "hedge out" those groups that do not "fit" in the dominant masculine, white environment. While Neely does not solely focus on the elite within organizations, she does study mechanisms that play within the top strata of hedge funds too.

Closely linked to questions of wealth capture and income concentration among a small group of actors within society, qualitative elite scholarship studies how narratives justify and normalize elite privilege and reproduction (Hecht 2021; Paugam *et al.* 2017). In a study on wealthy New Yorkers for example, Sherman (2018) shows how the presentation of and affiliation with ordinariness works as a "mode of justification of privilege."

In sum, elite scholars provide rigorous accounts of how ascribed characteristics, class origins and institutional arrangements are central to the reproduction and stabilization of social hierarchies and the exclusion of outsider groups. This scholarship is of utmost importance in deconstructing popular myths about the advent of meritocracy, gender blindness and the porosity of class systems in contemporary societies. In addition to this valuable research, I argue, there is a need for a more systematic preoccupation with the phenomenon of elite struggles and change in elite composition. Careful considerations of how elites evolve are needed to uncover whether change in the elite comes with change in the enactment of power or, in turn, masks persisting stability.

[2] Most of those studies, however, do not speak to a sociology of elites.

3.2 Calling attention to elite dynamics: the role of outsider elites

The study of elites, Cousin, Khan, and Mears (2018) argued, "needs to move beyond the focus on inequality and social reproduction" (p.230). In recent years, the question of elite dynamics has gained momentum. Within the vast literature on elites, theoretical considerations or empirical attempts in addressing change can be found in literature about elite networks, transnationalization in careers and meritocratization of elite access (Friedman and Reeves 2020; Ginalski 2022; Heemskerk, Fennema, and Carroll 2016; Reeves *et al.* 2017; Rossier *et al.* 2022). Elite scholarship with a focus on the ability of elites to evolve, works with the notions of reconfiguration, elite circulation, and the notion of new and traditional elite fractions. This research project speaks to a particular strand of the literature. I build on research which examines the change in elite composition and *the entrance of outsider groups* in the economic sphere. In the following, I will review some contemporary studies which have engaged with the processes of elite incorporation of various types of minority groups.

Outsiders in the business elite

One of the most systematic studies on the changing profiles of groups reaching top positions in the US economy was developed by Zweigenhaft and Domhoff (2018). In the book titled *Diversity in the Power Elite* the authors examined how minority groups, such as women, Jews, racial and sexual minorities gradually entered top decision-making spheres of the economy. Questioning the tale of individual advancement and the heroic ascension of outsiders in a free society, the authors ask rhetorically: "Can anecdotes, dime novels, and self-serving autobiographical accounts about diversity, meritocracy, and upward social mobility survive a more systematic analysis based on the past few decades?" (p.5).

Tracing the entrance of outsider groups to the business elite over time, Zweigenhaft and Domhoff (2018) document the increasing diversity of leaders in terms of gender, religious affiliation, and race. They find that compared to the 1950s, US business leadership had become significantly more diverse by 2010. While the business elite was still predominantly white, Christian and male by then, the authors observe that women, African Americans and people of Jewish religion were making it into top leadership positions. However, the increasing diversity, Zweigenhaft and Domhoff (2018) argue, mainly helped to camouflage persisting class inequalities.

According to the authors, minority groups historically entered the establishment over time in response to pressure built by social movements. One of the decisive steps were affirmative action plans— a political response to pressures from civil society that initially aimed at creating possibilities for access to positions of power for African Americans. These plans were put in place by the political elite in the 1967 when social uprising turned violent. In the years that followed, affirmative action plans became more beneficial to groups other than the community that had initially set up the pressure, benefiting women in particular (Zweigenhaft and Domhoff 2018: p.221).

Zweigenhaft and Domhoff (2018) show that the entrance of new groups into the corporate elite was accompanied by a strong cohesion in values within the corporate community and was marked by class privilege. Many women who entered the elite stemmed from privileged families. The same applied to foreign nationals who integrated the US corporate leadership from "a displaced ruling class" (p.197). However, class privilege did not fully explain why some outsiders climbed the rank. For Jews and Japanese Americans the access mechanism seemed to be different. Individuals from those outsider groups who made it into the elite, often had a middle-class background. Their ascension was strongly tied to ongoing political mobilizations. Another important resource for outsider groups, Zweigenhaft and Domhoff (2018) argue, was education. Elite universities confer status and provide contacts and access to exclusive social networks. Although traditional elite schools did work mainly for the male, white and Christian leaders, the gradual opening of schools for coeducation (including women), and for African Americans, provided outsider groups with new opportunities: "Education seems to have given them the edge needed to make their way into the power elite" (p.198).

In their historical analyses of the US business elite, Zweigenhaft and Domhoff (2018) observe a strong pressure for outsider groups to conform to the dominant group in terms of manners and style. The search for trust is what "leads to the marked preference for women and people of color who think and act like the straight, Christian males running those organizations" (p.201). Women or Asian leaders had to demonstrate fit and conformity. Ironically, the authors conclude, the integration of outsider groups has helped to stabilize the corporate elite. Diversity, they argue, has given access to few people from outsider groups that serve as tokens and buffers. In consequence, a small number of outsiders signal to the excluded group that access is now granted, which, the authors state, "contributes to a decline in collective protest and disruption and increases striving for individual mobility. That is, those who make it are not

only “role models” for individuals, but they are safety valves against collective action by aggrieved groups” (p.221).

Interestingly, a study on the French context by François and Lemercier (2016) represents the opposing caveat in the relationship between stability and change. The authors show that the business ideology changed, although elite profiles remained stable over time. François and Lemercier (2016) ask whether the increase of income distributed to shareholders in the sense of shareholder value orientation was pushed for by a new group of people who managed to make it into the business elite. To assess the profile diversity of leaders, the authors studied educational backgrounds, social origins and early career trajectories of different elite fractions at two points in time (1979 and 2009). They found that firms pay a larger share of their net incomes to shareholders if the executives had a background in a financial function or in a financial institution. Interestingly, however, the profiles of those “financial directors” who enabled the financialization of French companies in the 2000s are similar to the generation of 1979. As such, François and Lemercier (2016) paint the image of a parallel situation of change and stability.

While Zweigenhaft and Domhoff (2018) examined the diversification of the business elite in the US context, and François and Lemercier (2016) studied the profiles of business elites in the French context, recent research on Switzerland focused on the entrance of outsiders in the financial elites in particular. One of the pioneers in studying the financial elite is Araujo (2020), whose work explores the changing profiles with a particular focus on their national versus transnational orientations.

Araujo (2020) investigates the composition of banking elites in the Swiss national contexts from the 1980s onward. The study examines whether a transnational banking elite has replaced an established group of local banking elites and whether globalization has affected both the increasing internationalization of profiles at the top, but also the career trajectories of the national elite. With multiple correspondence analyses, Araujo shows that there is indeed a national and an international pole of banking elites, which nurtures the idea of changes in the composition of previously dominated local elites. But rather than observing a “replacement” of old banking elites by new elites, Araujo argues that there is a coexistence between different fractions within finance: “The banking sector, rather than being the spearhead of a financialized capitalism, represents a curious blend of traditional and modern elements” (p.110). Araujo sees the internationalization of banking elites as a response to the internationalization of the financial sector activities. The careers of Swiss banking elites became more international when

banks based in Switzerland started expanding abroad, opening branches in cities such as New York and London. Also, foreign banks started to set up branches in Switzerland for tax reasons and brought their national employees with them. The author finds that the entry of new, international groups in the elite is more important in certain segments of the banking sector, such as investment banking. Implicitly, he thereby defends a demand-side position, arguing that the entrance of international elite is a response to "who is being recruited". Araujo's (2020) work, which is one of the first to look at the elite within the financial field specifically, focuses on the Swiss context, which leaves unanswered how the elite composition in the financial field change in the "forerunners" of financialization, the US and the UK.

Overall, the various contributions on the issue of elite renewal have discussed the entrance of outsider groups in different national contexts, with varying definitions of how "divergent" a group needs to be to be considered an outsider, and with a focus on different outsider characteristics. What are the traits that distinguish the "outsider" from the "established" groups? Is it a matter of contrasting religious beliefs, or disparities in socio-economic backgrounds? Historically, early elite scholars who studied elite groups posited that psychological dispositions and abilities separated new from old groups (Pareto 1916). However, such approaches are seen as outdated today. When addressing questions of elite renewal, contemporary research focuses on questions of ascriptive characteristics, such as race, class, gender, sexuality or religious backgrounds. In addition to issues of what type of "otherness" defines the outsider elite, there is a need to weigh the relevant criterion of change: François and Lemercier (2016) who do find changes in career and professional profiles in subgroups of the business elite over time, adopt a framing of stability, arguing that "their social properties, for the most part, do not change" (p.305, translated from French). Their study, the authors write, shows that new generations of managers who are extremely similar to earlier generations of executives in terms of educational backgrounds, social origins and early career trajectories, imposed new distributional models in the firms they are now leading. This implies that the authors take decisions on the criteria that do qualify a social group to be considered "different." There is a weighing in terms of which elements count for a social group to be considered "new." Beyond those definitional issues, there are two important aspects that studies examining the integration of outsiders into existing elite circles address: firstly, the process through which outsiders become part of established elite groups, and secondly, the outcomes or implications of this integration.

Conditions and consequences of change in elite configurations

Some discussions on conditions for elite dynamics capture the structural explanations of change. Araujo's (2017) research suggests that new forms of career backgrounds in elites appeared in response to globalization processes. Scholars who focused on the entrance of women into elite positions, as an "accident" in a particular context (Ballakrishnen 2021). In an original account of the conditions leading to gender parity in law firms in India, Ballakrishnen (2021) describes the set of factors that co-incidentally led to an influx of women in the law elite. The co-occurrence of the creation of new elite schools that pursued an idea of social justice in recruitment strategies, the liberalization of the law profession and a mimetic behavior of Indian firms on a Western image to attract clients led to gender parity in legal elites in India. These coincidences, Ballakrishnen argues, led to a feminist outcome without an intentional feminist project or an agentic movement. In contrast, other perspectives emphasize the role of actors in driving change. Bühlmann *et al.* (2012), for example, who study changing elite composition in the business sphere, use the notion of "elite fractions" as actors of change in the struggle for access to the top. Taking an agentic frame too, scholars who worked on women's access to the elite in the European or US context often highlight the role of women's movements (Ginalski 2022).

As the antagonist to the question of conditions of change, there is the question of the consequences of change. It appears that within current research, there isn't much emphasis placed on the *empirical* investigation of consequences that a change in elite composition can have (for exceptions, see for example François and Lemercier (2016)). However, many scholars engage in theoretical discussions on the potential implications of new entrants, including women, religious minority groups or international leaders. These discussions often spark controversy. Heemskerk and Fennema (2014), for example, see the increasing representation of women on corporate boards as a sign of elite democratization. In a study on the Netherlands, Heemskerk and Fennema (2014) examined how and why women entered corporate boards from 1969 to 2011. They state that the presence of female directors is a sign that "powerful positions can be obtained because of merits, rather than through ascription" (p.279). While for Heemskerk and Fennema (2014) the entrance of women into business leadership can be considered an indication of a democratization process, for Zweigenhaft and Domhoff (2018) elite renewal lead to the stabilization of social hierarchies and to the strengthening of modes of profit making. Elite renewal, according to Zweigenhaft and Domhoff (2018) results in multiple "ironies" and ultimately sustains the preservation of social

order. Diversity policies can hide ongoing forms of discrimination within organizations and societal systems.

In sum, contemporary scholars who have examined the incorporation of outsider elites into established business circles have made significant contributions to our understanding of how elites evolve over time. Authors offer various explanations for why outsider elites are able to enter, ranging from structural changes (such as globalization) to agentic behavior (by both the established or the outsider groups). While the consequences of elite renewal are not always empirically investigated, there are ongoing theoretical discussions about the impact of these changes on power relations, capitalist systems of production or the relationship between elites and society more broadly. This project aims to further explore the conditions and consequences of outsider elites' entry into established elite circles and to enhance the understanding of different subgroups in outsider elites.

3.3 The roots of reflections on change: A detour to early elite scholarship

It is worth highlighting that while contemporary scholars are calling for renewed attention to the study of change in elites (Cousin *et al.* 2018), the dynamics of elite has been a central focus in early scholarship. Foundational writers placed significant importance on understanding the dynamics within elites. Vilfredo Pareto (1916), one of the classic scholars, used the analogy of a river and the flow of water to illustrate the constant dynamic in the "ruling class" at his time of writing. Pareto saw sudden floods, or the quick and radical replacement of an elite, as a threat to the social order. In response to such early scholarship, which came to be associated with fascist ideology, pluralist and critical elite scholars from the 1950s onward became concerned with how change in the elite related to the stability of democratic regimes. By taking a detour to early elite scholarship, we can gain a broader understanding of the lineage of contemporary research and the elite scholarship tradition to which this research project belongs.

Classic scholars and elite circulation

Classic theorists, such as Gaetano Mosca (1923) and Vilfredo Pareto (1916) established oppositions between elites as superior or better people and the masses, a negatively connotated term (Hartmann 2004). They developed their theories in a time when the bourgeoisie was worried about the phenomenon of increasing population growth. Industrialization and rapid urbanization had led to a concentration of precarious workers in cities. For many observers at

that time, including the classic elite scholars, the "masses" represented a threat for the bourgeoisie. Any movement could aim at revolutionizing existing regimes (Hartmann 2004). The theories of the classics came to be associated with the rise of Fascist regimes. Keeping this in mind, I will outline how classic scholars thought about elites and change. Some aspects of their work laid the foundation for dangerous ideological and political projects. Nevertheless, classic elite scholars are an important reference for elite scholarship throughout the 20st century.

Pareto is probably the most influential early elite theorist addressing the question of change. He coined the notion of "elite circulation." His work built on Mosca, who had written about the renewal of the ruling class in several essays (Verzichelli 2018). Mosca described the ruling class by its capacity to organize itself (Korsnes *et al.* 2017). But he would also ascribe the ruling class some sort of psychological and material superiority (Hartmann 2004). Interestingly, Mosca saw the source of those characteristics of superiority not in biological transmission (inheritance) but in education, and the influence of the familial context. He assumed a difference at birth existed, but that traditions and the influence of the milieu would be more important (Hartmann 2004). This idea is intrinsically related to Mosca's attempt to think about change in the elite. Because the ruling class does not reach its power based on biological characteristics, but due to "social forces" that shape the superiority of the few, any change in these social forces should lead to changes in the composition of the ruling class. An example of change in social forces, according to Mosca, could be the emergence of new sources of wealth (Hartmann 2004).

Pareto developed the theory of elite circulation in the *Trattato di Sociologia Generale* (Pareto 1916). Alike Mosca, Pareto thought that elite members had some natural psychological disposition, which made them apt to be in the elite. Recall that these theories were later seen as contributions to the rise of Fascist regimes. Pareto explicitly theorized how elites get replaced and how by allowing for a regular exchange of elite members, they could reach an equilibrium. The fate of elites was to be enshrined in a cyclical phenomenon. Pareto understood the circulation of elites as the inflow and outflow of political rulers (Verzichelli 2018)[3]. The exchange thus happened between individuals from the dominated class and members of the ruling class. Pareto used the metaphor of the river to describe different forms of circulation: The "alternation of sudden "floods," when a new elite replaces the old one, and phases of the

[3] Note that some contemporary authors use the notion of elite circulation in order to describe the phenomenon of revolving doors (Ellersgaard, Larsen, and Munk 2013).

placid flow of the river's waters, when said transformation occurs within the same ruling class" (Verzichelli 2018: 574). The exchange could be based on the circulation of individuals between the elite and the "masses" or – more radically – it could imply the replacement of one entire elite by another (Verzichelli 2018).

Pareto conceived two types of elites with animal metaphors in analogy to Machiavelli (Hoffmann-Lange 2018). Lions, in this typology, are authoritarian personality types who use force to maintain their positions. Foxes, in contrast, are innovative personality types who influence others through manipulation and persuasion. In Pareto's view, one personality type would dominate the ruling class. He saw the fate of elites in the tendency to integrate too many people who resembled the dominant personality type. This, he argued, would be the start of the gradual decline in elites (Hoffmann-Lange 2018). When a healthy circulation was impeded, revolutions occurred, and the ruling elite would be overturned radically (Pakulski 2018).

The classic elite scholars, among which Pareto, defended that a small minority should lead the large "masses." As a commonality with other classic elite theorists such as Mosca, Pareto based his theories on the assumption of superior qualities in elite members (Davis and Williams 2017). He developed a top-down conception of elites and saw them as autonomous social actors "decisive for a society's fate" (Pakulski 2018). With those theories critical theorists lay the intellectual foundations for the development of fascist regimes in different countries.

Pluralists and the radicality of change

From the 1950s onwards, elite scholars positioned themselves in reaction to classical elite theorists and the horrors of the second world war. The idea of the superiority of a small minority was now associated with racial purification, Nazi ideology, and Fascist regimes (Hartmann 2004). In reaction to this, elite scholars of the post-war era moved away from a dichotomous distinction between elites and masses and worked on an understanding of elites as plural and functional. The idea proclaimed by pluralist scholars was that modern societies were organized around autonomous sectors with multiple elites who had different and often conflicting interests (Hoffmann-Lange 2018). Hartmann (2004) provides a more critical reading of the pluralists. Their ideas, he states, are close to the classic theorists in that they agree that political elites are unavoidable and necessary in a complex society.

In US and German sociology in the post-war period, the pluralist or functionalist approach to studying and understanding elites was shared by many different scholars (Dahrendorf, Stammer, Dreitzel in Germany; Lasswell, Riesmam, Keller and Dahl in the US). Many of those

scholars were interested in political elites and the question of stable democratic regimes. Dahl (1961), one of the most prominent pluralist scholars nowadays, studied decision making power in democratic regimes. In the book *Who Governs?* he examined concrete spheres of salient political issues, and to look at which groups had initiated projects that were adopted, and which interests had been turned down. In a pluralist perspective, Dahl acknowledged that the access to the elite had become more open and that elites were more ethnically diverse and pluralistic (Hartmann 2004). But he insisted that at the same time, the chances for access to political decision-making spheres were still largely dependent on income, educational and professional resources.

A key issue for pluralist scholars was to understand elite competition and coordination. The assumption of a plural, concurrence-based elite raised questions about how the elite cooperated and where the lines of conflict operated (Hoffmann-Lange 2018). For Keller (1963 [2017]) the advances in societal differentiation led to a specialization of elites. Most central tasks in society, such as the protection against external threads or the proposition of solution to major societal problems, she argued, were handled by many different elite fractions (Hartmann 2004). Understanding elite dynamics was thus not the main focus of those scholars. Nevertheless, they did develop explicit theorizations of change in elites.

Dahl conceived dynamics in the elite as an irregular phenomenon, "whereby confrontation is not necessarily the standard pattern and changes in the composition of the ruling classes tend to be determined by compromises" (Verzichelli 2018: 36). He thereby expressed the idea of peaceful, compromise-based changes. Another prominent conceptualization of change from pluralist scholars was developed by Field and Higley (1980) who questioned the ability of elites to "survive through different historical phases—and to cope with new challenges imposed by changing socio-economic conditions—through a process of unification" (Verzichelli 2018: 576). They described the coordination between elites as a central feature that enabled elites to remain in power and to adapt to societal or economic developments.

Suzanne Keller (1963 [2017]) in *Beyond the Ruling Class* (1963 [2017]) was, according to Hartmann (2004) the elite scholar of the time with the strongest attempt to generate a comprehensive theory of elites in societies. Keller introduced the term "strategic elites," to distinguish elites who take decisions that have consequences for many members of society from functional elites with a narrow influence (such as chess players or super models) (Hartmann 2004). Beyond this definitional contribution, Keller developed a theory on changes in elite configurations linked to the increased differentiation of modern industrial societies. She

distinguished three different stages of societies. The position of elites, according to Keller, was linked to material conditions in societies that changed across time. Societies which were marked by scarcities in resources had often dominant military or religious elites. In societies which found ways to fight scarcity, political and economic elites became dominant (Hartmann 2004). For Keller, the 1960s were a phase of transition into a third phase, where academic and cultural elites became central. This transition was accompanied by an increasing autonomy of different elite segments. The increasing autonomy and specialization in turn led to a shorter power-span of elites, they would get replaced more quickly and recruited based on merit and competence in the functional space of power (Best 2018).

More recent pluralist scholars Higley and Field see elite dynamics as opposed to elite stability, but at the same time, they were "inextricably interwoven" (Verzichelli 2018). Higley together with Lengyel (2000) set up a typology based on four different modes of elite circulation. The typology aimed at explaining democratic consolidation through constellations of political elites. They build on the two dimensions of scope and speed of transitions. The modes of circulation, the authors suggested, can be gradual and peaceful or sudden and enforced; its scope can be wide and deep or narrow and shallow (Hoffmann-Lange 2018). Scholars of political elites and democratic systems have had a strong interest in studying revolutions and radical change in political elites. But they also advanced ideas on a "healthy standard" of elite turnover (Verzichelli 2018).

What is interesting in the theoretical approach developed by Higley and Lengyel (2000), is that the type of circulation and its extent are then linked to the question of the consequences of such change. As political sociologists they are interested in the relationship between elites and democracy. According to them, the "classic circulation" consolidates democratic regimes. By this they understand a peaceful, gradual replacement of an old elite accompanied by fair elections and negotiations. In contrast, a sudden shift in the political elite that replaces an entire old elite can lead to instability and a totalitarian regime. They label this type of transition the "replacement circulation" (Hoffmann-Lange 2018).

Critical elite scholars and the power elite in modern societies

Critical elite scholarship, which was most strong in the US from the 1950s to the 1980s, opposed the stance of pluralist elite scholars who viewed the elite as constantly competing. Pluralists, they argued, neglected the link between elite and class and overestimated the openness in access to the elite. Critical elite scholars thus opposed mainstream sociology and

political sciences, which focused on elections, competition between parties, the right to assemble and free markets (Domhoff 2006). To them, the so-called power elite, dominant class, or group of incumbents, was marked by strong unification based on educational socialization or on family backgrounds (Hartmann 2004).

C. Wright Mills (1956) was a central author critical elite scholarship, paralleled by Floyd Hunter who studied local level elites and later followed by G. William Domhoff. Mills defined the elite as those individuals holding top positions in core segments of US society at the time, which were in 1950s America, the trilogy of industry, military, and politics. Power, according to Mills, was concentrated in the hands of the few at the top. His work was in many ways in opposition to the view proposed by Dahl (1961), who defined elites with a focus on decisional power (Verzichelli 2018).

While nowadays, Mills' work is often cited to define and delineate elites, he can be considered an important theorist on change in elites. In *The Power Elite* (1956) he theorized how institutional and other factors changed the relative power of elite segments in society, the power of elites vis a vis other societal strata (mid-level and mass society), and the coordination and unification mechanisms of elites. Focusing on the role of institutions, Mills developed a historical analysis of hierarchies in American society. Mills distinguished between five epochs which are distinct in how society is structured and in the scope of power held by the elite. The theorization of the "power elite" corresponds to the last of those five epochs.

In one of the earliest epochs, in the beginning of the nineteenth century, Mills sees a society which corresponds most closely to the pluralist ideal of competing subgroups in leadership. The elite in this time was constituted by multiple groups that were only loosely connected: "No set of men controlled centralized means of power; no small clique dominated economic, much less political, affairs. The economic order was ascendant over both social status and political power; within the economic order, a quite sizable proportion of all the economic men were among those who decided" (Mills 1956: 271). In the third epoch, starting with a Supreme Court decision in 1866which protected corporate rights, the business elite started to rise. According to Mills, corruption was flourishing, it was "an age of raids on the government by the economic elite" (Mills 1956: 271). While political power was fragmented and scattered, the financial and corporate elite was highly organized. Mills describes that the New Deal era, the fourth epoch, then saw the rise of new centers of power, which challenged corporate dominance. Business still had considerable influence, but its power was contested "it became one major power within a structure of power that was chiefly run by political men, and not by economic or military men

turned political" (Mills 1956: 273). Unions and organized labor as well as small propertied farmers started to enter the decision-making sphere.

The latest, or fifth epoch, in Mills accounts, is that of the power elite, a small group, a "handful" of leaders that are well coordinated and have high decision making power. Mills sees them as powerful through the position they hold in major institutions. This view of elites in the post-war period is in strong contrast to pluralist scholars who would saw power as fragmented and divided in a large group of people, restricted to the functional domain. The phase of the power elite, according to Mills, was driven by the centralization of power, expansion of hierarchies and marked by the ascension of the military and business elite: "The long-time tendency of business and government to become more intricately and deeply involved with each other has, in the fifth epoch, reached a new point of explicitness" (Mills 1956: 274). According to Mills, the transition into this phase was driven by growing institutions and an ongoing centralization and bureaucratization of institutions. The epoch of the power elite was also marked by a detachment of the highest decision-making circles from lower levels of decision making, Mills argued. The mid-level of power was marked by competing forces that did not connect with the highest level of power anymore (Hartmann 2004). At the bottom of the social strata Mills pessimistically saw an unorganized "mass society" influenced through mass media and without any power.

Mills theorization focuses on the changes in the hierarchy of different elite segments, the trinity of business, politics and military. The business elite, he argued, was subject to changes in the structure of firms and the economy. Firms grew larger and business power got increasingly concentrated. When in earlier epochs the economy was marked by many small units, the business system evolved into a field dominated by few hundred very large corporations with common interests (Mills 1956: 7). Mills saw wealth and business power as intrinsically interwoven. Wealth would be passed on within families and stabilized through participation in large corporations (Hartmann 2004). A second trend that marked the new phase was the increasing prominence of the military elite. This focus on the military ascension is what distinguishes Mills from Pareto most distinctively (Horowitz 1981). Mills was an observer of a time of militarization in the US society following the 2nd world war and the enhanced relevance of foreign policy issues. Mills saw the rise of power of the "warlords" as the consequence of a failure in building democratic institutions and agencies to address international issues. Finally, Mills saw the political elite on decline. According to him, the expansion of the executive branch in government, with government agencies and commissions,

led to an influx of business elites into the political sphere. "The political order, once a decentralized set of several dozen states with a weak spinal cord," he writes, "has become a centralized, executive establishment which has taken up into itself many powers previously scattered" (Mills 1956: 7). Pluralist elite scholars such as Dahl argued that Mills overemphasized power at the national level and did not pay enough attention to local or regional level power structures (Horowitz 1981).

Mills opposed the pluralist view that elites were recruited based on meritocratic principles. Although the power elite was not an aristocracy where family belonging is necessary to reach elite positions, social origins and upper-class education were important factors to enter the power elite (Hartmann 2004). Mills described the ideal-typical members of the power elite as being "native-born Americans of native parents, primarily from urban areas, and, with the exceptions of the politicians among them, overwhelmingly from the East" (Mills 1956: 279). Further, members of the power elite were from a protestant upbringing, overwhelmingly graduated from college and from prestigious Ivy League colleges (except for the military elite). This, Mills argued, led to a high degree of unity through social similarity and psychological affinities, such as values and class consciousness. Newer scholarship in Millsian lineage highlights the importance of policy-planning groups, think tanks and social clubs in creating cohesion among the elite (Domhoff 2006). While agreeing with the view on elites as coordinated and cohesive, Domhoff (2006) critizes Mills for his portrayal of civil society as overexposed to the mass media. Domhoff argues that citizens are able to organize and create powerful movements such as the environmental or the women's movements.

Early scholars' reflections on conditions and consequences of elite renewal

Even in this early work, we can identify reflections on conditions and consequences of change in elite configurations. In Pareto's theorization, actors of change are those groups who do not constitute the elite at a certain time, but who aspire to enter the elite. Hartmann (2004) criticizes Pareto's work for leaving out important elements in the chain of explanations on why change happens. Pareto saw the driving force of change linked to shifts in certain psychological elements of elites, but—so Hartmann's critique goes—he did not explain why those elements shifted in the first place. Keller, as one of the pluralist scholars, argued that changes in elite configurations were driven by the increasing differentiation of modern industrial societies. Mills in turn argued that the changes in the elite during his time were propelled by the expansion of institutions, as well as the continuous process of centralization and bureaucratization within these institutions.

In terms of consequences of shifts in elite composition, Pareto saw elite circulation as tightly linked to questions of stability in society. With the opposition of elites and "masses," classic elite scholars were interested in understanding how change in elites would affect the ability to govern the broader society and prevent social unrest (recall that their theories fed Fascist ideologies). Pluralist and critical scholars, meanwhile, studied change in the elite with an interest in their effect on democratic systems. To Mills, the consolidation of power among a small elite was a threat to democracy. According to Horowitz (1981) it turned him nonpolitical: "He did not vote; he did not participate in the system; he was not a member of a radical organization; he was not a voluntary participant in social action. Mills was trapped by a pure theory of power" (p.382).

In this section I provided a short review of early elite scholarship and reflections on dynamic elements in elite configurations. When taking a detour to early elite scholarship, it becomes clear that recent calls for a renewed interest in paying attention to how elites evolve, and how their composition changes, root in a long tradition of scholarly thought, developed throughout the twentieth century.

3.4 The role of status hierarchies for outsider elites

Both contemporary and early elite scholars have offered a diverse range of perspectives on elite renewal. The common element used by scholars to distinguish outsider elites from incumbent elites is their minority status. Outsider elites, following this shared conception, are at the margins of a field of power because they are part of social groups that are small in numbers within an elite context. Agreeing that minority status is one important element in defining outsider elites, I argue that a deeper comprehension of both the conditions that promote elite renewal and the consequences of change in elite composition can be gained by focusing on an additional element: status hierarchies. It is important to recognize that not all outsider elites are the same.

Outsiders as numeric minorities

In the historical study on outsider groups in the US by Zweigenhaft and Domhoff (2018), female interviewees expressed how they had to show that they are "part of the group." The example of Cecily Cannan Selby is illustrative. In the early 1970s, she became the first female board director of Avon, a firm which sold perfumes, lipsticks and other cosmetic products. Selby described how she arrived at the first meeting with the board as the first female board

member. The atmosphere was tense. After dinner, she was offered a cigar by a male board director. Zweigenhaft and Domhoff (2018: 51) quote her saying: "When I accepted, I could feel them all relax." According to Zweigenhaft and Domhoff, the pressure to assimilate was a repeating theme with the outsider elites they had interviewed. Women had to show that they were part of the group "even while struggling to maintain her sense of feminity" (p.51). The pressure to indicate fit increased with increasing hierarchy, because from senior level onward, the group became more homogeneous.

These accounts of elite incorporation resonate with theories on numerical minorities and their position within organizational contexts. Rosabeth Kanter (1977) developed a classic argument on how minority groups in the workplace faced out-group issues such as negative performance pressure and higher scrutiny from the dominant group. When few women occupied top positions in a business context, for example, being recognized as a woman enhanced visibility and led to marginalization. According to Kanter (1977), when minority characteristics become salient, members of the minority group are put in the spotlight. Additionally, majority members define themselves in relation to these salient characteristics, thereby perpetuating out-group dynamics. For example, men in a male dominated environment would react to the entrance of women in that they "start to think of themselves more in terms of their sex and may begin to introduce more gendered comments and jokes into their daily interactions in the workplace" (Ridgeway 2011: 112). These dynamics of in- and outgroup perceptions accentuate categorical differences and lead to disadvantages in access to valuable resources, networks and information for minorities. According to Glass and Cook (2020), "in high-status professions where women and minorities are underrepresented numerically, they confront hyper surveillance, a burden of doubt with regard to their competence and capability, and significant performance pressures" (p.638). The perspective of viewing outsiders as minorities who face difficulties when integrating into a majority group is reflected in Zweigenhaft and Domhoff (2018) analysis. The authors show how women, religious minorities, or African American elite aspirants encountered exclusion and grappled with social closure from established elites in the US business sphere.

Interestingly, there are also instances of outsiders integrating into elite circles with little resistance. This provides a contrasting view on elite incorporation. John Mack's story provides one example. Mack made himself a name for guiding the First Boston branch of investment bank Credit Suisse through a critical take-over phase, which involved the dismissal of thousands of employees in the US (Maurus 2023). Subsequently, the investment banker was

appointed to a top leadership position at Credit Suisse in Switzerland, one of the world's largest investment banks at the time. In 2001, he became co-CEO of Credit Suisse alongside Oswald Grübel. In his memoirs, Mack shares jokes about the Swiss meals served in the company canteen and expresses admiration for Grübel as a partner (Mack and Kulman 2022; Maurus 2023). But the memoirs also reveal his lack of sympathy for the Swiss board of directors. In one instance a friend told Mack to stop it. "Stop what?," he replied. His friend said that he should stop calling the board members "idiots" during bonus negotiations. Mack answered: "I can't help it - they are idiots" (Maurus 2023). This anecdote shows that John Mack, an US investment banker, took the lead in one of Europe's core banks and entered the established elite without conforming to communication norms and firm culture. He belonged to the cohort of international leaders replacing former national elites in the Swiss business context drawing on "cosmopolitan capital" (Bühlmann, David, and Mach 2013). Despite being a numerical minority as an American national in a circle of Swiss national elites, Mack was able to enter the Credit Suisse management with little pressure to conform to incumbent elites' expectation and without the need to fit in[4].

John Mack's example points at a dissonance in Kanter (1977) work on numeric minorities and at the same time reveals an element of heterogeneity in outsider elites that has not been explicitly addressed in most elite scholarship so far. Scholars who investigated the role of men in typically female professions, however, have highlighted issues in the theory on numeric minorities early on (Williams 2013). They argue that organizations benefit certain minorities, while they do not serve others: "Discrimination is not a simple by-product of numbers: The social organization of work tends to benefit certain groups of workers over others, regardless of their proportional representation in an occupation. Consequently, some groups (like women) suffer because of their minority status; other groups (like men) do not" (Williams 2013: 119). Research found that in workplaces where women outnumber men, white men are often evaluated favorably and given rapid promotions to higher levels of authority (Williams 1992). Studies on men in nursing, teaching, librarianship, and social work found that men have higher chances to reach top positions than women, although they represent numerical minorities in these professions (Williams 2013). Building on the criticism advanced by this literature, and translating it to the study of elite outsiders, I argue that status as an organizing principle of elite

[4] Although it must be mentioned that Mack's contract expired three years later without being renewed.

hierarchies needs to be considered when studying outsider elites. Cecily Cannan Selby and John Mack are two examples of numeric minorities entering an incumbent group of elites, but on different terms. Selby, as a woman in a men-only board in the 1970s, faced low-status expectations and triggered suspicion. Mack, with an international background and experience in US investment banking, held a more favorable position to enter European finance at the turn of the century. While Selby's status difference based on gender, Mack's was based on international experience—probably intersected with gender.

Outsiders and status relations

I argue that we can gain a better the understanding of the conditions of elite renewal, just as the consequences of changes in elite composition, when shifting attention to status differences between social groups striving for elite positions. Not all outsiders are the same—status relations matter. By solely focusing on numerical representation, we may overlook status differences that play a significant role in shaping the opportunities of numerically underrepresented outsider groups. In this section I will elaborate on this argument by building on status characteristics theories and on accounts of relational inequalities.

Status characteristics theory states that in a particular context, the "cultural association with greater or lesser worthiness and competence shapes the implicit and relative performance expectations members form for one another" (Correll 2004: 97). The status of social groups is based on a shared understanding of the esteem and worth of that group. Conceptions of differences in status between groups are "rooted in shared cultural beliefs about the respect, social esteem, and honor associated with types or categories of people compared with other types or categories of people" (Ridgeway 2014: 11). These shared conceptions in turn are crucial in negotiations between different groups over the distribution of resources and power within organizations.

Status beliefs are influenced by so called "third order dynamics," or the perception of what we think that other people think (Correll 2004). To navigate complex social situations, social groups often rely on stereotypes about other groups which facilitate social interactions. Status beliefs offer a short-cut for this navigation by informing individuals about what is believed to be the prevailing opinion about certain social categories (Correll 2004). As stated by Ridgeway and Kricheli-Katz (2013): "they provide an initial basis for deciding "who" the other is, who we are in comparison, and therefore how each of us is likely to behave, they play a powerful role in organizing social relations" (p.289). However, the question arises as to why certain

beliefs about the worthiness and reputation of specific social categories become dominant, or "hegemonic." Some scholars highlight the role of interactional dynamics in how status beliefs emerge and spread (Ridgeway and Correll 2006). Ridgeway, whose work on this topic has been described as foundational (Tomaskovic-Devey and Avent-Holt 2019) adds that beliefs can also diffuse through the media and they can be sustained by political decisions.

How such status beliefs result in different outcomes for the social groups concerned, is a focus of relational inequalities theory (Tomaskovic-Devey and Avent-Holt 2019). According to this theoretical account, the organization is seen as the entity within which status negotiations take place and materialize in heard or unheard claims. According to Tomaskovic-Devey and Avent-Holt (2019), lower-status groups are less likely to make claims, and even if they do, it is less likely that such claims will be viewed as legitimate by decision-makers within organizations. Conversely, high-status groups are more likely to succeeds in getting access to resources or positions of power. Claims to legitimacy may be based not only on abilities and qualifications, but also on perceived status. In other words: "Categorical distinctions—owner–employee, manager–worker, male–female, citizen–noncitizen, degree–no degree—are widespread and used to both distribute and legitimate inequality. Such distinctions become part of our identities, and we use them to make the in-group/out-group distinctions that produce status expectations" (Avent-Holt and Tomaskovic-Devey 2014: 385). It is important to note that status beliefs are context dependent. Simply put, status beliefs attached to the category of "gender," for example, are different in a business elite environment, than in feminist circles. Relational inequalities theories recognize the contextual nature of struggles over resources by shifting attention to the organizational level. Research on wage inequality, for example, has shown that around 60 to 80% of wage differences in a country can be explained at the within-workplace level (Avent-Holt and Tomaskovic-Devey 2014).

The theories on status beliefs and relational inequalities offer insight into the diversity of outsider groups. They help to understand how access to positions of power and resources is influenced by status signals, and shed light on why certain types of outsiders encounter greater difficulties in integrating into established elite circles than others. Who gets access to the top and who benefits from it depends on status hierarchies. In the context of my research project, these theories enable a nuanced understanding of the heterogeneity among outsider groups and help to identify the issues or advantages those groups may encounter. Although relational inequalities theory may not be considered an elite theory, it provides a perspective for understanding the struggles that take place among different social groups in their pursuit of

access to valuable resources. The theories emphasize the importance of status hierarchies in the outcomes of such struggles.

3.5 High- and low-status outsiders

I advance that elite outsiders can be distinguished between low-status groups and high-status groups. Low status outsiders are groups that are seen as inferior, less resource equipped and less worthy than incumbent groups in a field. High status outsiders, in contrast, are groups who do not belong to the traditional elite, but who are regarded as groups that deserve respect and high esteem. According to the status level of elite aspirants, the conditions for access as well as the potential consequences thereof may vary.

The aim of this research project is to shed light on the interplay between status struggles and outsider groups entering the elite. It is important to note upfront that this is an asymmetric project. First, I study how women, as *low-status* groups enter the elite. I ask: can status disadvantages based on gender stereotypes be offset by other high-status signals? This relates to the question of conditions for change in elite composition. Second, I study alternative finance actors as *high-status* groups who enter the traditional financial elite. I am interested in understanding what happens once high-status groups enter established elite circles, relating to the question of consequences of change in elite composition. I ask: do high-status groups shape the distribution of the monetary rewards when they enter traditional elites? This dissertation project thus provides empirical insights in conditions in access for low-status groups, and in consequences of access of high-status groups. A symmetric expansion of the comparison of the conditions and consequences of both low- and hight status groups could be developed in a follow-up project.

The first part of the dissertation focuses on women entering the elite. Over much of the twentieth century, women were excluded from elite positions in the business sphere. By the 1970s, women started to enter the corporate elite (Zweigenhaft and Domhoff 2018). But as we have seen in the previous chapter, the typical figure among financial elites in the post-war period, as well as the typical characters of the first and second wave of financialization, were male financial actors. Still today women are confined to an outsider role. Organizational and feminist scholars have established how organizations build on the norm of the male worker, “reproduce cultural images of gender” (Acker 1990) and tend to favor men over women in various ways (Patterson, Damaske, and Sheroff 2017).

Within the "gendered organization," beliefs about female inferiority as business leaders persist, which "tends to contribute to bias processes (in-group preferencing, stereotyping) and out-group exclusion, keeping women out of "male" (higher-status) jobs and occupations" (Stainback, Kleiner, and Skaggs 2016: 112). Women must regularly prove their status worthiness because they are seen as less competent than men and less "suitable" for leadership positions. The question I ask is how women—facing higher scrutiny due to their low-status outsider role—incorporate in male elite environments. I investigate empirically, whether educational and network status signals offset negative status beliefs that women face in a male dominated managerial context.

The second part of the dissertation focuses on alternative finance actors as new groups in the financial elite. With the second wave of financialization, alternative finance professionals were able to accumulate high volumes of income at the margins of the financial field. When measured in terms of size and societal recognition, alternative finance actors are outsiders. Incumbents in the financial field operate in traditional finance segments such as investment banking and asset management. However, today, people from well-off families and elite universities flock into parts of alternative finance. I look at the consequences of alternative finance actors as high-status outsiders that have been exposed to norms of extremely high pay.

I thereby contribute to discussions on the consequences of elite dynamics. Much of the sociological literature remains cautious in empirically investigating the consequences of elite dynamics. This is different in other disciplines. The finance or management literatures, for example, put a lot of effort into explaining links between the traits of board members and all kinds of performance and business activity measures (Bernardi, Bosco, and Vassill 2006; Chen, Crossland, and Huang 2016; Cumming, Leung, and Rui 2015; Hochberg, Ljungqvist, and Lu 2007), or in explaining return rates of market actors with their social network characteristics (Didisheim and Somoza 2021). The prudence in empirically studying elite reconfigurations with regards to major sociological preoccupations such as distributional questions, labor conditions or more broadly the organization of an economic system, is somewhat surprising. A key reason might relate to constraints in data and research resources. Another plausible reason for silence on "so what" questions in sociological elite scholarship is a voluntary cautiousness in venturing the question of consequences, and therefore into causal explanations, following the prominent call for a "descriptive turn" in elite sociology (Savage 2009; Savage and Burrows 2007). I agree that a solid descriptive understanding of elite reconfigurations is important; however, I argue that elite scholarship would also benefit from a closer look at the

meaning of the observed transformations. In the second part of this dissertation, I thus investigate the influence of alternative finance actors on compensation norms in the financial field. I thereby aim to make an empirical contribution to the understanding of how elite dynamics relate to the trend of income concentration in finance.

To sum up, while elite scholarship has traditionally studied reproduction and mechanisms that lead to the stabilization of social hierarchies, this research project addresses the entry of outsider groups to traditional elite circles. In an era of financialized capitalism (Folkman *et al.* 2007, Baker and Smith 1998, Foster and Hollemann 2010, Davis and Williams 2017, Hall 2009, Windolf 2008) struggles between new and established elites unfold and create momentum for the redefinition of power constellations in the financial field. The project is grounded in status characteristics theory and in relational inequalities theory which sustain the main claim this project builds on: not all outsiders are the same—status matters.

4 Research Approach

The development of this dissertation project resulted from a back and forth between theory, research interests, data and methodological skills. To match any of these four parts of the puzzle required a series of pragmatic decisions taken throughout the project. Many of the terms used in this dissertation, for example, have been subject to scholarly debates for a long period.

In the first and the second sections of this chapter I will provide some explanations on the decisions taken in defining and delineating elites for this research. While we have seen various elite scholars in the previous chapter who provided insights on how to understand change in elites, an author that is of utmost importance for my definition of elites is the critical scholar C. Wright Mills. Alongside an outline of some of the definitional issues encountered, I will place my project within the various empirical strategies in studying elites, describe the data sources and briefly reflect upon the quantitative orientation of the project. The aim is to provide a general discussion of the research approach that sets the baseline for the empirical chapters that will follow.

4.1 Delineating elite boundaries

The definition of "the elite" is subject to long dating academic disputes. In this dissertation I adopt a positional approach. Following a Millsian lineage, I study people who reached top positions in finance. In other words, I consider individuals to belong to an elite given their position in an organization that has power over societally relevant spheres. Elites are those actors who have high levels of influence on the social structure through their position. This can be either the field-specific space or the larger social structure (Henriksen and Seabrooke 2021).

How the boundaries of the elite are drawn largely influences the way we think about the structure of societies and relationships of domination within them. The clashes of Mills and Dahl still resonate in elite scholarship today. In contemporary research, the complex theoretical assumptions on dominance structures in societies translate into five approaches to defining and operationalizing elites: the positional, the decisional method, the reputational method and the

distributional model (Hoffmann-Lange 2007; Moran and Flaherty 2022). More recently, network scholars added a fifth method to this palette. The so-called k-core decomposition is a combination of the positional with a network method (Larsen and Ellersgaard 2017). In this research project, I rely on the first, and more traditional approach in defining elites: the positional approach. Before elaborating on the approach chosen for this research project, I will give a short outline of the other approaches.

