The problematic nature of the globalization thesis: its strategic implications for small and medium sized private and social economy enterprises

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Abstract

There is an on-going debate between those that see globalization markets as good for competition and business and those that see the globalization processes expansion of the neo liberal market concept as something of a threat that must be regulated but that has gone beyond the control or power to be regulated. The author of this paper argue that the dual economy model, although descriptive in nature, with its' strongly institutionalist underpinnings is closer to reality. The author suggests that co-operatives offer the best possibility for market regulation from within the dual economic market rather than state. The paper also suggests that the core economy has been utilizing co-operative methodologies including mergers, joint venture etc and that through co-operatives the secondary economy and secondary labour market can respond to defend its interests more effectively. Here the co-operative model is presented as an approach with a proven if patchy track record that can introduce some elements of consumer choice, economic democracy and market leverage for the small producer, worker and consumer. The dual economy structure, however, has created conditions of economic concentration on an unprecedented scale which challenges the viability of even the largest co-operative formations and challenges co-operatives to redefine community in the context of the global economy. If the core economy has been adopting co-operative strategies possibly the co-operatives themselves need to consider more the possible advantages of merger, acquisition and increased co-operation.

Key words

Globalization thesis, state regulation, regulation from within the market, small and medium sized private enterprises, strategic groups, co-operation, association, membership

Introduction

There is no doubt that in our times neo-liberal economic theory has gained its greatest recognition. Over the last two decades or so, political leaders, mainstream industrialists and institutional elites in different countries around the world claim that we experience a global shift of industrial activity that has swept away the national disparity of business organizations (see for example Reich, 1991 or Ohmae, 2000). In view of this assumption and others concerning the extent and the way in which globalization actors, i.e. Transnational Corporations, have responded to the so-called global shift, policy makers in various countries have embraced the free-market approach to achieve economic and social progress. Subsequently, deregulation of national economies and liberalization of markets, facilitated by the newly emerging technologies in Transport and Communications, accompanied by Japonization, subcontracting of production tasks, etc have been advocated as the 'royal road' to various social and economic prosperity (see for example Morris & Imrie, 1991).

On the other hand, recently there are increasing voices raised by global civic society, specific interests groups, such as small business associations, and academics – to mention but a few – who ask for more space for public expression and participation in global initiatives or demand special regulatory interventions by Governments to enhance the international competitiveness of small and medium sized enterprises (SMEs). This is mainly attributed to the realization that the neo-liberals' assumption that the opening up to the international trade would increase by itself the share of the secondary economy in the exports in the world markets, and hence in rewards, was inaccurate. Although this argument is not a new one, it is quite challenging to investigate if under the present conditions it is enough or even possible that governments and international regulatory bodies set rules and stabilizers in markets.

This paper briefly overviews some of the freemarketeers' neo-liberal assumptions and interpretations as regards global industrial reorganization and assesses whether this account sets sufficient criteria to manage the fundamental changes inmarket forces operating in the global terrain. This is done in a comparative manner by juxtaposing a sample
of views of the globalization thesis' advocates with those set by the Dual Economy School on the evolution of industrial activities. Drawing upon empirical documentation from the industrial and political economy the researcher suggests that:

1) globalization forces (i.e. Transnational Corporations or FDIs; and trade to developing countries) have not changed dramatically in terms of conduct, direction, and levels of trade, they are thus not uncontrolled, but supported by actions provided by national Governments and global strategic collusion practices, and,

2) the worlds' industrial re-organization rather is more compatible with the internationalization of industrial activities than globalization. This implies,

3) that the thesis that globalization per se is generating increased market efficiency through competition is problematic.

4) The paper suggests that rather than increasing access to new markets the international consolidation of capital may be closing access to domestic national markets.

5) The paper in its concluding sections raises the issue of how small/ medium sized firms in the secondary economy (irrespective of sector/industry location) may reduce dependency and provide a real competitive response to the new generation of international core economy players. At present the later generally dominate the small and medium sized enterprises and ensure at best only a marginal role for social economy enterprises.