The decisional method aligns with the tradition of Dahl. Elites, in this approach, are defined by tracing the decision-making process and outcomes for salient policy themes. Those actors who can translate their interests into political decisions are defined as the elite (Hoffmann-Lange 2007). The reputational method relies on expert opinions. Experts get asked to name the most important people in a field. This approach is useful in that it captures the hierarchies as perceived by individuals that are part of the field. However, it heavily depends on the choice of the experts and quickly reaches limits when the field spans across multiple communities and large, or heterogeneous social groups (Hoffmann-Lange 2007). The network-based definition of elites has been developed by Danish researchers and was driven by innovations in network analyses. Combining a positional with a relational approach, the so-called "k-core decomposition" represents a solid method to defining national elites across different segments in a society. It helps to overcome the arbitrariness in setting vertical and horizontal boundaries in the definition of elites (Larsen and Ellersgaard 2017). The distributive approach relies on categorizing elites according to an income or wealth threshold (Moran and Flaherty 2022). This method has seen increasing popularity in social sciences. Some scholars go as far as to argue that "a consensus has emerged" that we can refer to "those in the top quintile of the income and wealth distribution as today's elite," (Keister, Thébaud, and Yavorsky 2022: 151). In line with Moran and Flaherty (2022) I argue that the top 1% of income or wealth elites should not be confounded with the financial elite. We need "additional criteria that specify the activities associated with the "financial elite," including how they may have actively shaped the financial system to their specific advantage" (p.6).

In this project, I adopt a positional approach in line with Millsian heritage and define the financial elite as a subset of individuals which have decision making power within organizations that are part of a dominant field. I argue that the position that individuals occupy within organizations is a key factor that motivates the study of sectoral elites (as opposed to taking financial rewards as the starting point for analyses). By virtue of their position, financial elites have the potential to actively shape the system. The positional approach is widely used

in elite research ((Araujo 2020; Bühlman *et al.* 2017; Denord, Lagneau-Ymonet, and Thine 2018; Korsnes *et al.* 2017; Valeeva, Takes, *et al.* 2022; Young *et al.* 2021; Zweigenhaft and Domhoff 2018), mainly for two reasons. One is that the positional approach is transparently operationalizable. Any of the three conditions that need to be given to classify members of society as "elites" (I will discuss in more detail below) can be systematically outlined and made transparent in the sample construction of the research process. This is an advantage over other approaches such as the reputational approach where expert opinions render the in- and exclusion of groups in the elite more subjective and less transparent. A second reason for adopting a positional approach is that, in comparison to the decisional approach, it allows for a more comprehensive conception of decision-making processes. While the decisional approach focuses on groups that are able to assert their interests in decisions that lead to visible outcomes, the positional approach recognizes the power of groups that exercise their influence indirectly and quietly (Culpepper 2011).

One potential disadvantage of positional approaches, which rely on a traditional understanding of organizational hierarchies and assume a link between positions and the potential to shape business practices, is that they rely on a likelihood-based approximation to power. Authors rightfully criticize that "the relation of elite agency to financial structures remains largely opaque as emphasis settles once more on their field-specific struggles for advantage and distinction over others" (Moran and Flaherty 2022: 8). I argue that any of the definitional approaches can be justified in certain research settings. For the aim pursued here, namely to examine the composition of elites and the consequences of entry of new groups into leadership positions, a positional approach is most suitable, both theoretically and practically.

To meaningfully distinguish the elite from other social groups, three conditions should be respected. First, the field studied is a field with dominance over other fields. In the wake of the two waves of financialization of the economy, the financial industry – and those leaders heading financial firms - became more important for the structuration of the economy. The financial industry shapes the way the business sphere works, where employment is created and, in some cases, how governments take decisions. The same is not necessarily true for other fields. We can think of many fields where the individuals at the top are highly renowned within their community, but their field does not enable them to influence overreaching societal logics that affect structures outside of their respective field.

Second, organizations that are considered the breeding ground of elites need to have a relative importance over other organizations. To illustrate the issue with an example from finance, we

can argue that hedge funds in the 1960s were not yet among elite firms, as these new organizational forms were only about to emerge. Activities of hedge funds and private equity firms at that time did not yet profoundly influence the way in which the financial industry worked. This changed with the second wave financialization. Millsian oriented researchers often grasp the importance of an organization in a field by the size of the organization, for example turnover, assets under management or number of employees. But there are vivid discussions about the issue of boundary delineation. Should leaders in small and mid-sized firms be included in the elite? Some scholars argue in favor of narrow definitions, criticizing the "inflated use" of the elite concept and stressing the importance that the elite term should only apply to groups with a high degree of power (Scott 2008). Other scholars argue that the elite should be defined more broadly because it is "more than a set of institutional leaders" (Zweigenhaft and Domhoff 2018). The issue of defining the boundaries is necessarily a theoretical one and cannot be solved by any method automatically. That boundary delineations do matter has been shown notably in research on elite networks (Huijzer and Heemskerk 2021).

The third condition is that selected positions grant power over other groups within an organization. Positions that are used to define the elite confer power over other actors in terms of decision making, or agenda setting. Commonly scholars define elite positions in the corporate sphere as the executive and board seats. However, power relations and organizational hierarchies can be fuzzy—even within bureaucratically organized firms. Maybe "rain makers," the traders that make the highest profits in the firm - are more important in shaping the rules of the game within investment banks than the CEO that employ them? Studies on team moves portray these shifts in power relations (Godechot 2008). Nevertheless, in most circumstances it is fair to argue that those actors who occupy formal leadership positions within firms have most power in defining how the firm works, who gets ahead, and how benefits are distributed. Leaders at the top of the formal organizational hierarchy have often "gone through the organization". By working their way up in the firms they incorporate the norms and values of the company.

4.2 Who controls financial firms?

According to Mills', firms are run by men who occupy the "command posts." Two aspects are interesting about this statement. One is that Mills virtually disregarded the (potential) existence of women in the corporate elite. "It went without saying that these "typical executives" were men" (Zweigenhaft and Domhoff 2018: 47). The second aspect is Mills' designation of

important positions within organizations. As commented by Bell (1958), the military metaphor of "the command posts" might say something about the model of power that Mills had in mind, but it still says little about who has power in an organization. In this section, I will discuss the question of control in financial firms. The structure of firm hierarchy and governance models depend on the organizational form of the firm. In bureaucratically structured firms hierarchies are different than in firms that are organized in partnerships or hybrid legal forms.

In bureaucratic firms there are three types of roles that confer decisional power to the person – man or woman – occupying it. Those are shareholders, executive directors, and non-executive directors, also called board directors or simply directors. It is important to note that in this project I will not investigate shareholders. However, in contrast to previous studies, which often either studied executives (Muller-Kahle and Schiehll 2013) or focused on the board of directors (Heemskerk and Fennema 2014; Ruigrok, Peck, and Tacheva 2007; Singh *et al.* 2015), I include both types of positions in the analyses.

At the top level of the executive chain is the Chief Executive Officer (CEO). A CEO takes major decisions within the company and faces high responsibility and representational pressure (Tricker and Tricker 2015). Alongside CEOs are members of the so called C-suite, for example the chief information officer (CIO), the chief operating officer (COO) and the chief financial officer (CFO). With a turn to the financial orientation of non-financial firms, the position of the CFO has gained importance within the corporate elite (Zorn *et al.* 2004). Further down the executive chain follow senior and mid-level executive positions. Typically, managers communicate and report along the hierarchy (Tricker and Tricker 2015).

The board of directors has the function of monitoring the executive management within the firm, engage in long-term strategic orientation and report to shareholders (Benton 2021). It is important to note that there are national differences in the governance structure of corporations. In the Anglo-American model, a company's board of directors usually includes the chief executive officer and sometimes other senior managers, as well as non-executive directors. Non-executive directors can either be independent or, in contrast, have a link to the company (Tricker and Tricker 2015). Within the board of directors, some positions are more influential than others. Committee chair positions provide access to the core decisions such as CEO appointment and or oversight of financial matters (Benton 2021). The sociological literature points out that boards are not only sights of control and strategic orientation. Boards also have a function of representation, that reflects in discussions on diversity and tokenism of board members (Benton 2021). Furthermore, boards have a sociability function, they are a site where

leaders form networks and exchange information (Mizruchi 2002; Zweigenhaft and Domhoff 2018). Studies show that the number of board positions held by a same person declined on average over the past years (Benton 2021).

A vast literature attempts to disentangle of relative power between manager, board directors and shareholders as owners. Starting with Berle and Means in 1932, the question was raised whether the dispersion of ownership led to a shift in power in favor of board members and executive managers. Some decades later, managerialism was declared dead. Useem (1996) argued that the economy moved towards "investor capitalism," and that managers in corporations were increasingly dominated by those managing the money. Beyond the owner versus manager discussion the board to executive divide has also sparked interest. Many authors studied how social relations between executives and boards influence issues over which the two parties should in principle have different interest positions. Managerial power theories for example highlight that managers are opportunistic and have leeway in the pay-setting process due to varying degrees of board independence (Bebchuk and Fried 2004; Bebchuk and Grinstein 2005). Directors can be inclined to favor the interests of managers over the interests of shareholders. This becomes apparent in compensation arrangements, which, approved by boards, "often deviate from optimal contracting because directors are captured or subject to influence by management, sympathetic to management, or simply ineffectual in overseeing compensation" (Bebchuk, Fried, and Walker 2002: 754). For this research project, those debates are of minor importance. I acknowledge that there is a certain ambiguity in corporate hierarchies and especially in the relationship between top executives and board members and study both: executive managers and board directors.

In firms that are structured as partnerships or hybrid organizational forms (LPs and LLPs), control is held by founders and partners. These organizational forms have proliferated in the 1990s and are concentrated in alternative finance (Foureault, Ajdacic, and Bühlmann 2021; Soener and Nau 2019). A first major element that distinguishes those firms from publicly quoted firms is that they are much smaller and often have decentralized structures. Hedge funds and private equity firms for example have fewer employees than large, bureaucratically organized investment banks. At the head of those funds are the general partners or other managing entities. Foureault (2019) describes the division of work within a typical case example of a private equity fund as distributed between a president of the investment company, five partners, six investment managers, three senior advisors or operating partners and a head of debt. In the case of hedge funds, the general partner is responsible for the business strategy

and the investment decisions of the portfolio (Shadab 2013). Neely (2022) explains how hedge funds auto-proclaim the ideal of “flatness” in their organizations, but in practice keep the organizational structure strongly hierarchical. Partners have a high level of decisional power. As stated by Shadab (2013) hedge funds have a “regime of managerialism” where those at the top have a great deal of discretion.

4.3 Researching elites

Elite studies take a variety of shapes. Ethnographic lenses, survey research or prosopography are all part of the approaches that scholars use to investigate the sphere of the powerful and privileged. In my research I work with a prosopographical approach and combine it with large-scale research approach based on company data. Usually, research approaches come with a certain way of collecting data, defining sampling strategies and developing the analytical framework. For an excellent overview on advances in elite research see the call for collaboration by Savage and Hjellbrekke (2021). Questions asked by different research schools sometimes overlap. Nonetheless there are patterns in the topics that distinct research orientations focus on.

Qualitative scholars, drawing on field work and ethnographic methods, greatly advanced the knowledge of how social interactions, socialization mechanisms and insider-outsider dynamics work out in elite professions (Ho 2009; Leins 2018; Neely 2022; Rivera 2016). Qualitative research can reflect mechanisms in the social organization of work with a high level of complexity. However, the focus on various levels within the organization hierarchy often leads to a less strict delineation of elites. Survey studies gained popularity in elite research with the implementation of innovative elite survey studies (Hjellbrekke *et al.* 2007; McGuire 2002; Savage *et al.* 2013). They represent a popular approach in research on top incomes and careers, as they can give access to information about family situations. The downside is that elite surveys are rare and classic survey often suffer from underrepresentation of elite populations. Another promising development in elite research are quantitative approaches based on public register data. In many cases these allow to track the entire working population – and thus also top positioned actors longitudinally along the career (Stojmenovska, Steinmetz, and Volker 2021; Toft 2018). (Toft 2018) for example, used Norwegian register data to work on life-courses and upper class belonging. However, employee-employer data is available in certain countries only, the entry costs in dealing with the data are very high and the access is strongly restricted.

This project follows a prosopographical research tradition and combines it with a large-scale data approach based on company data.Prosopographical research is one of the most established approaches in elite research. Prosopography can be defined as "the investigation of the common background characteristics of a group of actors in history by means of a collective study of their lives" (Stone 1971: 46). The aim is to find patterns of relationship in the biographies and social characteristics of a defined group of people. Traditional prosopographical approaches consists of the definition of an elite sample, following Millsian principles elite delineation elaborated in the previous section. Then follows the dataset construction by the search for a set of characteristics such as social origins, education, career sequences or similar. I argue that the prosopographical approach is fruitful for this research because it responds to the aim of studying those people who reached the top. Other research approaches are valuable for studying elite professions overall, but they most often do not provide insights about the most exclusive strata of decision makers at the top.

A major advantage of combining a prosopographical with a large scale data approach, is that it provides a way in dealing with the arbitrariness of elite boundary delineation. One of the main issues in defining elites is to draw the threshold of who is included and who is not (Hoffmann-Lange 2007). To address this issue, I have adopted a dual-sample approach in parts of the studies, that includes both an exclusive elite sample (with necessarily an arbitrary threshold) and a large-scale sample of leaders in quoted and some private financial companies. This approach allows me to observe the same questions at two levels of exclusiveness that allows me to compare the top elite to highly positioned people in mid-sized companies, that are not part of the largest, most dominant firms of the field. Few scholars in the social sciences use large company datasets, although there are some notable exceptions (for exceptions Benton 2021; Fichtner *et al.* 2017; Godechot *et al.* 2019).

The sampling and data collection approaches chosen in this project have certain limitations. For instance, the lack of information on social origins, marital or parental status represent a shortcoming for the chapters on gender in finance. A large literature on women in organizations works with survey data or ethnographic research methods and shows that in particular marital and parental status play an important role in career opportunities for women. The absence of information regarding on motherhood and other family-related context information in the BoardEx data restricts the exploration of how resources such as educational credentials or network resources operate for distinct subgroups of women and men. Another issue is the lack of information on social class, which may influence the access to social capital or to elite

education as well as the possibility to climb the organizational ladder, for example through contacts, markers of social fit or financial resources. However, social class is likely to influence the chances for men and women in a similar way and I thus assume that the lack of information on class does not substantially affect my main research interrogation. On the positive side, the company data used in this project provides information about organizations, educational trajectories, incomes and extra-firm network activities. The inclusion of extra-firm network activities is particularly noteworthy as it is a rare and valuable feature of the BoardEx data.

Also, it should be highlighted that the data used here is population data (leadership / elite population), and not representative sample data. While "at the most extreme, some researchers believe that nothing can be learned from nonrepresentative data" (Salganik 2019: 29), I agree that the data comes with restrictions about the generalization of the findings, but I argue that the focus on a subgroup within society is, especially for research on elite, also an advantage. The restrictions linked to the lack of possible generalizations to the society at large can be overcome by focusing on within sample comparisons. In this project the comparison of women to men, mid-level managers with or without an educational credential, or top leaders with versus without a background in alternative finance, for example, are of interest. To gain a better understanding about the status struggles that structure the elite, a population sample—although unconventional in social sciences—is well suited.

4.4 Finelis, BoardEx and Orbis Data

All the chapters of this dissertation are based on a combination of data sources and samples. I used the data sources flexibly, matching them to the different questions that I approached during the research. This section gives an overview on the three major data sources used in the empirical chapters of the dissertation. I work with a traditional prosopographical sample, that involved extensive data collection and categorization efforts (the finelis data), and combine it with large-scale data from BoardEx and Orbis. The trend in quantitative scholarship on elites has been to move from smaller samples on leaders in a subset of highly ranked firms (Carroll and Fennema 2002; Davis and Mizruchi 1999; Useem 1986; Zweigenhaft and Domhoff 2006 for an excellent overview see Huijzer and Heemskerk 2021) to the use of very lager datasets reaching over millions of firms in the world (Heemskerk and Takes 2016). The advantage of smaller elite samples is that the researcher develops an intimate understanding of the data and can work on "hands on." On the downside, manual data work is time intense and small samples often impose restrictions on subgrouping, comparative questions or longitudinal interrogations.

Large samples are promising in that they open possibilities to work on transnational spaces and multiple segments of elites. The larger the data, the smaller are the effects that can be detected and the more fine-grained is the level of heterogeneity across subgroups or cohorts that can be tracked. The promises and pitfalls of big data are thoroughly discussed in a collaborative article by a transnational team of network scholars (Heemskerk *et al.* 2018).

The finelis database

The financial elites, short finelis database, is a database on top leaders in the largest financial and non-financial firms at the global level and within the US in 2005 and 2018. We created the database over multiple years with a research team based at the University of Lausanne. The database includes information about socio-demographic characteristics, educational backgrounds and career trajectories and detailed classification of extra-firm activities to which elite members are affiliated.

Based on industry rankings (league tables) we defined the ten largest firms in four financial sub-sectors (investment banks, hedge funds, private equity firms, asset managers) for the year 2005 and the year 2018 (see appendix B chapter 6). The size of financial firms was for most segments determined by assets under management and, for investment banks, based on the yearly revenue. Investment banks earn a large part of their revenue from fees. We selected only stand-alone firms. This means that private equity or asset management subsidiaries of investment banks were not included. Some firms are among the top ten sample in both years, some are only present in either 2005 or in 2018. Within each firm we selected individuals who occupy top non-executive or executive positions based on annual reports. We then collected information on the individuals in the sample by combining automated and manual data collection.

The finelis samples are different from the BoardEx samples for two main reasons. The main difference is that the finelis sample is more exlcusive. The second difference is that the finelis data is more fine-grained. It contains information on race, subject of studies, and the classification of "other activities," which BoardEx does not provide. I use the finelis database in the chapters on women in the financial elite as a supplement to the BoardEx data. In the chapter on educational credentials, I use the finelis sample to set up a comparison of the composition on a more exclusive subgroup. In the chapter on network resources, I use the finelis sample to set up an empirically driven ranking of elite networks in the financial field.

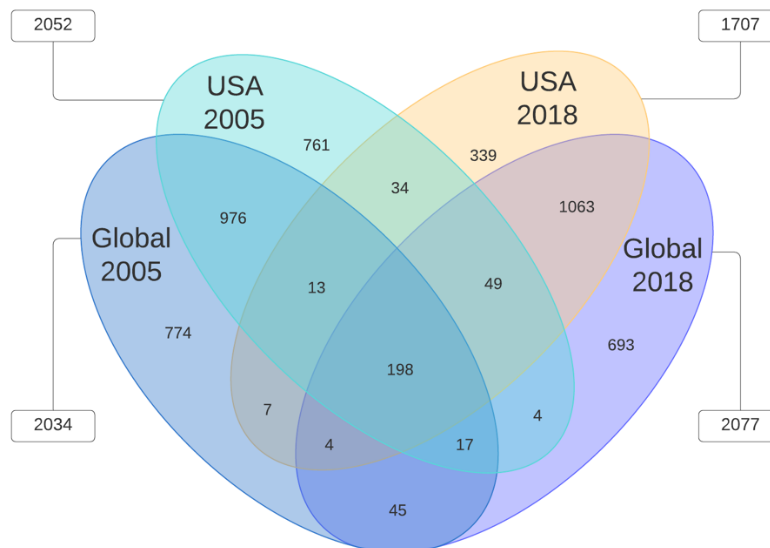


Figure 4.1 Sample overview finelis data. Credits to Steven Piguet. The graph shows the number of individuals in each subsample of the finelis data. As an example, there are 1402 (339+1063) individuals which figure in the US 2018 cohort. There are 294 (34+49+13+198) individuals who figure in both the US 2005 and the US 2018 cohort. Note that the graph shows the number for all economic sectors and not only for the financial segment within the finelis data.

The finelis database will be accessible for researchers on demand. Beyond the data parts used for this dissertation (US sample), the finelis database has information about non-financial firms and elites at the global level (see figure 4.1).

The BoardEx database

BoardEx by WRDS Wharton covers 60'000 individuals with an officer or director position in US and European public firms since 1999. Regular users of such types of company data are advisory firms and investment banks, who buy the structured information to run fundamental analyses and forecast stock market developments. The database contains multiple modules, among which the employment history and the compensation records of executives and board directors. BoardEx further provides information at the individual level about networks, educational backgrounds and socio-demographics of executives and board members. Additionally, there is a module labeled "other activities" with information on extra-firm activities of managers and directors in leisure activities, lobbying or philanthropic activities. I downloaded the data on 27th November, 2018 and a second time on the 31st January, 2023. The

database provides information the careers of managers and board members, by start and end date of a position. The compensation module covers multiple years for a subsample of leaders with expanding coverage after 2003 (Chidambaran 2012). The BoardEx database draws information from diverse sources, such as corporate disclosures, company websites and media articles. BoardEx states that they do not use third-party or scraped data from the internet and that unlike other databases which rely on technology driven data sources, BoardEx is "powered by a team of 350+ skilled analysts who research, verify, and maintain millions of profiles" (BoardEx 2022).

As BoardEx collects data from various sources and not only from corporate disclosures, differences in data quality across companies can occur. Previous scholars showed that missing educational information is less likely in larger firms and more likely in older board members (Fracassi and Tate 2012). The observation of higher missing values in older generations is difficult to entangle. This can either be a data problem or it can reflect that older board members are less likely to have a higher educational degree; or both (Fracassi and Tate 2012: 192). The same authors find that the network activities data quality follows a similar pattern. A lack of information is more less common among larger firms. In contrast to the missing pattern in education data, the coverage of network activities information is higher for board members which have been tenured for a long time (Fracassi and Tate 2012). For the empirical work in this dissertation the data quality variations could cause issues in the chapters on gender and finance. I assume, however, that the heterogeneity of data quality does not affect the main outcomes because I focus on gender differences within firms and I assume that if data quality is lower in smaller firms this affects women and men equally.

The Orbis database

Orbis is a firm level data provider. Acquired in 2017 by Moody's, Orbis has information on over 200 million firms. The database provides a wide range of information on firms, including financial information, sectoral classification, geographic data, information on ownership structures or legal structures. Orbis gets data from public institutions which collect information to respond to legal and administrative requirements (Ribeiro, Menghinello, and Backer 2010). I retrieved information from Orbis multiple times during the period from 2018-2020. In this project I limit the use of Orbis data to classification purposes. For the empirical work in this dissertation, I used Orbis data to classify sector and activity information, as well as to get information about the legal status of different financial firms.

Scholars assessed data coverage of Orbis by country and revenue of the firm (Garcia-Bernardo and Takes 2018). They show that the coverage of companies (not on particular variables) depends on the country, with high coverage in European countries and in the US. They also show that data coverage increases with increasing firm size (Garcia-Bernardo and Takes 2018). Smaller firms are underrepresented because Orbis' data collection depends on both the legal form and firm size (Ribeiro, Menghinello, and Backer 2010).

For other researchers interested in working with Orbis data, the affiliation to a University with Orbis access is key. The price paid by different Universities is confidential and probably depends on the negotiation abilities of the librarian, but it is safe to say that the Orbis access price exceeds any imaginable social science research funding budget. Another issue with Orbis is access to longitudinal data. Information on firm financials is provided longitudinally in the database. Other information, such as ownership patterns or manager level information are not traceable back in time on the web-interface of Orbis. Calls with the local Orbis representative in Switzerland in April 2021 revealed that building a historical database would be costly (concretely: 8'000 EUR per year snapshot on a delineated set of companies and variables). Moreover, for some information and some years, the access is not possible anymore at all. Orbis has contracts with country-based information providers and loses right to share information after some years. There are few research teams in the world such as Corpnet Team at the University of Amsterdam who set up a longitudinal Orbis data infrastructure with historic data and yearly snapshots over more than a decade.

4.5 Methodological pluralism

This dissertation is the outcome of a quantitative socialization and a strong curiosity for different ways of exploring data. I have been trained in quantitative methods during the research master in social sciences at the University of Amsterdam and in various workshops and summer schools during the PhD. But I owe much of my knowledge on the financial industry and the social processes in the financial profession to qualitative research. Qualitative scholarship helped me in many ways to situate contradictions in finance, to develop my research foci and to theorize my research. Throughout the project I tried to assert an pluralistic over a dogmatic methods perspective, by using any analytical tool that matched both my abilities and seemed useful for tackling the questions I had. The analytical approaches that figure in the empirical chapters of this dissertation range from descriptive analyses, regression models; event study models to network analyses.

5 Low-status outsiders

In the following chapters I study women as low-status outsiders in the US financial elite. Female elite members have received increased attention in recent years (Glucksberg 2018; Sherman 2018; Yavorsky *et al.* 2019; Young *et al.* 2021). The gender lens to power structures within the economy, in philanthropy or among the wealthy, has gained increasing scholarly attention, driven by the tacit consensus that so far, scholars have neglected the differences between women and men in upper classes and now is the moment to change this. By devoting research efforts to the role of women in the elite, scholars aim to shed light on the diverse pathways that women navigate within organizations, as well as the power dynamics they encounter and participate in (Keister *et al.* 2022).

5.1 The gendered organization

Women can be considered outsiders in the top strata of the economy for historical reasons. For much of the twentieth century, women did not figure in leadership positions. Mills (1956) defined the elite as the "men who held command posts" and it appears that it did not even cross his mind that women could hold command posts too. In 1977, only forty-six women were in director positions at the top 1300 companies of the Fortune list. Some years later, in 1984, the number of women in the boards of those large companies had climbed to 367, or 2.3% of all board directors (Zweigenhaft and Domhoff 2018). Thereafter, the share of women continued to rise. In 1995, there were 9.5% of women on the boards of Fortune corporations, and by 2013 the figure had more than doubled to 19.2% (Zweigenhaft and Domhoff 2018). The statistics on women entering the corporate elite are available in the US context due to collection efforts by the advocacy group Catalyst, who monitored the place of women on corporate boards and thereby also put pressure on companies to justify the gender composition of their leadership (Zweigenhaft and Domhoff 2018).

The low representation of women in positions of power, scholars argued early on, is the visible manifestation of a broader gendered structure of work that permeates through every aspect of

the workplace. Gender, as a structure, has implications "at the level of individual analysis, in shaping interactional expectations that are at the heart of doing gender, and at the institutional level in the organization and policing of social groups" (Risman 2009: 83). This, according to Ridgeway (2011), results in inequality between women and men's opportunities. Individuals, employees and employers all rely on the gender frame to varying degrees to coordinate their actions in the workplace. The gender structure defines behavioral pattern, segregation in space and function, and, what I am interested in this research, access to power (Acker 1990). Gendered divisions are perpetuated and maintained by various institutions such as the state, the family or labour markets, interactions, but they are also sustained by workplace interactions, individual identities, cultural symbols and codes and organizational logics (Acker 1990). In the words of Acker (1990): "To say that an organization, or any other analytic unit, is gendered means that advantage and disadvantage, exploitation and control, action and emotion, meaning and identity, are patterned through and in terms of a distinction between male and female, masculine and feminine" (p.146). Gender, in Acker's (1990) conception, is part of the processes that shape opportunities within workplaces.

This is a stance which goes further than classic structural approaches, which suggest that structural conditions create outcomes, regardless of whether men or women are occupying a role (Risman, Froyum, and Scarborough 2018). Kanter's (1977) theory, which can be seen part of the classic structural approaches, for example, suggested that independent of gender, minority groups would be disadvantaged compared to the majority group. By studying men in women dominated environments, scholars empirically showed, however, that minority men often do not get marginalized and can "ride the glass escalator" to top positions (Williams 1992). The conditions minority groups face, thus interact with the gender frame. Acker (1990) and many scholars following her, argued that the classic structural approach should be adjusted to the observation that gender is internalized at the individual and the interactional level.

With this perspective, the unit of the organization becomes central: gender inequality "is built into the structure of work organizations" (Williams 2013). Organizations, Acker argues, are sites where inequalities are enacted and maintained through "loosely interrelated practices, processes, actions and meanings" (Acker 2006: 443). They shape and reproduce the gender structure, and the "inequality regimes" (Acker 2006) that maintain power imbalances based on gender. In many organizations, the work context advantages men over women and privileges whiteness (Acker 1990): the universal worker is not a neutral body, it is a masculine body with high working commitment and few family obligations. Organizations preference of workers

with high work devotion excludes many persons that have care responsibilities (Williams 2013). It should be noted that not all men profit equally from a system of "hegemonial masculinity", only a particular type of body and representation that fits the widely accepted view of the dominant form of masculinity profits from these gendered structures (Connell 1995; Maihofer 2021).

Recent scholarly contributions have updated the understanding of how organizations legitimize gender inequalities and hierarchies to the context of the "new economy" (Williams, Muller, and Kilanski 2012). In a fast-changing environment marked by mergers and downsizing and a crumbling of standardized career trajectories, Williams, Muller, and Kilanski (2012) argue that the organizational logic maintaining gender structures has changed too. Formal evaluations and job descriptions have been replaced by career maps, work in teams and a networking impetus. In this context, self-promotion becomes important, which may impose issues for women due to gendered expectations on "female" behaviour. Additionally, if supervisors hold enhanced influence over careers, gender stereotypes and biases can shape opportunities more strongly (Williams *et al.* 2012). If these findings were developed on a case study in the oil and gas industry, many of the observed changes apply to certain segments within the financial industry too. While most of the traditional actors in US finance are organized as large, bureaucratic firms, and the organizational logic of the gender structure follow the "old" model described by Acker (1990), in some of the niche actors within finance, which are set up in partnerships and which build on trust and team structures, the mechanisms which reproduce gender disparities, might resemble more strongly the ones in the "new economy".

5.2 Gendered status beliefs

In theorizations of the "gendered organization", which includes identity and interactions to the study of gendered opportunities, the role of status beliefs is central. Status beliefs shape expectations that people have towards each other and as such represent a way to stabilize hierarchies: "To persist, that is, for inequality to become durable inequality, control over resources and power has to be consolidated with a categorical difference between people such as race, gender, or life style" (Ridgeway 2014: 3). In contemporary US society, women are often seen as less competent than men (Ridgeway 2011). Although, as outlined above, status beliefs are only one among many mechanisms that contribute to women's struggles to get ahead within organizations, it is an aspect of the gender structure that is central for this dissertation.

The status dimension shapes the scope of opportunities, career possibilities and access to certain positions in society. Ridgeway (2011) argues that when men in a society hoard advantages over women this fosters the idea that men are "better" than women. The further the beliefs in such status differences evolve, the more men favor men because they are male—and not because they have more wealth or other resources. Status beliefs should be considered an independent mechanism in the creation and maintenance of social hierarchies and that beyond influencing judgements, gender representations and relations get woven into the workplace structure: "While the primary, direct effects of the gender frame is on behavior and judgments in social relations, then, these social relations can have the secondary but important effect of embedding gender into the more enduring structures and procedures that workplace actors jointly create" (Ridgeway 2011: 119). This leads to multiple barriers for women to reach positions of power within organizations, as they can face invisibilization, negative performance expectations or exclusion from networks (Glass and Cook 2020). Studies found that women were exposed to higher scrutiny, harsher standards and negative performance expectations in various work-related contexts (Wynn and Correll 2018). Recent research has shown that women are valued if they are deemed likeable, while men are valued for their competence and high achievement (Quadlin 2018; Rivera and Tilcsik 2016). Gendered expectations are also shaped by stereotypes about female and male roles and the balance between work and family life with persisting assumptions that women struggle to balance demanding leadership positions and family responsibilities while men are dedicated to work (Blair-Loy 2001a). Furthermore, gender stereotypes influence compensation evaluations and foster inequalities in pay. In a study comparing the wage premium of men and women in finance over non-financial peers, Lin and Neely (2017) find that men receive the greatest premiums if working at the top end of the income distribution, while women have larger premiums when working in lower income functions.

In this dissertation I advance that women in finance can be considered a low-status group with regards to male peers[5]: in the male-dominated top strata of the business elite, gender is negatively stereotyped. Neely (2022) argues that "aggressive workplaces like the trading floor and investment bank privileged men and penalized women who struggled to uphold norms for

[5]Iit is important to note that women who have the potential to enter the top ranks in any business sphere are most commonly not low-status with regards to other groups. Zweigenhaft and Domhoff (2018) find that women who enter the corporate elite typically come from wealthy families and have high levels of education. They estimate that of the women who make it to CEO in the top 500 US companies, around 70% have a privileged background and around 40% went to an elite school.

masculinity and were held to different standards when they did" (p.42). While much of the literature on the gendered organization brings valuable insights into the barriers that women confront in the work environment, this research project tries to find out what the resources are of those women who reached positions of power against the odds. We know from research on the intersectionality between gender and other social characteristics, such as race and class, that status signals intersect (Ridgeway and Kricheli-Katz 2013). Many of the studies examine the double combination of low-status characteristics, such as being a black woman in a white and male-dominated managerial environment. Here, I investigate the intersection of low-status characteristics with high-status characteristics. The idea is that those women who made it to the top had to offset low-status stereotypes with high-status signals, for example through educational credentials or network access. The aim is to get a better understanding of the patterns of status signals and resources that those women who reached the elite as low-status outsiders, hold.

5.3 Women in the financial field

For the finance sector, the knowledge about women's entry to the elite over time is partial. The exact evolution of the share of women in US finance has not been traced historically (to the best of my knowledge). Scholars argue that during the first wave of financialization, the recruitment processes in finance started to include more performance-based criteria (Morrison and Wilhelm 2007). The idea that the financial industry became a pioneering industry in pushing the meritocratic model was also proclaimed by the industry itself. Ho (2009), who did extensive fieldwork in the investment banking industry in the 1990s, showed how Wall Street built an identity around exceptionalism, claiming to recruit the "best and the brightest." The focus on performance and on blunt profits, many of Ho's informants argued, imposed a recruitment approach that was more meritocratic, and therefore more diverse. Ascribed characteristics such as gender or race would not matter anymore, because the search for talents would create a so-called "money meritocracy." The idea was that "Wall Street bankers are a modern, renegade breed whose singular focus on money makes possible color-blind innocence and objectivity" (Ho 2009: 108).

While the self-proclaimed image of gender-blindness in US finance is overly optimistic, women did indeed start to increase in numbers from the 1990s onward. In 1996, around 8% of all managing directors were female in Wall Street's investment and brokerage houses (the share declined with increasing prestige and pay of the firms) (Zweigenhaft and Domhoff 2018). By

2019, Catalyst estimated that women accounted for 23% of board directors in large US financial firms (Catalyst 2021).

Pop culture reflects these developments. Traditionally, movies on Wall Street are "full of dudes" (White and Lam 2016). All main characters in *The Wolf of Wall Street*, a 2013 production, or in *Inside Job*, a 2010 movie about the financial crisis, are white and male. The more recent movie *Equity* (2016) repeats a lot of banking clichés, such as the fancy apartment lofts, the greed and level of adrenaline on the trading floor. But it breaks with the male-focused tradition. The main character in the movie *Equity* is Naomi Bishop, an aggressive senior investment banker who does not mince her words: she loves money. In *Bad Banks*, a 2018 television series, the main character is female, too. Here, Jana Liekam, a young, ambitious analyst with a working-class background, is the key figure in the movie.

When in many countries state action through quota systems was decisive in getting women into leadership positions, in the US, national or state-based quota systems played a minor role. In contrast to many European countries, such as Norway, Spain, France, Italy, or Finland, there is no national quota regulation on women on boards or in executive positions in the US. In 2018, the main time reference in this project, some states had a quota system. California became the first state to adopt quotas in September 2018, and four further states (Illinois, Massachusetts, New Jersey, and New York) followed with legislation that aimed at increasing the number of women on boards. In 2022, the law in California that required public companies to have at least one female board member was ruled unconstitutional by a superior court judge (Peluso 2022). In the struggle over women's entry into financial leadership in the US, lawsuits against discrimination presumably played a role. The class-action discrimination suit against Morgan Stanley in 2008, which led to a payment of US$54 million for female employees who faced discrimination in payment and promotion, marked an important turning point within the industry (Prügl 2012). In the years that followed, many investment banks created diversity committees and expanded maternity leave (Arnaboldi *et al.* 2020).

A look at our data provides a more fine-grained picture of women's representation in the finance sector before and after the financial crisis. Across all positions and functions, there are more women than men in the financial sector. In 2020 in the US, women represented 52.6% of all financial professionals, including back office, entry levels, small credit and loan companies. Figure 5.1 shows the share of women in different sectors in the US economy over time.

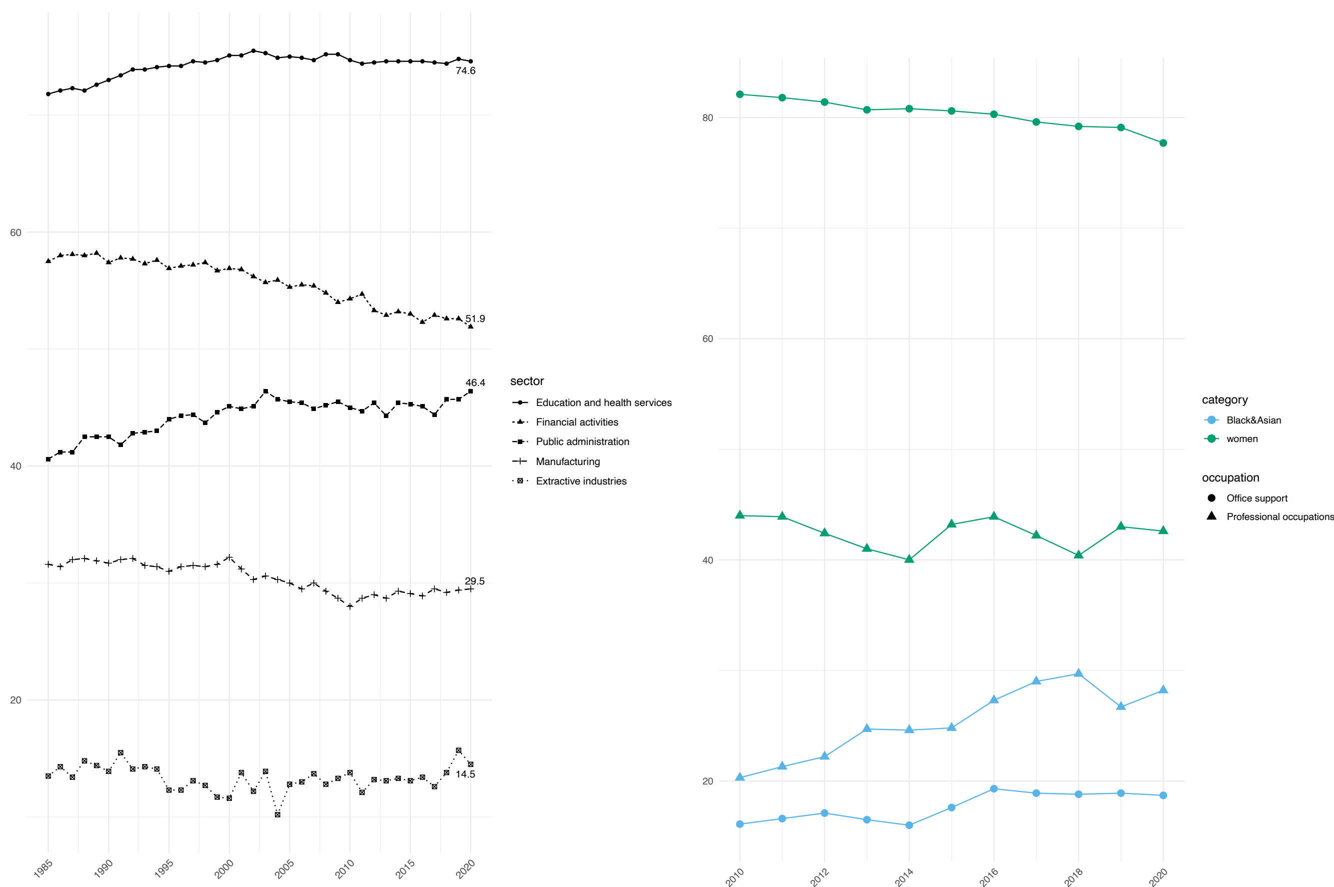


Figure 5.1 Women in finance—a comparative outline. Data: BLS survey data (2020).

The first figure shows the share of women in a subset of economic sectors from 1985–2020 in the US. The second figure shows the share by gender and race by occupation from 2010–2020 in US finance.

Source: BLS survey data. Own calculations.

The data used in figure 5.1 is from the CPS, which is a monthly population survey conducted in the US by the Census and the Bureau of Labor Statistics. It is a representative sample survey of approximately 60,000 households. As shown in the first graph of figure 5.1 finance does not lead the ranking of male-dominated industries, if we look at the entire profession. The share of women in the extractive industry, manufacturing and even in public administration is lower than in finance across all years. The second graph in figure 5.1 shows the share by gender, race and occupation in the US financial sector from 2010 to 2020. Surprisingly, for Asians and POC working in finance the share is higher in professional occupations than in office support. The figure shows that the share of women in office support is around 80% and has been in slight

decline over the past decade. The share of women in professional occupations in finance is much lower, varying between 40% and 43%.

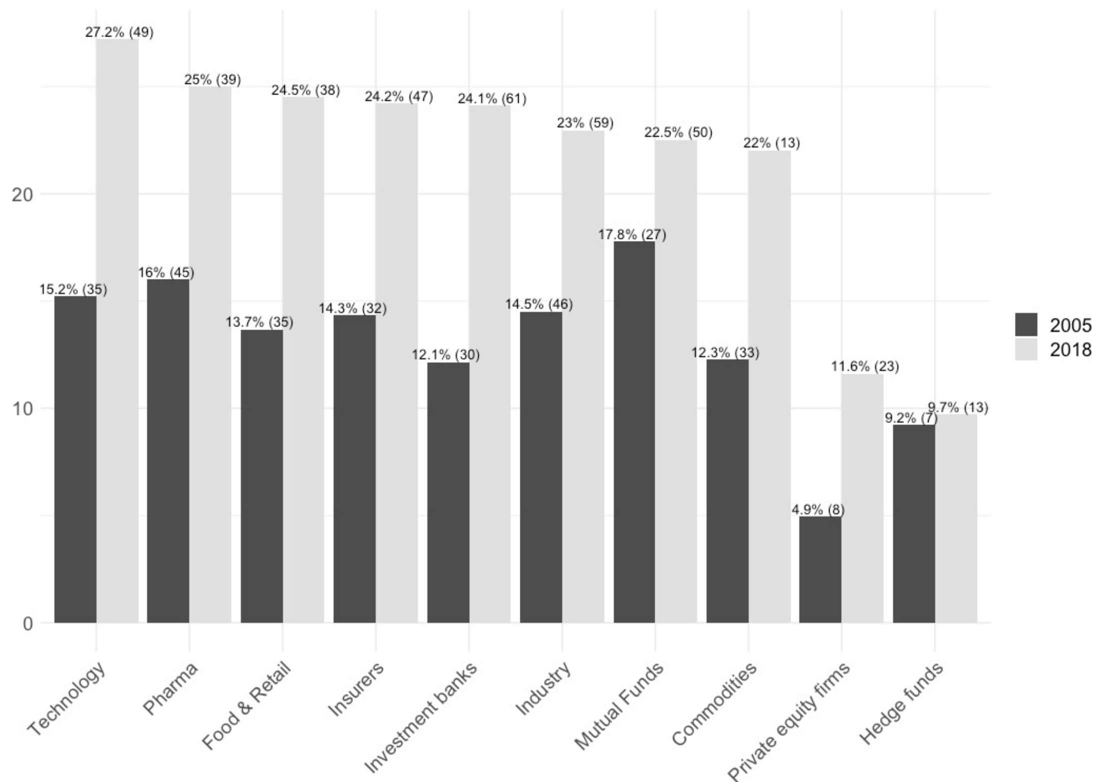


Figure 5.2 Share of women in elite positions in 2005 and 2018. Data: financial elites database.

The dark gray bars show the percentage and number of women in the subsectors in 2005, the light gray bars in 2018. The number in brackets indicates the number of women in the sector in the given year. Note that the total population of a year and a sector can change. Reading example: In 2018, 9.7% of all leaders in elite positions in hedge funds were female. BoardEx data, elite sample.

In the elite, however, the picture is different. In management positions in the most important US financial firms there are significantly fewer women than men. Figure 5.2 shows the share of women in different sectors in the finelis elite sample for the US. In 2018, investment banks had the highest share of women compared to other financial sub-sectors (around 24%), followed by mutual funds (22.5%). Private equity (11.6%) and hedge funds (9.7%) had a comparatively low share of women at the top (bars in light gray). Interestingly, the division line between particularly male-dominated sectors and more diverse sectors does not run between finance and non-finance. Rather, it runs between second wave finance (private equity

and hedge funds) with a share of women below 12%, and all other economic sectors—including mutual funds and investment banks—with a share above 20%. Between 2005 and 2018 the share of women increased strongly in all sectors (above +50%, excepting hedge and mutual funds). The increase in the share of women in top management in the most prestigious firms is decoupled from what happens in the broader economy. The changes in the elite (see gray bars in Figure 5.2) are much more pronounced than in the professions overall (own calculations, BLS data).

In short, at the very top, the financial sector is male-dominated, similar to many other sectors in the broader economy. A solid scholarship shows the limits of the gender openness in finance and documents the persisting struggle for outsider groups wishing to climb the ranks in finance (Blair-Loy 2001b, 2001a, 2009; Blair-Loy and Wharton 2004; Roth 2003, 2004a, 2004b, 2006) and the issue of persisting negative performance expectations that women face in competitive environments (Quadlin 2018; Rivera and Tilcsik 2016). The sectors that stand out in terms of male domination are private equity and hedge funds, so called second-wave financial segments (Benquet and Bourgeron 2021). Overall, these statistics show that even in 2018, women have a minority, or outsider status in the broader economic elite, and also in finance.

5.4 Why studying women in power?

There are different types of justification logics that authors, often implicitly, draw on, to argue why we need to understand the role of women in power. Although rarely put upfront, authors see interest in the study of women in power by relying on I) the functional argument; II) the equality argument; III) the "scientific purity" argument.

The functional argument builds on the assumption that women enact power differently than men. The category is broad and subsumes varying stances on the bases of the differences between men and women (ranging from assumptions on biological differences; to assumptions on differences in socialization or in selection processes). It also subsumes varying stances on the consequences of those differences (ranging from assumptions on inclination for risk taking to firm performance or preferences in friendly policy preferences). Cohen and Huffman (2007) for example find that in industries with higher numbers of female managers, the gender wage gap declines. Their work mirrors reflections that are shared by multiple authors, namely that there is a threshold or a collectivization dimension to how women enact power differently: it is not about women as individuals, but about the number of women in a group. In contemporary

sociological scholarship, some authors spell out this line of thinking, while other authors remain highly critical.

The equality argument emphasizes the importance of parity and equality in participation for all social groups in the business elite. Scholars highlight inequalities between men and women against a normative idea of how society should look like. In a meritocratic or democratic society, access to positions which confer power should not exclude individuals based on their gender. Consequently, access to positions which confer power should not exclude individuals based on their gender. Heemskerk and Fennema (2014), for example, define "societal democracy as the outcome of equal opportunity and open recruitment" (p.254). The normative stance is one of a "descriptive representation," which is only achieved if members of all groups that are present in the population do have access to the elite. In the paper on income in the top 1% of households, Yavorsky *et al.* (2019) state: "A breadwinner in a top-income household may also have greater power in the household, allowing that person to dictate the household's division of labor, location of residence, charitable giving, and other important decisions" (p.55). They argue that income is an important resource and therefore an unequal access to high incomes can be seen as a state of inequality.

Finally, the scientific neutrality argument presents the interest in women and power as a neutral scientific endeavor driven by the aim to understand the gender structure and its role in the social organization of the top strata in the economy. Authors would argue that as sociologists we want to understand how power works. Gender as a structure runs through all strata of society. In consequence, sociologists need to consider gender when studying societal processes, also those at the top. To understand insider-outsider dynamics, networks, status and to understand those elements in an upper class, adherents of this type of justification line would argue that we need to take gender into account.

5.5 Unpacking the black box of low-status outsiders

In the following chapters I study how women, as low-status outsiders, reach top positions in the financial field. In line with the third justification scheme, I argue that we cannot pretend that the elite is gender-blind. I therefore aim to contribute to the recent research efforts—predominantly by female social scientists—that shift attention to women in the elite. Specifically, I aim to identify the resources that women draw on to get ahead against the odds. Despite the considerable efforts of activist groups, political actors and even corporate actors

themselves in pushing for more diverse boards, it is still more difficult for women to reach top positions than for men. Women are underrepresented in prestigious and high-income professions such as the finance field (Keister *et al.* 2022). Scholarship on the gendered organization, the ideal typical worker and much of the literature on status beliefs and gendered stereotypes provide insights into the barriers women face in the work-context. In this research, I look at the resources that women as low-status outsiders draw on to get ahead in the managerial strata of finance, a male-dominated environment.

The next two chapters of my research focus on the role of educational and network resources for women in finance. In a first study I look at whether women outperform the incumbent male group in terms of educational credentials. Outsiders, theories on "prove it again bias" suggest, can make it to the top against the odds by outperforming the dominant group. In a study on elite composition and educational status signals, I investigate whether women who have reached managerial or board positions, demonstrate greater academic credentials, elite university affiliation and MBA degrees, than their male peers. In the second study, I look at the network resources of women who made it to the top. Research has shown that women struggle to get access to informal networks that represent an important career resource. Such links are formed in typically male environments of trust, for example, during sports. I investigate whether women compensate for such lack of access to informal networks with extensive investments in formal networks. While a large scholarship researched the barriers that women face in elite professions and in career trajectories (Blair-Loy 2001a; Blair-Loy and Wharton 2004; Roth 2004b), the following chapters explore the resources that women have at hand.

6 Educational Credentials as Status Signals

6.1 Intro

In recent years, scholars have addressed the roles played by women in exercising power, filling "the gender void" in elite studies (Keister *et al.* 2022). While research has explored how elite women engage in the reproduction of class privilege (Glucksberg 2018) and highlighted barriers that impede women from climbing the echelons (Acker 1990, 2006; Avent-Holt and Tomaskovic-Devey 2014; Ridgeway 2011; Ridgeway and Correll 2004), less is known about the status signals of women who reached top positions against the odds. This article examines the gender composition and educational backgrounds of US financial elites over time, with descriptive approaches applied to rich and novel longitudinal data. The study sheds light on key decision makers in one of the most important fields of contemporary capitalism: the US financial elite.

From the 1970s onwards, finance expanded and the share of profits in the financial sector increased significantly (Epstein 2005; Fligstein 1987; Krippner 2005). Today, investors wield considerable influence over governance rules, workplace conditions and profit logics for their targets, thus shaping the economy (Lin and Neely 2020). It is therefore essential to gain a deeper understanding of financial leaders and to discern which social groups are represented at the top.

This research examines the gendered representation at the upper echelons of financial organizations. I first study the gender composition of mid level, senior level, top executive and board level across three cohorts: pre financial-crisis (2001-2007); post financial-crisi (2008-2014) and recent period (2015-2023). Relating to debates on the shape of the gender gap in promotion (Baxter and Wright 2000; Ferree and Purkayastha 2000; Gaiaschi 2021), I additionally study whether the difficulties to get ahead increase with increasing organizational hierarchy and how the pattern evolves over time. Results reveal an underrepresentation of women across all echelons of managerial and non-executive hierarchy in US finance, but also a gradual increase in female representation over time. The analyses of the gender gap in

promotion show that women face enhanced difficulties in getting ahead with increasing levels of hierarchy in two cohorts, namely the pre-crisis cohort and the recent cohort. Interestingly the gender gap in promotion remains constant in the post-crisis years, potentially linked to a greater focus on female leadership as a solution to systemic risk following the crisis (Prügl 2012).

Status characteristics theory posits that women need to overcome negative performance expectations to reach top positions (Biernat and Kobrynowicz 1997; Foschi 1996): they have to be twice as good to get half as far (Glass and Cook 2020; Williams 2014). In a second part, the study examines whether women who have made it to the top outperform men in terms of educational credentials. I expect that women excell in educational credentials, such as a PhD, a degree from an elite university, or an MBA compared to men. Despite criticism that educational credentials only play a role in entry level recruitment, the findings support the assumption that educational status signals do matter for selection into higher positions, as there are notable differences in the proportion of managers with educational status signals across different echelons of the hierarchy. The results of the study provide a more nuanced picture than expected regarding female outperformance. In middle and senior managerial levels, there is no evidence to suggest that women outperform men in any of the educational credentials. However, women on boards outperform men in terms of PhD degrees. Also, the findings show that women at the top executive and board level are on equal foot with men in terms of elite education affiliation in most cohorts and in the most recent cohort, women outperform men.

This study contributes to the literature in several ways. First, I add to ongoing discussions about gendered representation in positions of power (Heemskerk and Fennema 2014; Shams and Tomaskovic-Devey 2019; Young *et al.* 2021) by providing granular insights on the gender gap at different layers of the glass ceiling. Second, I build on a classical sociological approach working with profile comparisons (Bender, Dang, and Scotto 2016; Zweigenhaft and Domhoff 2006) and speak to more recent concerns of outperformance pressure for demographic minorities. Finally, I contribute to solid empirical insights in elite demographics in a key industry of US capitalism by studying the patterns of gender and educational credentials of leaders in the finance sector with a dual-sample approach and longitudinal descriptive analyses.

6.2 Gendered representation at the top and cumulative disadvantage

The financialization of the economy was accompanied by the emergence of a new financial elite with striking differences in career and income opportunities for men and women (Ho 2009; Lin and Neely 2020). Although the period of financialization has been marked by a trend of increasing diversification within the corporate elite (Zweigenhaft and Domhoff 2018), the share of women at the top is modest. In 2019, women accounted for 23% of board directors in large financial US firms (Catalyst 2020). To compare, women held just over 30% of board positions in 2021 in the largest US companies listed at the stock exchange (S&P 500 index) (Catalyst 2021). In this article I will provide more fine-grained insights into the representation of women on different levels of organizational hierarchy in US finance and trace the evolution over time. I examine the gender composition of managers and board members in US finance and show how the share of women evolves from the pre-crisis period (2001-2007), to the post-crisis period (2008-2014), to the contemporary period (2015-2021).

Alongside interrogations about gendered representation in leadership, there are ongoing discussions on the "cumulative disadvantage" that women face to get on within organizations. Scholars describe the different patterns of the so-called promotion gap with catchy metaphors, such as the "sticky floor," "mid-level bottleneck" or a "glass ceiling". The glass-ceiling metaphor, for example, describes a pattern where the promotion gap increases with increasing organizational hierarchy (which means that it becomes more and more difficult to "get on")[6]. The question is whether the "gap in promotion" increases or decreases with increasing organizational hierarchy. Most scholars studied the shape of the promotion gap across a comprehensive career ladder, ranging from entry level positions to top management. This often comes at the cost of detailed insights at the top. It is important to note that the "gap in promotion" as studied in this literature, is a comparison of the likelihood of being in a higher versus a lower organizational level for women versus men.

In a study on the US, Australia and Sweden, Baxter and Wright (2000) found that once women overcome early career obstacles, their chances in access to higher positions are similar to those of male peers. If these findings hold in finance too, I expect that promotion disadvantages for women do not become more pronounced with increasing managerial levels. At the same time, I find arguments supporting the opposite view. Finance, scholars argue, represents a

[6] There are controversies about the operationalization of the glass-ceiling metaphor (Baxter and Wright 2000; Ferree and Purkayastha 2000).

particularly male-dominated environment (Turco 2010) with "patrimonial" logics of male reproduction based on trust and tradition (Neely 2022). In a context of high risk-tolerance, masculine traits are rewarded because they trigger credibility and confer trust among incumbents (Neely 2018; Riach and Cutcher 2014). It is thus possible that in the financial sector the struggle for women to climb the career ladder gets fiercer with increasing managerial levels. I zoom in on two "promotion levels" at the top in US finance (from middle to senior management and from senior management to CEO/chairman) and examine whether the gendered gap in positions of power increases with increasing organizational hierarchy, and how this evolves over time.

6.3 Outsider groups and educational credentials

Education is a common closure criterion based on which organizations select who enters and climbs the hierarchy. For categorical outsiders such as women, educational credentials might be particularly important to temper the baseline assumption of "lacking competence." Status characteristics theory suggests that social status is based on shared beliefs about "how diffusely better" a group is (Ridgeway 2014: 3). Low-status groups face higher standards of competence than high-status groups (Biernat and Kobrynowicz 1997; Foschi 1992). In a male bastion such as finance, women could overcome negative competence expectations by proving "their capability above and beyond the standards established by members of the dominant group" (Glass and Cook 2020: 640). I assume that women can overcome their outsider status through performance signals if they outperform their male peers. Status games might play in multiple dimensions such as networks or job-specific skills. Roth (2006) found that to "get on" within financial firms, women developed strategies to climb the hierarchy by avoiding areas where client relations are important and by directing themselves towards quantitative products, for example high-yield or asset-backed securities. This study focuses on another dimension of status signals, namely that of educational credentials.

Already C. Wright Mills (1956), in his classic work on the uniformity and similarity of members in the power elite in the 1950s examined the educational backgrounds of those individuals who made it to positions of power. Mills found that around 60% of all individuals in the power elite had graduated from college, whereas only 7% of men in society more broadly were college graduates (Zweigenhaft and Domhoff 2018). While attention has been drawn to educational trajectories of elites early on, some scholars have argued that there is a need to pay more attention to the gender dimension in contemporary sociology of elites and education

(Worth, Reeves, and Friedman 2023). When it comes to the study of gendered elite composition, Worth, Reeves, and Friedman (2023) argue that scholarship "has largely ignored how elite women use educational institutions, and the networks (e.g., partners) that flow from this, to secure occupational positions of power" (p.4). For outsider groups, the academic path, Zweigenhaft and Domhoff (2018) argue, is a "frequently travelled route to the corporate board." (p. 50).

An indication of academic skills and cognitive ability is the length of study: holding a PhD is a clear signal of academic affiliation. While academic skills might not be endorsed in all financial segments, particularly in the US, in certain financial subsectors PhD degrees are highly valued. In a prior study, we showed with colleagues (Bühlmann *et al.* 2022) that the share of managers with a PhD degree is particularly high in the hedge fund sector. In terms of gendered distribution of academic skills in the financial elite, fragmented insights exist. Ho's female respondents, for example, expressed that their success was linked to the ability to build up expertise in highly intellectual areas (Ho 2009). Given that intellectual job segments were perceived by interviewees as being less gender discriminant, PhD degrees might be of important value for female leaders in the financial sector.

Research has highlighted the growing significance of university reputation as a criterion for recruitment (Binder and Abel 2019; Bühlmann *et al.* 2022; Rivera 2016). Elite schools are linked to elite incorporation in multiple ways. They work as a selection sieve sorting individuals based on class background and work as status signal towards employers. But they also foster identities and form networks (Khan 2010; Stevens, Armstrong, and Arum 2008; Worth *et al.* 2023). Scholars in sociology suggest that financial sector firms try to recruit individuals with an elite university status to actively delineate their own elite status (Binder and Abel 2019) and that the importance of institutional prestige in education has increased (Rivera 2016). Interestingly, research in the UK context finds that female board members are no more likely than their male peers to have connections to Oxford or Cambridge (Singh, Terjesen, and Vinnicombe 2008). In contrast, Zweigenhaft (2015) found that in the US corporate elite, women were better educated than men in similar positions. Among the US Fortune 500 directors and CEOs in 2011 the share of women with an undergraduate degree in a top 50 school was higher than that of men. In line with status characteristics theory, I assume that for women an affiliation to an elite university is an important way of gaining recognition and demonstrating high-status affiliation.

Finally, MBAs are seen as the "gold standard" of business education and are one of the most important credentials for managerial careers (Roth 2003; Hall 2013). Business education became of key importance as a recruitment criterion over the past decades in the financial sector (Davis 2017). Existing research on board directors finds conflicting results on the importance of business backgrounds for female leaders (Ruigrok, Peck, and Tacheva 2007; Hillman, Cannella, and Paetzold 2000). However, recent studies on CEOs in the US (Zweigenhaft 2015; Zweigenhaft and Domhoff 2018) and on board directors in the UK (Singh *et al.* 2008) find that female leaders are more likely to hold an MBA degree than male peers. This feeds the assumption that in US finance too, women outperform men in terms of business education credentials.

This research investigates whether women in the broader class of leadership in US finance and women in the financial elite outperform the incumbent group of male leaders in terms of educational status signals, by comparing the educational profiles of women and men who made it to the top. This, I argue, will bring light to the gendered dimension of educational channels to the elite in a literature that "has acted to obscure the importance of women's elite education in understanding who secures positions of power and influence" (Worth *et al.* 2023: 12). Also, it speaks to the question of whether women who reached top managerial and board positions need to outperform men to offset negative status beliefs that they face as categorical outsiders.

6.4 Data and Variables

Financial leaders sample and variables

I work with two different samples from two different sources. The first is referred to as the financial leaders sample. It is a large sample on leaders in medium-to-large US financial firms in the US from 2001-2021 based on data from BoardEx, a source monitoring board members and executives. BoardEx aggregates diverse sources, including corporate disclosures, websites and media content, with biographical information going back to 1926 in specific cases. I downloaded the data on 31st January 2023. BoardEx is a non-representative source of data, which comes with limitations for projects with a generalization purpose but represents a rich resource for research on elites. The database covers information on socio-demographics, career and educational backgrounds (with name of institutions and title of degree). The financial leaders sample is expansive in terms of positions and in terms of firm size. To constitute the sample, I selected all companies based in the US with a sectoral classification in finance

(private equity, investment companies, banks, speciality & other finance) from the North America Module in BoardEx (for details see flowchart in figure 6.1). I merged this module with the employment, individual profile and educational background modules and selected all individuals who started a position between 2001 and 2021 (based on the variable "date start role"). I selected the organizational forms "partnership," "private," and "quoted". In the flowchart, this is referred to as the "original US finance data" from BoardEx. The sample steps that followed are linked to data cleaning and missing information on variables used in this study. I dropped observations with unclassified positions (based on variable "role name") due to unclear position name or if below middle management. The most frequent examples of observations dropped based on role name are: "various positions," "analyst," "advisor," "consultant," "controller," "intern". I also dropped individuals without information on education.

This study relies on few variables, namely time, position, gender and education. I created three cohorts: the pre-crisis cohort (2001-2007), the post-crisis cohort (2008-2014) and the recent cohort (2015-2021). The hierarchy of positions is based on the variable "role name" (see classification scheme in table Appendix A) and distinguishes between middle management, senior management, CEO/chairman and board of directors. The coding of promotion levels is in line with the Human Resource Management Grading Scheme (Koch, Forgues, and Monties 2017). Gender is constructed as a dichotomous variable with women (=1) and men (=0). I rely on the gender attributes documented in BoardEx, which are chosen in annual reports and other official documents and are coded into binary classifications. I created the educational credential variables based on the module education from BoardEx. Having a PhD, an MBA, a Harvard degree or a top five university degree are all dichotomous variables (no =0, yes =1). For the PhD classification I coded all entries with the string "PhD," or "postdoctoral" as 1 and 0 otherwise. For the MBA classification I coded all entries with the string "MBA," and an earlier date than the position as 1 and 0 otherwise. MBA entries without time indication were set to 0.

It is not evident to draw the line of "elite universities" in the US. Diverse indices of elite university affiliation are potentially relevant (such the USNWR ranking (Brint and Yoshikawa 2017) or the big three universities (Karabel 2006). Rivera (2016) argues that in recent years, the value of the small group of most highly ranked universities has increased. In this research I use two categories: the top 1 (Harvard) and the top 5 "super elite universities" identified by Rivera (Harvard, Yale, Stanford, UPenn, Princeton). Harvard is known as the global top university and therefore represents a strict measure of elite university affiliation. The Harvard

degree classification involved decisions on which Harvard entities and which type of degrees to include (see Appendix C). To distinguish a "degree" from an "experience," any type of university affiliation that would not infer that the person had studied there (bachelor, master degree or higher) was excluded. Examples are trainings, diverse types of programs, or fellowships. The same procedure of title identification was applied to create the top 5 university degree variable. Top five university classification is based on Rivera (2016) and includes Stanford, UPenn, Princeton, Yale and Harvard. In appendix G I display the robustness checks of the descriptive accounts with top three university affiliations (Princeton, Yale, Harvard).

Elite sample and variables

The second sample is the *elite sample*. It covers the largest firms in investment banks, hedge funds, private equity firms and asset management two points in time, namely the year 2005 and the year 2018. The elite sample is more exclusive than the financial leaders sample in that it has a higher selectivity in terms of positions and top firms. The elite sample thus represents the (or a) population of US financial elites. Within each of the financial sub-sectors (investment banks, hedge funds, private equity firms and asset management) the 10 largest firms were defined according to assets under management (AuM) and, for investment banks, based on the yearly revenue (see tables in Appendix B). The finelis database selects only firms headquartered in the US and stand-alone firms. Hedge funds, private equity firms, and asset managers that operate as subsidiaries of larger banks are not included. While certain companies appear in the top 10 most significant corporations in both 2005 and 2018, others are only included in one of the two years. Within the 10 largest firms in each subsector and each year, the finelis database includes the most relevant individuals. The number of the most relevant individuals per firm range between two and 29 people. Small firms in hedge funds and private equity funds often have few key persons in management positions. For private firms that have less transparent organizational structures such as LLCs and LLPs, the finelis database includes partners and individuals who are listed as members of the top executive team on the company's website. Larger, bureaucratically organized firms have broader management setups. The sources used to collect information on this group of financial elites are various business databases such as BoardEx, Capital IQ, and Orbis, as well as information from annual reports, business news outlets, Wikipedia, and other biographical sources. I dropped individuals without information on education (4%) (for details see figure 6.1 flowchart).

elite sample

	2005 (N=612)		2018 (N=774)	
	Mean	Pct.	Mean	Pct.
woman	0.11	11	0.18	18
PhD	0.08	8	0.09	9
MBA	0.45	45	0.43	43
Harvard	0.11	11	0.10	10
top 5 university	0.29	29	0.25	25
non-executive director	0.26	26	0.32	32

leaders sample

		2001-2007 (N=65521)		2008-2014 (N=90118)		2015-2021 (N=95850)	
		Mean	Pct.	Mean	Std. Dev.	Mean	Pct.
woman		0.15	15	0.18	18	0.23	23
PhD		0.03	3	0.03	3	0.03	3
MBA		0.39	39	0.37	37	0.34	34
Harvard		0.02	2	0.02	2	0.02	2
top 5 university		0.08	8	0.08	8	0.08	8
		N	Pct.	N	Pct.	N	Pct.
position	middle management	23993	36.6	31832	35.3	29329	30.6
	senior management	21398	32.7	32114	35.6	38561	40.2
	CEO/chairman	11551	17.6	16014	17.8	18113	18.9
	Board	8579	13.1	10158	11.3	9847	10.3

Table 6.1 Sample descriptives for the elite sample and the financial leaders sample by cohort.

It is important to note that the elite sample selects individuals based on the “end date” of the position. All individuals who held a position that met the elite definition outlined here above in 2005 or in 2018 were included in the finelis data. This contrasts with the financial leaders sample, for which individuals were selected based on the “start date” of the position. Both selection approaches are valuable. The approach chosen in the finelis database gives an insight in the composition of elites at a given point in time. The approach chosen in the financial

leaders sample gives more accurate insights in how recruitment characteristics change over time.

For the elite sample, the same variables were extracted (time, position, gender and education). The finelis sample covers two snapshots: 2005 and 2018. I used the two years to cross-check the pre-crisis cohort and the contemporary cohort as defined in the financial leaders sample. The positions are by definition more exclusive than in the financial leaders sample. I distinguish between top executives (CEO, Chiefs, partners) and board members. Gender is constructed as a dichotomous category with women and men. The finelis database has information on type of degrees and standardized institution names. I coded the educational variables in the same way as in the financial leaders sample (see above).

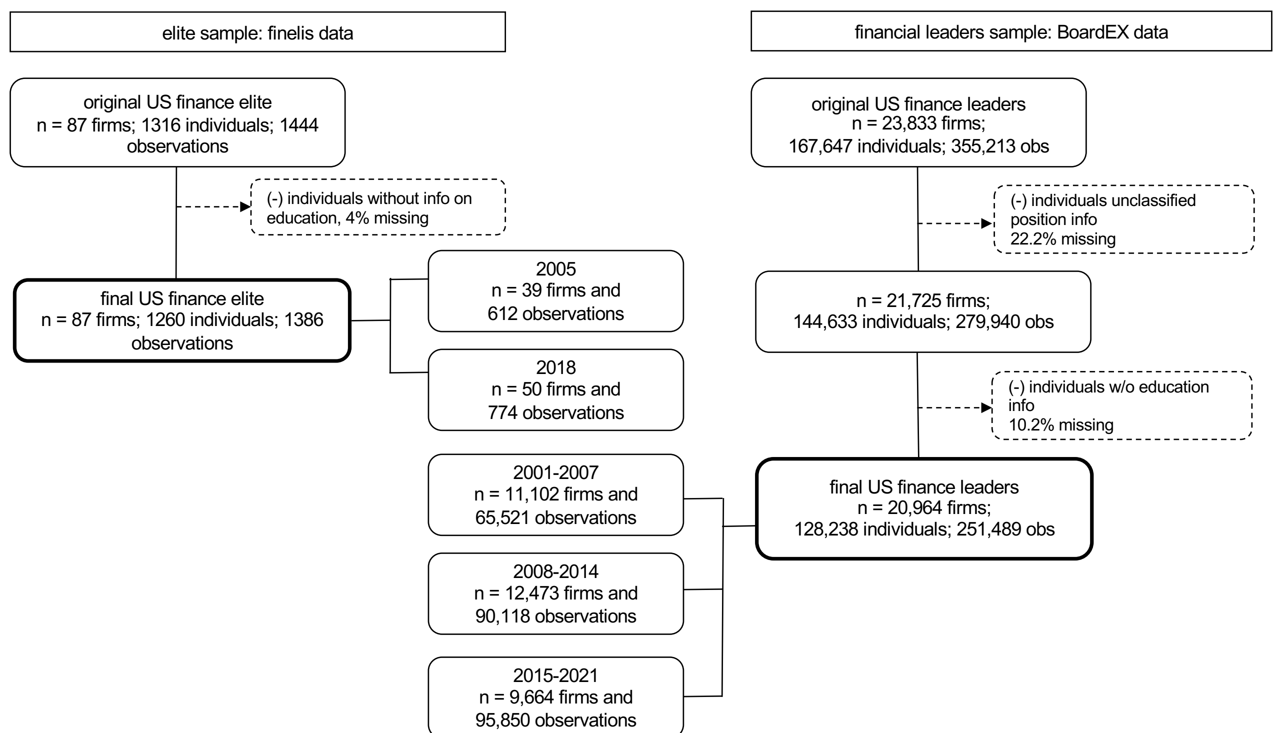


Figure 6.1 Flowchart of sample selections. The figure shows the different decisions taken to construct the two final samples: the financial elite sample (on the left) and the financial leaders sample (on the right).

6.5 Analytical framework

Studying gendered representation and promotion gap

In the first part of the research, I describe the gendered representation at the upper echelons of the hierarchy and then look at how the so-called promotion gap (Gaiaschi 2021) evolves across the hierarchy. First, I examine the gendered representation at each level of the organizational hierarchy descriptively, calculating the share of women based on the total of all positions for each level in each cohort. The output is displayed in three gendered representation diagrams. Typically, these figures are labeled scissor diagrams because they often show a pattern where women are overrepresented in lower echelons and underrepresented in higher echelons (Gaiaschi 2021).

I then look at how the relative chance for women's "promotion" (to be in the higher versus the lower category) evolves with increasing managerial hierarchy. I build on the methodological approach used by other scholars (Wright and Baxter 2000; Gaiaschi 2021). Declining odds for women in being in the higher level with increasing levels of organizational hierarchy are interpreted as an indication of an increasing promotion gap. I run logistic regression models on the financial leaders sample in the US. For each promotion step I run a separate model, a so-called adjacent level model. Note that I exclude the board level from these analyses. The reason is that board members in the US are often recruited externally (as independent board members). The outcome variable is the lower (coded 0) versus the higher position (coded 1). The treatment variable is gender (man=0, woman=1). No controls are added to the models. The first model shows the probability of being in senior management versus being in middle management. The second model shows the probability of being in a top executive position versus being in senior management. These adjacent level models represent an approximation of the promotion gap from one promotion level to the next. A coefficient of 0 would indicate that there is no gender gap in promotion. A negative coefficient indicates that the odds of being in the higher category are lower for women than for men. I display the results as marginal effects, which are useful for interpreting the magnitude of effects in non-linear models such as in logistic regressions with binary outcomes. As a robustness check I run the models in a multilevel framework too (individuals embedded in firms), for details see table Appendix F.

Studying educational profiles

In the second part of the research, I examine the profile of women and men with regards to educational credentials. The analytical framework is simple. I run descriptive analyses on the

financial leaders sample in the US and differentiate between middle management, senior management, CEO/chairman and board members. In contrast to previous studies, which often either studied CEOs (Muller-Kahle and Schiehll 2013) or focused on the board of directors (Ruigrok, Peck, and Tacheva 2007; Heemskerk and Fennema 2014; Singh *et al.* 2015), I include both levels of organizational hierarchy in the analyses.

I outline the relation between gender and educational credentials descriptively by showing the share of female entrants holding a PhD, a Harvard degree or a top 5 university degree, or a MBA degree for each hierarchical level, and then compare them to the proportion of male entrants with such degrees. I run these descriptive analyses for each cohort. The share graphs allow for a "narrative exploration" (Worth *et al.* 2023) of changes in elite composition. I replicate the descriptive study of educational credentials of women and men for the most selective subgroup: the elite sample. I expect that at the elite level we can observe a reinforcement of the tendencies observed in the financial leaders sample.

6.6 Results

Women's underrepresentation: striking but shrinking

In the first part of the study, I examined gendered representation in top positions in finance and the pattern of the promotion gap across hierarchy and cohorts. Figure 6.2 displays the gender representation diagrams. They show the share of women and men at each echelon of organizational hierarchy in US finance. The diagrams reveal that women are strongly underrepresented across all positions in all three cohorts[7] and provide two further interesting insights. First, over time, the share of women increased at all levels of leadership in leadership of US finance firms. Among leaders who entered a board level position in 2001-2007, the share of women was at 12.2%. For the 2008-2014 cohort the share of women in board positions increased to 14.2% and for the 2015-2021 cohort to 24.7%. The increasing share of women can also be observed at the middle managerial level, senior managerial level and at the top executive level (CEO/chairman). Second, the share of women is lowest in CEO/chairman positions across all cohorts (ranging between 7.2% in the pre-crisis cohort to 14.7% in the recent cohort.

[7] Note that this type of figure is often labeled a “scissor diagram,” which does not speak to the shape of gendered representation in the field studied here.

The literature on gendered organizations highlights that the scope of inequalities between different social groups, for example in access to positions of power, depends on the organizational context (Acker 1990; Tomaskovic-Devey and Avent-Holt 2019). To get a grasp on differences in women's representation according to firm characteristics, I ran the gendered representation diagrams for large firms and for firms with the legal form of a partnership (see Appendix D). Although the shape and development over time of women's share at the top do show variation, the main findings hold: women are strikingly underrepresented at all levels and all cohorts, but their representation increases across cohorts at all levels of organizational hierarchy (with a single exception).

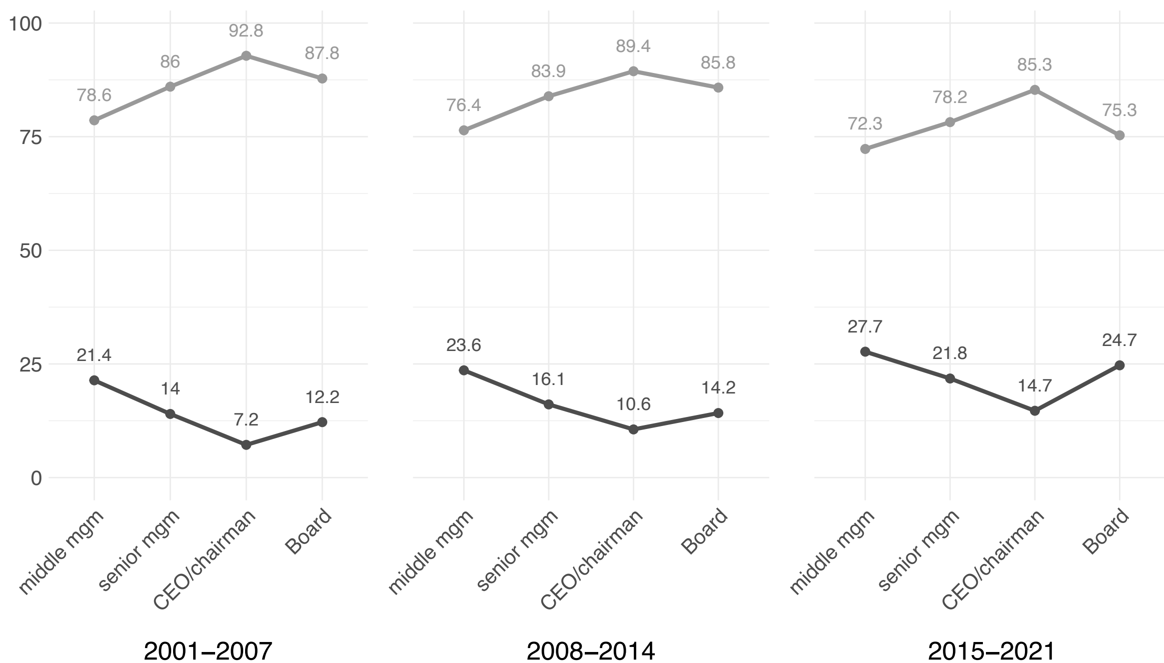


Figure 6.2 Gendered representation diagrams in US finance over time. The figure shows the share of women and men by level of organizational hierarchy in three cohorts. The dark gray line indicates the share of women. The light gray line indicates the share of men. 2001-2007 cohort N = 65,521; 2008-2014 cohort N = 90,118; 2015-2021 cohort N=95,859.
Data source: BoardEx data, financial leaders sample

A central debate in the literature on women's careers is at what stage women face the most important barriers for career advancement. To shed light on the different layers of the glass ceiling I asked: Does the relative chance for women to be in the higher position decrease with

increasing organizational hierarchy? In line with the literature, I refer to these relative chances of being in the higher versus the lower category as the gendered "promotion gap". The underlaying assumption is that women's careers in finance face enhanced promotion disadvantages if the promotion gap from senior management to CEO is higher than the promotion gap from middle management to senior management.

		logistic reg			AME			
		estimate	**se**	**p**	**AME**	**SE.ame**	**p.ame**	**N**
2001-2007	middle Mgm vs senior Mgm	-0.51	0.03	0.00	-12.68	0.01	0.00	45391
	senior Mgm vs CEO/Chairman	-0.74	0.04	0.00	-16.57	0.01	0.00	32949
2008-2014	middle Mgm vs senior Mgm	-0.48	0.02	0.00	-11.83	0.00	0.00	63946
	senior Mgm vs CEO/Chairman	-0.48	0.03	0.00	-10.64	0.01	0.00	48128
2015-2021	middle Mgm vs senior Mgm	-0.32	0.02	0.00	-7.78	0.00	0.00	67890
	senior Mgm vs CEO/Chairman	-0.48	0.02	0.00	-10.40	0.01	0.00	56674

Table 6.2 Promotion gap in US financial leadership across three cohorts. The table shows the probability of being in a higher, versus being in a lower position for women and versus men. The analyses are based on adjacent level logistic regressions between two neighboring positions (middle versus senior management; senior management versus CEO/chairman). The higher a negative coefficient or marginal effect, the stronger the gender gap in promotion. The N for each cohort and model subset is indicated in the last column. Reading example: In the 2001-2007 cohort, women had 12.7% lower chances to be in senior managerial position than in a middle managerial position compared to men. They had 16.6% lower chances to be in a CEO/chairman position than in a senior management position compared to men. Thus, the promotion gap did increase with increasing organizational hierarchy.
Data source: BoardEx data, financial leaders sample

The literature provides arguments for both the increase of promotion disadvantages and the stagnation thereof. Findings of studies on other industries or economic sectors suggest that once women pass entry barriers, they have the same chances of getting ahead as male peers. However, studies on the financial sector as a particularly male-dominated field provide arguments to suggest that women's struggles to climb the career ladder increase towards the

top. Table 6.2 displays the adjacent level analyses of the promotion gap in finance (for full regression output, see Appendix E). The table shows the regression estimates and the AME (average marginal effects) of the logistic regression on the chance to be in the higher versus the lower position for women versus men. For robustness checks with multilevel regressions, see Appendix F. The results remain the same with slightly smaller differences in promotion gaps. To give an example, with multilevel regression results in brackets: In the 2001-2007 cohort, women had 12.68% (11.65%) lower chances to be in senior managerial position than in a middle managerial position compared to men. They had 16.57% (15.51%) lower chances to be in a CEO/chairman position than in a senior management position compared to men.

The results indicate that within finance, the relative chance for women to be in the higher position with increasing organizational hierarchy decreases in two cohorts. This is in line with the idea of an accentuation of promotion disadvantages towards the top. For the 2001-2007 cohort, the analyses show that women are 12.68% less likely to be in senior management versus middle management than men ($p<0.01$). And that women are 16.57% less likely to be in the CEO/chairman level than in the senior managerial level than men ($p<0.01$). For the 2015-2021 cohort, the analyses show that women are 7.78% less likely to be in senior management versus middle management than men ($p<0.001$). And that women are 10.40% less likely to be in the CEO/chairman level than in the senior managerial level than men ($p<0.01$). In these two cohorts, the chances for women to reach CEO positions are thus smaller than the chances for reaching senior management compared to the likelihood of men. This might imply that the difficulties for women to survive against the odds become stronger with increasing managerial position.

Interestingly, the picture is different for the post-crisis cohort (2008-2014). Here, the findings support the idea of a stagnation of promotion disadvantages. The promotion gap remains similar from middle to senior managerial level and from senior managerial level to the top executive level (CEO/chairman). In the 2008-2014 cohort, women are 11.83% less likely to be in senior management versus middle management than men ($p<0.001$) and 10.64% less likely to be in the CEO/chairman level than in the senior managerial level than men ($p<0.01$). While the analyses suggest that the exclusion of categorical outsiders intensifies at the upper echelons of the career ladder in the pre-crisis cohort (2001-2007) and in the contemporary cohort (2015-2021), in the post-crisis cohort (2008-2014) there is a slight decrease in the promotion disadvantage of women over men.

Educational credentials of women and men in financial leadership

In the second part of the article, I examined whether women who made it close to or passed the glass-ceiling outperform male peers in terms of educational credentials. The underlaying assumption is that educational credentials can offset negative status beliefs that women, as low-status outsiders, face in a male-dominated business environment. Studies have shown that women in higher managerial positions are likely to work more hours than men and are less likely to have children than other women (Groysberg 2013). I question whether women outperform the incumbent group of male leaders in terms of academic credentials and elite university affiliation. The analyses provide a comparative insight into the differences between men and women in terms of qualification across hierarchical levels. The share of individuals with any of the educational credentials increases with each step up the career ladder. This sustains the idea that educational credentials do not only play a role for entry level selection, but they still play a role further down the career path. The gender pattern, however, varies.

Figure 6.3A shows the share of women and the share of men with a PhD degree; figure 6.3B shows the proportion of Harvard graduates and figure 6.3C shows the proportion of top 5 university graduates; and figure 6.3D shows the proportion of MBA graduates. In each figure, the elite sample plots are shown in the top row and the financial leaders sample plots are shown in the bottom row. The analyses on elites, a sample composed of individuals holding exclusive positions in the top 10 largest firms in multiple financial sub-sectors, serve the purpose of replication with an intensification of access closure. Among all educational credentials, the share of managers with a PhD is relatively low. It ranges between 2.6% and 33.3% in the elite sample, and between 1.3% and 12.9% in the financial leaders sample. The lower threshold of the share of financial leaders with a Harvard degree is modestly higher than that of leaders with a PhD. It ranges between 3.9% and 20.8% in the elite sample, and between 1.7% and 4.8% in the financial leaders sample. The share of individuals with an top 5 university degree is substantially higher. It ranges between 27.9% and 54.6% in the elite sample, and between 6% and 13.8% in the financial leaders sample. The share of MBA graduates ranges between 8.3% and 51.3% in the elite sample, and between 17.9% and 31.3% in the financial leaders sample.

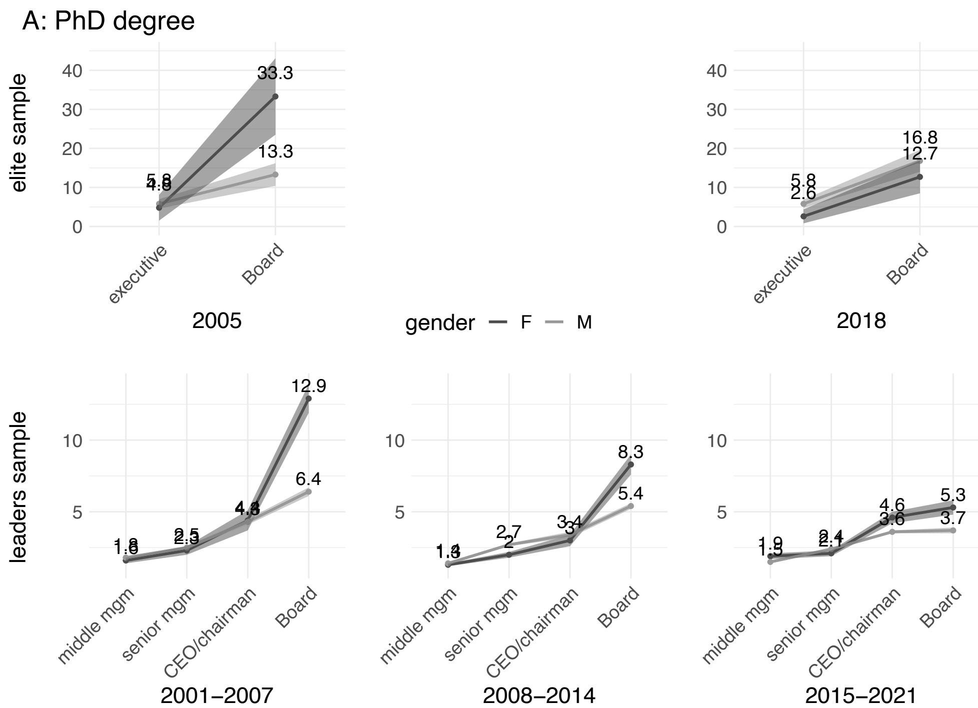


Figure 6.3A Proportion of women and men in US finance with a PhD degree over time. The dark gray line shows the share of women, the bright gray line shows the share of men. The lighter areas indicate the confidence intervals (SE). The top row shows the proportions by gender and education in the elite sample. The bottom row shows proportions by gender and education in the financial leaders sample. Note that the y-axis scale is different for the elite sample and the financial leaders sample rows. Reading example for figure 6.3A: In 2005, 33.3% of female board members in the financial elite held a PhD degree. 2001-2007 cohort N = 65,521; 2008-2014 cohort N = 90,118; 2015-2021 cohort N=95,859.
Source: BoardEx and finelis data.

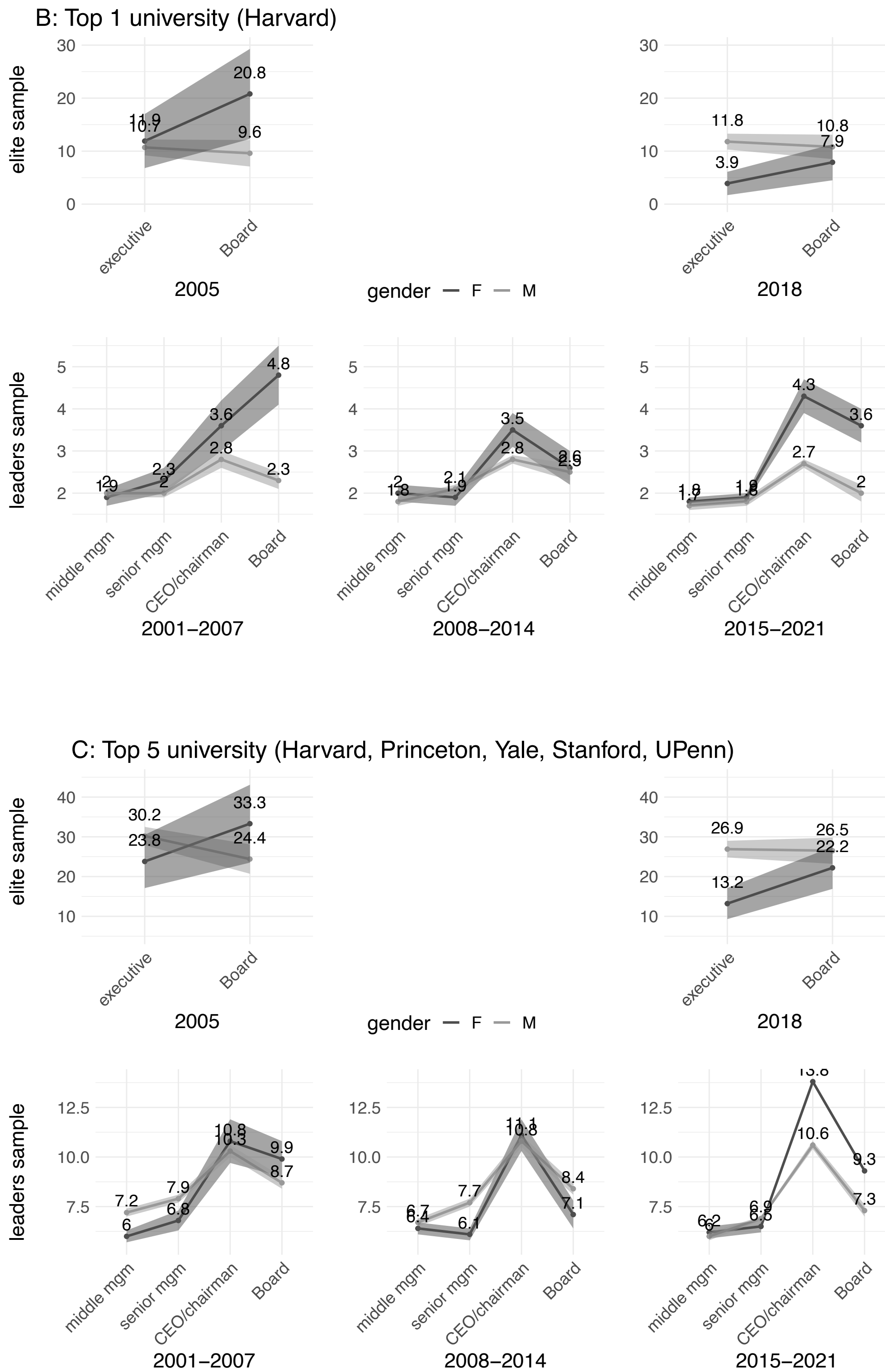


Figure 6.3B and C: Proportion of women and men leaders in US finance with an elite university degree over time. Figure B: Proportion of women and men with a Harvard degree. Figure C: Proportion of women and men with a top 5 university degree. For details see description figure 6.3A.