Without denying the usefulness of "good" regulatory reforms to encourage fair competition and foster consumer protection, the author argues that problems still remain in ensuring the rewards from internationalisation of markets are realized by small businesses operating in secondary economies. One possible and realistic solution is to reduce the levels of competition in the secondary economy of the small and medium enterprise and replace it with increasingly co-operative collaboration to improve leverage, logistics and access to markets. The author argues that the co-operative membership based business model is particularly relevant as a proven business formula and being a membership based business one that can most easily accommodate the integrity of the autonomy and independence of the small and family owned firm. From the standpoint of the individual either in the role of worker, self-employed, farmer, or consumer such co-operative structures offer the most direct opportunity for access to some form of economic democracy, distributive justice, autonomy and choice.

In Section 1 this paper explores the freemarketeers' neoliberal approach to business globalization in juxtaposition with the Dual Economy School empirical analysis of global industrial trends. In Section 2 I examine selected conceptual and methodological issues involved in the business globalization theme both from the free market and the Dual Economy perspective. In Section 3 I attempt to assess each perspective's claims on contemporary industrial trends based on available global empirical evidence. In Section 4, conclusions and recommendations are presented as regards global business understanding, evaluation processes, and policy informing frameworks. Once the validity of the neo-liberal model is discounted, as I argue it must be, no one can seriously argue a welfare based justification for accepting without regulation via the state or by association, the dual economy framework. The dual economy framework is itself merely describing the functioning in terms of industrial structure of market distortion via duopoly, or oligopoly.

Thus in Section 5 I go on to suggest some possible recommendations focused on associational approaches to market regulation that can arguably lead to greater accessibility and leverage by those in the secondary economy and external labour markets (i.e. those very groups who find themselves at a disadvantage in the new economic order). I am particularly concerned with the potential of such a strategy to lead to a more democratic, accountable and effective approach to economic regulation. In the past and currently this regulation is provided by the state and trans-national agencies and agreements. This alternative market focused approach may be the best (i.e. the most realistic one) given the trend in the thinking developing in the WTO and subsequent GATT talks. Some contemporary research on the impact of mergers on competition suggests that mergers between smaller companies can actually lead to increased competition (Prior, F. 2001a, p. 829).

The purpose of this paper is threefold: 1) to assess any ideological-driven understanding of global business organization that says - without providing adequate documentation - globalization forces (i.e. Transnational Corporations) are uncontrolled, thus resulting in powerless states and irrelevant industrial, political and social national frameworks; 2) to demonstrate that the worlds' industrial organization rather is more compatible with the internationalization of industrial activities' than globalization; 3) To encourage fellow academics to open up new avenues
for research exploring the potential for associational, mutual and co-operative organisations, to assist in preventing oligopolistic distortions of the market and to facilitate greater levels of distributive justice and market leverage for employees, consumers and small and medium sized enterprises.

2. Globalization thesis in context

"Globalization" appears to be a very misleading concept. Although press or electronic mass media use it as if it was an almost universal term, yet it appears to convey various meanings in different countries, societies, ideologies, regions or disciplines. A serviceable general definition has been suggested as: "The loose combination of free trade agreements, the Internet and the integration of financial markets that is erasing borders and uniting the world into a single lucrative, but brutally competitive, market place" (Friedman, 1996).

From the Dual Economy perspective such a definition obscures more than it explains. Dual economists argue that globalization is a "relative" context-specific concept, with several dimensions and differentiated economic, industrial and social repercussions (see for example Dicken, Peck & Tickell, 1997). In the industrial settings understanding becomes more confused. What then is talked about as globalization is "lucrative" for a few industrial and political actors integrated in the core economy, whilst "brutally competitive" for those involved in the periphery sector of the economy. According to the Dual Economy School the vagueness surrounding definitions used by the free-market globalization proponents is due to the fact that the areas of competition and collusion, and cooperation are ignored. The structure of markets and firms' relative positions are also ignored and Dual Economy scholars argue that such "descriptive" definitions give no indication of the causation beyond "market forces" other than markets are themselves a dynamic of "supply" and "demand". The free market neo-liberal and Social Democrat experts imply the market is led and shaped by the demand side. Dual Economy scholars imply a much more significant role for the supply side and the institutional regulation of markets.