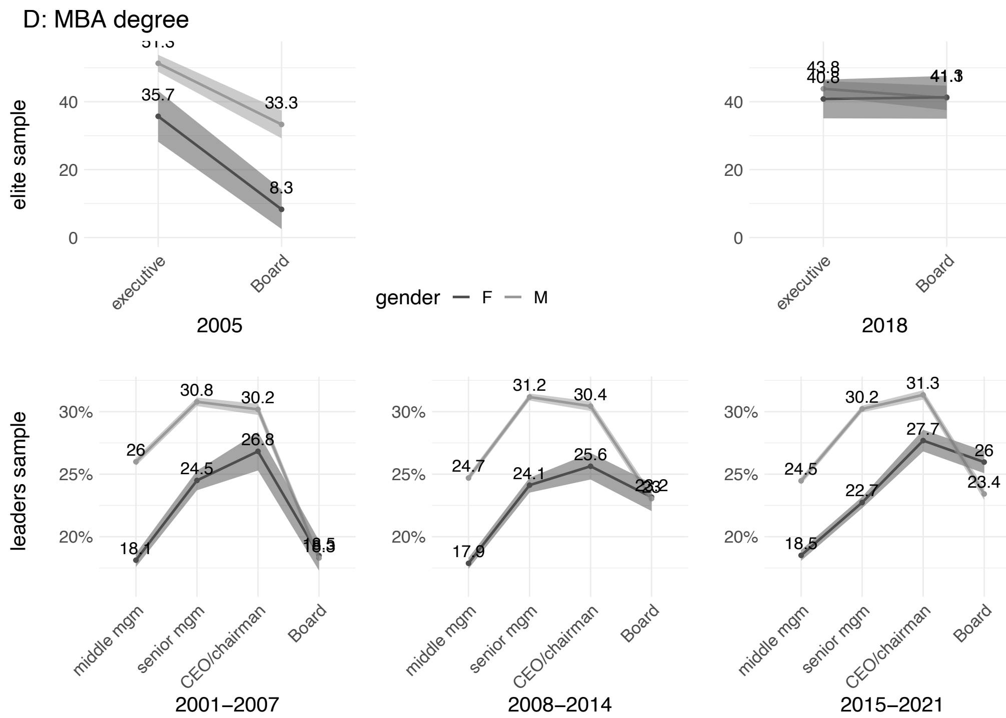


Figure 6.3D: Proportion of women and men leaders in US finance with an MBA degree over time. For details see description figure 6.3A.

This first overall comparison speaks to previous studies (Hall 2013, Davis 2017), which suggested that having an MBA is one of the most important status signal for careers in the financial sector. While the share of MBA graduates is high, PhD graduates are rather rare, provided that any university can issue PhD degrees. Looking at the share of Harvard graduates in other fields, I infer that the share of Harvard alumni in the financial managerial class is high. To get a grasp on whether the span of Harvard graduates above 2.7% for CEOs and chairman in the financial leaders sample (lower threshold) and of 3.9% of executives in the elite sample indicates a high level of elite backgrounds, comparisons to other subgroups are useful. While among the general population the share of Harvard graduates is well below 1%, among the highest echelons of government, a seat in congress, the share of Harvard alumni was at 7.5% in 2016 (for the 115th congress) (Cheng, Gorlinski, and Wang 2016) and at 9.7% in 2019 (for the 116th congress) (Harvard Magazine 2019). Of the richest Americans listed in the Forbes 400 list of 2020, 3.7%—or 15 out of 400 individuals—had a Harvard degree (Durot 2021).

Based on status characteristics theory I assumed that women overcome their outsider-status through educational distinction. I assumed that this would cristallize in higher shares of women with academic status signals (PhD), elite educational credentials (Harvard degree or top 5

university degree) and business degrees (MBA). Looking at different cohorts, samples, managerial echelons and board positions, I do find a more varied pattern. At the middle and senior managerial level, the share of women with any of the educational credentials is significantly lower in some measures and cohorts, or equal (not significantly different) to that of men. In the top executive and board level strata in the financial leaders sample, women do indeed outperform male peers in some measures and cohorts, or show equal proportions to that of men (not significantly different). The picture gets nuanced by some deviations between the elite and the financial leaders sample. I will provide a more detailed discussion of the descriptive results below.

The financial leaders sample shows that the share of individuals with PhD degrees increases across the organizational echelons (see figure 6.3A). Based on previous findings that women focus on intellectual niches within the financial field to survive against the odds (Roth 2003), I assumed that women would face fiercer standards with regard to their academic backgrounds in both executive and non executive decision-making positions. In executive positions (middle management, senior management and CEO/chairman position) there is no significant differences between men and women. Against my expectations, the share of women who hold PhDs is similar to that of men at middle/ senior management and the CEO/chairman position. There is one exception is the most recent cohort (2015-2021), where the share of women with a PhD is higher (4.6%) than that of men (3.6%) among CEOs/chairmen.

The most noticeable difference between men and women in academic credentials is observable at the level of boards. There is a pronounced switch in terms of the share of female PhD graduates from the CEO/chairman to the board level. The proportion of women on boards who hold a PhD is significantly higher than that of men. This observation is consistent across all cohorts. But, and this is what the cohort analyses reveal, the difference between the proportion of female and male board members in terms of academic background becomes smaller over the years. When in the 2001-2007 period of the financial leaders sample, the difference between women and men was at 67.4%, in the 2015-2021 period, the difference of female outperformance in PhD degrees shrank to 35.5% (percentage difference). In the elite sample we do see an exacerbation of this decline in difference at the board level. While the proportion of women with a PhD in the pre-crisis year 2005 of the elite sample was much larger than that of men (33.3% among women and 13.3% among men), there was no significant difference in the proportion of female and male PhD graduates in 2018.

If we look at elite university credentials (see figure 6.3B and C), we can also observe an increase in proportion over managerial hierarchy (middle management to top executives). For both elite university measures (Harvard and top 5 universities) the share of individuals with a degree increases with increasing managerial echelons. What is different in comparison to the PhD pattern, is that the share of board members with an elite university degree is lower than that of CEO/chairman in all cohorts of the financial leader sample and for both women and men. In terms of differences between men and women the results show some variation across the samples, cohorts and elite university measure. For top five university background I find that the share of female graduates is lower than that of men in middle and senior managerial positions (and similar to that of men in terms of Harvard degrees). The most noteworthy and consistent observation is that women outperform men in terms of elite university affiliation at the top executive level and the board in the most recent cohort (2015-2021) of the financial leaders sample. The share of women in a CEO/chairman position with a Harvard degree is at 4.3% and the share of men is at 2.7%. This represents a percentage difference of 45.7%. The share of women in a CEO/chairman position with a top 5 university degree for the recent cohort is at 13.8% and the share of men is at 10.6%. This represents a percentage difference of 26.2%. In contrast, the findings in the pre-crisis cohort (2001-2007) and in the post-crisis cohort (2008-2014) are inconsistent and vary between female outperformance and similarity to male peers. More precisely, the share of women with a top five university degree is similar (not statistically different) to that of men in the pre- and post-crisis cohort. For these same cohorts, the Harvard measure of elite university affiliation shows higher shares in women at the CEO/chairman level. Interestingly, the pattern shown in the elite sample is different from the pattern observed in the financial leaders sample. Here the results show that women in executive positions do not outperform men in terms of elite educational credentials. In 2005 the proportion between woman and men with elite university affiliation was similar. But in 2018 the share of women with a Harvard degree and with a top 5 university degree, was lower than that of men.

At the board level, the proportion of women with elite university background is higher than that of men for the most recent cohort too. In the pre- and post-crisis years, the patter of the gender difference varies (with the case of no significant difference being most common). These results suggest that to enter the board room, women need to be at least on an equal footing with male incumbents in terms of elite educational backgrounds. Elite university outperformance became a phenomenon for female board members in the most recent cohort (2015-2021).

A striking lack of women's outperformance up to the CEO/chairman level across all cohorts, can be observed regarding MBAs. I find that the share of female MBA graduates is much lower than that of men in middle, senior managerial positions and CEO/chairman positions and that this difference remains remarkably stable across cohorts. The pattern at board level is different. I find that women are similar to men in terms of MBA credentials at the board level in the general sample and in the 2018 elite sample (the 2005 elite cohort marks the exception). In the most recent cohort of financial leaders (2015-2021), the share of women with an MBA who reached a board position, is higher than that of men. These findings might suggest that MBAs are particularly important for women in the board room and that the salience of business educational backgrounds has increased over time.

6.7 Discussion

This study examined gendered representation, the gap in promotion and the distribution of educational credentials between women and men at the higher echelons of US finance over time. Finance represents an important case, as the industry is widely recognized as a driver of transformations in the global economy (Braun 2021; Fichtner 2020; Foureault *et al.* 2021; Soener and Nau 2019; van Der Zwan 2014) and because managers in finance are increasingly dominant at the top of income distribution (Eaton and Gibadullina 2020; Korom *et al.* 2017).

The study shows that women are underrepresented in US financial leadership across all hierarchies and cohorts (2001-2007; 2008-2014; 2015-2021). But there is a steady increase in female representation at the top over time. Relating to debates about the shape of promotion inequalities (Baxter and Wright 2000; Gaiaschi 2021), I further show in US finance, the gendered promotion gap increase along the levels of the managerial hierarchy in the pre-crisis cohort and the recent cohort. This suggests that the struggles for women to remain in finance and survive in an up or out logic thus becomes fiercer when climbing the career ladder. Interestingly, the post-crisis cohort (2008-2014) marks the exception. For entrants in these years, the gender promotion gap did not increase with increasing organizational hierarchy. One explanation might relate to a dynamic that feminist political economists have pointed out earlier: in the aftermath of the financial breakdown in 2008, the promotion of women into leadership was presented as a way out of systemic risk in finance (Prügl 2012). This might have led to increased co-optation of women in top executive positions for the time thereafter and thereby tampered the promotion gap into CEO or chairman positions. Overall, these findings add nuance to studies on gendered representation and rates of getting ahead with a granular

look at multiple managerial levels (Baxter and Wright 2000), complement studies that trace the promotion gap across the entire workforce (Yap and Konrad 2009) and provide insights on how the gender promotion gap evolved over time. I should note that such a positional approach is an approximation to status differences because an identical position can confer different levels of privilege: "Even at the same hierarchical level, the pay, prestige and authority are not necessarily the same" (Britton and Williams 2000: 806). In addition to facing higher promotion barriers, those women who did make it might have to excel in certain status dimensions when compared to their male peers. Another perspective that is gaining ground within sociological scholarship shifts attention to supply side mechanisms, highlighting the need to better understand women's preferences and mechanisms of self-selection in or out of certain career trajectories (Campero 2021).

In the second part of this research, I developed a descriptive account of whether women who made it into top positions outperform male peers in terms of educational credentials. The assumption was that female outperformance in educational credentials hints at a compensation mechanism: women offset their status disadvantage with PhD degrees as a signal of cognitive competence; with elite university degrees, a signal of elite affiliation, or with MBAs, a signal of business skills. Women, some authors argue, might need to be "twice as good" to get into the same position as male peers (Foschi 1996; Williams 2014; Ferree and Purkayastha 2000; Zweigenhaft and Domhoff 2018). While it is beyond this study to enter causal explanations, I assumed that educational status signals may aid women in gaining recognition in a male-dominated industry.

I find a more nuanced picture. First, in middle and senior managerial levels, there is no evidence to suggest that women outperform men in any of the educational credentials. This might indicate that the need to outperform is most relevant in the highest decision-making sphere: CEO/chairman positions and boards. Second, at the board level women do outperform men in terms of PhD degrees. Academic backgrounds are more common among female than among male board members. The findings tally with previous studies that showed that female directors are more likely than male board members to have non-business backgrounds (Goh and Gupta 2016) and they mirror research arguing that alongside the business route to the top, the academic path is a "frequently traveled route" for female board directors (Zweigenhaft and Domhoff 2018). Hillman *et al.* (2002) suggest that the board member category of "community influentials" regroups directors with links to spheres such as academia or politics who can provide a diverse range of insights on firm relevant issues. Overall, the findings are consistent

with studies in the UK context, which show that women on boards are equally, if not more highly endowed in educational credentials than male peers (Goh and Gupta 2016; Singh *et al.* 2008). The share graphs on PhD status signal also show that implications are different for women at the managerial level than for those at the board level. While most studies either exclusively focus on the CEO level as the highest level in the managerial hierarchy, or on "women on boards," this study included the examination of both decision-making spheres. Finally, it is interesting to question the gradual decline of the role of PhDs in the financial elite over time and simultaneously, the decline in the gender difference. This trend is not explained by the demographic development of female PhDs. The recent cohort of women in management had more access to PhDs degrees than earlier cohorts. In 1970–1971, women earned 14% of PhDs in the US. In 2008–2009 this share climbed to 52% (Haveman and Beresford 2012). Other possible explanations could be linked changes in selection criteria for new board members, changes in networks that enable people to get seats in company boards, or changes in outside pressures that companies face with regards to the composition of their boards.

More generally speaking I find that women on boards are similar to their male counterparts, or even outperform them with regards to educational credentials. The US does not have female quotas for corporate boards. Multiple studies show, however, that the pressure to get women on boards has increased in US firms over the past decades (Tinsley *et al.* 2017; Zweigenhaft and Domhoff 2018; Catalyst 2021). In 2018, one of the largest asset managers, BlackRock, requested all companies in the Russell 1000 Index with fewer than two female board members to explain their lack of female leaders (Deloitte 2018). The focus on outside pressures could lead to the assumption that women are selected to boards for legitimacy reasons. The findings speak to the argument that women in board positions are not just tokens, or a means to enhance the legitimacy of the board, but that there are rationales beyond legitimacy (Hillman *et al.* 2002). Although higher public pressures for diversity exist at the board level than at the managerial level, women on boards have high levels of educational credentials compared to male peers. This might indicate that they face high competence standards for selection.

Third, in the most recent cohort (2015-2021), women in top executive and board member positions significantly outperform men in terms of elite university credentials and even in terms of MBAs (only at the board level). I speculate that a factor pushing this development could be a demographic one. It is possible that the fierceness in selection regarding educational status signals remained stable over time. In combination with the demographic expansion of women in elite institutions of higher education since the 1980s, this could result in higher proportion

of women with elite educational backgrounds getting selected into top decision-making positions. For MBAs, for example, there has been an increase of female graduates since the mid-1990s. The finding implies that to climb the ladder against the odds (imposed by motherhood penalties, sexism, functional divergence, lower pay, and "prove it again bias," to name a few barriers), a resource for women of recent cohorts might indeed be the diverse educational credentials that signal status.

Alongside an examination of women's representation at the top over time, the study examined whether women who have made it to the top outperform men in terms of educational credentials. It showed that women on boards outperform men in terms of PhD degrees and are on equal footing on other educational credentials, which suggests that they are not mere tokens. At the top executive level the results are mixed. However, with regards to elite educational credentials, women outperform men in the most recent cohort. In recent generations of leaders in US finance, women might thus have to be "better than men" to reach the very top. Or, stated otherwise, for women, elite education might represent a potential resource to overcome status-based disadvantages in a male dominated environment.

6.8 Appendix

Categories	Stylised overview on positions	Most occuring labels in BoardEx
Board members	Chairman/Chairwoman	Independent Director
	Non-executive Director	Director - SD
	Board Member	Independent Chairman
		Advisory Board Member
		Independent Trustee
		Lead Independent Director
		Chairman
		Independent Vice Chairman
		Chairman/CEO
CEO / Partner	President	President/CEO
	CEO	Partner
	Partner	Operating Partner
		Principal
		Managing Partner
		General Partner
		Venture Partner
		President
		CEO
Senior management	Division Head	MD
	Managing Director	Senior Advisor
	Chief […] Officer	Division Executive VP
	Executive Vice President	Division President
	Executive Director	Regional President
	Profit Center Head	Executive VP/CFO
	Managing Director	Division MD
	Head of […]	Senior MD
	Region Head	Division President/Division CEO
Middle management	Vice President	Senior VP
	Assistant/Associate VP	Division Senior VP
	Director	Vice President
	Country Manager	Executive VP
	Department Head	Division VP
		Director - Non-Brd
		Executive VP/Division Head
		Senior VP/Division Director
		Senior Executive VP

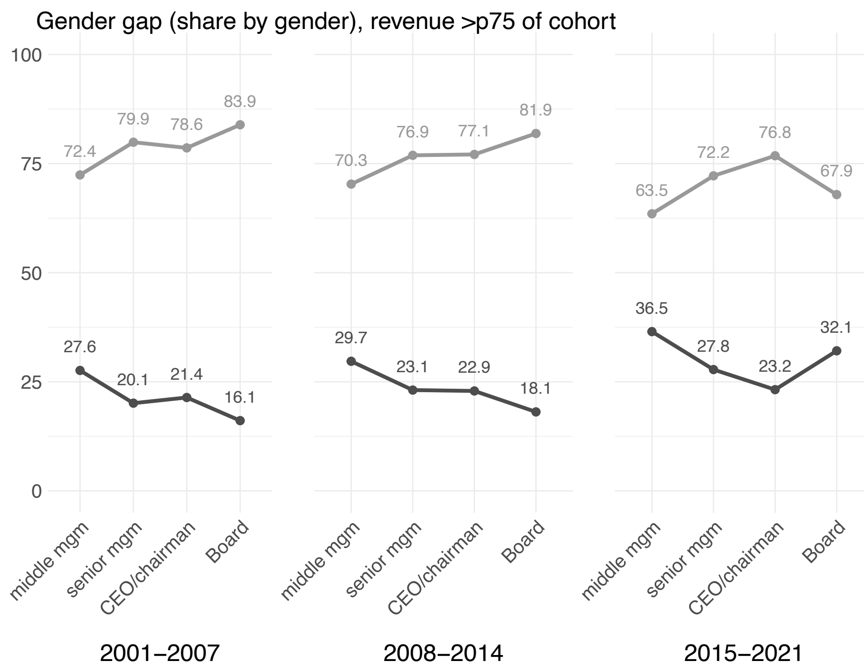
Appendix A Schema of positions within firm hierarchy used for the financial leaders sample (Boardex 2023 data). Coding schema and most occurring labels in each category.

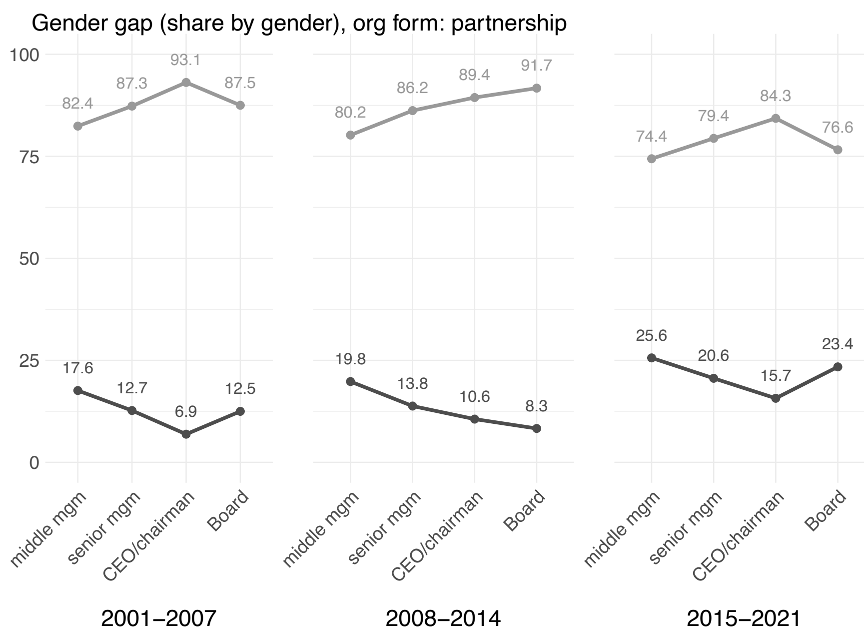
2005		2018	
sector	**firm**	**sector**	**firm**
Hedge funds	AQR Capital	Hedge funds	Bridgewater associates
	ESL Investment		AQR Capital Management
	Bridgewater		Renaissance Technologies
	Fortress		Two Sigma
	DE Shaw		Millenium Management
	Farallon		Elliott Management Corp.
	Renaissance Technologies		Baupost Group
	Och-Ziff		Adage capital management
	Atticus Capital		Davidson Kempner Capital Management
	Avenue Capital		Och-Ziff
Investment banks	Goldman Sachs	Investment banks	JP Morgan Chase
	Morgan Stanley		Goldman Sachs & Co
	JP Morgan		Bank of America Merrill Lynch
	Merill Lynch		Morgan Stanley
	Citigroup		Citi Bank
	Lehman Brothers		Wells Fargo & Co
	Lazard LLC		Jefferies & Company
	Bearn Stearns		Lazard
	Bank of America		Evercore
	Citi Bank		Centerview partners
Mutual Funds	Legg Mason	Mutual Funds	BlackRock
	Wellington Management		Vanguard Asset Management
	State Street Global		State Street Global Advisors
	Franklin Templeton		Fidelity Investments
	Fidelity Investments		PIMCO
	Capital Group		Capital Group
	Vanguard Group		Wellington Management
	BlackRock		Nuveen
	Ameriprise Financial		Invesco
	T. Row Price		T. Rowe Price
Private equity	The Carlyle Group	Private equity	Carlyle Group
	Kohlberg Kravis Roberts		Texas Pacific Group
	The Blackstone Group		Kohlberg Kravis Roberts
	TPG		Blackstone Group
	Bain Capital		Apollo Global Management
	Providence Equity Partners		EnCap Investments
	CVC Capital Partners		Advent International
	Appollo Management		Warburg Pincus
	Warburg Pincus capital		Bain Capital
	Hellman and Friedman		Thoma Bravo

Appendix B Financial firms in the elite sample 2005 and 2018.

Harvard institutions (included)	**Management and leadership programs** (excluded)
Harvard University	Advanced Management Program
Harvard Law School	Executive Education Program
Harvard College	Certified
John F Kennedy School of Government Harvard Univesity	Fellow
Harvard Medical School	Executive Program
Harvard School of Public Health	Completed
Harvard Graduate School of Education	Certificate
Harvard Graduate School of Design	Management Development Program
Harvard Graduate School of Arts and Sciences	Program for Management Development
Harvard Divinity School	General Management Program
Harvard-MIT Division of Health Science & Technology	Senior Executive Program
Brigham and Women's Hospital (BWH) Harvard Medical School	Owner/President Management Program
Harvard University Medical School	Leadership Program
Harvard Institute of Educational Management	Executive Development Program
Harvard John A Paulson School of Engineering and Applied Sciences	Executive Leadership Program
Radcliffe Institute for Advanced Study at Harvard University	Training Program
Harvard School of Dental Medicine	Executive MBA
	General Manager Programme
	Advance Management Course
	Leadership Development Programme
	Executive Course
	Program on Negotiation
	Executive Training Program
	Executive Leadership Training Program
	Senior Management Program
	Executive Management Course
	Executive Business Program
	Senior Executive Fellows Programme
	Advanced Leadership Program
	Management Training Program
	Certificate of Special Studies
	International Senior Management Program
	AMP Program(Advanced Management Program)
	Advanced Management Development Program (AMDP
	Program for State and Local Government Executive
	Advanced Degree
	Executive Studies Program
	Corporate Finance Programme
	Professional Certificate Course
	Financial Management Program
	Executive Management Development Program

Appendix C Strings used to define “Harvard degree.” The strings listed in “Harvard institution” were used to detect educational spells in a Harvard institution. The strings listed in “management and leadership programs” were used to eliminate the educational spells that did not result in a university degree.





Appendix D Gendered representation diagrams in US finance over time for two subgroups: individuals in large firms and individuals in partnership organizations. The figure shows the share of women and men by level of organizational hierarchy in three cohorts. The dark gray line indicates the share of women. The light gray line indicates the share of men. Large firms are defined as those firms with a revenue larger than the upper quartile (p>75) of firm revenues in each cohort. Partnership firms are selected based on the organisational form.
Data source: BoardEx data, financial leaders sample

2001-2007

	middle vs senior manager	senior vs CEO/chairman
(Intercept)	-0.02 *	-0.54 ***
	[-0.05, -0.00]	[-0.56, -0.52]
woman	-0.51 ***	-0.74 ***
	[-0.56, -0.46]	[-0.82, -0.66]
N	45391	32949
AIC	62355.97	42336.06
BIC	62373.42	42352.87
Pseudo R2	0.01	0.01

2008-2014

	middle vs senior manager	senior vs CEO/chairman
(Intercept)	0.10 ***	-0.63 ***
	[0.09, 0.12]	[-0.65, -0.61]
woman	-0.48 ***	-0.48 ***
	[-0.52, -0.44]	[-0.54, -0.42]
N	63946	48128
AIC	88079.5	60956.4
BIC	88097.64	60973.96
Pseudo R2	0.01	0.01

2015-2021

	middle vs senior manager	senior vs CEO/chairman
(Intercept)	0.35 ***	-0.67 ***
	[0.33, 0.37]	[-0.69, -0.65]
woman	-0.32 ***	-0.48 ***
	[-0.35, -0.28]	[-0.53, -0.43]
N	67890	56674
AIC	92545.8	70611.49
BIC	92564.05	70629.38
Pseudo R2	0.01	0.01

*** p < 0.001; ** p < 0.01; * p < 0.05.

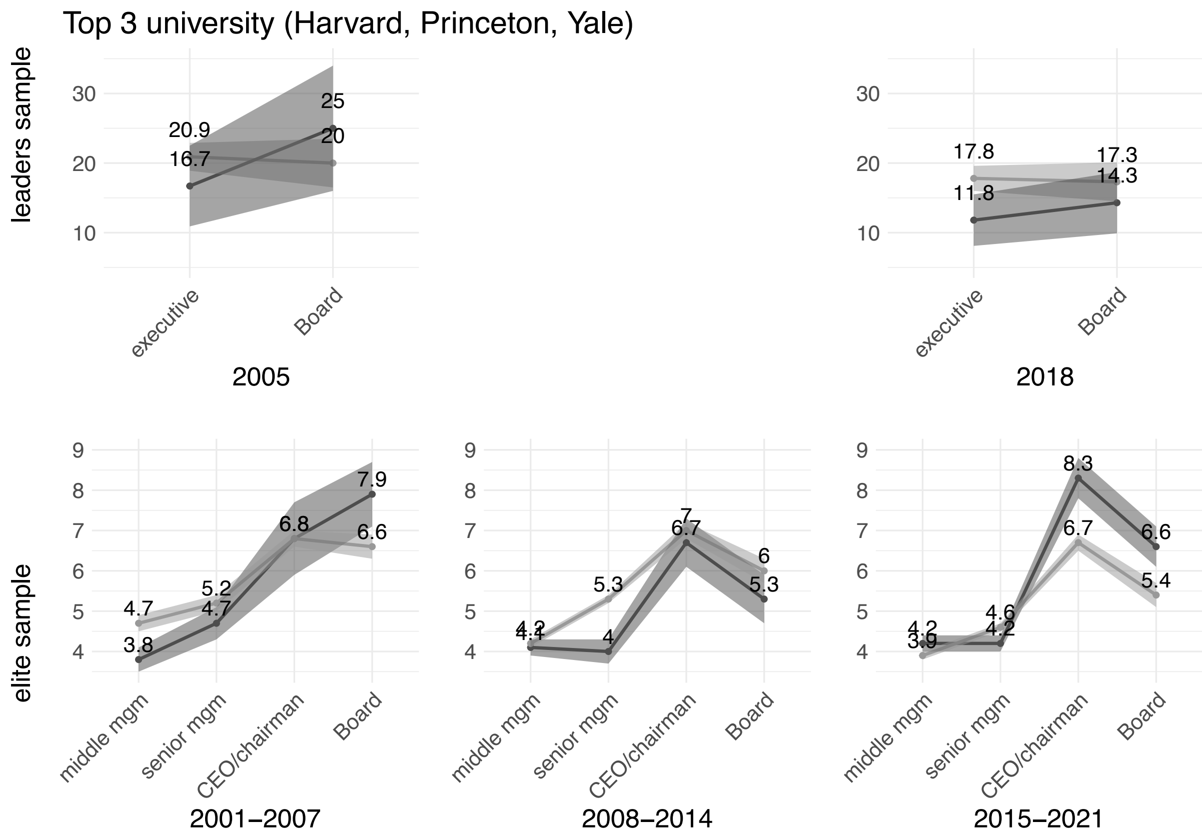
Appendix E Full regression tables of promotion gap in US financial leadership across three cohorts. The table shows the probability of being in a higher, versus being in a lower position for women and versus men. The analyses are based on adjacent level logistic regressions between two neighbouring positions (middle versus senior management; senior management versus CEO/chairman). The higher a negative coefficient, the stronger the gender gap in promotion

Data source: BoardEx data, financial leaders sample

		logistic reg			AME			
		b coeff	se	p	AME	SE.ame	p.ame	N
2001-2007	middle Mgm vs senior Mgm	-0.51	0.03	0.00	-11.65	0.01	0.00	45391
	senior Mgm vs CEO/Chairman	-0.81	0.05	0.00	-15.51	0.01	0.00	32949
2008-2014	middle Mgm vs senior Mgm	-0.50	0.02	0.00	-10.62	0.00	0.00	63946
	senior Mgm vs CEO/Chairman	-0.55	0.04	0.00	-10.14	0.01	0.00	48128
2015-2021	middle Mgm vs senior Mgm	-0.33	0.02	0.00	-6.92	0.00	0.00	67890
	senior Mgm vs CEO/Chairman	-0.65	0.03	0.00	-10.88	0.00	0.00	56674

Appendix F Promotion gap in US financial leadership across three cohorts; multilevel regressions. The table shows the probability of being in a higher, versus being in a lower position for women and versus men. The analyses are based on adjacent level logistic regressions between two neighbouring positions (middle versus senior management; senior management versus CEO/chairman) performed in a multilevel setting (individuals embedded in firms). The higher a negative coefficient or marginal effect, the stronger the gender gap in promotion.

Data source: BoardEx data, financial leaders sample



Appendix G Robustness check of elite university degree proportions. Proportion of women and men in US finance with a top three university degree over time. The dark gray line shows the share of women, the bright gray line shows the share of men. The lighter areas indicate the confidence intervals (SE). The top row shows the proportions by gender and education in the elite sample. The bottom row shows proportions by gender and education in the financial leaders sample. Note that the y-axis scale is different for the elite sample and the financial leaders sample rows.

Source: BoardEx and finelis data.

7 Gendered benefits from Access to Elite Networks

7.1 Intro

Even though increasing numbers of women are getting ahead, it is well documented that female leaders are still scarce at the top of the economy (Gorman and Mosseri 2019; Stojmenovska *et al.* 2021; Yavorsky *et al.* 2019). While a large literature exposes the meritocratic tale of career trajectories and the role of skills and education for women to get on in organizations (Qian and Yavorsky 2021; Quadlin 2018; Rivera and Tilcsik 2019; Zweigenhaft 2015), this study builds on concerns about the return to patrimonialism in contemporary capitalist economies (Neely 2018). It shifts attention to the open secret of "knowing the right people."

Recent research revived the focus on the role of networks on the way to the top (Boussard 2016; Lutter 2015; Neely 2022; Seierstad *et al.* 2021). Although there is a growing literature on female leaders and their social resources, the role and benefits of networks for women in top management remains widely contested. Some authors argue that networks and mentors are eminently crucial for women to climb the ladder within organizations (Boussard 2016; Hodigere and Bilimoria 2015). Other authors suggest that the struggle to enter social spheres, such as the old boys' networks, leads female leaders to rely on resources other than social capital and focus professional trajectories on intellectual niches (Roth 2003) or the "academic path" as a strategy to succeed in organizations (Zweigenhaft and Domhoff 2018).

I address the controversies on the role of networks for women in organizations by developing a systematic description of the gendered access to networks of leaders in US finance. I do so by examining the composition of top leadership regarding the interplay between gender and access to elite networks. I work on data that has been little exploited within social sciences so far: information on extra-professional activities from the BoardEx database. This represents a rich and exclusive resource for network information, hardly obtainable through other sources, but also comes with major drawbacks. Data limitations do not allow for an examination of the temporal ordering of network access and career advancement. It is therefore important to keep

in mind that I work with the assumption that cases of reverse causality affect women and men equally and do thus not bias the main findings.

The case of finance is of interest because there is income and power at stake. Since the financialization of US capitalism from the 1980s onwards, financial actors have increased their influence on other business actors (François and Lemercier 2021; Krippner 2005; van Der Zwan 2014). To examine the role that networks play in gender inequalities in this powerful and lucrative segment of the economy, I ask: how are access to and benefits from elite networks gendered for leaders in US finance? It is important to recall a seemingly evident fact: not all networks are the same. Two aspects in the characterization of networks are particularly pertinent for the question of (gendered) network benefits in careers. The first concerns the distinction between formal and informal networks. Multiple authors highlight the pronounced struggle of women to enter informal networks (McGuire 2000) formed in sports occasions (Ho 2009; Turco 2010), bars (Roth 2003), or even in hot tubs (Neely 2018). In this research I shift attention to formal types of networks, such as serving on the board of an ivy league school or being a member of an industry council group. I investigate the access to such formal networks for women and men separately. The underlaying assumption is that these formal networks represent spheres through which women compensate for lack of access to fluid, informal spheres of sociability. Drawing on information from BoardEx and from a prosopographical elite sample, I study affiliations to formal activities outside of firms, namely to educational networks, leadership programs, industry or lobbying organizations, cultural and philanthropy networks.

The second characterization of networks that seems decisive for their value in careers is status. The higher the status of members in a network, the more relevant information and influence these contacts can grant (Cross and Lin 2008). I contribute to the theoretical discussions on the importance of network status by developing an empirical approach to defining *elite networks* in finance. I do so by building on network theory and classifying those activities as having elite status which are important in connecting members of the financial elite, namely the members of the most exclusive, highly positioned group within finance ($n = 645$). The empirically driven approach shows that among the network activities with elite status in the field of finance there are many renowned policy planning organizations such as the Council on Foreign Relations, the Business Roundtable, and the Business Council. In addition, some cultural organizations and honour societies figure among elite networks (for example the Kennedy Center or the Lincoln Center for the Performing Arts).

Scholars have previously explored the centrality of different spheres of political action and sociability for the corporate elite (Barnes 2017; Domhoff 1975; Mizruchi 2013). However, the gender patterns of such networks pass unexplored. In this research I examine how gender shapes the access of financial leaders to elite network resources, and look at whether these spheres of privilege hold different returns for women and men. I run two types of analyses on the population of individuals heading large, quoted US financial firms in 2017 and 2018 drawn from BoardEx (*n* firms = 1,282, *n* leaders = 13,848). In a first step I look at the share of female versus male leaders with access to elite networks. A key finding is that the higher women climb up the organizational echelons, the more they become alike men in terms of access to elite networks. The female disadvantage in access to elite networks that exists at certain levels of the executive hierarchy can be explained by the age gap between women and men. However, I find that at the level of boards, women have more affiliations to formal spheres of sociability than men. In a second step I look at the benefits from network access for women and men. In line with Lin (1999: 483), I argue that "differential access to social capital deserves much greater research attention." Using models of differential return (Gaiaschi 2021), which have been developed for cross-sectional data, I examine whether women or men benefit more from access to elite networks. In short, the models show whether the probability to hold a higher positions (for example to be a CEO versus a senior manager) relates to network access, and whether this differs for women and men. I do find positive returns on network access, but no striking gender differences.

This article makes multiple contributions to the literature. First, I introduce an empirical approach to classifying elite networks by the use of network analysis (Bonacich 2007; Burt 2007) combined with elite prosopography (Hoffmann-Lange 2007). I thereby provide a more flexible solution to identify places of sociability and power of the corporate elite than earlier scholars who worked with reputational methods (Barnes 2017; Burris 1992). Second, while previous research has highlighted important mechanisms of female exclusion at lower levels of the organizational hierarchy (Ho 2009; Roth 2004b), I look at the role of networks for a distinct upper layer of leaders in the economy: managers and board members. Third, the article contributes to the literature by exploring types of networks that have received little attention so far. Most previous research has either captured networking abilities within firms (McGuire 2002; Turco 2010) or access to corporate boards (Benton 2021; Heemskerk and Fennema 2014). I study networks that are formed in social spheres outside the company walls and thereby explore gendered patterns in leisure socialization (Bourdieu 1979b; Veblen and Galbraith

1973) and the lobbying and think tank spheres (Barnes 2017; Comet 2019). Finally, I align with authors who argue that the persistence of trust regimes and community networks remain at the core of social reproduction in contemporary capitalism (Foureault *et al.* 2021; Neely 2022) and contribute to the revival of a focus on networks.

7.2 Female leaders in finance

Difficulties that women face to reach top positions are discussed in the literature as the "glass ceiling," invisible barrier that impedes women of reaching leadership positions (Cotter *et al.* 2001; Hultin 2003; Smith 2012; Yavorsky *et al.* 2019). Finance, the literature suggests, is a field with important obstacles for women and other outsider groups (Blair-Loy 1999; Madden 2012; Prügl 2012). In the previous chapter I found that the exclusion of women in finance intensifies at the upper echelons of the career ladder. The case of finance is interesting at least for two more reasons. Since the period of financialization, the industry is known as an important driver of global economic transformations (Braun 2021; Fichtner 2020; Foureault *et al.* 2021; Soener and Nau 2019; van Der Zwan 2014). Also, finance represents a very lucrative segment of the economy. Managers and board directors in the financial industry are increasingly overrepresented among the top 1% of income earners (Eaton and Gibadullina 2020; Korom *et al.* 2017).

Roth and Blair-Roy are formative authors on the topic of gender inequality in the financial sector. With qualitative and small-scale quantitative studies, they worked on women in the securities industry and on MBA graduates who entered finance (Blair-Loy 2001b, 2001a, 2009; Blair-Loy and Wharton 2004; Roth 2003, 2004a, 2004b, 2006). With regards to career barriers for women, both authors called attention to the role of the interference of family schemes and the male-dominated professional culture. A major career barrier for women is the high workload and mobility requirements which, combined with the lack of family friendly policies, hinder many (expectant) mothers from pursuing their careers (Blair-Loy 2009; Roth 2004b). In addition, the promotion system follows an "up or out" logic. Either one progresses or drops out. Critical career spells often co-occur with phases of family planning (Blair-Loy and Wharton 2004).

In addition, research women face negative stereotypes linked to status beliefs. Women are viewed as less capable and less visionary when aspiring to top level positions (Ridgeway 2011). In the broad literature on gender inequalities and careers, multiple authors discuss the role of

educational credentials and skills for women and men organizations (Baxter and Wright 2000; Murphy and Oesch 2016; Qian and Yavorsky 2021; Rivera and Tilcsik 2019). As shown in the previous chapter, in finance, female executive managers do not seem to offset career disadvantages and negative performance expectations through educational status signals. The question thus remains, how those women who reach positions of power within organizations, do so against the odds.

7.3 Gendered network benefits

Recent scholarship revived the focus on networks as an important resource in careers (Boussard 2016; Neely 2022; Seierstad *et al.* 2021). Trust-based mechanisms of recruitment and promotion are still strongly prevalent in the industry (Neely 2018). In finance, networks represent a resource at multiple levels: they facilitate access to economic capital when seeding a new firm (Neely 2018) they work as a negotiation power for employees with a large client base, in demands for higher compensation (Godechot 2014) and, as in other organizations, they provide access to relevant information (McGuire 2002). Employment information circulates through networks and facilitates access to job opportunities (Lutter 2015). In terms of career resources, networks can signal fit, homophily and a common business identity and thereby work as a selectivity criterion by recruiters. The literature is divided on the question of benefits of networks for women. Some authors argue that relationships are key for female career advancement (Boussard 2016; Hodigere and Bilimoria 2015). In a study on M&A in France, Boussard (2016) argues that mentors are key for career advancement and, in turn, that a lack of mentorship due to gendered homophily preferences can impede female careers. In a similar line of argument, a study on Norwegian corporate boards suggests that female board members emphasized the importance of networks for their career progression (but they see it as more useful to men) (Seierstad *et al.* 2021).

Other authors argue that network structures that exclude women, such as old boys' network, remain important (Lin and Neely 2017). Women, in consequence are seen to rely on other paths into the elite. Roth (2004a) highlights the gendered dynamics in access to networks with clients for successful careers. In interviews with 76 wall street professionals, she found that individuals who do not share the traits of clients, namely being male and white, struggle to build up the client relationships that were necessary for a solid client base (Roth 2004a). In job segments in which male bonding dynamics and the solidarity of homosocial activities are strong, female respondents expressed to be considerably disadvantaged. Scholars suggest that women

therefore rely on different status signals, choosing academic trajectories (Zweigenhaft and Domhoff 2018) or specialising in intellectual niches (Roth 2003). Ho's (2009) female respondents expressed that their success was linked to the ability to build up expertise in intellectual areas. Roth found that to "get on" within financial firms, women developed strategies to climb the hierarchy by avoiding areas where client relations are important and by directing themselves towards quantitative products, for example high-yield or asset-backed securities (Roth 2003).

7.4 Network types and network status

Studies discussed here above refer to informal networks; within firm networks or client-networks, to name a few examples. In this article I explore a type of network that has received little attention so far. Next to ties with peers, co-workers or superiors, contacts to the larger business community might play an important role for business careers. I study the role of network activities that qualify as formal elite networks. Formal, as they comprise affiliations to activities outside of firms in delineated organizations. Examples are trustee, chair or council positions in industry organizations, philanthropy institutions and similar. The networks I study qualify as "elite networks," because they represent places of sociability for individuals with the highest status levels in the field of finance, the financial elite.

Studies show that informal networks are particularly complicated to navigate for women. They mix personal and voluntary dimensions and have "fluid boundaries" (McGuire 2000). Ho (2009) outlines how investment bankers at Wall Street refused to separate the "professional" from the "relational" sphere. Such "after-work social spaces (from the strip club to the country club)," Ho states, "have been long-term perpetuators of exclusion" (Ho 2009: 115). In job segments in which male bonding dynamics and the solidarity of homosocial activities are strong, women expressed to be considerably disadvantaged (Turco 2010). In a study on the leveraged buyout industry, Turco (2010) quotes female interviewees who expressed being excluded from informal sports activities. One woman said that some "guys" in her firm would regularly play basketball together and she was never asked to join. Turco (2010) quotes her saying: "I know they do serious bonding and then they talk about it on Monday at work" (Turco 2010: 901).

In turn, network activities which take more formalized forms could represent spheres of sociability that facilitate access for women through "defined" boundaries and roles. As shown

in interview data on Malaysia and Australia, the networking activities of female senior managers extended beyond the firm and enabled them to secure social resources or mentorships (Jogulu and Franken 2022). In this study, I examine the access to networks in the light of questions on gendered career chances. I look at the gendered pattern in access to formalized social spheres outside of the firm, such as educational networks, leadership programs, industry or lobbying organizations, cultural and philanthropy networks. I thereby explore the connections of female and male leaders to spheres of leisure and activist time socialization (Bourdieu 1979b; Veblen and Galbraith 1973).

Most sociological research on formal networks so far has studied corporate boards and their ties (Ginalski 2022; Heemskerk and Fennema 2014; Villesèche and Sinani 2021). Over the past years, the research scope expanded. Scholars started to investigate networks outside of the strict workplace by studying for example policy networks (Comet 2019; Young *et al.* 2021), board seats in international organizations and think tanks (Young *et al.* 2021), corporate elites in cultural institutions (Accominotti, Khan, and Storer 2018; Barnes 2017). Commonly, these authors study the access to such boards in a power perspective. Investigating core-periphery structures of industry and policy planning networks, scholars suggest that access to central networks is linked to power, and that in turn, a lack of access to core networks indicates lower levels of influence. In a study on the diversity of global elites, Young *et al.* (2021) find that the core of the network is still predominantly male (and white). Women who reach top positions, they find, remain marginalized to peripheric network structures. These findings mirror earlier studies who showed or argued that the core of networks is typically dominated by white men (Mollica, Gray, and Trevino 2003; Moore 1988). But there is also evidence for the absence of a gendered pattern in access to central networks. Villesèche and Sinani (2021) study the social capital of female directors in the Swiss network of corporate directors and find that although there are fewer women than men among the board members, some of these women face no disadvantage in access to the most central networks compared to male peers.

With regards to the question of gender patterns in access to and benefits from networks, a second major characteristic is network status. The higher the status of members in a network, the more relevant information and influence this contact can grant (Cross and Cummings 2004; Cross and Lin 2008). Contacts to high-status members is a resource in that those network members can provide elevated credentials, information or actively advocate for a person in a crucial career moment (McGuire 2002). In a more indirect manner, affiliation to prestigious networks represents a resource in that it increases homophily with high-status individuals.

Belonging to the same network or having been part of the same network promotes the feeling of "likeliness." Individuals, studies showed, are positively oriented towards others who share their own characteristics (Cross and Lin 2008). Women often suffer from a lack of access to relationship resources that confer informational or status advantages. So far, the most systematic study on access to elite networks in the financial sector was developed by (McGuire 2000, 2002). She conducted a unique survey on 1150 full-time workers in a US financial company and found that women struggled to get access to networks with high-status members.

In this study, I develop an empirical approach to classifying elite networks. I then study gendered patterns in access to and return from these elite networks for a broad group of managers and board members in US finance. I advance the following research question: How are access to and benefits from formal elite networks gendered for leaders in US finance? Based on the literature on women and networks there are two possibilities. On the one hand, the work on homophily tendencies by incumbents and the findings of McGuire (2000, 2002) feed the hypothesis that women have less access to elite networks. On the other hand, recent qualitative research on female directors shows that women profited from networks that extended beyond the firm (Jogulu and Franken 2022). This sets in contrast to the large body of literature that documented female exclusion from informal types of networks. It feeds the hypothesis that women rely on formal networks outside of firms to compensate for a lack of access to other types of networks.

7.5 Data and samples

I work with two different data sets (see table 7.1). To define the status of network activities, I use a first sample, referred to as the *elite sample*. Note that this sample is only used for a first analytical step in which I classify network activities. The elite sample represents a small, selective sample of financial leaders, both in terms of organizational and positional exclusivity. It builds on the finelis database (see Bühlmann *et al.* 2022) and pools two cross-sectional snapshots (2005 and 2018) of the 10 largest firms for each of four subsectors in finance: investment banks, asset management, hedge funds and private equity firms. I chose the largest firms based on assets under management (AuM), and for investment banks based on league tables (for full list see Appendix B). In terms of positions, the sample is restricted exclusively top executives and board members. For public corporations, this includes the CEO, CFO and in most cases the COO, general counsel, further C-suite positions, as well as executive vice-presidents and non-executive board members. For non-public firms the sample includes

partners and members of the top executive team who figured on the firms' websites or in other sources. The number of individuals per firm ranges between 2 to 29 people. Hedge funds and private equity firms are usually smaller entities, with only few key persons in management positions. Larger, bureaucratically organized firms in turn have a higher number of top managers. Of all 1,316 individuals in the financial elite sample, I kept 645 who have information on affiliations to formal networks. I consider information on networks to be lacking if individuals have 0 or 1 affiliation (cut off>=2).

The second sample is referred to as the *general sample*. The gender and network access analyses are performed on this sample. It draws a 2018 data with a large coverage on leaders in medium-to-large US financial firms. I use data from BoardEx on the US, downloaded on 27th November 2018. BoardEx is a database that collects public domain information from multiple sources, such as corporate disclosures, company websites and media reports. It provides individual-level information on networks, educational backgrounds, careers trajectories and socio-demographics of executive and board members. The sample covers individuals holding middle managerial to top managerial positions as well as board members and includes a large number of US financial firms (*n* firms = 1,282, *n* leaders = 13,848). I selected all firms from the North America Module that are classified as financial sector firms (banks, investment companies, private equity and other finance). I then merged this module with the employment, individual profile and "other activities" modules. Based on the variable "date end role," I selected those individuals with a position in finance in the years 2017 and 2018. I then created the positional hierarchy based on the variable "role name" (see classification scheme in table Appendix A). Of all 29,060 individuals in finance, I kept 13,848 who are in a managerial or director position and have information on affiliations to formal, extra-firm networks. BoardEx provides information about the affiliation of individuals to a diverse range of formal network activities in the module "other activities." Table 7.2 presents the range of different categories that I consider, namely clubs and leadership programs, cultural networks, educational, industry organizations, philanthropic activities and sports networks. I consider information on networks to be lacking if individuals have 0 or 1 affiliation (cut off>=2). Given the broad range of activities covered by BoardEx, I consider it to be unlikely that highly positioned individuals do not have at least two affiliations into any of the spheres listed above. I therefore treat cases of individuals with less than two network affiliations as missing data.

General sample	Description	n	Perc.	Mean
Middle management	middle management positions (vice president, department head etc)	2,316	17%	0.17
Senior management	senior management positions (division head, managing director etc)	4,217	30%	0.30
CEO/chairman	CEO or Chairman	2,254	16%	0.16
Board level	non-executive directors and board members	5,061	37%	0.37
Gender	women (=1) versus men (=0)	13,848	21%	0.21
Age	age of respondent	9576		61.45
Access to elite networks	degree top 100	13,848	27%	0.27
	betweenness top100	13,848	28%	0.28
	eigenvector top 100	13,848	20%	0.20
Volume of elite network affiliations	degree top 100	13,848		0.45
	betweenness top100	13,848		0.43
	eigenvector top 100	13,848		0.35

Elite sample	Description	n	Perc.	Mean
Gender	women (=1) versus men (=0)	645	18%	0.18
Age	age of respondent	638		57.80
Executive	executive yes (=1) vs non-executive (=0)	645	45%	0.45
Year	2018 (=1) versus 2005 (=0)	645	46%	0.46

Table 7.1 Descriptive statistics for elite and general sample of US financial leaders.

Category	Type	Examples
Clubs	Clubs and Elite Leadership Programs	Chicago Club; Alfalfa Club; Women's Bond Club of New York
Cultural Networks	Cultural Institutions, Historical Associations	Royal opera house, Hong Kong Ballet, New York Historical Society
Educational Networks	Private Schools, Boarding Schools or Colleges	Allen Stevenson School; Choate Rosemary Hall; St Bernard's School
	Universities, Research Organisations, University Funding	Dana Farber Cancer Institute (DFCI), Harvard Business School; Practising Law Institute
	Scientific Society	American Economic Association; American Finance Association; Econometric Society
	Academic Honor Society, Fraternities	Beta Gamma Sigma, Amercian Society of Arts and Science; National Academy of Sciences
Industry Organisation	Professional Association	American Institute of Certified Public Accountants (AICPA); American Academy of Actuaries; National Academy of Engineering
	Trade Association	Chartered management institute; American Petroleum Institute (API); British Private Equity & Venture Capital Association (BVCA)
	Bar Association	American Bar association; New York State Bar Association
	Think Tanks	Brookings institutions; Center for Strategic and International Studies (CSIS); Aspen Institute
	Transnational Think Tanks	Council on Foreign relations; Peter G Peterson Institute for International Economics; Atlantic Councl of the United States
	Lobby Organizations	Chamber of commerce (US Chamber of Commerce); Business Council; Business Roundtable (BRT); Financial Services Forum
Philanthropic networks	Medical Philanthropy	NewYork-Presbyterian Hospital; American National Red Cross; American Heart Association
	Poverty and Social Justice	United Way Worldwide; Youth Inc; International Rescue Committee Inc (IRC)
	Philanthropic Foundations	Ford Foundation, Kennedy Center Corporate Fund; Rockefeller Foundation
	Environmental Philantropy, Animal Protection	Brooklyn Botanic Garden (BBG); Conservation Fund; Chicago Zoological Society
Sports networks	Sports Clubs, Sports Associations	Augusta National Golf Club; Special Olympics Inc (SOI); National Collegiate Athletic Association

Table 7.2 Categories of network activities. The table provides an overview on the different types of network activities that are covered by the extra-professional module in BoardEx. The categorization was developed for a subsample of activities in the finelis database.

7.6 Analytical framework

Classifying elite networks

One of the key contributions of this article is to develop a solid empirical strategy to measure the status of networks. I distinguish those activities with little value from those with high value for the community of US financiers based on three measures for elite networks. In a first step I will explain how I classified the elite status of network activities.

Conceptually I define those networks as "elite" which link the members of the financial elite with each other. Elite networks are thus those activities which are the most important places of sociability of those individuals who reached the most exclusive positions in the largest firms in the field of US finance. The fact that individuals with elevated status in the financial field (financial elite members) are affiliated to and linked through certain activities provides an indication for the status of the network activities themselves.

In technical terms I proceed as follows. I create an "overall" two-mode network on all formal activities of the elite sample of US finance in igraph (R). The affiliation of individuals to those activities can take various forms, such as being a board member, a director, a council member, a trustee, a commission, an advisory member or similar. The network based on which I defined elite activities, consists of those 645 elite members, 2879 network activities, and 5671 links (average path length is at 5.9, density at 0.00091). In this network I include all types of network activities without distinguishing between different segments (such as educational networks; lobbying networks etc). Note that in an exploratory step I do the same procedure on individual segments and their networks. This gives an overview on the network activity hierarchies within different segments (results in table 7.3).

On the "overall" network I define how important each of the activities is in connecting the members of the financial elite to each other. Using a network theoretical approach, I develop three different measures of centrality for each activity: the degree; betweenness and eigenvector centrality. The degree centrality indicates how many individuals of the elite sample are affiliated to an activity. Activities with a high degree connect a lot of individuals in the network. Betweenness centrality is an indication of access to different subgroups in a network. Activities that have a high betweenness connect those parts of the network that are weakly connected (Valeeva 2021). The eigenvector centrality, finally, is a refined measure. It gives higher scores to those activities that relate to other well-connected nodes. In consequence, activities that link only to sparsely connected nodes, have lower scores (Bonacich 2007).

Previous literature has referred to this measure as an ideal measure to capture network influence (Villesèche and Sinani 2021). I set the threshold for elite network activities at the level of the top 100 most central networks. This means that clubs, industry organizations, philanthropy institutions and so on, which figure in the top 100 ranking, are classified as elite networks (yes=1), all others not (no=0). Robustness checks with other threshold levels (top 20, 30, 50 networks) showed that the threshold does not influence the main results.

Studying access to elite networks

In a next step I turn to the second sample, the general sample of leaders in the broad field of US finance. The question that I approach is whether women at different echelons within organizations have higher or lower chances of access to elite networks than their male peers.

First, I study the gendered pattern in elite network affiliation descriptively. I follow the method applied in the previous chapter. For each hierarchical level within the organization, I examine the share of women and men with access to elite networks. Gender is coded dichotomously (woman=1, man=0) and the position held by the individual can take the categories of middle management, senior management, CEO/chairman and board member (for classification details see Appendix A).

In contrast to previous studies, which focused on CEOs (Muller-Kahle and Schiehll 2013) or on the board of directors (Heemskerk and Fennema 2014; Ruigrok *et al.* 2007; Singh *et al.* 2015), I consider both categories of decision-makers in the analyses. The CEO and the chairman are at the top of the managerial hierarchy, with the CEO directing the short-term decisions within organizations and the chairman being the leader of the board of directors. In theory, board members supervise the CEO: members of the board elect the CEO, and a commission usually defines the CEO's pay. At the same time, both CEO and chairman face high responsibility and representational pressure, while for board members the potential to wield influence varies strongly. For individuals with multiple positions, I applied a hierarchization of positions and selected only the highest ranked one. The hierarchization prioritized the most recent position over earlier positions and executive positions over director positions. Thus an individual who is a CEO in company 1 and a director in company 2 would figure in the data only once, namely as the CEO.

Second, I run analyses of access and volume of affiliations to elite networks. I apply binomial logistic regressions on network access (yes=1, no=0) as the dependent variable. Additionally, I run Poisson regression models on the number of affiliations to elite networks as the dependent

variable. In both approaches, gender is the independent variable. For each regression I subsample by organizational hierarchy. I run the analyses in R. The access model is given by:

$$\log\left(\frac{P(Y_i = 1)}{P(Y_i = 0)}\right) = a_0 + \beta_1 Gender_i + \beta_2 age_i$$

(i)

with Y_i being the network access of the i th individual. $Gender_i$ represents the main independent variable, being female (= 1) or male (= 0). I run additional analyses with age_i as the control variable (see Appendix D). a_0 is the intercept.

The count model is given by:

$$\log(E(Y_i)) = a_0 + \beta_1 Gender_i + \beta_2 age_i + e_i$$

(ii)

With Y_i being the count of high-status affiliations of the i th individual and E the expected count. $Gender_i$ represents the main independent variable, being female (= 1) or male (= 0). I run additional analyses with age_i as the control variable (see Appendix D). a_0 is the intercept. e_i is the residual.

Analyses of return on elite network access

In a final step I address the question whether access to elite networks holds different returns for women and men. To do so, I develop analyses of differential return. This analytical approach has been used in prior research to look at the return on a range of resources for career opportunities on cross-sectional data (Baxter and Wright 2000; Gaiaschi 2021).

I run logistic regression models with interactions between gender and network resource on lower managerial categories bundled together versus CEO/chairman. Middle and senior management are collapsed into a broader category (n). Figure 7.4 compares the middle and senior management (=0) to the CEO/chairman (=1). The interaction term shows gender and network access relates to probabilities in being in a higher executive position for women and men separately. The models are run in Stata (logit command) and are given by:

$$\log\left(\frac{P(Y_i = n+1)}{P(Y_i = n)}\right) = a_0 + \beta_1 Gender_{if} + \beta_2 NWAccess_i + \beta_3 Gender_i \times NWAccess_i + \beta_4 age_i \tag{iii}$$

with Y_{if} being the position of the i th individual. $Gender_i$ is coded as being female (= 1) or male (= 0), $NWAccess_i$ represents the network access (yes=1, no=0). a_0 is the intercept. I add control variables for age of individuals (see models in Appendix E).

7.7 Results

Classifying elite networks

To get a grasp on the networks in which financial elite members are active I ran exploratory analyses. First, I looked descriptively at the network capital of subgroups within the financial elite. Figure 7.1 shows the average number of network affiliations of financial elite members for gender and race in different segments of the financial industry. While the focus of this article is on gender differences, this figure gives a descriptive and comparative insight in network differences for categorical outsiders[8]. Based on the previous discussion, we assume that categorical outsiders compensate the lack of access to informal networks by investing in formal networks. Or, in contrast, that categorical outsiders are restricted from access to such networks, due to homophily preferences of dominant groups.

Figure 7.1 shows the average volume of network affiliations (counts) for financial elite members who have at least two affiliations in BoardEx. The figure shows a relatively consistent pattern for women and individuals read as non-white in comparison to male and white incumbents: In hedge funds and private equity firms the volume of network affiliations is lower than in traditional finance (except in mutual funds). While women and individuals read as non-white seem to have higher volumes of formal network affiliations in traditional finance than leaders of incumbent groups (males and white leaders), the inverse pattern can be observed in alternative finance. This gives a first impression on the structure of network volumes of financial elite members. Knowing that women represent 18% of the financial elite (see descriptive table 7.1), and, as shown here, that female elite members do not have higher

[8] Unfortunately, the race dimension could not be traced systematically in the article. The analyses that follow build on the "general sample" for which information on race of individuals in the sample is not available.

volumes of social capital to an extent that would make up for their underrepresentation in the elite, we can say that the classification of network activities is based on a male-dominated elite network.

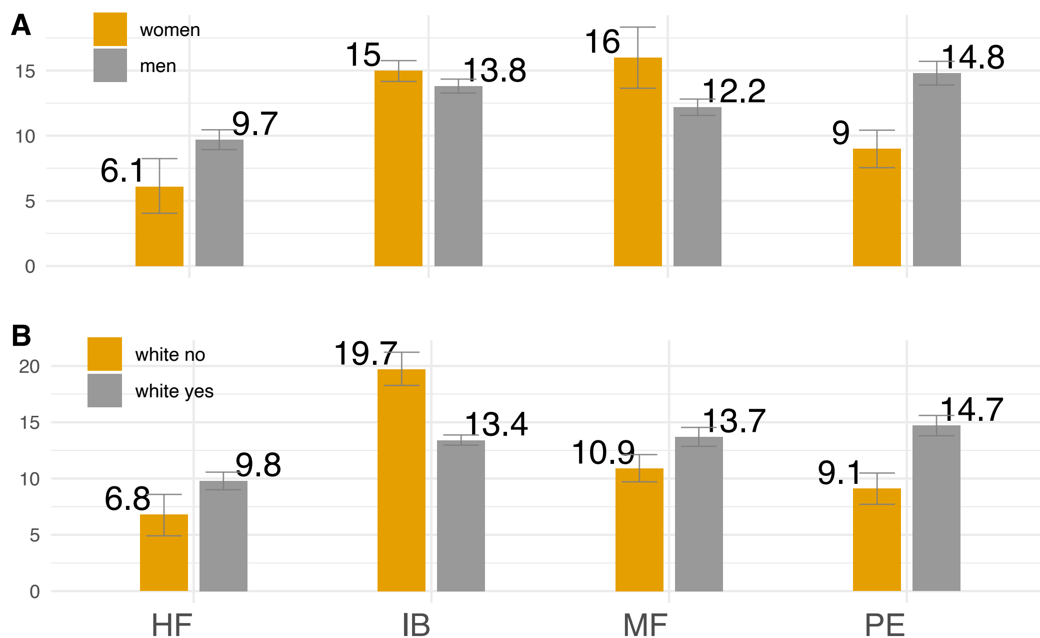


Figure 7.1 Volume of network affiliations for financial elite members. Figure A shows the average social capital by of women and leaders read as non-white in hedge funds, investment banks, mutual funds and private equity funds. Figure B shows the average social capital by individuals classified as white or non-white in different sectors.
Source: finelis database, elite sample

In a next step, I explored the centrality of network activities in different types of "network segments," such as industry, clubs, philanthropic or sports networks. This exploration gives an impression of the ranking of different organizations within delineated segments of activities. Scholars have previously investigated individual segments with an interest in their role for elite cohesion and elite reproduction. Useem (1986), for example, pointed at the high prevalence of corporate directors in trustee positions of colleges and universities. A recent study by Eaton and Gibadullina (2020) studied the link between private equity and hedge funds and their connections to elite universities. The authors argued that affiliations to universities are part of a "parallel social organization" that have a socialization function, and thereby directly help to get access to capital. Scholars have also shown that music and other art venues are important

for elite reproduction and cohesion (Accominotti, Khan, and Storer 2018; Barnes 2017). Domhoff (1975) investigated the role of social clubs for the business elite and found that at least 70% of directors of the largest corporations in 1958 were part of an elite club.

Table 7.3 shows the top five network activities for each segment. The ranking within the individual segments of network activities is based on separate two-mode networks including only the segment of interest. To give an example, in a network in which financial elite members are individual nodes and philanthropy network activities are organizational nodes, the organizations which are most central in terms of degree centrality are the Asia Society, the New York Presbyterian Hospital and the Committee Encouraging Corporate Philanthropy.

Industry	**Clubs**	**Philanthropy**
Business Roundtable	Young Presidents' Organization	Asia Society Inc
Partnership for New York City	Committee of 200 (C200)	NewYork-Presbyterian Hospital
American Bar Association	Alfalfa Club	Committee Encouraging Corporate Philanthropy
Business Council	Women's Forum	Mount Sinai Medical Center
Financial Services Roundtable	National Association for the Advancement of Colored People	Robin Hood Foundation
Education	**Culture**	**Sports**
Phi Beta Kappa	Lincoln Center for the Performing Arts	Augusta National Golf Club
Harvard Business School	Metropolitan Museum of Art	Special Olympics Inc
American Academy of Arts and Sciences	Carnegie Hall Corp	National Collegiate Athletic Association
Harvard University	American Museum of Natural History	International Tennis Hall of Fame
Brown University	John F Kennedy Center for the Performing Arts	USA Cycling Development Foundation

Table 7.3 Top 5 network activities in different network segments. The ranking is based on degree centrality of activities in six different two-mode networks of the financial elites: industry, clubs, philanthropy, education, culture, sports.
Source: finelis database, elite sample

What appears as an interesting observation in this exploration of network activities, is the presence of "women's clubs." The literature repeatedly highlighted the existence of old boys' networks in the economy (Edling *et al.* 2012; Heemskerk and Fennema 2014; Michelman, Price, and Zimmerman 2021), also within finance (Neely 2018). The label "old boys' network" is used to refer to exclusive social groups in the corporate elite, and as the name reveals, to groups of men. The label points at processes of elite closure, "the idea that social groups restrict access to opportunity on the basis of shared traits and experiences" (Michelman *et al.* 2021).

What seems to be either a new phenomenon or a phenomenon overlooked by academic research so far, is that the female counterpart equally exists: "all-women-networks." Among the female leaders in this sample, we find affiliations to the Women's Bond Club of New York, to Wharton Women in Business, Women in Technology International, Women in the Boardroom and so on. The Women's Forum figures among the top five most central clubs of the financial elite. Whether these networks can transmit valuable resources is contested (Lutter 2015; McDonald 2011; Stainback 2008) and would need further investigation.

While scholars have investigated individual segments, such as cultural venues (Accominotti *et al.* 2018) or educational boards (Eaton and Gibadullina 2020), we know little about the relative status rankings of a wide variety of formal networks. We do not know, in other words, whether university boards are more important meeting places than think tanks or than philanthropic associations. In a next step, I pooled all the segments and looked at the hierarchy of network activities in this "overall network." I thereby distinguished places of sociability which are of high importance in connecting financial elite members among each other, from those which are not. In short, I define elite networks as those activities with a high relevance in establishing a connection among elite individuals that head top firms in finance. For the full list of the largest US finance firms, such as Blackrock, JP Morgan Chase, Bridgewater or Carlyle, whose leaders are included in the financial elite sample, see Appendix B.

I ranked the network activities by three measures: eigenvector centrality, degree centrality and betweenness centrality. Table 7.4 shows the top 10 extract of the top 100 list of elite network activities ranked by these three measures. For an extended list on top 30 elite networks according to all three network measures see Appendix C. The ranking in table 7.4 shows that those network activities with the highest centrality scores are organizations such as the Council on Foreign Relations, the Business Roundtable and the think tank Partnership for New York City. The empirically driven method applied in this paper suggests that the most central organizations for the financial elite are industry networks: transnational and national policy planning networks, trade, and lobbying organizations.

In this project, a basic assumption is that there is a certain overlap between the power of organizations and the career advantages that a position in the organization can confer. In that sense, a cross-check with the work of other scholars on prestigious industry organizations can help to solidify the understanding of our findings. There are several scholars who investigated industry networks and their role for the corporate elite. This scholarship neither directly investigates the role of policy planning organizations for career opportunities, nor does it look

at differences in access for women and men. Nevertheless, it helps us understand the prestige and status of organizations. Much of previous scholarship responded to a debate on the role of such networks for elite cohesion. In the book *The fracturing of the American corporate elite* Mizruchi (2013) demonstrated that the elite network density based on common board members declined since the second world war. Scholars argued in return that a focus on board director interlocks risks to oversee other types of places of sociability and coordination, such as policy planning organizations (Barnes 2017).

So far, the broadest study on network activities of corporate elites that extend beyond the typical board interlock networks, was developed by Barnes (2017). On a sample of large US firms between 1962 and 1995, Barnes (2017) investigated the social ties that corporate directors maintained through presence in cultural institutions, university boards, policy planning organizations and philanthropic foundation. In contrast to the approach applied in this article; Barnes (2017) used a reputational method (partially drawing on work by (Burris 1992) to identify the most important network activities for each segment. His findings provide support for the finding here that industry organizations are most important in linking elite members to each other. Initially social clubs were important for the corporate elite network. Barnes (2017) finds that by 1995, however, policy planning activities were becoming most central for the cohesion of corporate elites.

In the top policy planning organizations identified by Barnes (2017) for 1995, there are the Business Council, the Council on Foreign Relations, the Conference Board, the Brookings Institute, the Trilateral Commission. These are network activities that I identify as important elite platforms still in the twenty-first century. Similar overlaps can be observed with the findings of other studies. Domhoff (1975) identified the most central organizations that link the corporate elite in major US cities. Network activities which I identify as central for the financial elite also figured in his work. These are the Business Council, the Conference board, the Council on foreign relations, the Brookings Institution. More recent literature has found that the Council on Foreign Relations is the most centrally connected policy planning organization (de Graaff and van Apeldoorn 2021).

ranking	degree	degree NW
1	76	Council on Foreign Relations Inc (CFR)
2	40	Business Roundtable (BRT)
3	35	Partnership for New York City (PFNYC)
4	31	Kennedy Center Corporate Fund
5	30	Phi Beta Kappa
6	29	World Economic Forum (WEF)
7	28	Harvard Business School
8	28	American Academy of Arts and Sciences (AAAS)
9	28	American Bar Association (ABA)
10	25	Harvard University
ranking	**betweenness**	**betweenness NW**
1	1101952.2	Council on Foreign Relations Inc (CFR)
2	377109.6	World Economic Forum (WEF)
3	281289.6	Business Roundtable (BRT)
4	260612.9	American Academy of Arts and Sciences (AAAS)
5	259567.2	Harvard Business School
6	229640.6	Phi Beta Kappa
7	213165.1	Harvard University
8	209858.1	Kennedy Center Corporate Fund
9	209546.8	American Bar Association (ABA)
10	181898.1	Partnership for New York City (PFNYC)
ranking	**eigenvector**	**eigenvector NW**
1	1.0000	Council on Foreign Relations Inc (CFR)
2	0.4571	Business Roundtable (BRT)
3	0.4416	Partnership for New York City (PFNYC)
4	0.3836	Business Council
5	0.3829	Kennedy Center Corporate Fund
6	0.3394	American Academy of Arts and Sciences (AAAS)
7	0.3048	Brookings Institution (BI)
8	0.2959	Trilateral Commission (TC)
9	0.2903	World Economic Forum (WEF)
10	0.2321	Harvard Business School

Table 7.4 Top 10 network activities ranked by degree, betweenness and eigenvector centrality. The ranking is based on a two-mode network on the elite sample including all sub-types of network activities. For extended list to top 30 network activities see Appendix C.
Source: finelis database, elite sample

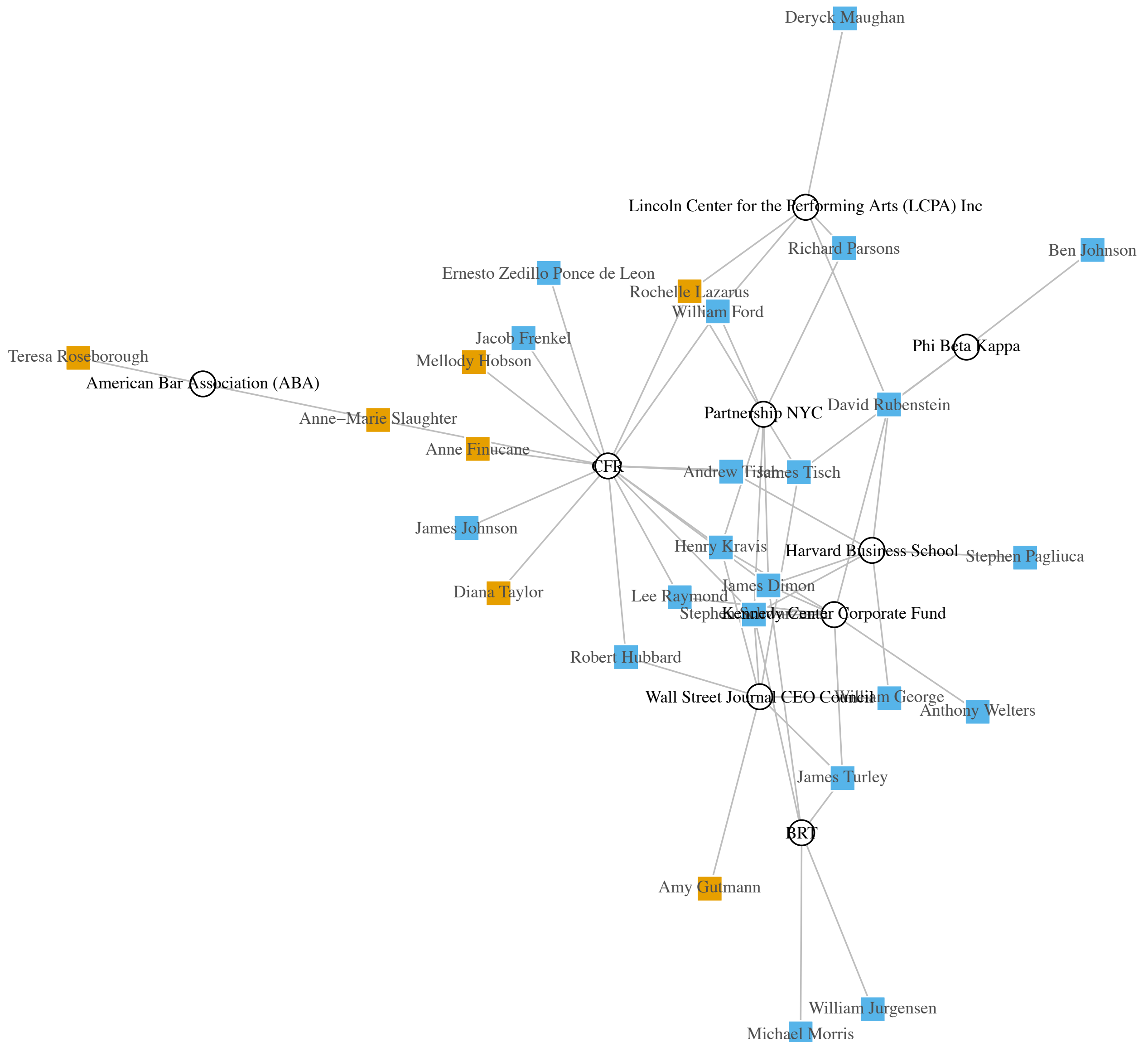


Figure 7.2 Illustration of inner circle of most important central network activities and financial leaders. The figure is based on a two-mode network on the elite sample including all sub-types of network activities. Circles represent the most central network activities. Squares represent the financial elite members affiliated to those network activities (degree centrality threshold 18). In orange are women, in blue men.

Source: finelis database, elite sample

In this empirically driven approach on the US financial elite in 2005 and 2018, I identify the Council on Foreign Relations (CFR) to be the most central organization in three out of three network measures. The CFR is an influential policy planning platform in the US, it publishes the journal Foreign Affairs, has an in-house think tank and sponsors discussion groups that

influence government (Domhoff 2019). It was founded in 1921 after World War I by Wall Street financiers, academics, and government officials (Domhoff 2019). The CFR defends internationalist aims and thereby is opposed to ultraconservative fractions in the corporate community (Domhoff 2019). The organization has over 5'000 members, and access to membership is restricted to US citizens or citizenship applicants (CFR 2022). The Business Roundtable (BRT) is in the top three of the most important network activities in all centrality measures. The BRT is a policy planning and lobbying network founded in 1972 and marked the turn of a "new corporate mobilization" (Domhoff 2019). The BRT spent around 20 million $US on lobbying in 2019 and funds mainly Republican candidates (InfluenceWatch 2022). It is constituted by 181 CEO's from large US companies. Interestingly, the Partnership for New York City (PFNYC) figures as a central network activity in this empirically driven approach, but it did not figure in previous work. The PFNYC is the successor organization of the chamber of commerce in New York and aims to "build partnerships between business and government" (PFNYC 2022). It is a network of the top 300 CEOs from corporations and investment firms in New York. When comparing the different network measures to each other, it shows that the World Economic Forum, the American Academy of Arts and Sciences and Harvard Business School figure higher up in the ranking based on betweenness centrality than in the ranking based on other measures.

Gendered patterns in access to elite networks

Figure 7.3 shows the access of women and men to the previously identified elite networks. Note that the classification of elite networks was run on the elite sample. In this section, analyses were performed on a much larger group, the *general sample,* of leaders in US finance. While the elite sample was composed of top leaders in the largest financial firms, such as Blackrock, JP Morgan Chase, Bridgewater or Carlyle Group, the group that we study in this part of the research are leaders in a wide range of financial firms. Examples of organizations included in the general sample are the Premier Community Bank based in Hillsboro, Oregon; the Citizens First Bank based in Bowling Green, Kentucky; or the American Church Mortgage Company based in Minnetonka. Another difference to keep in mind is the sample delineation in terms of positional hierarchy. The elite sample used previously is composed only of top executives, CEOs and board directors. The leaders studied in this part of the research occupy a wider range of positions, such as department head, vice president or managing director (for full overview see Appendix A).

The use of the general sample of US finance managers and directors allows to ask the question of interest here, namely whether there is a gender pattern in access to elite networks across different levels of the organizational hierarchy. The upper row in figure 7.3 shows the binary access, in other words, the distinction between those with and those without access to at least one elite network. Percentages indicate the share of women and men at each echelon of the organizational hierarchy who have access to at least one elite network (according to any of the three measures). The lower row in figure 7.3 shows the volume of affiliations to elite network activities. The average volume is below 1 because of the large number of individuals who do not have access to elite networks at all. What immediately strikes the viewers eye, is that the different elite network measures represent different degrees of exclusivity. The top row, which indicates the share of individuals with at least one connection to a top 100 elite network, indicates that the share is highest in the top networks measured in degrees (max 34.4%), slightly lower in those measured in betweenness centrality (max 32.2%) and lowest for those measured through eigenvector centrality (max 25.6%). Access to elite networks measured in eigenvector centrality, which ranks organizations according to their connections to other well-connected organizations, is thus the most exclusive measure.

Prior sociological work provided support for two opposing hypotheses. On the one hand, sociologists showed that women struggle more than men to get into networks in which high-status members are present. On the other hand, the idea of "compensation strategies" fed the assumption that women would invest more than men in formal networks to compensate for a lack of access to informal, fluid networks. Figure 7.3 and table 7.5 show that the gender pattern in access to elite networks differs across organizational echelons. The top row in figure 7.3 shows network access in the boldest way, using a binary approach to defining network access.

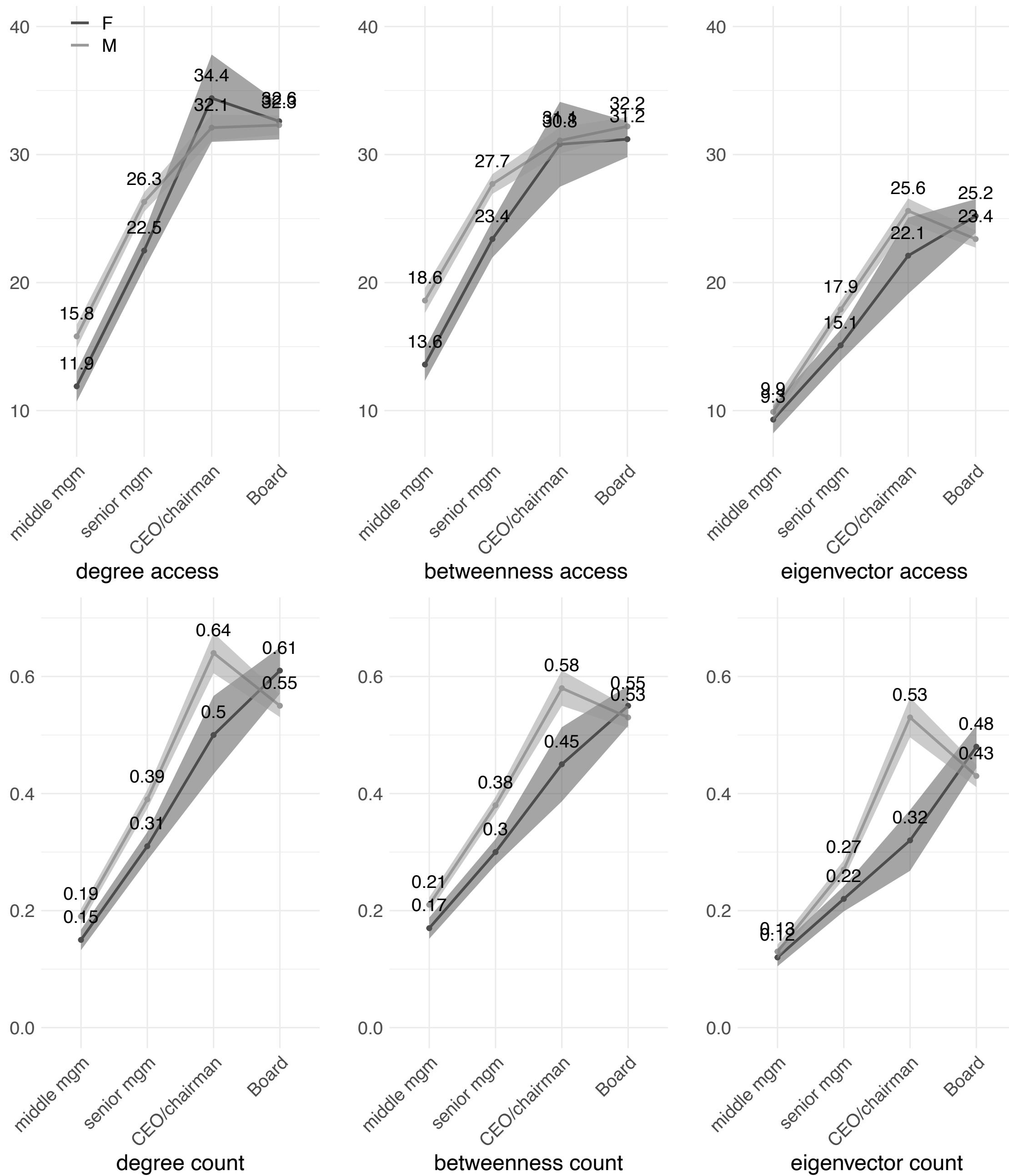


Figure 7.3 Gendered access to elite networks. The top row shows the share of women and men in the general sample with access to at least one elite network. The bottom row shows the count of elite network affiliations for women and men. Dark gray line represents women, light gray line represents men. Lighter areas indicate the lower and upper bound of SE. Elite networks are defined as the top 100 networks (ranked by degree, betweenness centrality and eigenvector centrality).

Source: BoardEx data, general sample

measure	level	estimate		AME	p value	n
		access models				
degree	middle mgm	-0.331	**	-3.9	0.009	2316
	senior mgm	-0.207	*	-3.8	0.018	4217
	CEO/chairman	0.104		2.3	0.517	2254
	board	0.014		0.3	0.843	5061
betweenness	middle mgm	-0.371	**	-5.0	0.002	2316
	senior mgm	-0.226	**	-4.3	0.009	4217
	CEO/chairman	-0.017		-0.4	0.917	2254
	board	-0.045		-1.0	0.537	5061
eigenvector	middle mgm	-0.074		-0.6	0.624	2316
	senior mgm	-0.206	*	-2.8	0.041	4217
	CEO/chairman	-0.198		-3.6	0.250	2254
	board	0.100		1.8	0.215	5061
		count models				
degree	middle mgm	-0.220	*	-4.2	0.028	2316
	senior mgm	-0.231	**	-7.9	0.000	4217
	CEO/chairman	-0.256	*	-13.2	0.010	2254
	board	0.045		2.4	0.342	5061
betweenness	middle mgm	-0.247	*	-4.3	0.019	2316
	senior mgm	-0.202	**	-7.0	0.001	4217
	CEO/chairman	-0.255	**	-14.5	0.007	2254
	board	0.109	*	6.3	0.017	5061
eigenvector	middle mgm	-0.074		-0.9	0.560	2316
	senior mgm	-0.232	**	-5.7	0.002	4217
	CEO/chairman	-0.520	**	-21.7	0.000	2254
	board	0.113	*	5.2	0.028	5061

** $p < 0.01$; * $p < 0.05$.

Table 7.5 Regression outcomes for gendered access to elite networks. The table titled "access models" shows binary logistic regression outcomes for access (yes=1, no=0) to elite networks. The table titled "count models" shows Poisson regression outcomes for the number of affiliations to elite networks. Coefficients represent the gender gradient and each line represents the outcome of a separate regression. The threshold for elite networks is set at the top 100 level. To compare with age control models, see Appendix D.

Source: BoardEx data, general sample

The results show that the share of women with access to elite networks is lower compared to that of men at the middle and senior managerial level consistently across all three network measures (except for middle management if elite networks are measured in terms of

eigenvector centrality). At the level of middle management, 11.5%/13.5% of women (degree/betweenness centrality) and 15.8%/18.6% of men (degree/betweenness centrality) have access to at least one high-status organization. In contrast, women who are selected into CEO/chairman position or board positions are on equal foot with male peers. Whereas women in middle and senior management positions have less access to important networks than their male peers, women who reached the most exclusive positions become equal to their male counterparts in terms of access to elite networks. Table 7.5 shows the regression output of logistic regressions for each hierarchy and corroborates these descriptive accounts (see access models). Logistic regression models show that for elite network access measured in degree centrality, betweenness centrality and eigenvector centrality there is no significant difference between men and women at the level of CEO/chairman and at the board level.

The bottom row in figure 7.3 indicates the count of affiliations to elite network activities for women and men at each hierarchical level. Here, the picture is slightly different. The female disadvantage persists up to the CEO/chairman level. Across all measures, women have lower volumes of elite network affiliations at the CEO/chairman level than their male peers. Table 7.5 shows the Poisson regression output for each hierarchy and corroborates these descriptive accounts (see access models). The difference is most striking for the eigenvector centrality measure. The average marginal effects indicate that women have 21.7% lower volumes of affiliations to elite networks than men ($p<0.000$). This indicates that on average, women make it into higher managerial positions despite lower volumes of high-status social capital. The exception is the board level. Women who are elected to boards have higher numbers of affiliations to elite networks than their male counterparts.

In a study on network access and performance, Cross and Cummings (2004) show that being female and betweenness centrality in information networks are positively correlated. Women, their study suggests, are likely to hold broker positions. In this study I find support for this finding, in that the disadvantage of access to elite networks is smaller if we look at betweenness measures than at eigenvector centrality measures. I do not find, however, that women have more access to organizations which rank high in betweenness than men, except at the board level.

When adding age to the model, the interpretations of the findings change (see Appendix D). The disadvantage for women at middle and senior levels of organizational hierarchy disappear in both binary and count models. Women are younger at each level of the hierarchy (between two to four years depending on the hierarchical level). Lower age for female executives and

board directors has been found in previous studies (Withisuphakorn and Jiraporn 2017). Being younger, in turn, is correlated with lower access and lower volumes of affiliations to elite networks. Overall, the results suggest that women who reach managerial positions are at equal foot with male peers in terms of access to and volume in affiliations to elite networks – if the models account for the age difference. Even more intriguing given the lower levels of network affiliations for women in those models is the observation that at the board level, women exceed male's volume of elite network affiliations (if measured in betweenness and eigenvector centrality).

The return on elite network access for women and men

In a final step I look at the gendered return of elite network access on disparities in representation. I compare the likelihood of being in a top executive position versus in any of the first two managerial levels dependent on network access (following Gaiaschi 2021). If the probability is higher for women with network access to be further up the hierarchy than for women without that same access, I assume that the network access has a positive return on career opportunities.

The bars in figure 7.4 show the return on access to elite networks for career opportunities. The full output table is displayed in Appendix E. The orange bars indicate the return for women, the blue bars the return for men. I also ran the analyses with age as control (see Appendix E). The top row in figure 7.4 shows the findings of return on network access for career opportunities into a CEO/chairman position. I find that across all measures of centrality and for both women and men, having access to an elite network increases the chances of being in a higher executive position. In addition, the figure shows that for both genders, the return on elite networks measured in degree centrality is higher than for those measured in betweenness centrality. This is in so far surprising in that previous research suggests that individuals that have access to activities with such a "bridging" function, are likely to face promotion advantages and better career opportunities (Cross and Cummings 2004: 928): "people with networks rich in structural holes are more likely to be promoted early, enjoy greater career mobility, and adapt to changing environments more successfully."

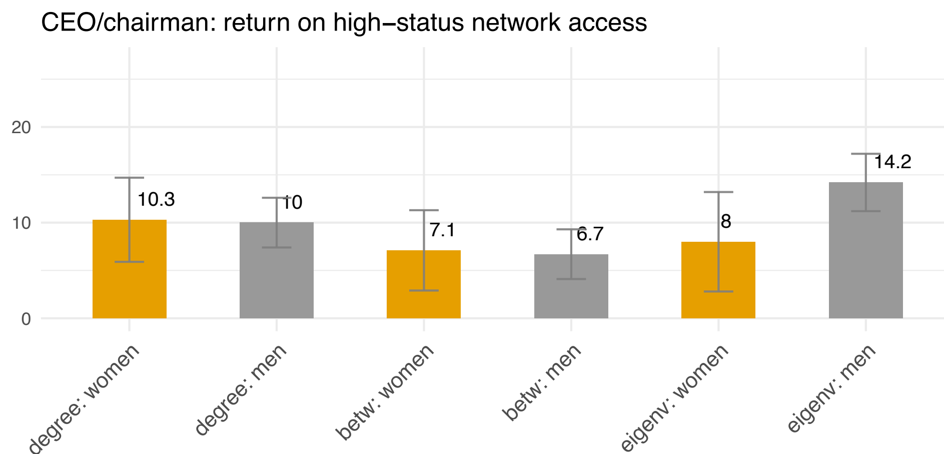


Figure 7.4 Predicted margins of return on educational credentials within women and within men. The orange and gray bars show the predicted margins for being in a lower versus in the higher executive position depending on access to elite networks. The models compare middle or senior to [illegible]hairman positions. The margins are computed b[illegible] logistic regressions with interact[illegible]ects between network[illegible] and gender. The ora[illegible]s show [illegible]edicted margins (in [illegible]eing in [illegible]her exe[illegible] positio[illegible] *women* [illegible] elite n[illegible] access versus *wom*[illegible]*out* th[illegible]ss. The [illegible] bars sh[illegible] predi[illegible]argins [illegible] higher executive positions for *men with* a elite network access versus *men without* the access.

Source: BoardEx data, general sample

Women and men seem to benefit equally from access to elite networks. The largest differences are observable when looking at networks that rank high in eigenvector centrality. Women with access to networks with top 100 eigenvector centrality are 8% more likely to be in the CEO/chairman category than female peers without this access (p=0.002). Men with access to networks with top 100 eigenvector centrality are 14.2% more likely to be in the CEO/chairman category than male peers without an access (p<0.000). Again, the picture is different when controlling for age. Controlling for age, women with access to networks with top 100 eigenvector centrality are 16.2% more likely to be in the CEO/chairman category than female peers without this access (p<0.000). Men with access to networks with top 100 eigenvector centrality are only 11.7% more likely to be in the CEO/chairman category than male peers without an access (p<0.000).

7.8 Discussion

This article explored the role of networks for careers of women and men in US finance. Recent scholarship has shifted attention from meritocratic mechanisms of promotion to logics of trust

and knowing the right people, so called “patrimonial” structures of reproduction (Neely 2018). Patrimonialism, according to (Neely 2018), “refers to an organization of authority in which a leader assumes power through networks based on trust, loyalty and tradition” (p.366). Women, previous research showed, struggle to enter informal networks which are important for career advancement, access to information and capital (McGuire 2002; Roth 2004a; Turco 2010). The aim of this research was to explore whether women use *formal* network ties as a substitute for the lack of access to informal relations typically formed in homophilic environments. Or whether those formal network ties as trustees and committee members in boards of educational and cultural organizations, in industry, lobbying and philanthropic institutions, present another high-status network sphere, from which women remain excluded.