The big issue addressed by the Dual Economy scholars is whether and to what extent the free-market advocates' assumption that concentrated productive or financial power represents demand or market-led incidences, is valid. Dual Economy advocates suggest that such incidences in industrial order depend upon different strategic patterns of large companies aiming at controlling the global market supported by national State's actions or supranational institutions' regulated interactions (see for example Sally, 1994). Moreover, Dual Economy scholars investigate what is, in market terms, the relative balance of power between on the one hand the end-user and consumer markets, and capital markets on the other. The Dual Economy model implies that consumer markets are both "managed" and even created by nationally or internationally operating structures. As regards capital markets, these are deemed as driving institutional State/supra - State decisions. Moreover, the biggest Transnational Corporations (TNCs) are considered as if they are beyond both capital and consumer markets, that is to say in reality TNCs are seen to shape these markets. This model is not saying consumers are merely pawns of TNCs, but it rather implies consumers, investors and governments represent merely some constraints on TNCs. TNCs, their end-customers and investors are in a relationship where all three points involved in the triangle influence the other two. No single point holds absolute power, but it is clear that TNCs are the best organized and most flexible and resource rich element in the triangle.

From a Dual Economy perspective any credible interpretation of the extent and form of industrial organization needs to consider various aspects of given markets or industries, namely those involving elements of micro-, meso- and macro-structures and processes. To give an example, Dual Economists' evaluation of global business activity is based on empirical results drawn upon competition indicators able to affect oligopoly or monopoly power practices in a given market or industry context. These usually include - but are not necessarily limited to - "barriers to entry", economies of scales, and various technological imperatives. The division of the private sector into its planned and non-planned components is also examined (for a solid empirical documentation of the economic differences, i.e. production technologies, logic, behaviour, motivation etc, in planned and non-planned sectors of an economy see Bowring, 1986). Furthermore, institutional arrangements' impact on patterns of industrial organization at global or national level and their effect on firms and markets are considered. The Dual Economy evaluation framework of global or national industrial activity takes into account that economic systems are composed of three distinct structures, namely the centrally planned sector, the non-planned sector and government. Consequently, the Dual Economy advocates examine changes integrating characteristics of all three interrelated variables in a
given economy, market or industry. Can co-operatives intervene in the non-planned sector and create a coordinated response derived from a combination of human centred economic and social objectives providing greater leverage in the market economy? This represents an intriguing prospect from both a dual economy and free-market perspective that I shall return to in Section 5.

I now turn to investigate some conceptual and methodological tools used by mainstream free-market economists in order to define "globalization", determine its intensity, and consider its impact on industrial and social order. In the absence of a systematic and comprehensive description of globalization - beyond viewing it as a market phenomenon - a range of indicators has been developed over the last few decades aiming at simplifying its conceptualization (see for instance Hirst and Thompson, 1996 or Wallerstein, 1991). One popular key indicator measuring the degree of global activities in economic terms, is the ratio of exports or imports to GDP and, another, the outwards or inwards foreign direct investments, assumed realized through the international workings of the Transnational Corporations. In 1997, for example, about 40% of all US imports were accounted for by the American based multinationals and another 30% by imports by American based branches of foreign owned multinationals (Prior, Frederick, 2001b, p. 302). Based on such indicators the free-market advocates of the globalization thesis subsequently argue that capital concentration is in the hands of a few TNCs and national states are incapable of affecting global investments' direction for the benefit of secondary economies, industries, and societies (see for instance Ohmae, 1993).

Indeed, evidence on the OECD countries indicates that exports' ratio to GDP increased from 9.5 per cent in 1960 to 20.5 per cent by the end of 1990. In the same region, as Wade (1996) indicates, in the 1980s, Foreign Direct Investments' flows grew three times faster than trade flows and four times faster than output. According to UNCTAD (1995), by the mid-90s there were approximately 40,000 parent firms, with 250,000 foreign affiliates operating around the world economy. Two years before, the New Internationalist (1993) indicated that in the early 90's combined sales of the world's largest 350 TNCs were equivalent to about one third of the combined GNPs of the industrial capitalist countries. The UNCTAD (1994): World Investment Report provides further data as regards the extent of intra-firm trade movements with intra-parents company trade as totaled to nearly one third of the entire world trade. Giddens (1994) also detects an increase in the concentrated economic world power in the hands of the top TNCs between the mid-70s and the 90s, with the top 200 transnational corporations' revenues increased tenfold.