In a first step, this article disclosed the formal networks that are most important in linking members of the financial elite among each other. Applying an empirically driven network approach to a prosopographical sample on elite members in US finance (n = 645) and their affiliation to diverse segments of leisure and activist activities, I ranked network activities according to their centrality for the top leaders in elite firms. The results mirror previous work that identified central network activities based on reputational methods (Barnes 2017; Domhoff 2019). I identified well-renowned policy-planning and industry organizations—such as the Council on Foreign Relations or the Business Roundtable—as important sociability platforms, here dubbed “elite networks,” that create contacts between members of the elite. The approach also identified important organizations that have not been discussed in the literature so far. An example is the Partnership for New York City, a regional lobbying group and think tank regrouping corporate leaders in the City of Wall Street. I see two possible explanations to this deviance from earlier work. Either, organizations became important in more recent years and were therefore not covered by work on US policy planning organizations that has mainly focused on data from the 1960s through the 1990s (Barnes 2017; Domhoff 1975, 2019). Or, some of the organizations identified in this project are particularly important for the finance industry, and less so for the broader corporate community. The identification of elite network activities in other sectors of the economy could be a promising avenue for future research.

In a second step, this study examined the gendered access to elite networks and investigated whether affiliations to formal elite networks are a resource for women and their careers in a male-dominated industry. The analyses were developed on a broader sample, including large to medium sized financial firms and a wider range of managerial positions, based on data from BoardEx (n = 13,848). The “compensation” hypothesis, which suggested that women invest

more than men in formal networks to counterweigh the lack of access to informal circles, received some support in findings at the board level. Female leaders have higher levels of access to networks, and they have higher volumes of affiliations to elite networks than male leaders if they reach board positions in US financial firms. The finding remains stable when adding an age control (in measures based on eigenvector centrality). Those women who hold board seats, seem to build on networks.

The gendered access of networks is different, however, at the level of boards from that at the level of executive positions. Women who reached middle and senior management positions, this study showed, have had less chances in building networks with financial elite members. In terms of volume of affiliations to elite networks, the results show that women are disadvantaged up to the highest levels of executive positions. This initial finding could support the opposite hypothesis that women are disadvantaged not only in informal network access, but also in access to formal networks. In that sense, the lack of access to networks probably represents a barrier to female career chances. This interpretation must be nuanced, however, by another finding.

When controlling for age, the gender gap in access to elite networks at all executive levels vanishes. On average, female leaders in US executive and director positions are younger than male peers. Age is positively correlated to the number of affiliations to elite network activities. This means that women do indeed have lower volumes of elite network affiliations, but the gap can be explained by age differences. This surprising result leads to a third interpretation of the picture. Women do not compensate a lack of "buddy relationships" with heavy investment in formal networks, which would show as higher probability and volumes of affiliations to the elite networks examined here, but they are seen as similar to male peers in their positional cohorts *in a near future*. The potential of those women that take on managerial or board seats, so the interpretation, is that within little time, they will be just as connected as their male peers to networks of power and privilege.

This third interpretation is supported by the final finding of this article, drawn from the analyses of differential return. In models developed by scholars working on the glass ceiling and the differences in benefits of certain resources for women and men seen separately, I show that both genders profit from access to elite networks. Women, alike men, with access to elite networks, are more likely than women, or men, without such access, to be in a higher executive position. The analyses proposed here do not find a striking difference between women and men in terms of returns on network resources.

Note that the causal direction remains debatable. Did women get access to top positions because of networks or did they get access to networks because of the position? This is a question this study cannot answer empirically due to data limitations. The coverage of information is too weak to create the chronology of network access. Theoretically, it is possible that lobbying groups would actively court for top managers in powerful companies to join their circles. Or that philanthropic foundations invite board members to join their ranks to enhance visibility. In my view, it is, however, less probable, that this courting strategies would target women more often than men, as displayed by the volume of social capital measure. Technically, the research accounts for such a bias by applying two views on network access: a binary and a count perspective. The binary measure is the weaker one of the two and could suffer from reverse causality: if women reached a higher level position, they will be granted at least access to one network with higher status at comparable terms to male peers. In this sense the results could indicate the effect of the position in the sense of McGuire (2000) who asserts that with increasing occupational status, the access to influential members and spheres increases. However, I argue that the volume of affiliations to elite networks is more robust to such a bias in causal order.

Overall, this research brings light into the places that link financial elite members with each other; shows that in terms of gender and networks, the mechanisms are different at the board and executive levels, and it raises questions about role of networks for women. While I argued that women either invest more heavily in formal networks than male peers, or in contrast, that women have less access to formal spheres of privilege and power, the results hint at a third scenario. Women who make it into management are alike men in terms of social networks, or they might be seen as similar in the near future.

7.9 Appendix

Categories	Stylised overview on positions	Most occuring labels in BoardEx
Board members	Chairman/Chairwoman	Independent Director
	Non-executive Director	Director - SD
	Board Member	Independent Chairman
		Advisory Board Member
		Independent Trustee
		Lead Independent Director
		Chairman
		Independent Vice Chairman
		Chairman/CEO
CEO / Partner	President	President/CEO
	CEO	Partner
	Partner	Operating Partner
		Principal
		Managing Partner
		General Partner
		Venture Partner
		President
		CEO
Senior management	Division Head	MD
	Managing Director	Senior Advisor
	Chief […] Officer	Division Executive VP
	Executive Vice President	Division President
	Executive Director	Regional President
	Profit Center Head	Executive VP/CFO
	Managing Director	Division MD
	Head of […]	Senior MD
	Region Head	Division President/Division CEO
Middle management	Vice President	Senior VP
	Assistant/Associate VP	Division Senior VP
	Director	Vice President
	Country Manager	Executive VP
	Department Head	Division VP
		Director - Non-Brd
		Executive VP/Division Head
		Senior VP/Division Director
		Senior Executive VP

Appendix A Schema of positions within firm hierarchy used for the management sample. *Boardex general management sample 2018, coding schema and most occurring labels in each category.*

	# employees	Headquarter	AUM (trillion $)	Type of firm	n
Asset managers					
BlackRock	14,900	New York	6.8	Public company	21
Vanguard	16,600	Pennsylvania	5.3	Private company	11
State Street	40,100	Boston	2.5	Public company	16
Fidelity	50,000+	Boston	2.5	Private company	9
PIMCO	2,800	California	1.9	Subsidiary (Allianz)	13
Capital Group	7,500	California	1.9	Private company	7
Wellington	2,200	Boston	1.0	LLP	3
Nuveen	1,200	Chicago	0.97	Subsidiary (TIAA)	11
Invesco	8,900	Atlanta	0.88	Public company	7
T. RoI Price	7,000	Baltimore	0.99	Public company	13
Total					**111**
(Investment) Banks	**# employees**	**Headquarter**	**Revenue (billion $)**	**Type of firm**	
JP Morgan Chase	254,000	New York	6.2	Public company	11
Goldman Sachs	36,600	New York	6.9	Public company	11
BoA Merrill Lynch	205,000	North Carolina	4.4	Public company	12
Morgan Stanley	60,300	New York	5.1	Public company	8
Citi Bank	204,000	New York	3.9	Public company	12
Wells Fargo & Co	258,700	San Francisco	2.0	Public company	16
Jefferies & Co	12,700	New York	1.8	Public company	7
Lazard	3,000	New York	2.8	Public company	5
Evercore	1,500	New York	1.4	Public company	6
Centerview Partners	300	New York	--	LLC	29
Total					**117**
Hedge Funds	**# employees**	**Headquarter**	**AUM (trillion $)**	**Type of firm**	
Bridgewater	1,700	Connecticut	0.12	LLP	4
AQR Capital	1,000	Connecticut	0.18	LLC	13
Renaissance	290	New York	0.11	LLC	2
Two Sigma	1,400	New York	0.06	LLP	9
Millennium	2,800	New York	0.04	LLC	7
Elliott	175 (2008)	New York	0.04	Holding	10
Baupost Group	42 (2012)	Boston	0.03	LLC	4
Och-Ziff	350+	New York	0.03	Public company	8
Adage	--	Boston	--	LLC	0
Davidson Kempner	347	New York	0.03	LLP	4
Total					**61**
Private Equity	**# employees**	**Headquarter**	**AUM (trillion $)**	**Type of firm**	
Carlyle Group	1,600	Washington	0.20	Public company	19
Texas Pacific Group	--	San Francisco	--	LLP	6
KKR	1,200	New York	0.15	Public company	6
Blackstone Group	2,360	New York	0.47	Public company	11
Apollo Global	250	New York	0.31	Public company	14
EnCap Investments	50	Houston	--	LLP	6
Advent International	300+	Boston	0.03	Private company	18
Warburg Pincus	500-1,000	New York	0.06	LLC	20
Bain Capital	1,000+	Boston	0.11	LLP	9
Thoma Bravo	60	Chicago	0.03	LLC	14
Total					**123**

Appendix B Stratified sample of financial firms for elite sample

Source: Bühlmann et al. (forthcoming). A House Divided – or a House United? How Career Hubs Contribute to the Cohesion of the US Financial Elite

ranking	degree	degree NW
1	76	Council on Foreign Relations Inc (CFR)
2	40	Business Roundtable (BRT)
3	35	Partnership for New York City (PFNYC)
4	31	Kennedy Center Corporate Fund
5	30	Phi Beta Kappa
6	29	World Economic Forum (WEF)
7	28	Harvard Business School
8	28	American Academy of Arts and Sciences (AAAS)
9	28	American Bar Association (ABA)
10	25	Harvard University
11	25	Business Council
12	24	Brookings Institution (BI)
13	24	Lincoln Center for the Performing Arts (LCPA) Inc
14	24	Financial Services Roundtable (FSR)
15	21	New York State Bar Association (NYSBA)
16	20	Wall Street Journal CEO Council
17	20	Trilateral Commission (TC)
18	18	Asia Society Inc
19	18	American Institute of Certified Public Accountants (AICPA)
20	18	Conference Board Inc
21	18	Council on Foreign Relations
22	17	Economic Club of New York (The) (ECNY)
23	17	Investment Company Institute (ICI) (USA)
24	16	NewYork-Presbyterian Hospital
25	16	Committee Encouraging Corporate Philanthropy (CECP)
26	16	Brown University
27	15	Wharton School University of Pennsylvania
28	14	Metropolitan Museum of Art
29	14	Committee for Economic Development of The Conference Board
30	14	Aspen Institute

ranking	betweenness	betweenness NW
1	1101952.2	Council on Foreign Relations Inc (CFR)
2	377109.6	World Economic Forum (WEF)
3	281289.6	Business Roundtable (BRT)
4	260612.9	American Academy of Arts and Sciences (AAAS)
5	259567.2	Harvard Business School
6	229640.6	Phi Beta Kappa
7	213165.1	Harvard University
8	209858.1	Kennedy Center Corporate Fund
9	209546.8	American Bar Association (ABA)
10	181898.1	Partnership for New York City (PFNYC)
11	170725.6	Financial Services Roundtable (FSR)
12	162907.5	Conference Board Inc
13	143147.4	Business Council
14	138561.9	Brookings Institution (BI)
15	137029.4	Wall Street Journal CEO Council
16	132702.4	Lincoln Center for the Performing Arts (LCPA) Inc
17	107778.1	American Institute of Certified Public Accountants (AICPA)
18	103665.8	New York State Bar Association (NYSBA)
19	100089.3	Trilateral Commission (TC)
20	92873.7	American Economic Association (AEA)
21	91329.5	American Petroleum Institute (API)
22	91319.7	Wharton School University of Pennsylvania
23	79166.8	Stanford University Graduate School of Business
24	79151.6	Brown University
25	78625.9	University of Chicago
26	77671.0	Woodberry Forest School
27	76722.9	Investment Company Institute (ICI) (USA)
28	73121.7	Council on Foreign Relations
29	72210.0	National Petroleum Council (NPC) (USA)
30	71165.9	Columbia Business School

ranking	eigenvector	eigenvector NW
1	1.0000	Council on Foreign Relations Inc (CFR)
2	0.4571	Business Roundtable (BRT)
3	0.4416	Partnership for New York City (PFNYC)
4	0.3836	Business Council
5	0.3829	Kennedy Center Corporate Fund
6	0.3394	American Academy of Arts and Sciences (AAAS)
7	0.3048	Brookings Institution (BI)
8	0.2959	Trilateral Commission (TC)
9	0.2903	World Economic Forum (WEF)
10	0.2321	Harvard Business School
11	0.2298	Lincoln Center for the Performing Arts (LCPA) Inc
12	0.2077	Asia Society Inc
13	0.1975	Financial Services Roundtable (FSR)
14	0.1915	Wall Street Journal CEO Council
15	0.1885	Memorial Sloan-Kettering Cancer Center (MSKCC)
16	0.1822	Committee Encouraging Corporate Philanthropy (CECP)
17	0.1802	Economic Club of New York (The) (ECNY)
18	0.1675	Conference Board Inc
19	0.1657	Aspen Institute
20	0.1451	Peter G Peterson Institute for International Economics
21	0.1407	American Bar Association (ABA)
22	0.1391	NewYork-Presbyterian Hospital
23	0.1303	John F Kennedy Center for the Performing Arts
24	0.1302	Financial Services Forum (FSF)
25	0.1209	Metropolitan Museum of Art
26	0.1178	American Philosophical Society (APS)
27	0.1155	Harvard University
28	0.1144	School of Economics and Management Tsinghua University
29	0.1090	University of Chicago
30	0.1089	Center for Strategic and International Studies (CSIS)

Appendix C Top 30 elite networks according to three types of measures. Financial elite network graph for all activities

measure	level	estimate		AME	p value	n
		access models				
degree	middle mgm	-0.019		-0.3	0.926	803
	senior mgm	-0.137		-2.8	0.245	2420
	CEO/chairman	0.215		4.9	0.318	1745
	board	0.127		2.9	0.103	4608
betweenness	middle mgm	-0.020		-0.3	0.920	803
	senior mgm	-0.146		-3.0	0.214	2420
	CEO/chairman	0.035		0.8	0.874	1745
	board	0.054		1.2	0.489	4608
eigenvector	middle mgm	0.175		2.2	0.465	803
	senior mgm	-0.194		-3.0	0.151	2420
	CEO/chairman	0.024		0.5	0.916	1745
	board	0.203	*	3.9	0.018	4608
		count models				
degree	middle mgm	0.022		0.6	0.893	803
	senior mgm	-0.094		-4.3	0.248	2420
	CEO/chairman	-0.002		-0.2	0.985	1745
	board	0.109	*	6.3	0.017	5061
betweenness	middle mgm	0.078		2.1	0.630	803
	senior mgm	-0.129		-5.5	0.121	2420
	CEO/chairman	-0.031		-1.9	0.819	1745
	board	0.045		2.4	0.342	5061
eigenvector	middle mgm	0.188		3.8	0.336	803
	senior mgm	-0.137		-4.5	0.158	2420
	CEO/chairman	-0.192		-10.7	0.166	1745
	board	0.113	*	5.2	0.028	5061

** $p < 0.01$; * $p < 0.05$.

Appendix D Differences in elite network access for women and men by hierarchical position with age as a control. The table shows binary logistic regression outcome. Each line represents the outcome of a separate regression.

	CEO/chairman versus middle and senior management, no control						CEO/chairman versus middle and senior management, with age control					
	men		women		W-M		men		women		W-M	
	dydx	p value	dydx	p value	dydx	p value	dydx	p value	dydx	p value	dydx	p value
degree network: no	0.000	(.)	0.000	(.)	-0.180	0.000	0.000	(.)	0.000	(.)	-0.144	0.000
degree network: yes	0.100	0.000	0.103	0.000	-0.177	0.000	0.076	0.000	0.111	0.000	-0.109	0.000
betweenness network: no	0.000	(.)	0.000	(.)	-0.182	0.000	0.000	(.)	0.000	(.)	-0.144	0.000
betweenness network: yes	0.067	0.000	0.071	0.001	-0.179	0.000	0.048	0.000	0.077	0.001	-0.114	0.000
eigenvec. network: no	0.000	(.)	0.000	(.)	-0.170	0.000	0.000	(.)	0.000	(.)	-0.133	0.000
eigenvec. network: yes	0.142	0.000	0.080	0.002	-0.233	0.000	0.117	0.000	0.162	0.000	-0.088	0.039

Appendix E Models of differential return without and with age control. The table displays the differences
men women W-M men women W-M
in the predicted margins (dydx) for men, women, and between men and women (W-M). The table is based on the interaction models studying access to the CEO/chairman level. The left sided tables shows the interaction effect of the models without controls. The right sided table shows the interaction effect of the models with age as a control. The columns "men" and "women" indicate the contribution of a unit change of the resource variables for each value of the modifying variable gender on the position held by the individual (dependent variable). "W-M" indicates the probability of being in the higher category. If network access = 0, the marginal effect ("W-M") shows the difference in the probability of being in a higher position between women and men with no network access. For the first model, the variable gender (0 = man, 1 = woman) is interacted with the variable access to elite network measured as degree centrality (0 = no; 1 = yes). For the second model, the variable gender (0 = man, 1 = woman) is interacted with the variable access to elite network measured as betweenness centrality (0 = no; 1 = yes). For the third model, the variable gender (0 = man, 1 = woman) is interacted with the variable access to elite network measured as eigenvector centrality (0 = no; 1 = yes). The dependent variable is the position held by the respondent: 1=CEO/chairman and 0=middle or senior management level.

8 High-status outsiders

In the following chapter, I examine the role of alternative finance actors as high-status outsiders. This could seem contradictory at first sight. How is outsider status reconcilable with high-level status? I argue that alternative finance professionals can be seen as outsiders despite their high-status recognition for two reasons.

First, traditional finance segments, such as investment banking and asset management, stand out in terms of size and societal recognition. This dominance reflects also in scholarship which still today covers the banking sector more extensively than other segments of the financial field. Scholars researched banks to explain the financial crisis (Beunza 2019; Fligstein 2021; Tooze 2018), important ethnographies shed light on the social organization of investment banking (Ho 2009; Leins 2018), and most literature on income inequality and the finance industry worked with publicly quoted institutions, which are mainly banks, insurance and asset management firms. Traditional finance segments account for a large share of the industry, both in terms of assets managed and people employed. The share in global assets invested by alternative finance funds in contrast is still modest (Fichtner 2020). Alternative finance has developed at the margins of finance, by being largely shielded from regulation and public attention (Benquet and Bourgeron 2021). The label "alternative finance" is used by private equity, venture and hedge funds themselves to underline their differentiation from traditional finance. Hedge funds hold only around 1% of global stock. But they have expanded over the last decades and are very active, contributing to 40% of the turnover of the main international stock markets (Fichtner 2013). The private equity industry in the UK employed 19% of all people working in the private sector (British Venture Capital Association (BVCA), quoted by Froud and Williams 2007). "Like so many important innovations in economic life," Baker and Smith (1998) stated, the techniques and business models that led alternative finance to prosper were developed "outside the economic mainstream, in this case on the peripheries of high finance" (p.3).

The second reason to see alternative finance as an outsider segment is of historic nature and relates to the evolution of the financial field over time. Investment banks have been founded earlier than alternative finance firms. Some of the large investment banks were founded in the nineteenth century and earlier. JPMorgan Chase was founded in 1799, Citigroup in 1812,

Lazard Group in 1848, and Goldman Sachs in 1869. The long presence in the financial field sustains their dominant position in the field and in analogy, the leaders in the firms can be seen as part of the incumbents (Foureault, Ajdacic, and Bühlmann 2022). Asset managers are more diverse in terms of historicity. Some have been founded early, such as Capital Group (1931) and others later, such as Blackrock (1988) (Foureault *et al.* 2022). Multiple important alternative finance firms have been founded in the 1980s and 1990s (for example Renaissance Technologies, Bain Capital or Blackstone). There are many founders of alternative finance funds had previously worked in investment banks. They left to build their own niche. As stated by Fligstein and McAdam (2012: 98), it can be a strategy for outsider groups to occupy a niche and – in a friendly world - to "work toward complementarities." The private equity firm KKR was one of the firms which considerably advanced leveraged buyout practices (Morrison and Wilhelm 2007). KKR was founded by Jerome Kohlberg, George Roberts and Henry Kravis, who left Bear Stearns, an investment bank, to get into the buyout business. Also, all of the founders of private equity firm Apollo worked at the investment bank Drexel Burnham Lambert before, the founders of AQR Capital left from Goldman Sachs (Foureault *et al.* 2021). Scholars who studied the corporate acquisitions market in the 1960s from a social class perspective, would depict the first alternative finance professionals as outsiders: "the deviant status" Palmer and Barber (2001: 88) state, "was reflected in the language used by the business press to describe them." The fund managers were called "raiders" and the firms they bought were labeled "damsels in distress" (Palmer and Barber 2001).

Within their niche, alternative finance actors expanded. Since the emergence of the first alternative finance firms in the 1960s, the industry has grown considerably. A prime example for the growth in the industry is the case of KKR. Kohlberg, Kravis and Roberts had initial success because the three partners managed to get high returns on their investments in an early phase, which enhanced trust with other investors (Baker and Smith 1998). In 1986 KKR acquired a conglomerate for 6 billion US$ and two years later, in 1988, it made the largest acquisition in the private equity industry of that time with RJR Nabisco for 31 billion US$ (Baker and Smith 1998). From 1985 to 2005 the private equity sector grew by 18.5 per cent and after 2005 growth accelerated (Froud and Williams 2007). In the financial crisis of 2008, private equity firms activities were exposed to a slowdown. In 2010, however, they began to recover, and by 2013, the industry was in full swing (Appelbaum and Batt 2014: 34). For hedge funds the growth has been comparable. "It is well known," Kaplan and Rauh (2010: 1023) state, "that hedge funds have experienced a large increase in assets under management in the

last twenty years." Hennessee Group, a US hedge fund, managed less than $50 billion in 1990. By the end of 2005, the fund had around $1 trillion under management (Kaplan and Rauh 2010). Since the financial crisis in 2008 they reached a total of 2'250bn in assets under management in 2012 (Fichtner 2013).

However, it is important to note that the distinction between traditional finance and "outsider" finance is of ideal-typical nature. There are many connections between traditional finance and second wave actors, to which I refer as outsider groups in this context. Some traditional finance firms share characteristics and even investment models with second-wave actors. Despite this overlap, and the messiness of social reality, it is still useful to make this ideal-typical distinction in order to better understand different subgroups within the field.

8.1 Social selection and educational status in alternative finance

By today, alternative finance can be described as a high-status niche within the financial field for multiple reasons. Certain segments in alternative finance stands out by attracting individuals with elite university degrees and is among the most lucrative professions in the economy. Elite university background is a signal of high-status since top universities are a hub for children of upper-class families and descendants of higher social background (Domhoff 1970). Recent research shows that alternative finance is a prime destination for elite university graduates. Eaton and Gibadullina (2020) studied the share of private university graduates among different segments of the rich (Forbes 400 members) and found that 43% of hedge fund and private equity managers had a degree from a top 30 private university. Only 31% of other financial managers among the rich had such a degree. Research of Foureault *et al.* (2021) solidified these findings, by showing that the share of ivy league graduates is higher in alternative finance firms than in other financial segments among the US financial elite. Most recently, Bühlmann *et al.* (2022), showed that Harvard graduates are more likely to be in private equity than in non-financial industries. By showing that graduates from prestigious elite universities now flock into alternative finance, these studies support the idea of alternative finance leaders as high-status actors.

If we look at social characteristics that generally go hand in hand with perceptions of higher status, such as being white and male, we see that these ascribed elite characteristics of "white men" are overrepresented in alternative finance. In an ethnography of the US hedge fund industry, Neely (2018, 2022) shows how trust relationships based on gender and racial

homophily create closure in alternative finance: “Specific features of patrimonialism—trust, loyalty and tradition—allow elite white men to maintain monopolies of power and authority in hedge funds, which stymies the advancement of women and minority men” (2018: 366). Women are more strongly underrepresented in alternative finance than in other industries. There are multiple alternative finance firms, such as Millennium, Bain Capital, EnCap investment or Renaissance Technologies, where top leadership was entirely male in 2018 (Foureault *et al.* 2021). Among the largest alternative finance firms, people read as white represent 91 per cent of all leaders. In traditional finance firms, this share is around 87 per cent (Foureault *et al.* 2021). The elevated status perception in alternative finance also reflects in the language used by professionals. Hedge fund managers are referred to as “chiefs” and “kings” within the industry (Neely 2018).

In addition to those social and educational distinctions and social attributes of eliteness, alternative finance has developed into a highly lucrative niche. The highest paid people in finance are partners in venture capital, hedge and private equity funds. In terms of longitudinal growth, compensation levels in alternative finance outpaced growth in the rump of the financial sector from 1980 to 2006 (Philippon and Reshef 2012). Firms organized as partnerships were able to “capture windfall compensation from the increasing flow of investment activity” (Tomaskovic-Devey and Lin 2011). Venture capital firms are equally part of this extractive segment of finance. Kaplan and Rauh (2010) estimate compensation levels of venture and private equity fund managers and find that almost all venture capital partners have an income that makes them figure in the 0.5 per cent of the income distribution (p.1030). In the top 0.1 per cent, the number of people in alternative finance is equal to the number of managers from non-financial sectors (Kaplan and Rauh 2010).

8.2 How alternative finance elites established a lucrative niche

The lack of regulation of alternative finance is tightly linked to the organizational forms prevalent among alternative finance funds, which facilitate low accountability. LPs (limited partnerships) and LLCs (limited liability companies) are legal-organizational structures which combine the benefits of corporate status - such as limited liability - with low requirements regarding disclosure, double taxation or approved governance hierarchies. In contrast to corporations, that are bound by governance rules, partners in such hybrid organizations face limited regulatory control. Soener and Nau (2019) claim that LPs and LLCs are the

organizational foundation of wealth transfer to the top, because they enable elites to protect their assets by a lack of public scrutiny.

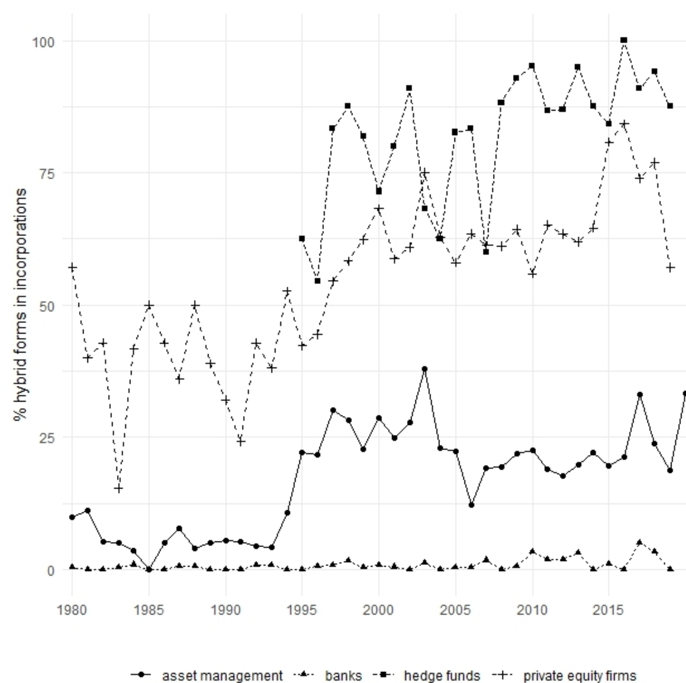


Figure 8.1 Hybrid firms in the financial field (incorporations 1972-2018). This figure will appear in the forthcoming article Bureaucracy and Patrimonialism on Wall Street (Foureault *et al.* 2021). Data is sourced from Orbis database. We exported active US companies in NACE rev2 category 64 (financial service activities - export date: 15/08/20) and category 66 (activities auxiliary to financial services - export date: 21/08/20). The sectoral distinction between banks, hedge funds and private equity is based on the Orbis classification "type of entity." Asset management corresponds to the subcategory SIC 672 within the Orbis category "mutual and pension fund/nominee/trust/trustee"). We then classified the national legal form into a binary variable (hybrid firm vs others). Hybrid firms include "Limited liability companies/corporations," "Sole proprietorship" and all types of partnerships. The sample consists of 39,554 US financial firms. 28,365 (71.7%) firms had information on the legal form.

Firms which are organized in such hybrid organizations are not required to have a board structure, do not have to disclose information about the leverage they use in acquisitions (particularly relevant for private equity firms) and do not have to disclose income information. Such opacity by private equity funds, Froud and Williams (2007) claim, enables value capture: "this is enrichment without any proper governance, so that general partners of private equity funds can effectively levy new fees and charge them against their operating companies or the

fund in ways that would be unacceptable if they were senior executives in public companies" (Froud and Williams 2007: 413). With the post-crisis tightening of regulatory oversight, some large private equity firms went public, such as KKR in 2010. Nonetheless, most alternative finance funds today remain structured as LLCs or LPs.

Shielded from public scrutiny and regulatory restrictions, alternative finance funds maintain remuneration schemes which allow them to extract enormous value for a few top people. Typically, a venture, hedge or private equity fund will receive both a management fee and a percentage on the profits of the fund (carried interests). Compensation is normally structured using a 2/20 ratio, meaning 2% of the invested capital that they manage and 20% of profits as carried interest (Cumming, Dai, and Johan 2013; Kaplan and Rauh 2010). Carried interest is tied to a so called "hurdle rate of return" (Froud and Williams 2007), or a "high water mark" (Stulz 2007), a threshold above which carried interest will be paid out to the general partners of the fund. A particularity of this type of compensation is that it delivers major tax advantages. Income is taxed at a capital gains tax rate, which is lower than the regular income tax rate. There is a broad agreement by policy makers that such tax breaks are not desirable, but resistance by the financial industry has impeded policy change (Hacker and Pierson 2010: 170).

The management fee, according to Froud and Williams (2007: 412) "skims a first tranche of value from the fund and provides a reward which is completely unrelated to performance." In contrast to the compensation structure of other financial actors, the compensation contracts typically utilized by alternative finance firms are "asymmetric," meaning that gains and losses are not balanced (Stulz 2007). Risk is typically laid off to institutional debt holders, limited equity partners or the taxpayer (Baker and Smith 1998). Within the funds, the allocation of compensation is weighted in favor of the founders of the firm (Ivashina and Lerner 2019). All alternative finance sub-sectors have in common that – under favorable conditions – they provide the conditions through which a small group of partners can capture a high share of the turnover and profits (Froud and Williams 2007).

Indeed, some of the partners own their business or even founded their business, which changes their relationship to the gains in terms of risk. The modalities are not as clearly distinct as might be assumed compared to employed managers, however. Employed managers in traditional finance are increasingly paid with modalities similar to those of owners, notably via equity-based compensation. On a historical note, it is interesting to recall that Jensen and Murphy (1990) promoted private equity and hedge funds as an ideal type based on which corporations should model their own compensation systems. The central claim was that corporations should

favor equity-based pay. By linking the compensation of corporate managers to stock options, they would incentivize investment with long-term goals. After Jensen and Murphy had promoted pay for performance in 1990 in the Harvard Business Review, stock option compensation surged in popularity (Appelbaum and Batt 2014). I will abstain from extensive discussion on work income versus capital income here. What matters is that partners in alternative finance funds capture a large share of economic resources. This, I argue, levels up their status within the financial field.

8.3 Unpacking the black box of high-status outsiders

In the following empirical chapter, I study professionals with a career spell in alternative finance as high-status outsiders. The aim is to better understand the consequences of elite dynamics in the second wave of financialization on a central struggle in the financial field: that of income distribution. It is well known that the emergence and expansion of alternative finance brought new pay models and new norms of compensation levels to the field. But do those pay norms remain confined to the small niche of alternative finance actors? Or do they reshuffle the rules of the game in the field more broadly?

The study combines interrogations about field and elite dynamics with concerns on income inequalities. The question of "who gets what and why?" has regained prominence within sociology over the past years. Back in 2008, Savage and Williams were wondering where the social scientists were when it came to investigating the concentration of wealth and income as "the rich draw away and inhabit their ever more privileged worlds" (2008: 1). Today, there is a rich literature about economic inequalities and the social processes that sustain and drive them. Scholars have well documented the contribution of financial actors to top income trends and growing income inequalities over time and across regions (Godechot 2016b, 2016a; Kus 2012; Lin and Neely 2020; Lin and Tomaskovic-Devey 2013; Nau 2013; Roberts and Kwon 2017).

While many scholars focused on incumbents, on large banks and asset managers, this research sheds light on niche actors which have received less attention so far. In the following empirical chapter, I call for more attention to the implications of rent capture by this small group of outsiders in alternative finance for the financial field at large. The "shared expectations" (Elster 2017) of very high pay levels in a niche of finance could potentially spread to a larger field.

9 Status Hierarchies and Income Norm Diffusion

The Increase of Top Incomes in High Finance[9]

9.1 Introduction

In the US and the UK, top income shares have increased steeply since the 1980s (Atkinson 1993; Atkinson, Piketty, and Saez 2011; Piketty and Saez 2003). In a generation, CEO compensation in the US increased by 940%, compared to an average of just 12% for lower-tier workers (Mishel and Wolfe 2019). The widening gap between average and high earners was found to be largely driven by the very top fractiles, which experienced a much higher income increase than groups just below (Guvenen and Kaplan 2017).

Economic sociologists have shown tenacious interest in this development, highlighting the institutional and political scaffolding of compensation dynamics (Hacker and Pierson 2010; Volscho and Kelly 2012). Struck by the observation that a large share of the inequality is produced within organizations, scholars have recently shifted focus to distributional logics within firms (Godechot *et al.* 2019; Tomaskovic-Devey and Avent-Holt 2019).

This article asks how small but very lucrative high-status subgroups contribute to compensation increases at the top. Based on a two-step quantitative research design, I show that individuals from high-status subfields (sectoral migrants) can change informal benchmarks through a compensation premium. I argue that this can lead to the upward ratcheting of compensation levels at the firm level through the diffusion of compensation norms.

This study examines the financial field and entangles the compensation games in it. Finance is an interesting case for two reasons. First, financial professionals are overrepresented in top income brackets. Conservative accounts suggest that they account for 18% of the top 0.1% income earners (Bakija *et al.* 2010). Second, the financial field is marked by a strong

[9] This chapter has been published: Ajdacic, L. (2022). Status hierarchies and norm diffusion: the increase of top incomes in high finance. *Socio-Economic Review*.

heterogeneity in status levels between different subfields. Social status is based on shared beliefs about the esteem and respect an individual or group deserves, informed by ideas on "how diffusely better they are" (Ridgeway 2014: 3).

The literature has a blind spot for the compensation excess of alternative finance—the high-status subfield within finance. "Alternative finance" (also labeled "second-wave finance" by Benquet and Bourgeron 2021) refers to activities that take place outside of the traditional financial system[10] (Fichtner 2020). This subfield attracts the largest share of individuals from elite universities (Eaton and Gibadullina 2020), is highly selective in terms of gender and race (Neely 2018) and, most importantly, can reach extremely high compensation levels. A cross-finance comparison is illuminating. Partners at the helm of US alternative finance receive a median annual compensation of US$138 million, a large multiple of the amount earned by top traditional finance managers (US$23 million) (Protess and Corkery 2016).

This article addresses the implications of the mobility of professionals from a small high-status subgroup of finance to other finance subgroups. It builds on two research pillars. I firstly ask: Do individuals from a high-status subfield (alternative finance) who switch to a lower status subfield (traditional finance) have above-norm compensation levels? The second pillar addresses the dynamic effect thereof at the firm level, by asking: Does the arrival of sectoral migrants from alternative finance affect the long-term compensation levels of other top executives in the firm? I draw on information (career trajectories, compensation levels) from the BoardEx database and build on a combination of multilevel regression analyses and longitudinal two-way fixed-effect models. The first analyses show that top executives of traditional financial companies who had a career spell in alternative finance have higher compensation levels (19.7%) than peers who did not. The second analyses suggest that this leads to a change in compensation norms within the firms in certain country settings. The core finding of this study is that with a lag of four years, the incomes of executives increase significantly more than expected in UK firms that see the arrival of sectoral migrants from alternative finance.

This paper makes three contributions. Firstly, it explores the role of high-status subfield affiliation in compensation outcomes. Secondly, it adds a dynamic element to relational theories (Tomaskovic-Devey and Avent-Holt 2019) on top incomes and empirically shows that the mobility of a small group of high-status individuals affects the compensation norms of the

[10] Alternative finance is not to be confused with «alternative financial services», a similar-sounding term that refers to services including payday loans, microcredits and other small consumer loans.

larger field in the long run in certain national contexts. Finally, this study sheds light on the role of alternative finance—a still opaque and understudied cohort within finance professionals (Appelbaum and Batt 2014; Fichtner 2020; Neely 2018).

In the following sections, I outline the current theoretical debates on top executive incomes and develop a theoretical framework based on status hierarchies and the compensation norms. Thereafter I present the research design and dataset, present empirical results on the compensation premiums of high-status individuals and the diffusion of compensation norms from alternative finance to the larger financial field, and discuss the implications of the findings for extant theories on top income inequality.

9.2 Country- and firm-level theories on top incomes

Economic sociologists greatly advanced the theoretical contributions on distributional issues in the past years, thereby providing a counter-perspective to market-based explanations that have long dominated the academic debate. Many economists see the occurrence of high compensation levels as a reflection of the productivity increase of skilled labour (Célérier and Vallée 2019; Neal and Rosen 2000; Philippon and Reshef 2012; Rosen 1981), acting on scale and technology intensity (Acemoglu and Autor 2011; Gabaix and Landier 2008; Kaplan and Rauh 2010; Murphy and Zábojník 2004).

Superstar theories (Neal and Rosen 2000; Rosen 1981) seek to explain growing top incomes by a skew towards the very "best". In analogy with classical music soloists, superstar theory proposes that managerial skills can be "sold" to an ever-wider market through ongoing globalisation processes. Therefore, small differences in skills lead to large compensation disparities. Célérier and Vallée (2019) seek to ground this theory in the financial sector by showing that positively skewed compensation is most pronounced for graduates from top elite schools. Philippon and Reshef (2012) show that compensation levels in finance surged from the 1980s onwards, as the share of skilled workers in the financial sector rose in parallel. The authors conclude that periods of high compensation in finance are the result of an increased competition for high skills. A second approach refers to skill-biased technological change, which proposes that technological advancements permit higher productivity by skilled labour, leaving low-skilled workers behind (Acemoglu and Autor 2011; Gabaix and Landier 2008; Murphy and Zábojník 2004). Following this line of thought, Kaplan and Rauh (2010) argue that growing incomes in finance are due to the nexus of technological change and business

scale: "With the large improvements in information technology and the substantial increase in value of the securities markets over the last twenty-five years, asset managers, investment bankers, lawyers, and top executives now apply their talent to much larger pools of assets" (Kaplan and Rauh 2010: 1006). Market-based scholars therefore see the occurrence of high compensation levels in finance as a reflection of the productivity increase of the skilled labour concentrated in the sector, acting at scale. They assume complete information and see compensation levels as a reflection of the market price.

A growing number of critics counter that skills, scale and technology explain at best only partially the pay increases of top executives in the economy (Bebchuk and Fried 2004; Bebchuk *et al.* 2002) and in the financial sector (Böhm *et al.* 2015; Boustanifar *et al.* 2018; Goldin and Katz 2008; Meunier 2007; Oyer 2008). Changes in firm size account for only 40% of the growth of top incomes of CEOs (Bebchuk and Grinstein, 2005). Oyer (2008), as well as Goldin and Katz (2008) find that elite graduates who work in the financial sector earn over 100% more than graduates working in other sectors; they typically benefit from a premium of 1.5 - 5 million US$ per year, per person. Additionally, graduates who entered finance during boom times developed more remunerative careers than those who entered during crisis periods (Oyer 2008). In a study of Swedish graduates, Böhm *et al.* (2015) find high relative skill levels in the financial sector compared to other sectors; however, the skill gap did not increase in over time. This suggests that compensation increases cannot be explained by returns to skills and is at best only partly explained by superstar dynamics. The skill-biased technological change argument is additionally weakened by the finding that some sectors, including pharma, aeronautics, and electronics have also undergone rapid growth, are likewise intensive consumers of technology, are characterised by highly productive employees – and yet exhibit compensation lower than in the financial sector (Meunier 2007). A recent study by Boustanifar *et al.* (2018) shows that the relationship between technology intensity, financial globalization and compensation increases is not robust.

Scholars of economic sociology argue that there is a fundamental issue with causal direction in market-based theories: skilled people do not push compensation levels up through their high productivity; instead, they flock to those sectors *because* of the high incomes (Tomaskovic-Devey and Lin 2011). To explain why certain subgroups within the economy increased their capacity to absorb a large share of profits in the first place, authors highlight the role of declining union mobilization (Volscho and Kelly 2012), increasing corporate influence

(Pagliari and Young 2021), changing tax rates (Appelbaum and Batt 2014), or ongoing financial deregulation (Hacker and Pierson 2010).

Governments shape markets by defining "crucial issues", such as transparency in financial transactions and the limits of risk taking (Hacker and Pierson 2010). The shredding of financial regulation, according to Hacker and Pierson (2010) is a consequence of organized business interests and of drift situations, in which regulators were slow to adjust policies in rapidly changing environments. Boustanifar *et al.* (2018) show that financial deregulation is causally related to higher compensation levels. This is particularly so in countries with more complex financial systems and opaque trading activities occurring outside traditional finance. The ability to "repeal, define and elude regulation" is at the core of the power shift (Tomaskovic-Devey and Lin 2011). Measured by campaign contributions or by lobbying spend, financial firms substantially outmuscle competing interest groups - for example unions - and the gulf has deepened over time (Lin 2015). These country- or industry-level approaches agree that policy and politics do matter for distributional outcomes.

In response to those debates—and puzzled by the observation that 60% to 80% of countrywide income inequality is produced within organizations—recent theoretical advances pay attention to resource struggles that take place at the firm level (DiPrete, Eirich, and Pittinsky 2010; Godechot *et al.* 2019; Sørensen 2007; Tomaskovic-Devey and Avent-Holt 2019). Decisions about the distribution of resources, these authors suggest, are embedded in social relationships, and are negotiated in organizational contexts, not primarily in labour markets.

A central mechanism identified by the literature on relational inequalities is labeled "claims-making"; that is, the act of claiming merit over scarce resources (Godechot 2016b; Tomaskovic-Devey and Avent-Holt 2019). This act involves two sides: those who make the claims and others who recognize them as legitimate. Claims to legitimacy can build on notions of skills and competences or relate to social capital and status expectations. Not only do educational background and "human capital" represent resources in compensation negotiations, but also status perceptions linked to characteristics such as gender or race (Avent-Holt and Tomaskovic-Devey 2014) and, I argue, to high status subfield affiliations.

I build on this organization-level literature and expand two aspects of it. First, while scholars have paid attention to categories of race, gender and skills in resource claims, I am interested in understanding how status hierarchies within fields play out in compensation outcomes. The

second aspect I aim to expand is the question of dynamics in claims-making. Compensation outcomes of high-status top executives, I suggest, affect the compensation claims of peers.

The study draws on the case of the financial field. There is broad agreement that financial sector compensation has had a significant role in fuelling top income growth in recent decades (Bakija *et al.* 2010; Bell and Van Reenen 2014; Boustanifar *et al.* 2018; Godechot 2012; Kaplan and Rauh 2010; Philippon and Reshef 2012). Moreover, compensation levels in finance and financialization are documented as a source of growing inequality (Davis and Kim 2015; Denk 2015; Flaherty 2015; Godechot 2016a; Hacker and Pierson 2010; Krippner 2005; Kus 2012; Lin and Tomaskovic-Devey 2013; Roberts and Kwon 2017; Tomaskovic-Devey and Lin 2013). Due to the high impact on rising inequalities and the strong status hierarchies in the field, finance represents an important case for the study of top compensation dynamics.

9.3 Compensation claims and status hierarchies

Scholars have studied how organizations shape pay distribution related to gender (Kronberg 2020; Sauer *et al.* 2021), class and race (Acker 2006; Friedman and Laurison 2020), as well as definitions of merit (Hanley 2013). In the first research pillar, this study addresses the implications of status hierarchies between different subgroups within a field for compensation outcomes. Status hierarchies have consequences both for self-evaluation and on evaluation through others in a social context too, thereby shaping access to material resources (Ridgeway 2014).

In an organizational field perspective, individuals and organizations are seen as actors embedded in a social order with mutual recognition (Fligstein and McAdam 2012). Field structures depend on interactions between individuals and units, whereby struggles between different subgroups shape the rules and rewards within fields. The literature on relational inequalities recognizes those subfield struggles: “Actors also bring with them institutionalized expectations from the culture more broadly or from other organizational fields they have inhabited in the past. Some of these are embodied as cultural and symbolic capital useful both in defining status hierarchies and in claims-making” (Avent-Holt and Tomaskovic-Devey 2014). This study contributes to the empirical work on this aspect (Godechot 2008; Smith-Doerr *et al.* 2019) by shifting attention to the internal heterogeneity and status hierarchies in the financial sector.

I argue that alternative finance can be considered as a high-status subfield in finance that has hitherto received little academic attention. Private equity, venture and hedge funds use the "alternative" moniker themselves to mark their differentiation from traditional finance. These funds expanded in the wake of deregulatory reforms and represent the frontiers of value extraction (Appelbaum and Batt 2014). Many private equity and hedge funds were founded in the 1980s and 1990s by "challengers"—mostly white men. Studies show that even today attributes of eliteness (in terms of gender, race and social status) are over-represented in alternative finance. In alternative finance firms such as Renaissance Technology or EnCap, all leaders are white males (2018 data). Mutual funds and investment banks such as State Street or Morgan Stanley have a comparatively lower share of white male top leaders. In turn, women and people of colour face barriers in access to alternative finance because "beliefs about gender and race bind patrimonial allegiances, shape perceptions of trust, and structure access to rewards" (Neely 2018). Recent studies on educational prestige additionally show that the proportion of top managers with degrees from elite universities is highest in private equity and hedge funds (Eaton and Gibadullina 2020).

Next to the prevalence of those social status indicators, high incomes are widely seen as legitimate and "normal" within alternative finance. Private equity mogul Steven Schwarzman (2015 remuneration: US$800 million), stated in an interview in 2019 that his own income represented a just reward for the skills he had leveraged to make his fund profitable (CNBC 2019). At the extremes of income distribution, in 2004 the 25 best paid hedge fund managers earned more than all CEOs of the S&P 500 taken together (Kaplan and Rauh 2010). High compensation levels in alternative finance are likely the result of three main factors. They occur because firms in alternative finance have opaque organizational forms (Folkman *et al.* 2007; Soener and Nau 2019), have compensation models that distinguish them from other financial firms (Cumming *et al.* 2013; Stulz 2007), and they have profited disproportionally from deregulation (Appelbaum and Batt 2014; Ewens and Farre-Mensa 2020; Kaal and Oesterle 2016).

Neely (2017) portrays the reputation of hedge funds through the eyes of a female financial professional. Her interviewee expresses "a positive image of the inner workings and high-status reputation of the industry" and states that "the money added to the allure and prestige of the industry" (p. 45). This affirms well why alternative finance can be seen as a high-status subfield in the financial sector: there is a sense of prestige that is socially enacted and recognized. The excessive profitability of those funds adds to a sense of superiority.

The main idea of this study is that individuals with a high-status background can receive compensation levels that are above the norm even when moving into lower status subfields if they successfully mobilize these affiliations to give weight to their claims over appropriate compensation and if at the same time their status is recognized. According to Godechot (2008), certain subgroups of professionals—traders, salespeople and trading room heads——manage to increase their pay because they can threaten to exit the company and move their team and key assets to a competitor. This study examines the inverse trajectory, which has received little attention to date. To my knowledge, there is no extant study on the mobility of professionals from alternative finance to traditional finance. I therefore ask: Do individuals from the high-status subfield of alternative finance who switch to traditional finance earn more than other top executives?

9.4 The diffusion of compensation norms

Following up on the first part of the research, the question of dynamics in claims-making becomes relevant. What happens when high-status individuals arrive in a lower status subfield? Does this leave the compensation claims of peers within this subfield unaffected? In the second research pillar, this study addresses the dynamic effects of subfield status hierarchies on the organizational level. Based on theories of compensation norms (Kim, Kogut, and Yang 2015; Rost and Weibel 2013; Western and Rosenfeld 2011), I argue that subfield status premiums can change the compensation benchmark within a firm, thereby leading to a diffusion of compensation norms from one subfield to another. Compensation norms, in my understanding, set the span within which compensation claims can be made.

Norms are the rules of what is acceptable in a particular social setting: “For norms to be social, they must be shared by other people and partly sustained by their approval and disapproval” (Elster 1989: 99). Compensation norms are defined as a set of perceptions of legitimate rules regarding compensation in a socially connected group of actors (Kim *et al.* 2015). They can, for example, address the share of net revenue that is passed on to employees, the structure of the compensation package that is seen as just or the level of income directed to top executives (Kim *et al.* 2015). Much of the literature on compensation norms focuses on the societal level. Authors show how norms on legitimate taxation (Levy and Temin 2007), the strength of unions as norm setters (Western and Rosenfeld 2011), norms on the acceptability of high wages (Piketty and Saez 2003) or more generally societal norms of fairness (Rost and Weibel 2013) influence top executive compensation dynamics.

Some scholars have turned to a more fine-grained scale to discuss the implication of norms in compensation setting (Boussard 2017; Hecht 2017; Kim *et al.* 2015). They advance that macro-institutional changes alone do not explain the normative shift in executive pay and that we should pay closer attention to which "others" influence the understanding of CEOs and board members on acceptable compensation. Kim *et al.* (2015) state that actors should be seen as situated in local social structures: "norms shifted by a process of contagion through the social and business networks in which paysetting actors are situated" (p. 300). Executives use social comparisons to categorize and legitimize their negotiation position through references to other individuals who they know (Lamont 2012) and they refer to social norms to overcome the inherent uncertainty in their self-assessment (Hecht 2017; Kim *et al.* 2015).

Qualitative studies show that high income earners compare themselves with each other. Hecht (2021), for instance, reports that a hedge fund manager stated that "[h]igh income to me is probably earning millions. That's partly because I see a lot of people who I have contact with on a daily basis who do [earn millions]" (p. 14). Kim *et al.* (2015) are amongst the first authors to study the impact of norms on top executive compensation in a quantitative approach. Proposing that "norms for setting pay are critical to the social comparison process", they show how various types of relational comparisons influence the compensation levels of top executives. CEOs who are linked to other CEOs that receive above-norm compensation are likely to receive higher compensation themselves.

Norm diffusion describes the process of change in what is perceived as legitimate in a field, subfield or within an organization. There are (implicit) assumptions on why norms (or similar phenomena) diffuse. For some authors, the diffusion of norms (or practices, logics and ideologies) is brought about by particular actors, such as firm owners (Linsi *et al.* 2021), consulting firms (Chu, Faasse, and Rau 2018) or elite professionals (Boussard 2017; Fligstein 1987; Fligstein and Brantley 1992; Zorn *et al.* 2004). Fligstein (1987) and Zorn *et al.* (2004) show that shifts in the elite composition within firms led to the spread of particular ideologies. The diffusion of shareholder value orientation in the economy, they find, was associated with an increasing number of individuals with a finance-based background in top positions. More recent literature on the French context shows that not only does the elite composition matter for the spread of such paradigms, but so do the career trajectories of elite professionals (Boussard 2017). Linsi *et al.* (2021) look at the influence of firm ownership on the transnational diffusion of compensation practices. They find that the expansion of US ownership led to the

export of American remuneration styles to British companies. UK incorporated firms have higher compensation levels and higher equity-based pay if they are held by American investors.

Other authors propose that change in what is seen as "normal" occurs as an unintended consequence (DiPrete *et al.* 2010; Opp 2002; De Vaan, Elbers, and DiPrete 2019). In their "winners spread the wealth" model, DiPrete *et al.* (2010) assert that governance failures in some firms lead to a sector-wide upward trend in incomes. A small cohort of managers who successfully negotiate increased compensation, they show, can affect an entire peer population, by driving up the "market wage". If some peers receive above market pay, this leads to a legitimate upward ratcheting due to feedback loops in the benchmarking system. Interestingly, DiPrete *et al.* (2010) focus on the governance literature and discuss their findings in light of market-based theories. I argue, however, that their findings on shifts in benchmarks translate to shifting compensation *norms* within firms. As stated by Kim *et al.* (2015): "In many markets, the norm might be 'let the market decide'" (p.302).

With a focus on the financial sector, I hypothesize that increases in top executive compensation are linked to the mobility of professionals across financial subfields. I argue that compensation levels in finance should be understood from a perspective diffusion of norms between high-status subfields (alternative finance) and the larger field (traditional finance). Although alternative investors hold a modest share of global assets (Fichtner 2020) and employment share is below 20% of total employment in finance (Philippon and Reshef 2012), the high compensation levels in alternative finance could nevertheless lead to a shift in compensation norms with far-reaching consequences. The arrival of individuals who are paid above norm could lead to an upward ratcheting of compensation levels through peer group comparisons (Kim *et al.* 2015) and shifting benchmarks (DiPrete *et al.* 2010; De Vaan *et al.* 2019). To grasp the proposed dynamic, we need to understand how compensation premiums of alternative finance shape the compensation outcomes of peers in the long run. The second research question thus is: Does the arrival of high-status individuals affect the compensation levels of peers within organizations?

9.5 Data and analytical framework

Data and sample

The analyses focus on the countries that are leaders in financial deregulation—the UK and US (Fichtner 2013). Top income growth has been most marked in these two countries. Also, hedge

funds, venture capital and private equity funds are a predominantly Anglo-American industry (Foureault 2019; Gompers and Lerner 1999). Globally, around 90% of hedge fund managers work in the US or in UK (Fichtner 2013).

I combine data from BoardEx, a database monitoring executive compensation and career information, with company level information data from Orbis. BoardEx covers 60,000 individuals with an officer or director position. The period with compensation information for both the UK and the US reaches from 2010 to 2017. BoardEx aggregates diverse sources, such as corporate disclosures, company websites and media articles. Biographical information goes back to 1926 in specific cases. Orbis, acquired in 2017 by Moody's, contains information on over 300 million firms. The information in the Orbis database is from public institutions which publish information to respond to legal and administrative requirements (Ribeiro, Menghinello, and Backer 2010). Orbis provides sector and activity information, permitting identification of career spells in alterative finance firms. These datasets remain little exploited in the social sciences (Fichtner *et al.* 2017; Godechot *et al.* 2019; Larsen and Ellersgaard 2017).

The sample include all executive directors with information on compensation and careers in the financial sector in the US and the UK in the BoardEx categories Banks, Insurance, Investment Companies and Other Finance. Appendix A gives an overview on the BoardEx classification of the largest firms in each category and the comparison to other standard classification schemes. The few firms with alternative finance status were dropped from the sample (as the study focuses on diffusion to traditional finance). Figure 9.1 represents the sample flowchart. The sample of firms with information on compensation meeting all additional conditions (labeled "final sample" in figure 9.1) contrasts with the sample of all financial firms (labeled "BoardEx sample") by containing larger, exclusively quoted firms.

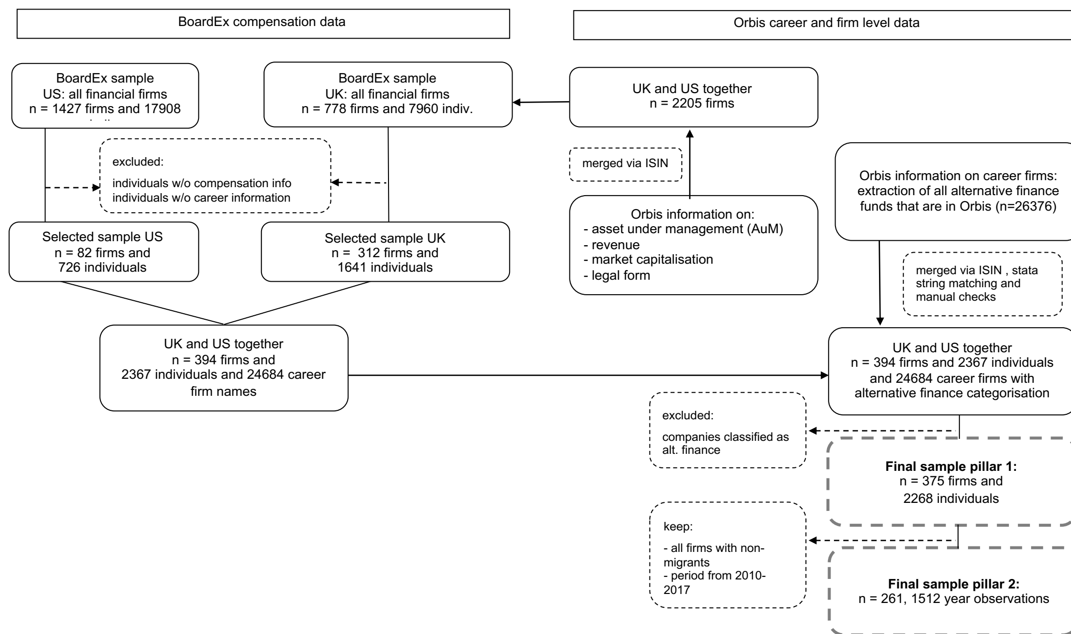


Figure 9.1 Sample flowchart for pillar 1 and pillar 2. Figure 9.1 represents the flowchart of the sample constitution. The final sample of pillar 1 contains 2,268 individuals in 375 US and UK based firms. The final sample of pillar 2 contains 261 firms and 1,512 year observations. To get information at the company level (with information on compensation), I merged the BoardEx data with Orbis based on the ISIN code and for those without corresponding identifiers based on names.

To identify alternative finance companies in the career data (US: 3,874 firms, UK: 20,810 firms), I first extracted the complete list of hedge, private equity and venture funds worldwide from Orbis (n=26,376). A manual check on French private equity firms revealed that Orbis classifies firms as Private Equity entities based on leveraged buyout transactions (LBO). This "entity type" classifies firms involved in LBO investments as private equity entities, which, for this use, is an acceptable classification approach. Secondly, I merged the complete list of alternative financial firms with the career firms from BoardEx by ISIN, and for the remaining ones, using names. I double checked the remaining (non-merged) firms via a string-matching algorithm (matchit) in Stata and changed revealed missing mergers by hand. Examples of alternative finance career firms include Soros Fund Management LLC, Bregal Private Equity Partners, Warburg Pincus LLC and Accenture Technology Ventures. I categorized individuals, holding high ranking posts (president, chairman, partner, CFO) as having had a career spell in this sub-sector. Due to data limitations, I did not distinguish between the length, or the career-

stage period in which someone worked in an alternative finance firm. The value in this approach is that it delivers robust connections between information about managers in publicly quoted companies (revealing information about compensation levels and composition), with information on their sojourns with less transparent alternative finance firms. The overall career information of each individual specifies whether someone had a career spell in alternative finance.

For the first analytical pillar I select the compensation information available for the most recent year for each individual (n= 2,268). Of all financial firms (n=1,427) in BoardEx, 26.3% (n=375) meet the sampling criteria. The low number of the final sample is mainly a result of unlisted or small financial firms not disclosing compensation information. I pool the UK and the US together for the analyses, as the outcome for both countries is very similar. BoardEx provides detailed information on different types of income categories, such as awarded stock options and awarded equity. I do not use those categories separately in the analyses as the coverage is too weak. The descriptive table of pillar 1 is in appendix B.

For research pillar 2, I switch to the firm level. Studying change over time requires panel data, with values that change systematically over time with multiple time observations (Singer and Willet 2003). BoardEx provides this longitudinal information. I report the UK and the US analyses separately, as the outcome pattern is country specific. The descriptive table of pillar 2 is in appendix C. The unbalanced panel data covers the period from 2010 to 2017 for the UK and the US. Appendix D shows the number of company observations per year.

There are 261 companies and 1,512 year observations in the longitudinal sample. I clean the data by looking at outliers in the time series of each individual and checking the outliers at the extremes manually. I create firm-level data by taking the average compensation level of all individuals within a firm each year. To observe the dynamic in compensation levels of peers, I exclude individuals with a career spell in alternative finance (sectoral migrants). Those individuals with a career spell in alternative finance serve exclusively to define the arrival year. I exclude firm year observations below an average of 50,000$US.

I define the first-time arrival dates as the event. The first arrivals include those “arrivals” that happened four years or less before the first year of observation within a firm. To account for multiple arrivals, I add a control variable in the analyses, which is 0 if there are 0 or 1 arrivals. The first-time arrival years of sectoral migrants in a listed financial firm range from 2006 to 2017. The after-crisis year (2008) record a higher number of sectoral migrants than other years

(see appendix E). To account for the composition of the peer group I create a dummy variable, which indicates whether the peer group includes a CEO (for each year and firm).

Analytical framework: research pillar 1

In the first pillar, I study the effect of a career spell in alternative finance on compensation levels in the larger financial field at the individual level. I run multilevel regression models to distinguish between career and other explanations of top executive compensation at the individual and firm level. The multilevel model with random intercepts for firms accounts for the fact that the observations within firms are not independent from each other. I use the lme4 package in R. The model is specified as follows:

$$\log(y_{ij}) = \beta_0 + \beta_1 X_{ij} + \beta_2 X_j + u_j + e_{ij}$$

$\log(y_{ij})$	outcome variable: the log income of individual i in firm j
β_0	intercept
X_{ij}	individual characteristics (level 1)
X_j	firm level characteristics (level 2)
u_j	level 2 residuals
e_{ij}	level 1 residuals

The dependent variable "compensation level" comprises both fixed compensation (bonus, salary and other compensation) and any equity component. In BoardEx, the variable is labeled TotRemPeriod and shows the compensation an executive was paid each year. I hypothesize that executives with a career spell in alternative finance have higher compensation levels than other top executives in a firm, because of their high-status perception and the recognition thereof by compensation setters. Due to skew in the variables, and as a response to issues with the normal distribution of error terms, I log transform the compensation level variable.

The main independent variable designates whether a manager has had a hierarchically high career spell in an alternative finance entity. Individuals with a career spell in either private equity, hedge funds or venture capital funds are assigned a value of 1; others are assigned a value of 0. The hierarchically high positions category includes executive directors, chief officers, chairs (exec and non-exec), and partners.

At the firm level the model controls for business scale, operationalized as assets under management (AuM). Although the literature on pass-through incomes highlights that very small companies may offer high compensation levels, the standard assumption in the literature on top incomes is that compensation levels increase with firm size (Gabaix and Landier 2008). For the control variable on financial sub-sectors, the sector classification of BoardEx permits distinction between banks, insurance, investment companies & other finance. The country variable accounts for differences in compensation levels between the UK and the US. Previous research showed that US CEOs typically receive higher compensation than UK CEOs (Conyon and Murphy 2007; Fernandes *et al.* 2013).

At the individual level, the analyses control for socio-demographic variables (gender, age) and for further individual level control variables standard in the CEO compensation literature. The variable tenure controls for the number of years the CEO has been in post. A higher tenure is linked to higher CEO "quality" in that s/he is worth keeping (Hwang and Kim 2009). The variable CEO/Chairman is a dichotomous variable, assigned a value of 1 if the individual is a CEO or exec chair, the highest positions in the executive governance hierarchy. The educational variable distinguishes between three levels: below or equal BA; MA/MSc or PhD.

Analytical framework: research pillar 2

Research pillar 2 studies the dynamics in income premiums in top management of traditional finance firms after the arrival of individuals with a career spell in alternative finance (sectoral migrants). These firm-level analyses draw on an event study that allows us to capture income changes after such arrivals, net the expected income increases. The setup is also labeled "staggered adoption design", but event study is the more common term (Sun and Abraham 2021).

The event model needs to account for the "staggered" event nature of the data. The event—in this case the arrival of someone with a career spell in alternative finance—occurs at varying points in time. Some firms see such first arrivals before the financial crisis, some only after 2015. Appendix E shows the distribution of arrivals by number of firms. Standard difference-in-difference models (2x2 DiD) are accurate for situations in which one event (such as the financial crisis) affects all firms at the same time. However, they are ill-suited when there is variation in the treatment timing (Sun and Abraham 2021).

I estimate a two-way fixed-effect (TWFE) within estimator regression model for the event analysis with staggered treatment. The model uses fixed effects for each cross-sectional unit,

in this case the firm, as well as for each time period, here calendar years. The within estimators (fixed effects) eliminate firm and year constant unobserved heterogeneity (Wooldridge 2010). To study the dynamic effect of the event, multiple year lagged event dummies are added to the model. These event dummies are the main variables of interest in the model. They capture the effect of alternative finance migrants on the compensation levels of peers over time. The dummy approach for the event effect is result-oriented in that it allows for an evaluation without expectations regarding the dynamic after arrival.

The study works on a panel of f = 1, . . . , 272 firm units in which the outcome $y_{f,t}$ is observed for t= 1, . . . , 7 periods (calendar time). The model is specified as follows:

$$\log(y_{f,t}) = \beta x_{f,t} + \sum_{l} \lambda_l 1\{t - E_f = l\} + \gamma_t + \alpha_f + u_{f,t}$$

$y_{f,t}$	average compensation outcome for firm f at time t
$x_{f,t}$	firm level controls
λ_l	dynamic treatment effect (control for event, in this case "arrival")
E_f	time of the event
l	periods relative to treatment
γ_t	year-specific unknown intercept for each entity (fixed effects)
α_f	firm-specific unknown intercept for each entity (fixed effects)
$u_{f,t}$	firm- and time-specific residuals

The dependent variable is the logged average compensation level for $firm_f$ at $time_t$. The dynamic treatment effect λ_l is associated with indicators for being l periods relative to the treatment. E_f is the time of the event in a $firm_f$. The variable takes the value 0 until and after the arrival date plus a lag l (1, 2, 3 … 7) and it takes the value of 1 in the lagged year specified. Firms without the arrival of a sectoral migrant never experience the "event" in the estimation sample. Their values take 0 for all the event dummies and in all year observations. The models are run with the plm package in R (Croissant and Millo 2008). I control for multiple arrivals, sector, and peer composition. I expect that multiple arrivals strengthen the diffusion effect. Next to the main models I run additional fixed effect models to explore the relation between first time arrivals and multiple arrivals. It is important to note however, that the case numbers for multiple arrivals are moderate, which restricts the possibilities in model complexity.

In recent years, there have been debates in the econometric literature about TWFE models in settings of staggered treatment timing, with authors arguing for more simple (Kropko and Kubinec 2020) and more complex models (Callaway and Sant'Anna 2021a; Goodman-Bacon 2021; Sun and Abraham 2021). I run a simple period fixed effect model (Kropko and Kubinec 2020) and more innovative models specified by Sun and Abraham (2021) and Berge and McDermott (2021), and by Callaway and Sant'Anna (2021a, 2021b) as robustness checks. The two approaches are similar but diverge in the definition of the control group and therefore in the underlying parallel trends assumptions. Sun and Abraham's (2021) estimation method is an extension of the TWFE model (regression specification), Callaway and Sant'Anna (2021a) combine matching with Difference-in-Difference. Their method it is based on inverse propensity weights in cohort-specific average treatment effects between groups. The latter models were developed as a response to the criticism that TWFE models, in which observations are pooled across groups, might show contaminated estimates (lag or leads) and face issues with negative weights in the average of each treatment effect. Simply put, the TWFE model can lack robustness if the treatment timing is staggered, increasingly so with higher heterogeneity in treatment timing. Both innovations in the methodological approaches to longitudinal studies in situations of staggered treatment aim to overcome issues with contamination of treatment effects from other periods for a given time after event.

9.6 Results

Pillar 1: Pay premium for individuals with a high-status background

Of a total sample of 2,268 individuals with information on compensation, 9.5% had a career spell in a high executive or non-executive position in alternative finance. One question that this descriptive finding of subfield mobility raises is why people leave the lucrative high-status subfield of alternative finance to switch to traditional finance. I can only speculate, but I suggest some fund managers leave alternative finance because their fund did not work well; others leave because their fund worked so well that they retired early and sought out a new challenge. And some individuals are attracted to traditional finance for reasons of security and a reduction of risk exposure.

Figure 9.2 shows the kernel density of the logged compensation variables, distinguishing between individuals with a career spell in alternative finance and other top executives. In both

the US and the UK, individuals with a link to alternative finance have higher compensation levels (test p<0.000).

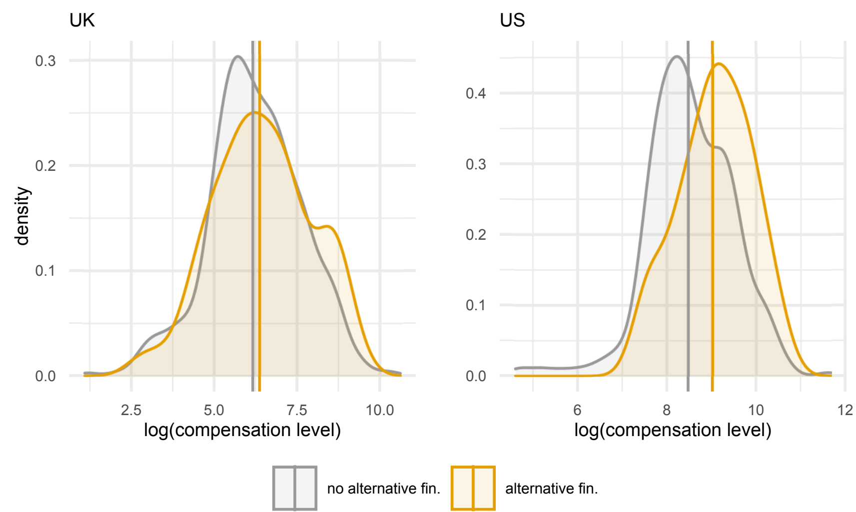


Figure 9.2 Compensation differences according to career spells in alternative finance. K-density plots of compensation levels by career. The distribution in orange comprises individuals with a career spell or a chair position in alternative finance. Lines represent median pay.

I ran multilevel regression analyses to control for potential confounding factors at the firm level, such as sector affiliation, and on the individual level, such as individual seniority within the firm. The regression results provide support for the existence of a compensation premium for individuals with a high-status background. Individuals with a career spell in alternative finance, net of other factors, have higher total compensation levels.

The stepwise modelling procedure shows that the effect of a spell in alternative finance holds across all models with regards to compensation levels (see table 9.1). Model 1 shows the net effect of a career spell in alternative finance. Model 2 controls for country effects, the year of compensation and firm-level controls (sector and firm size variable). Finally, model 3 adds all the individual level characteristics, including education, tenure, age and gender. This final model (3) includes all control variables and shows significant differences between executives who have worked in an alternative finance entity as a partner, or chief, or had a chair position in a hedge- private equity or venture fund and those top executives without such a career spell. The main results are shown in the compensation premium plot in figure 9.3.

On average, executives with a career connection to alternative finance have 19.7% higher compensation levels (formula: $(e^{0.180} - 1)$) ($p<0.019$) than individuals without a connection

to alternative finance. This suggests that individuals who switch from a high-status sector to another subsector are able to use such affiliations in claims-making. In line with Ridgeway (2011), I assume that “people often want money as much for the status it brings as for its exchange value” (p. 2).

	Model 1			Model 2			Model 3		
Predictors	*Est.*		*p*	*Est.*		*p*	*Est.*		*p*
(Intercept)	6.58	***	<0.001	-132.23	***	<0.001	-86.74	***	<0.001
career: alt. finance	0.16	*	0.024	0.2	**	0.006	0.18	*	0.02
country: US				0.51	**	0.001	0.59	***	<0.001
year				0.07	***	<0.001	0.04	***	<0.001
log(assets u.mgm)				0.23	***	<0.001	0.25	***	<0.001
insurance				0.25		0.152	0.21		0.262
investment companies				-0.87	***	<0.001	-0.74	**	0.007
other finance				-0.05		0.767	-0.02		0.912
education: master							-0.03		0.563
education: PhD							-0.27	*	0.025
position: CEO							0.62	***	<0.001
tenure1-2 years							0.17	**	0.004
tenure: >2 years							0.18	**	0.002
gender: woman							-0.02		0.78
age							-0.01	***	<0.001
Random Effects									
σ^2	0.64			0.59			0.54		
τ_{00}	2.34 $_{c_boardname}$			0.63 $_{c_boardname}$			0.70 $_{c_boardname}$		
ICC	0.79			0.52			0.57		
N	349 $_{c_boardname}$			314 $_{c_boardname}$			299 $_{c_boardname}$		
Observations	2079			1906			1457		
Marginal R^2 / Conditional R^2	0.001 / 0.785			0.596 / 0.806			0.608 / 0.830		

Signif. codes: <0.001 ‘***’ 0.01 ‘**’ 0.05 ‘*’

Table 9.1 Multilevel regression models on compensation levels of individuals in the UK and the US. The outcome variable is log(compensation level). Model 1 is the base model with the main independent variable. Model 2 adds sector; country; and year controls. Model 3 adds the individual level control variables.

Figure 9.3 shows the estimated compensation premium of individuals with a career spell in alternative finance in relation to other individual level factors. The compensation premium of sectoral migrants is comparable to the premium related to tenure. Individuals who have been

in a position for more than a year earn over 19.1% more than those who just started in a position (p=0.004). The highest estimated compensation premium occurs for CEO versus other top positions (85.6%, p=<0.000). The career premium is thus weaker than the CEO premium, but at the level of a premium related to tenure. The educational level has an inverse effect (PhD is negatively associated with compensation levels) and gender does not have a significant effect on compensation levels.

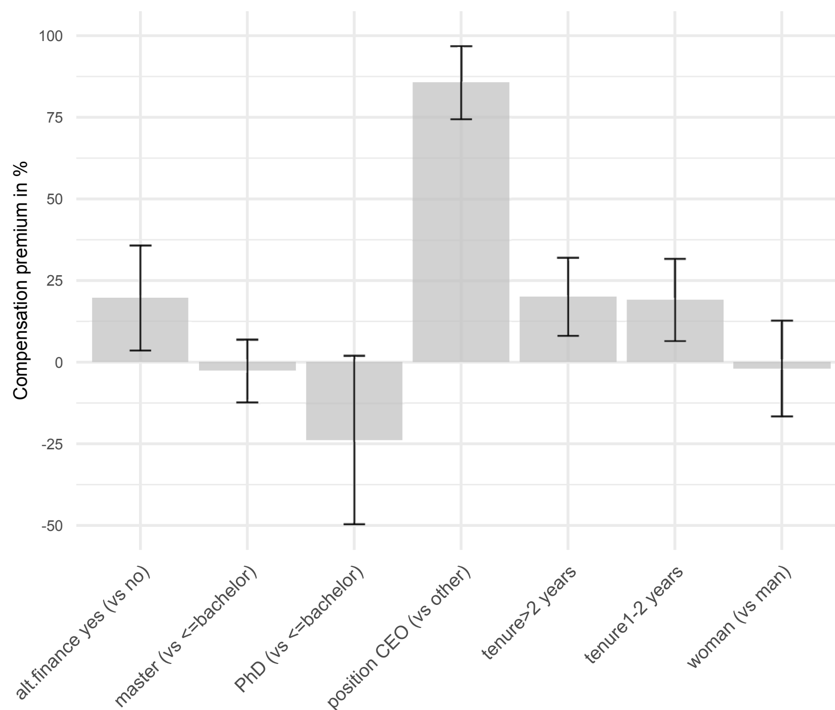


Figure 9.3 Compensation premium estimates (model 3). The bar plot displays the percentual premium estimates and the confidence intervals for compensation levels. If the confidence intervals cross the line (at 0), the effect is not significant.

Widely cited economic studies (Philippon and Reshef 2012) explain compensation differences with differences in skills, often proxied with educational backgrounds. It is obvious, however, that even if this is the standard measure in the literature, it is an oversimplification of what skills entail. The market-based literature offers limited steer on the use of the concepts. Some authors refer to skills (Célérier and Vallée 2019; Gabaix and Landier 2008; Philippon and Reshef 2012), others to abilities or experience (Böhm *et al.* 2015). Some use the terms interchangeably; some use the terminology of talent, an "innate" characteristic (Kaplan and

Rauh 2010; Neal and Rosen 2000). It is interesting that the effect of the length of studies does not support the skill hypothesis.

Next to the individual level variables, the size of the firm has a positive and significant effect on compensation levels across all models ($p<0.000$) and US executives have higher income levels than UK executives. The intra-class correlation coefficient (ICC) indicates that 57% of variation is between groups. The marginal R^2 in the final model is 60.8% and the conditional R^2 is 83%.

Pillar 2: Dynamic effect of the arrival of sectoral migrants in traditional finance

In total there are 68 companies *with* and 193 companies *without* the arrival of individuals with a career spell in alternative finance. Figure 9.4 displays empirical growth plots at the firm level. The figures show the change in compensation levels over time in the UK and the US. Firms with the arrival of migrants from alternative finance have overall higher compensation levels in both countries. However, the increase in compensation levels over time is higher in firms that have not been exposed to such sectoral migrants. The compensation levels are substantially different in the UK and the US. Across all years, firms with sectoral migrants have an average top executive compensation level of US$1,767,000 in the UK, those without US$1,663,000. In the US, firms with sectoral migrants have an average top executive compensation level of US$9,846,000, those without US$6,270,000.

In a descriptive approach, I looked at the development of the compensation mean before and after event for those who had sectoral migrants arriving within their firm. Appendix F.1 and F.2 report those results. The figures show an increase in mean compensation levels of peers after the event in both the UK and the US (appendix F.1) and in insurance, other finance and investment companies (but not in the banking subsector) (appendix F.2).

Two-way fixed-effects models study change in compensation levels within firms after an event by considering the entire sample of firms. The models reveal a positive relationship between the arrival of sectoral migrants from alternative finance and the compensation evolution of peers in the UK, net the expected increase over time. In the US, the pattern is less clear. Figure 5 shows the event effects for the UK and the US separately.

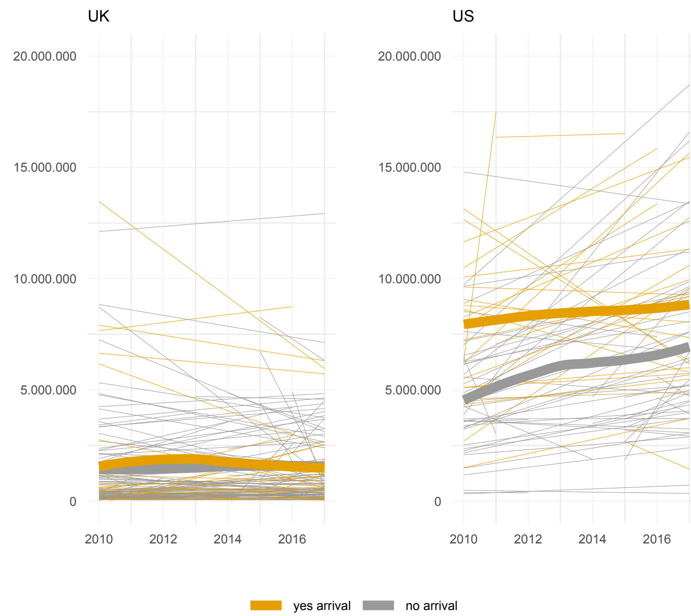


Figure 9.4 Growth plots for compensation levels in firms over time in the UK and the US. The orange lines represent firms with an arrival of sectoral migrants from alternative finance, the gray line represents those firms with no such arrivals. The thick lines represent the mean across all firms. To improve the legibility of the figure, the few US cases that exceed 20 Mio were excluded from the graph.

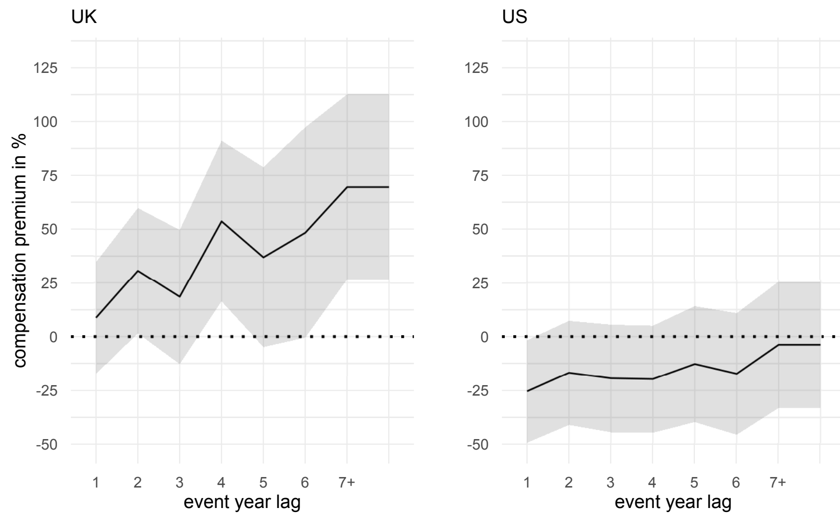


Figure 5 Compensation premium after arrival of sectoral migrants. The figure shows the percentual compensation premium for top executives after the arrival of individuals with a career spell in alternative finance. The dark line shows the estimated premium; the gray area displays the confidence intervals. The black dotted line represents the income reference that would have been expected without the arrival of a sectoral migrant.

	M1: FE Year			M2: TWFE			M3: S&A DID			M4: Callaway DID		
	Est.		*SE*	*Est.*		*SE*	*Est.*		*SE*	*Est.*		*SE*
-6							-0.19		0.21	0.16		0.08
-5							0.17		0.17	0.09		0.07
-4							0.08		0.13	-0.19		0.16
-3							0.08		0.08	-0.14		0.14
-2							0.21	.	0.12	0.06		0.09
-1										-0.22		0.16
0							0.28	.	0.15	0.31		0.22
1	0.02		0.17	0.08		0.12	0.17		0.14	0.26		0.17
2	0.27		0.18	0.27	.	0.14	0.46	*	0.20	0.79	*	0.25
3	0.34	.	0.18	0.17		0.15	0.28		0.22	0.35		0.31
4	0.62	**	0.21	0.43	*	0.17	0.53	.	0.31	0.84		0.55
5	0.50	*	0.22	0.31		0.19	0.26		0.30	1.27		0.64
6	0.57	*	0.26	0.39	.	0.22						
7+	0.68	***	0.16	0.53	**	0.2						
CEO in year	-0.16		0.14	-0.22	*	0.09						
multiple arrivals	0.25	***	0.06									
insurance	0.67	***	0.13									
investment companies	-0.24	.	0.13									
speciality finance	0.35	**	0.11									
log(AuM)	0.31	***	0.01									
N:	933			933			961			961		
R-Squared:	0.644			0.023			0.897					

M1-M3: Signif. codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1
M4: Signif. codes: `*' confidence band does not cover 0

M1: Period fixed effects
M2: Unit and period fixed effects
M3: Unit and period fixed effects, clustered se by unit
M4: Control Group: Never Treated, Anticipation Periods: 0, Estimation Method: Outcome Regression

Table 9.2.1 Estimations of event effect on compensation levels for the UK. The outcome variable is log(compensation level). M1 shows the coefficients estimated by a more simple one-way period fixed-effect model as suggested by Kropko and Kubinec (2020) with control variables. M2 shows the coefficients estimated by the main model of the study, the TWFE model (Wooldridge 2010). M3 and M4 show the robustness check with dynamic Difference-in-Difference model by (Sun and Abraham 2021) and Callaway and Sant’Anna (2021a). They develop an estimator that is free of contamination that can occur in two-way fixed-effects regressions.

With a lag of four years, incomes of peers in top management in UK firms increase significantly. The table in appendix H.1 shows the pay premium over time for the UK. The main model (TWFE) shows that compensation levels of peers significantly increase by 53.6% four years after the arrival of a sectoral migrant (p=0.01, premium calculation: ($exp^{0.429}$-1)). After a small drop, the compensation premium stabilises at 69.5% in year 7 (p=0.008). Table 9.2.1 shows the coefficients of the TWFE models, as well as the robustness checks of the

simpler model (one-way period fixed effects, referred to as OWFE) and the more advanced models (S&A DiD; Callaway DiD). The models all point in the same direction, showing a significant increase of compensation levels above the expected increase after the arrival of sectoral migrants from alternative finance in the UK. The main difference is in the lag period. Whereas the OWFE and the TWFE models estimate the boost in compensation levels to occur with a 4 years lag, the DiD models indicate a quicker increase of compensation levels, after two years already. Overall, the results support the findings of the TWFE approach.

	M1: FE Year		**M2: TWFE**		**M3: S&A DID**		**M4: Callaway DID**	
	Est.	*SE*	*Est.*	*SE*	*Est.*	*SE*	*Est.*	*SE*
-6					0.584 *	0.27		
-5					0.152	0.12	-0.035	0.29
-4					-0.053	0.13	-0.31	0.09
-3					0.502 *	0.2	0.585	0.98
-2					-0.065	0.15	-0.573 *	-0
-1							0.065 *	0.43
0					-0.219	0.14	-0.194	0.08
1	0.251	0.17	-0.29 *	0.01	-0.337 *	0.15	-0.366	-0
2	0.367 *	0.17	-0.18	0.11	-0.277	0.17	-0.323 *	0.1
3	0.321 .	0.16	-0.22 .	0.07	-0.213	0.21	-0.248	0.22
4	0.328 *	0.16	-0.22 .	0.07	-0.287	0.18	-0.31	0.14
5	0.377 *	0.17	-0.14	0.29	-0.377 .	0.22	-0.426	0.07
6	0.346 *	0.17	-0.19	0.16	-0.441	0.34	-0.458	0.27
7+	0.387 **	0.14	-0.04	0.78				
CEO in year	0.37 **	0.14	0.23 .	0.07				
multiple arrivals	0.457 ***	0.12						
insurance	0.233 **	0.07						
speciality finance	0.534 ***	0.08						
log(AuM)	0.223 ***	0.02						
N	484		484		549		549	
R-Squared:	0.39		0.039		0.87			

M1-M3: Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
M4: Signif. codes: `*' confidence band does not cover 0

M1: Period fixed effects
M2: Unit and period fixed effects
M3: Unit and period fixed effects, clustered se by unit
M4: Control Group: Never Treated, Anticipation Periods: 0, Estimation Method: Outcome Regression

Table 9.2.2 Estimations of event effect on compensation levels for the US. For details see Table 9.2.1.

In the US, the pattern is somewhat diffuse. Table 9.2.2 shows the pay premium over time for the US. The more complex methodological approaches suggest a lack of an effect after arrival. In the main model (TWFE), the first year after event is negatively associated with compensation developments after the arrival of sectoral migrants (-25%, p=0.01). In the years that follow, compensation level developments of peers are not significant at the 0.05 level. The

TWFE models and the DiD models show a non-significant development with a negative association in the first 1 to 2 years after arrival. The pattern is diffuse, because the simple analyses (ONFE), which only introduce fixed effects for period (calendar years), show a significant increase in US firms after the arrival of a sectoral switcher.

For additional robustness tests I ran the TWFE model without the insurance category. The results remain stable (see appendix G). I further explored the relationship between first time arrivals and multiple arrivals (see appendix H). Model 1, without lags, indicates a positive linear relationship between the number of arrivals and compensation levels for both the UK and the US sample, controlling for time trends. These findings support the positive effect of the multiple arrival controls in the main models (FE). Model 2 shows the attempt to differentiate the effect of multiple arrivals by lag year. The analyses are restricted by the small case numbers. As expected, the effects of multiple arrivals are inconsistent and not significant. Overall, 8 firms in the UK sample and 5 firms in the US sample see multiple arrivals in the observed income period of the firm. Distributed across years after first time arrivals this implies very small numbers (for some years with only 1 firm per lag year).

9.7 Discussion

The first finding of this study is that high-status subfield affiliation results in a compensation premium. Individuals with a career spell in alternative finance have 19.7% higher compensation levels than other top executives in traditional finance. There are competing explanations for this finding. I argue that relational inequalities theory (Tomaskovic-Devey and Avent-Holt 2019) most fruitfully accommodates them. This theory grounds the emergence of resource attribution differences in social relations that develop within firms. A relational approach subsumes various assumptions that feed into perceived or proclaimed status levels of managers. Individuals who switch from alternative to traditional finance might make higher claims on compensation shares because they know about their outside options, have a different sense of "normal" pay, or evaluate their status as generally superior. The compensation committee might accept those compensation claims because they assume that individuals with a career spell in alternative finance have particular skills or useful networks, or they have a more vague appreciation of the superior status of alternative finance through a sense of the "prestige and allure" of the sector as expressed by (Neely 2017). All of those latent assumptions about the value of an executive for a particular firm feed into claims of merit that can lead to recognition.

A first competing explanation—from economists with a focus on market-based theories—would most likely assert that the premium is due to the outside option available to individuals from alternative finance (their reservation price is higher) (Edmans and Gabaix 2016; Neal and Rosen 2000). If the compensation package is not attractive enough, alternative finance professionals could decline the offer and look for a better option. Alternatively, economists might argue that the premium is due to particularly valuable skills individuals acquired during their career spell in alternative finance. In this perspective, the compensation premium of individuals from alternative finance represents a return on their skills (and productivity) (Kaplan and Rauh 2010). In my models, skills, proxied by the educational variable, have no significant positive effect on compensation levels in the financial sector. If the skill definition is reconsidered, however, it is clear that individuals with the same starting education can end up with widely varying skills after a long career; a previous position in alternative finance may indeed be a "signal" of superior skills and lead to higher compensation. Economic sociology suggests that the assessment of actual skills is not that straightforward. In line with the claims-making concept, I assume that skills and competence are linked to status hierarchies. Individuals with a high status are inclined to make claims of merit irrespective of their actual competency: "who is seen as more competent, the bases of competence itself, and the relation between competence and deservingness all intersect with the broader organizational field to make some claims more likely to be made and more likely to be found persuasive" (Tomaskovic-Devey and Avent-Holt 2019).

Second, managerial power theories (Bebchuk *et al.* 2002) might assert that managers are opportunistic and have leeway in the pay-setting process. Executives can influence the outcome of the compensation package to extract rents at the expense of other actors. Prior exposure to very high compensation norms in a managerial power framework shapes the self-worth of executives and increases their negotiation position. Not all individuals can negotiate their incomes. But with increasing hierarchical position the ability to negotiate compensation increases too (Tomaskovic-Devey and Avent-Holt 2019). However, this approach falls short in explaining why the compensation committee would accept the higher claims of executives with a background in alternative finance. Managerial power theories commonly argue that rent extraction by executives is enabled by weak corporate governance structures (Bebchuk and Fried 2004). Taking on a claims-making perspective, I argue that it is more plausible that the compensation committee is not just a weak actor, but instead actively recognizes the status of individuals with an affiliation to alternative finance.

A third competing explanation relates to social capital, or networks as a resource. In this perspective, the compensation premium of individuals with a career spell in alternative finance relates to the network access that sectoral migrants provide. If traditional finance firms want to develop their business into this lucrative business segment, they could be willing to pay a premium for people from whom they get access to relevant networks. Within certain spheres of finance, Godechot (2008) states, clients and contacts are key assets, and profit is made based on information and connections that help make money. Studying the collaborative practices of hedge fund managers, Kellard *et al.* (2017) show that networks are highly valuable also in the most technology based and modernized subfields of finance. In line with a claims-making framework and earlier work by (Podolny 1993), I argue that networks can translate into higher status perceptions. Connections to high-status actors "enhance the prestige" of an individual (Podolny 1993).

By focusing on the interactional aspect of compensation negotiations, the relational inequalities framework reconciles competing explanations. I argue that it is most likely that the compensation premium of sectoral migrants results from status hierarchies rather than from differences in "skills," social capital or in managerial power. Any of those categorical differences feeds into broader status perceptions and evaluations. Explanations that emphasize a relationship between skill aggregation and top incomes in markets that "freely" set compensation levels naturalize rent capture by subgroups within the economic system.

The second finding of this study is that the arrival of individuals from alternative finance affects the compensation levels of peers in the long run within firms in certain country settings. Four years after the arrival of individuals with a career spell in alternative finance, compensation levels of peers within UK firms increase significantly beyond what is expected. In line with theories of compensation norms and diffusion (Boussard *et al.* 2017; Kim *et al.* 2015), I assume that the above-norm income of high-status sectoral migrants leads to a shift in the sense of what is socially approved and accepted, thereby inclining peers to make higher compensation claims in future negotiations. This diffusion of norms is driven by comparisons to sectoral migrants who earn significantly more.

The absence of such a dynamic in the US context suggests that the diffusion of norms within firms is dependent on national specific contingencies of firm culture and compensation setting processes. I will shortly discuss elements which could play a role. First, the national contingency in the diffusion effect could be linked to the steep gradient in US and UK executive incomes. Top managerial incomes in the US are significantly higher than in the UK (Linsi *et*

al. 2021). The diffusion effect in the US could therefore be slower or less pronounced in the US due to a "ceiling effect". In other words, the scope of an upward trend due to diffusion of norms in the US over the observed period would be limited by the high base levels of top incomes of US top executives. Second, the lack of an effect in the US could be linked to differences in the profile of those individuals which return from alternative to traditional finance sectors and their recognition within firms. It is possible that in the UK individuals from alternative finance have a profile which is more respected and taken as a reference by peers within management than in the US. In speculative terms it could be the case that US traditional finance firms see more individuals arrive due to a lack of success in alternative finance. Further research efforts are needed to get a better understanding of those trajectories and the profile of sectoral migrants. A third and most obvious interpretation of the country differences would be that the varying potential of norm diffusion is grounded in differences of disclosure policies. Previous authors showed that the increasing transparency requirements in listed companies which aimed at hampering the rise of executive pay levels had the opposite effect. Underpaid executives recognise their unfavourable position and push for higher remuneration (Harvey, Maclean, and Price 2020; Hayes and Schaefer 2009). However, as the UK and the US are both among countries with the strictest disclosure rules for executive compensation (Baird and Stowasser 2002), this thesis does not seem to explain country differences in norm diffusion. Unless if there are firm internal transparency differences which the literature on public and shareholder disclosure does not (yet) highlight.

Claims-making possibilities, I argue, are not only limited by the overall profit of the firm and the status conceptions of compensation committees and board members. They are also restricted by what relevant peers in a firm see as legitimate. Compensation norms set the span width within which compensation claims can be made: "The ability to make a specific claim is conditioned by how local social relations limit what can be imagined as possible" (Tomaskovic-Devey 2014: 57). The UK results suggest that change in what is seen as legitimate compensation is triggered by the arrival of high-status individuals from lucrative subfields. I assume that their arrival sets a new informal benchmark. Similar to formal benchmarks that have been studied by previous authors (DiPrete *et al.* 2010; De Vaan *et al.* 2019), those informal above-norm references can affect the peer population over time.

Qualitative studies have shown empirically that high income earners compare themselves with each other (Hecht 2017). Kim, Kogut *et al.* (2015) highlight that executive compensation is influenced by social comparisons: "We contend that board directors and executives look

around in their networks to determine what others view as acceptable compensation" (p. 304). The mechanism of upward ratcheting in incomes that is at play, I assume, is one of norm diffusion through social comparisons. This is reconcilable with the lag in compensation increases of four years that I find in the analyses. For norms to diffuse and to translate into higher claims in future pay negotiations, it takes time. Individuals have to talk together, or about each other, find strategies to convince the board of their value, and finally, make claims that may be accepted by the compensation.

9.8 Conclusion

In this article I argue that small but lucrative subgroups can lead to a diffusion of high compensation norms to a larger field. I show that the combination of compensation premiums for high-status subfield affiliation, professional mobility and social comparison dynamics within the executive strata can lead to an upward ratcheting of top incomes within firms. The study sheds light on the heterogeneity within the financial sector, which has seen an inflow of around US$6 trillion from the US economy starting in the 1980s (Tomaskovic-Devey and Lin 2011). Within finance, alternative venture capital, hedge and private equity funds are part of the high-status subfield that permits a small cohort of employees to capture large amounts of rent. With a pay model aiming to minimize risks and maximize returns, as well as a lack of regulatory oversight due to their secretive nature, the legacy of alternative finance, as stated by Froud *et al.* (2007), "is likely to be a cultural shift which normalises value capture insofar as it helps to institutionalise and normalise value extraction for the few as a practice and motivation for investors and managers within and beyond the Anglo-Saxon economies" (p. 407). This study supports the claim, by adding nuance to the country specificities in the upward ratcheting.

The article expands research on relational theories (Godechot 2008; Tomaskovic-Devey and Avent-Holt 2019) of income inequality and top executive growth. With an empirical contribution on compensation premiums for individuals with a background in a high-status niche, I show that next to characteristcs such as gender, race or occupational function, status struggles within fields play a role in top income dynamics. Combining relational theory with theories of compensation norms, the article further contributes to theorizing the dynamic aspect of relational inequality. I argue that change over time occurs when social norms diffuse across subfields and within organizations. When the span width of legitimate pay for top managers shifts upward and instances of claims-making on appropriate shares of incomes are enabled, this leads to an increased resource appropriation at the top.

This paper's findings have profound implications. They suggest that if we want to understand compensation trends at the very top, we must pay close attention to high-status subfields such as alternative finance, and associated activities, structured in similarly opaque organizational forms. While there is an extensive literature on CEOs of publicly quoted corporations (DiPrete *et al.* 2010; Godechot *et al.* 2019; Kim *et al.* 2015; Mishel and Wolfe 2019), recent studies note that most of the increase in top incomes has occurred within business structures that do not correspond to listed firm norms (Cooper *et al.* 2016; Soener and Nau 2019). My study reinforces a key policy insight: when research focuses solely on the public sphere—where data are easy to obtain—weakly regulated rent-capturing sub-sectors, and their influence on a broader class of managerial elites, slip under the radar. To balance excesses in rent capture in alternative finance, policy-makers should strengthen transparency requirements and should investigate the tax rules of carried interests. A tightening may lead to a dramatic increase in taxes paid by alternative investment funds (Kaal and Oesterle 2016).

Future studies focusing on the heterogeneity within finance and its implication for top income inequality could explore in more detail which institutional and political contingencies led to the enhanced profitability of alternative finance in the first place; analyse the dynamics in compensation *composition* next to compensation *levels* (Gregg, Jewell, and Tonks 2012; Linsi *et al.* 2021); and examine the influence of the power shifts introduced by market gains by mutual funds and passive investors over recent years (Braun 2021; Fichtner *et al.* 2017).

Rising inequality, and thus the change of the distributional order, is often approached as a system level phenomenon—also in a relational inequalities framework. The research findings of this study shift attention to compensation games *within* the financial field and on the impact these have on upward dynamics of top executive compensation within firms. Not all individuals can negotiate their incomes. But high-status individuals can push the boundaries of acceptable claims on how their efforts should be compensated, which can have a ratcheting effect, more broadly, for the reproduction of socio-economic inequalities.

9.9 Appendix

	Firm Name	BoardEx classification	NAICS 2017, primary code	NACE Rev. 2, core code
1	JPmorgan Chase & Co	Banks	Offices of Bank Holding Companies	Activities of holding companies
2	Hsbc Holdings Plc	Banks	Offices of Bank Holding Companies	Activities of holding companies
3	Bank Of America Corp	Banks	Offices of Bank Holding Companies	Activities of holding companies
4	Citigroup Inc	Banks	Offices of Bank Holding Companies	Activities of holding companies
5	Wells Fargo & Co	Banks	Offices of Bank Holding Companies	Activities of holding companies
6	Barclays Plc	Banks	Offices of Bank Holding Companies	Activities of holding companies
7	Lloyds Banking Group Plc	Banks	Offices of Bank Holding Companies	Activities of holding companies
8	Royal Bank Of Scotland Group Plc	Banks	Offices of Bank Holding Companies	Activities of holding companies
9	Standard Chartered Plc	Banks	Offices of Bank Holding Companies	Activities of holding companies
10	Us Bancorp	Banks	Offices of Bank Holding Companies	Activities of holding companies
1	Berkshire Hathaway Inc	Insurance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
2	Metlife Inc	Insurance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
3	American International Group	Insurance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
4	Lincoln National Corp	Insurance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
5	Principal Financial Group Inc	Insurance	Offices of Bank Holding Companies	Activities of holding companies
6	Unitedhealth Group Inc	Insurance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
7	Aflac Inc	Insurance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
8	Allstate Corp	Insurance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
9	Loews Corp	Insurance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
10	Anthem Inc	Insurance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
1	Atlantica Yield Plc	Investment Companies	Solar Electric Power Generation	Production of electricity
2	F&C Investment Trust Plc	Investment Companies	Trust, Fiduciary, and Custody Activities	Trusts, funds and similar financial entities
3	Rit Capital Partners Plc	Investment Companies	Trust, Fiduciary, and Custody Activities	Trusts, funds and similar financial entities
4	Alliance Trust Plc	Investment Companies	Trust, Fiduciary, and Custody Activities	Trusts, funds and similar financial entities
5	Caledonia Investments Plc	Investment Companies	Trusts, Estates, and Agency Accounts	Trusts, funds and similar financial entities
6	Witan Investment Trust Plc	Investment Companies	Trust, Fiduciary, and Custody Activities	Trusts, funds and similar financial entities
7	Jupiter European Opportunities Trus	Investment Companies	Trusts, Estates, and Agency Accounts	Trusts, funds and similar financial entities
8	Personal Assets Trust Plc	Investment Companies	Trusts, Estates, and Agency Accounts	Trusts, funds and similar financial entities
9	Non-Standard Finance Plc	Investment Companies	Credit Card Issuing	Financial leasing
10	Tiso Blackstar Group Se	Investment Companies	Software and Other Prerecorded Reproduc	Other software publishing
1	London Stock Exchange Group Plc	Speciality & Other Finance	Investment Banking and Securities Dealing	Security and commodity contracts brokerage
2	Goldman Sachs Group Inc	Speciality & Other Finance	Offices of Bank Holding Companies	Activities of holding companies
3	Morgan Stanley	Speciality & Other Finance	Offices of Bank Holding Companies	Activities of holding companies
4	Capital One Financial Corp	Speciality & Other Finance	Offices of Bank Holding Companies	Activities of holding companies
5	Charles Schwab Corp	Speciality & Other Finance	Offices of Bank Holding Companies	Activities of holding companies
6	Phoenix Group Holdings	Speciality & Other Finance	Direct Life Insurance Carriers	Insurance, reinsurance and pension funding
7	American Express Co	Speciality & Other Finance	Offices of Bank Holding Companies	Activities of holding companies
8	Blackrock Inc	Speciality & Other Finance	Sales Financing	Other credit granting
9	Ameriprise Financial Inc	Speciality & Other Finance	Offices of Bank Holding Companies	Activities of holding companies
10	Synchrony Financial	Speciality & Other Finance	Offices of Bank Holding Companies	Activities of holding companies

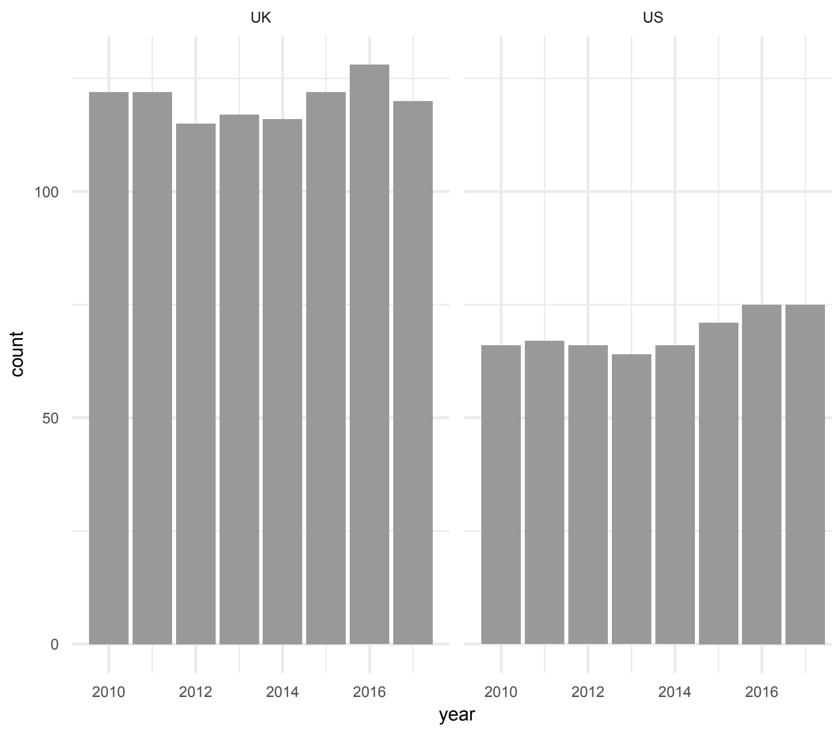
Appendix A Overview on sectoral classification of firms. This study makes use of the BoardEx classification scheme. NAICS 2017 and NACE Rev. 2 are other classification schemes commonly seen in social science research.

	descriptive	n	mean	median	min	max
compensation level in '000 $US		2079.00	3600.40	1282	3.00	117498
alt. finance career	no	2053.00			0	1
	yes	215.00				
country	US	711.00			0	1
	UK	1557.00				
year compensation		2268.00	2011.64	2012	1999	2018
log(assets under management)		2059.00	14.19	14.37	0.24	21.69
sector	banks	377.00			0	1
	insurance	485.00				
	investment companies	118.00				
	speciality & other finance	1288.00				
education	<=bachelor	528.00			0	1
	master	1116.00				
	PhD	53.00				
CEO	no	1779.00			0	1
	yes	489.00				
tenure	< 1 year	453.00			0	1
	1-2 years	716.00				
	> 2 years	1099.00				
gender	women	190.00			0	1
	men	2077.00				
age		2246.00	59.19	59	30	94

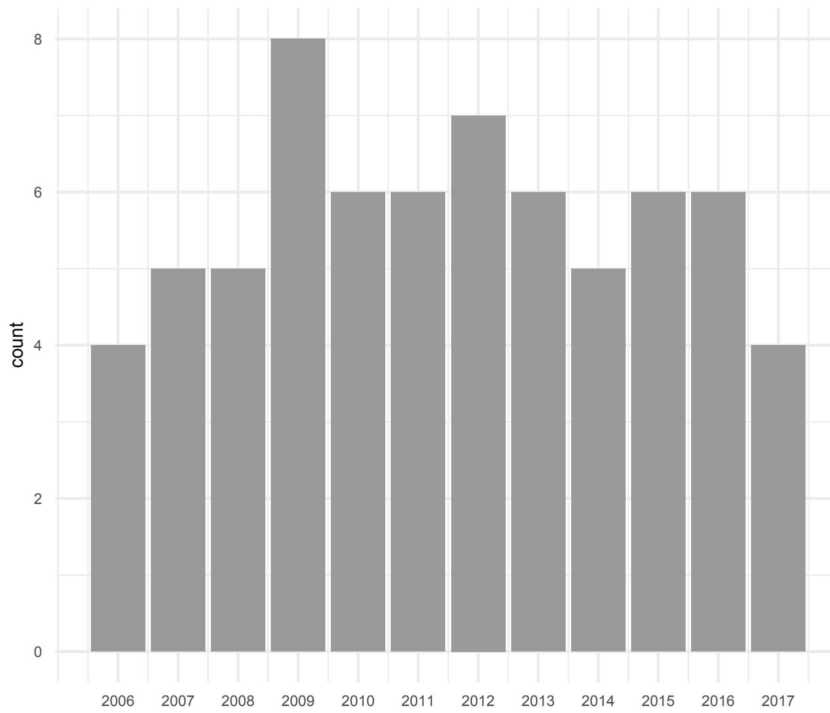
Appendix B Descriptives of pillar 1 sample

	n	mean	median	min	max
compensation level in '000 $US	1512	3814.05	1907.5	50	54450
alt. finance arrival	1512	0.29	0	0	1
country	1512	0.36	0	0	1
year compensation	1512	2013.55	2014	2010	2017
log(assets under management)	1417	14.70	14.90	1.34	21.69
sector	1512	2.99	4	1	4
banks	251				
insurance	321				
investment companies	138				
other finance	802				
multiple arrivals	1512	0.06	0	0	1
CEO in year/firm	1512	0.73	1	0	1
event 1 year lag	1512	0.03	0	0	1
event 2 year lag	1512	0.03	0	0	1
event 3 year lag	1512	0.03	0	0	1
event 4 year lag	1512	0.02	0	0	1
event 5 year lag	1512	0.02	0	0	1
event 6 year lag	1512	0.02	0	0	1
event 7+ year lag	1512	0.02	0	0	1

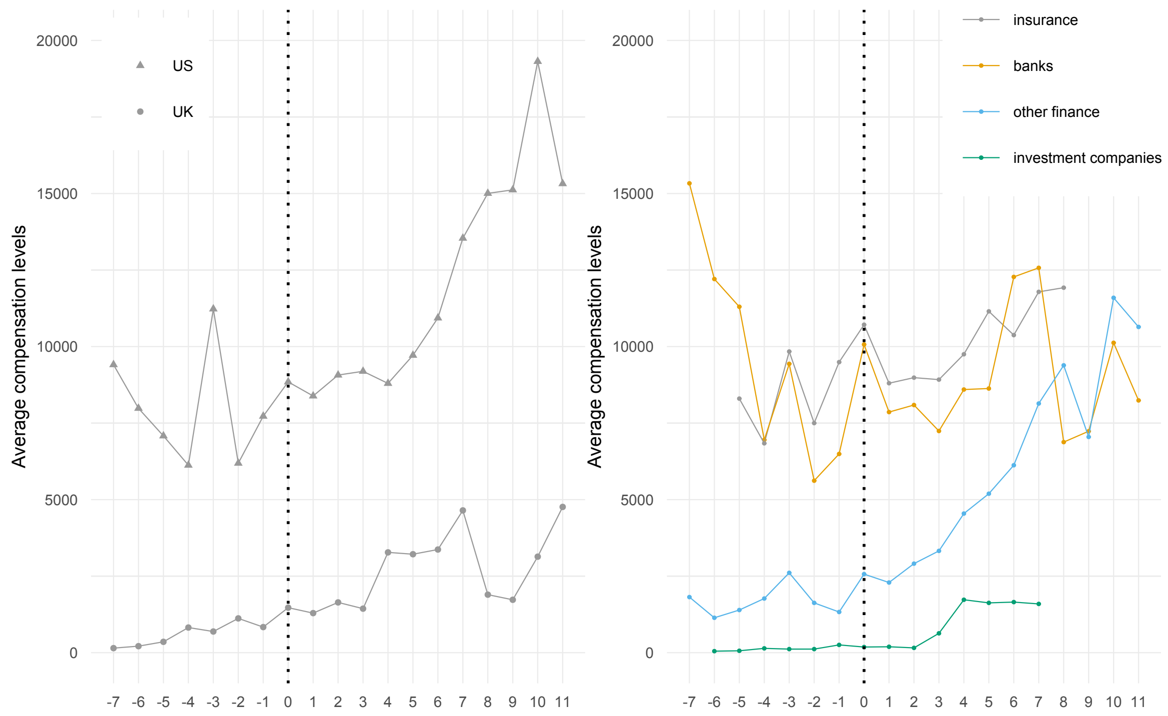
Appendix C Descriptives of pillar 2 sample



Appendix D Sample overview of panel data pillar 2. The figure shows the number of companies per year for the UK and the US.



Appendix E Arrival year frequencies. The figure provides an overview on the timing heterogeneity of the staggered event nature of the panel data. The bars indicate how many companies see an arrival (“event”) in each year from 2006 to 2017.



Appendix F.1 and F.2: Mean compensation level after event by country and sector. Figure F.1 shows the mean compensation levels before and after the event for the US and the UK. Figure F.2 shows the mean compensation levels before and after the event for the subsectors within finance.

	TWFE UK			TWFE US		
	no insurance			no insurance		
	Est.		SE	Est.		SE
1	0.10		0.13	-0.41	*	0.17
2	0.28	*	0.14	-0.19		0.17
3	0.20		0.15	-0.24		0.18
4	0.46	*	0.18	-0.26		0.18
5	0.35	.	0.2	-0.20		0.18
6	0.44	.	0.23	-0.18		0.19
7+	0.58	**	0.2	-0.07		0.19
CEO in year	-0.18	.	0.09	0.17		0.16
N	809			327		
R-Squared:	0.023			0.023		

M1-M3: Signif. codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1
M4: Signif. codes: `*' confidence band does not cover 0

Appendix G TWFE US and UK without insurance. The coefficients show the event effect on compensation levels. The outcome variable is log(compensation level).

	Model 1					Model 2			
	FE multi UK		FE multi US			FE multi UK		FE multi US	
	Est.	*SE*	*Est.*	*SE*		*Est.*	*SE*	*Est.*	*SE*
# arrivals	0.1653 ***	0.05	0.2501 ***	0.04	1	-0.0199	0.17	0.2279	0.17
					1 multiple arrivals	0.5875	0.48	0.7464	0.66
					2	0.2386	0.18	0.3593 *	0.17
					2 multiple arrivals	-0.7516 .	0.42	0.6899	0.47
					3	0.3247 .	0.18	0.3344 *	0.17
					3 multiple arrivals	-0.3427	0.32	0.4617	0.4
					4	0.6371 **	0.22	0.3458 *	0.16
					4 multiple arrivals	0.3586	0.42	0.1212	0.34
					5	0.4826 *	0.22	0.4085 *	0.17
					5 multiple arrivals	0.3619	0.49	0.3726	0.34
					5+	0.5874 ***	0.15	0.4836 ***	0.11
CEO in year	0.2541 ***	0.06	0.4341 ***	0.12	CEO in year	0.2622 ***	0.06	0.4606 ***	0.13
insurance	0.6089 ***	0.13	0.2419 ***	0.07	insurance	0.6613 ***	0.13	0.2251 **	0.07
investment companies	-0.2885 *	0.13			investment companies	-0.2575 *	0.13		
speciality finance	0.3285 **	0.11	0.5543 ***	0.07	speciality finance	0.3423 **	0.11	0.5401 ***	0.08
log(AuM)	0.3097 ***	0.01	0.233 ***	0.02	log(AuM)	0.3075 ***	0.01	0.2313 ***	0.02
N:	933		484		N:	933		484	
R-Squared:	0.636		0.383		R-Squared:	0.647		0.389	

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Appendix H Multiple arrivals and income diffusion effect for the UK and the US. The outcome variable is log(compensation level). Model 1 shows the effect of multiple arrivals on the outcome as a pooled effect with year fixed effects. For each firm/year observation, this variable indicates whether there are 0, 1, 2 etc arrivals to the firm. #arrivals is 0 when there is no arrival in a firm/year. One year after the arrival of the first individual the variable switches to 1. One year after the arrival of the second sectoral migrant, the variable switches to 2. Model 2 shows the same model with lags in a year fixed effects setting. The “multiple arrivals” variable is a dummy for multiple arrivals (yes=1, no=0) at each lag year.

10 Conclusion

The past decades have been marked by an expansion of financial activities that lifted financial actors to the core of the economy. During the 1970s in the US, political shifts, deregulatory decisions, and profitability issues in major industries opened a window of opportunity for financial actors. Profits in the financial sector increased, shareholder-value orientation gained prominence in the economy, and credits and mortgages reshaped the relation between citizens and debt. This phenomenon, dubbed first-wave financialization, spread from the US to other countries such as the UK. From the 2000s onwards, a second wave of financialization led to the expansion of new business models and to the rise of alternative finance, which had built a lucrative niche in the shadow of regulation.

This dissertation brought scholarly attention to key actors in financialized capitalism: the top decision-makers in investment banks, mutual funds, hedge funds and private equity firms. While previous studies have developed a solid understanding of political and macro-economic contingencies that marked the financial industry and its prosperity, this work aimed at illuminating the actors who lead financial firms and profited from the rise of finance. I focused on two outsider groups: women entering finance as low-status outsiders, and alternative finance actors shifting income norms as high-status outsiders.

In the first part of the dissertation, I raised questions about the role of female leaders in finance, a male-dominated industry. Since the 1970s the share of women in leadership positions has gone up. In 2020 women like Fahmi Quadir, a female hedge fund manager who was one of the first to short Wirecard, made the headlines. Nevertheless, financial organizations are inherently gendered and women face manifold barriers when attempting to climb the hierarchical echelons. Widely shared status beliefs in male-dominated environments confront women with lower-status group issues. In this research I examined the resources at hand for women to get ahead in the US financial field.

In the second part of the dissertation, I examined the role of alternative finance actors in shaping income norms. Financial professionals are overrepresented in the top 1% of the income distribution and pay in the finance industry has contributed considerably to rising income inequalities. Private equity, hedge and venture fund managers, referred to as alternative finance

actors, were able to build lucrative niches and expanded from the 2000s onwards. During the pandemic, the founder of private equity firm Blackstone, for example, made over half a billion US$. In this research, I looked at how the expansion of highly lucrative niche actors in organizations affected income norms in finance at large.

While most elite scholarship has focused on the reproduction and consolidation of social hierarchies, this research project explored how outsider groups enter and change established elites. Drawing on status characteristics theory and relational inequalities theory, the project argues that not all outsider groups are the same: status hierarchies matter.

10.1 Women as low-status outsiders

The period of financialization parallels a period of relative opening of the industry. Women, racial minorities, and religious outsiders started to enter top positions in the field (Zweigenhaft and Domhoff 2018). The promise of large, bureaucratic firms was one of meritocratization generated through impersonal rule (Foureault *et al.* 2021). Although diversity did increase, financial organizations remained gendered at all levels. Women and other outsiders face many issues in making their way to the top (Blair-Loy 2001a, 2001b; Boussard 2016; Neely 2022; Turco 2010). The first focus of this dissertation was to study low-status outsiders in the financial field. The overarching theoretical question was how the resources of women who reached the top compare to those of incumbent male leaders. I developed two empirical contributions to studying the resources of women on the way to the financial elite, asking: Do women outperform the male incumbents in terms of educational credentials? Or did they draw on access to formal networks?

In chapter 6, I empirically investigated the first scenario; namely, whether women, as low-status outsiders, outperform male incumbents in terms of educational credentials. Access to top positions is shaped by common beliefs about status characteristics and studies show that women often face negative performance expectations. I asked whether, as a response to this, women who reached top positions outperform men in terms of educational status signals. With a focus on three types of educational credentials, that is, having a PhD, an MBA, or having attended an elite university, I studied the composition of leaders in top executive and board positions on a general sample of leaders in medium-to-large US financial companies across three cohorts and on a 2005 and a 2018 elite sample of top leaders in the most important firms. While women do not appear to outperform men in terms of educational credentials at middle

and senior managerial levels, the findings suggest that more female board members tend to have PhD degrees than their male counterparts. Additionally, the study indicates that women in top executive and board director positions hold elite educational backgrounds similar to men across most cohorts and outperform them in the most recent cohort.

In chapter 7, I studied a second scenario; namely, whether women who reached the top had more access to formal elite networks than their male peers. While for men, old boys' networks and other informal sociability practices such as sports are important in careers, previous research has shown that women struggle to get access to those types of networks. This chapter investigated the gendered access to formal elite networks in the spheres of education, leadership programs, industry or lobbying organizations, and cultural and philanthropy networks. With a network analytical approach, I empirically identified elite networks as those network activities that connect financial elite members with each other. Prominent examples of network activities with a high relevance for elite connectivity in finance are the Council on Foreign Relations, the Kennedy Center or the American Academy of Arts and Sciences. I then studied the gendered access to those elite networks through regression models and showed women do not have higher volumes of formal elite ties than men. But women tend to become more similar to men in terms of elite network access the higher we move up in the hierarchy.

Limitations and Contributions

Overall, the two chapters contributed to an understanding of the interplay between gender, educational status signals, networks and access to positions of power through the example of women in US finance. But the research also faces limitations. A first limitation concerns the lack of information on characteristics that are described in previous literature as important in female career outlets. Notably, information on parental status, performance and experience in the field are variables that have been used by scholarship using survey data to which BoardEx does not provide access. However, I would like to reiterate that the study of educational credentials—and in particular the focus on three different types of status signals as well as the study of access to formal elite networks—provides evidence on aspects that are complementary to scholarship on previously studied traits, such as GPA levels or marital status and informal networks.

Another caveat is typical in research on elites and relates to the sample setting. Traditionally trained quantitative scholars take issue with the population data sample and call into question the so-called "selection on the dependent variable issue." The advantage of elite samples is that

they cover the population of those who reached the top in a particular segment. Elites are difficult to study in standard survey settings as they are often underrepresented. The downside is that elite samples for quasi causal questions is that they do not cover all those individuals who dropped out on the way. In this dissertation, I adopted a descriptive approach in the chapter on educational credentials; and a differential analyses approach that has been used by previous researchers in the glass ceiling literature on the network chapter. In future research, however, it would be of interest to study the return on education on multiple generations of middle- and senior managers to estimate the promotion effect of educational backgrounds in a longitudinal regression framework. For the study on network affiliations this is unfortunately not possible, as the information on network affiliation is not time ordered.

Finally, the results raise theoretical questions that the empirical approach cannot address. An important limitation of the research pertains to a lack of intersectionality considerations. Gender is only one of multiple ascribed and socio-demographic characteristics that feed outsider status (Ridgeway 2011). There is a growing literature that discusses how gender intersects with other status characteristics linked to race, class or sexuality. Scholars have shown how race and gender intersect in career strategies of racial minority women and men in finance (Ho 2009) or how women and racial minorities face disadvantages in terms of wealth accumulation possibilities (Lin and Neely 2020; Palladino 2022). Studying multiple elite professions in the economy, Friedman and Laurison (2020) showed how gender and class play out in careers to the top. While the status of religious outsider groups has been vividly explored by earlier scholars (Domhoff 1970), recent scholarship shows how gender interacts with sexual identity (Mittleman 2022). It is plausible to think that the access to an elite for lower-status outsider groups and groups that face double jeopardy due to combinations of outsider traits, must prove their ability "through a complex combination of conformity, assimilation, and exceptional performance" (Glass and Cook 2020). In this research, I chose to focus on the gender dimension due to data limitations in the large-scale sample. I argue that this focus on gender is relevant, however, we should not forget that it is one status dimension among others that shape the reality of women and men in finance. It leaves questions for future studies that could explore the nature of access to the top and the resources valued by low-status outsiders as defined not only by gender, but also by other minority status characteristics.

Notwithstanding these limitations, my research on women in the financial elite contributes to the literature in multiple ways. First, speaking to classic questions of career inequalities, the two studies are complementary in that they combine a focus on skills, with one on network

resources. For the question on educational backgrounds, I proposed a set of measures of educational status signals which are, I argue, particularly relevant for selection into executive and board positions. Previous scholars who worked on education and (gendered) careers used indicators such as grades or the duration of studies. I added to the literature on the gendered twist of educational achievements by studying educational status signals that are recognized in elite scholarship: PhD degrees as an indicator of cognitive skills, MBAs as a signal of managerial competence, and university prestige as an indication of affiliation to elite circles. While the focus on educational status signals stands in a tradition of research that tries to explain success in the workplace through skills, achievement, and competences, my second study shifted attention to the non-meritocratic option of a walk through the organization. Scholars have shown that trust-based mechanisms of recruitment are highly important in certain segments of finance. Trust, in turn, is fostered through mutual resemblance or mutual acquaintances. Studies have well established that women struggle to enter informal networks that represent important career resources to male peers. I contributed to the literature by exploring the access of women to formal networks, to board seats and trustee positions in activist and sociability platforms, which have not been examined in light of gender questions so far.

Second, and seen more broadly, the two first studies developed in this dissertation shed light on women in the elite. There has been an expansion of interest in the powerful and privileged since calls to "remember elites" (Savage and Williams 2008) and "rethinking elite research" (Froud *et al.* 2006) from over a decade ago; however, it is only recently that scholars have started to systematically investigate the specific place and role of female members of society in spheres of power (Glucksberg 2018; Heemskerk and Fennema 2014; Keister *et al.* 2022; Qian and Yavorsky 2021; Stojmenovska *et al.* 2021; Yavorsky *et al.* 2019). In this dissertation, I followed the idea that we cannot pretend that the elite is gender blind. Financial actors take an important role in the economy and profit from the high profits in the industry. Because finance rose to an important industry with top positions conferring a say over important aspects within the economy and society, the premise of this work was that as sociologists we should understand who reaches the decision-making sphere. As such, this dissertation contributed to building knowledge of women as outsider groups and their access to positions of power.

From conditions to consequences

For the two studies on women in the financial elite, the question was one of elite composition and characteristics that hint at conditions in access to the established elite. I examined whether

those women who reached top positions outperform male incumbents in terms of educational status signals, or whether a gender pattern in formal network affiliations could indicate a compensation mechanism in response to a lack of access to informal male networks based on homophily. Although not examined empirically, the underlaying idea of those two studies based on descriptive and comparative approaches, was that both educational credentials and networks might represent resources that allow women, as low-status outsiders, to make it to the top against the odds.

The question of conditions in access to power and consequences thereof, are intrinsically linked. What does it mean, substantially, if women enter the managerial strata? And how do the conditions that outsiders face for elite access impact their potential influence in these spheres? While contemporary elite scholars rarely discuss the question explicitly (the review article *Gender in the Elite* by Keister *et al.* (2022), for example, does not directly speak to those questions), critical voices have suggested that the integration of women in the elite is a strategy of incumbents to maintain the status quo (Prügl 2012). François and Lemercier's work (2016), advances the paradoxical idea that change is needed for everything to stay the same. Studying the diffusion of shareholder value orientation in the French economy, François and Lemercier (2016) found that business practices change, but the people who adopt them remain the same. A stable elite adjusts its business strategies and values to remain in power and reproduce: strategies change, for people to remain in place. What I might be observing by studying the entry of women in the financial elite is the exact opposite logic: people change for everything to remain the same. Women, following this view, would be co-opted by the male elite to keep up with the same business and profit models. The inconsistent finding that women who made it into managerial positions do only in outperform male peers in terms of educational credentials in certain cohorts and at particular levels of the hierarchy and the finding that women resemble men in terms of formal network access, can be interpreted as a sign of similarity. Women, in this interpretation, need to resemble those men in power on relevant characteristics (other than gender) in order to get a place at the table.

Prügl (2012) developed the idea of co-optation in the theory of "transnational business feminism." She argued that financial firms started to integrate women in their management strata after the financial crisis to deviate attention from profound issues of capitalist production. Prügl thereby criticizes narratives that associate failures in the financial system with issues in masculine risk behavior, by suggesting that such discourses only provide "a correcting mechanism in the form of prudent woman and re-assembles a bourgeois worldview of social

and economic harmony by advocating more gender diversity in finance" (2012: 21). It is not unreasonable to think that some corporations integrate women in their boards for the purpose of "image-polishing"; diversity speech can be a means to improve the image of a company, to present the firm as progressive and inclusive. But there are also reasons to question Prügl's (2012) critique. The fact that in many countries the entrance of women to corporate boards was enabled through quota systems that were opposed by the business milieu is one of them. The case of the state of California is illustrative. While there is no quota system for women on boards in the US at the national level, California introduced a law that foresaw a minimum number of women on corporate boards. This law was ruled unconstitutional by a conservative (female) judge, an act that was seen as a "stinging defeat" of the "radical Left's unprecedented attacks on anti-discrimination law" in business-friendly circles (Godoy 2022).

I argue that the "co-optation" interpretation of female entry into corporate boards calls for more explicit scholarly attention. This involves two aspects: a better understanding of the organizational reasons and role of incumbents to include women in top positions, as well as more research on the differences in how women enact positions of power. Some efforts have already been made by scholars studying the question of "tokenism." Tokenism theory suggests that some firms only add women for representative purposes, that women are placed in corporate boards as "tokens," without getting real influence (Guldiken *et al.* 2019). Benton (2021) studied the influence of women in corporate boards and shows that female directors do indeed have less power than male peers. The results of Young *et al.* (2021), in a study on gender, elites and networks, point in the same direction. Female board members do have less access to powerful networks than men. However, less power can still be considerable power. It leaves the question of "What does it mean if women enter corporate boards?" unanswered. Minding the "essentialization trap," scholars have been prudent to investigate whether women enact their power differently than men once they reach the top. There are exceptions. Two papers published in the *American Sociological Review*, for example, suggest that women do enact their power differently. Cohen and Huffman (2007) showed that when women reach high-status positions in corporations, the gender wage inequality declined within organizations. Steffensmeier, Schwartz, and Roche (2013) analyzed cases of corporate fraud and showed that women were less likely to be part of corporate crime groups. If they were, they made less profit from the crimes than male colleagues. Considering these contrasting outlines of empirical examples and theoretical reasonings, I argue that the reasons for female entry into corporate

positions of power and gender difference in the enactment of power need more explicit research attention in the future.

10.2 Alternative finance actors as high-status outsiders

In the second focus of this dissertation, I investigated how alternative finance professionals as high-status outsiders redefine the income norms in the financial sector. Alternative finance actors developed a lucrative niche within the financial field by adopting organizational forms that shelter regulatory pressures and by adopting different types of compensation structure. I argued that these small subgroups of outsiders lead to an upward ratcheting of compensation levels in the broader financial field through the diffusion of norms. Combining relational theories of inequalities and theories of social norms, I showed how subfield status hierarchies play out at the firm level. I studied what happens when alternative finance professionals "migrate" to traditional finance and thus examined the impact of excess compensation in alternative finance on traditional finance. Based on multilevel regression on 2,159 US and UK executives and longitudinal analyses on 261 firms from 2010 to 2017, I showed first that managers with an alternative finance background receive a pay premium in traditional finance (19.7%). Second, within the UK, compensation levels in organizations that witnessed the arrival of alternative finance professionals rise above the expected increase. The findings suggest that understanding income dynamics requires detailed scrutiny of high-status subgroups, especially if activities are structured as opaque and lightly regulated organizational forms.

Limitations and Contributions

These findings provide new insights into elite dynamics and upward trends of top incomes, but they come with several limitations. At the level of the data and broadness of information, the major issue is a lack of information about the duration of the career spell in alternative finance. The approach of working on careers to examine the influence of the opaque segment of alternative finance is innovative, but it would be highly interesting to analyze the structure of cross-segment careers and the motivation behind them more closely in future research. It is plausible to assume that the reason for people to switch from a high-pay environment to traditional finance shapes their status and claims-making abilities in the new environment.

At the analytical level, a caveat is the occurrence of multiple arrivals, which should strengthen the diffusion effect. The TWFE models used in this research do not allow for weighting in the

number of arrivals at a given time. Additionally, the number of multiple arrivals was too low to run fixed effects models and add a dummy for multiple arrivals at each lag year. Thirteen out of 68 firms with arrivals are firms that face more than one event that figures within the observed period in the respective firm; 8 in the UK sample and 5 in the US sample. To account for multiple arrivals, I thus added a metric variable for the arrival of individuals from alternative finance in a year fixed effect setting, but the results do not give an estimation of the effect of multiple arrivals versus single arrivals.

Finally, at the level of results, it remains vague how exactly the diffusion happens within the firms. In this research, I could not investigate the mechanisms empirically. Based on the findings of previous qualitative studies (Hecht 2021) and the framework developed by Kim, Kogut, and Yang (2015), I assumed that the diffusion of norms in the top executive strata within firms happens through social comparison between peers. It would be of great interest to further explore the concrete mechanisms of norm diffusion within firms empirically. Qualitative research could be complementary in understanding how comparison dynamics between elites and additional mechanisms push incomes up within organizations. Additionally, it would be of interest to expand the analyses to other national contexts. The diverging results for the US and the UK context suggest that there is national variation, and that either state-level policies on incomes; firm cultures and network structures, or divergences in corporate governance impact the possibility for high-income norm diffusion. A replication of the analyses in the European context could provide further insights in the interplay between national level structures and firm level diffusion processes.

Despite remaining limitations, this research on alternative finance professionals as high-status outsiders provided new evidence on a type of actor that is largely hidden from public scrutiny due to lacking transparency requirements and weak regulation. Hedge fund, venture and private equity funds represent an opaque and understudied segment within finance (Appelbaum and Batt 2014; Fichtner 2020; Neely 2018). I used information on careers as a "backdoor" to study the influence of these niche actors on issues of increasing income inequality. Alternative finance actors are of interest for research on income inequality because in these financial subsegments compensation levels are particularly high (Kaplan and Rauh 2010; Philippon and Reshef 2012), they have similar pay models (Cumming *et al.* 2013; Froud and Williams 2007; Stulz 2007), and most funds are organized as LPs and LLCs (Soener and Nau 2019). Both the pay models and the organizational structure are related to the fact that extremely high pay is possible and common in alternative finance. In addition to those pay related status

characteristics, alternative finance managers have a higher proportion of other elite traits that add to the high-status allure of the subfield. While there is an extensive literature on CEOs of publicly quoted corporations (DiPrete *et al.* 2010; Godechot *et al.* 2019; Kim *et al.* 2015; Mishel and Wolfe 2019), recent studies note that most of the increase in top incomes has occurred within business structures that do not correspond to listed firm norms (Cooper *et al.* 2016; Soener and Nau 2019). My investigation on career data helped to build an understanding of the role of a subgroup that has so far received little attention, showing that migrants from alternative finance shape the income norms in traditional finance through the diffusion of norms.

On a theoretical level, I developed a contribution to confront the still dominant market-based approaches advanced in the economic literature. I cross-fertilized the literature on relational inequalities theories (Godechot 2008; Tomaskovic-Devey and Avent-Holt 2019) with a theoretical framework of elite dynamics and a systematized concept of norm diffusion. The idea of norm diffusion is not entirely new. Previous studies have framed analyses on compensation trends in a social norms approach (Kim *et al.* 2015; Rost and Weibel 2013; Western and Rosenfeld 2011). Nevertheless, I argue, my research contributes significantly by systematizing the existent literature and by developing an approach to studying the diffusion empirically. Additionally, I argue that so far relational inequalities theory has made major contributions in explaining income gaps between different groups, but it was less fruitful in explaining change over time. With an empirical contribution on compensation premiums for individuals with a background in a high-status niche, I showed that status struggles within fields play a role in top income dynamics. By theorizing compensation norms, the research contributed to the development of the dynamic aspect of relational inequality. I argued that change over time occurs when social norms diffuse across subfields and within organizations. When the span width of legitimate pay for top managers shifts upward and instances of claims-making on appropriate shares of incomes are enabled, this leads to an increased resource appropriation at the top.

Diffusion of income norms

The study of alternative finance actors as outsiders in finance showed that high-status actors can change important rules in a field. I showed that concerns about the effect of elite reconfigurations were strongly present in the theoretical scholarship of the pluralists, and even earlier in the work of classical elite scholars. However, in contemporary elite scholarship, the consequences of changes in the elite or, more precisely, of the arrival of outsider groups in the

incumbent elite, are rarely studied empirically (for exceptions see Benton and Cobb 2019; Benton *et al.* 2021; François and Lemercier 2016).

With the aim of contributing to the question of the consequences of elite renewal, I studied the influence of elite outsiders on income norms. The starting point of the work was an irritation with dominant economic explanations on income dynamics and the urge to better understand the role of financial actors in income concentration at the top. Elite scholars argued that as a response to the changes in the reward systems that favored financial elites, more scholarly attention should be drawn to them (Davis and Williams 2017; Savage and Williams 2008). The relational inequalities framework shifted focus on the within-firm processes, showing how negotiation and claims-making processes take place in organizations. Based on the combination of those theoretical influences, I developed an empirical study of the consequences of changes in elites on income norms.

In doing so, the study addressed the dimension of consequences in elite reconfigurations. The idea is that who is in power matters for how activities are organized, to whom access to leadership is granted, and how gains are distributed. This line of argumentation positions itself against the stance that it is all about organizations. Zeitlin (1974) argued that the relevant unit of analysis should not be reduced to the organization but should rather include the "structure of the class" that controls them. In the 1990s through 2000s several authors investigated the impact of elites on business outcomes. Palmer and Barber (2001), for example, studied the acquisition waves in the US context. They argued against the contemporary mainstream of organization studies, which would see managers as instrumentalized by organizations, stating that we should also consider the interests of managers. They show that both social status and affiliation to social clubs influences the inclination of managers to pursue acquisitions. To them, their results are supportive of the view "according to which top managers are actors, corporations are instruments, and top managers use these instruments to pursue their interests in proportion to their capacities" (p.110).

These earlier research efforts underline that income inequalities are only one among many other aspects that could be affected by elite dynamics in a field like finance. Various questions about the consequences of elite dynamics could be asked by future research. How does radical versus slow change in the business elite play out for major governance and distributional questions in the economy? How do the increasing diversity and ongoing transnationalization of elites affect time-horizons, temporary employment, minority supportive policies, resource exploitation or durability issues? My work on the cross-field struggles between established financial elites and

niche actors and the impact on income norms is a contribution to the literature to research efforts on elite renewal and its consequences.

To sum up, this dissertation illuminated the potential for change within elites by shedding light on low- and high-status outsiders in finance. I showed how of outsider groups compare to incumbent groups and how, through cross-sectoral mobility, alternative finance actors feed income increases in the financial field. By looking at the entry of outsider elites in light of access to power and distributional issues, this dissertation added one piece to the large puzzle of elites and change.

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