In 2000, more than 60,000 TNCs owned over 820,000 affiliates abroad, with approximately 55 countries hosting more than 1,000 foreign affiliates, and with a value of FDI stock of over $6 trillion (World Investment Report (WIR) 2001, p. 9). In 1999 and 2000, FDIs -measured either by assets, sales, trade or employment of foreign affiliates- rose more rapidly than any other aggregate indicator, such as gross domestic product (GDP), domestic investment licensing payments and trade (Ibid., p. 9). Taking into account that world trade, in particular in 1999, remained stagnant the rapid expansion of the TNCs' activities observed in the same year, confirms their power in the international terrain. According to WIR, 2001 the ratio of foreign affiliates' sales to global GDP was almost 50 per cent, with the sales value being over twice as high as the value of world exports of goods and services (p. 9).

Several authors, such as Reich (1991), relate TNCs global activity to nation states' new role. Reich assumes that TNCs have no specific national dependency and cannot thus be controlled by national states. The reason for this is that TNCs operate in more than one country and their production processes span across national boundaries as their business strategy dictates. Then he suggests that since TNCs can withdraw their investments from one state to another any time they want to, they have an immense leverage over national states and societies to gain measures and agreements in their favour. In the same vein, further writings (see for example "The Economist", 19 Sept.1992) relate free capital movements with the enhancement of the economic growth in capital scarcity areas. In this context, it is often assumed that this is also the case with the newly industrialized countries of East Asia (NICs). Those who oppose these accounts of globalization relate much of the TNCs' drive for new location to a search for low-wage advantages. Such TNCs' practices, it is argued, affect in turn the labour force both in the Third World countries and the advanced industrialized ones. Interpretations given to the social impact of such movements are highly controversial depended upon different ideologies and political frameworks. Some globalization authors suggest negative repercussions on the Third World countries. Lang and Hines (1993) and Williams et al (1995) assume that free trade and capital mobility lead to further low-wage exploitation of the Third World
workers. At the same time such trends are assumed as reinforcing long and persistent unemployment in the First World countries. Frank (1981) suggests that industrial development experienced in the Third World by mobile capital is “undesirable” since it is based on a low-value production rationale and on the super-exploitation of the third world workers.

All the discussion earlier appears to be based on the assumption of a new division of labour exemplified in Frobel’s et al. (1980) work, “The New International Division of Labour”. According to this perspective, the TNCs free choice to transfer investments from one country to another means that workers in countries of origin and the recipient ones are now faced with competition that comes from pressures addressed from the workers of either country. This theory also is used to explain factors behind sectoral shifts, i.e. from manufacturing to service industries in advanced countries. The fact is that service industries are not able to compensate in either wage levels or sufficient numbers of full-time jobs in the place of jobs-loss in manufacturing. It is suggested that governments need to respond fast by attracting more inward investments. This can be achieved, according to such perspectives, through Government’s sustained intervention in labour relations in the form of a welter of anti-union legislation, similar to that experienced in the United Kingdom during the 1980s. Furthermore, it is argued that such typical Thatcherian public responses should be accompanied by deregulation of wage controls, flexibility in working hours, and employment protection. In this vein, Pulcher (1991) claims:

“National economies have become increasingly dependent on their capacity to attract and retain this increasingly mobile capital, which prefers countries where wage costs are low, unions are weak, state regulations, whether concerned with health and safety, pollution, or arms control, are minimal and tax-rates are low. Such typical features of Thatcherism as deregulation, reduced taxation and anti-unionism have long been a feature of the export processing zones, set up to attract capital to Third World societies during the 1970s”.

It is quite clear that the issue of global business activities is highly controversial and when we attempt to assess their impact on the industrial and social order, there is need to treat it with great caution. Let us now turn therefore to briefly overview selected developments in the business global order so as to determine better which one of the two frameworks considered in the present paper, constitute the most credible analytical explanation about real industrial trends.

3. Overview of empirical evidence and inconsistencies in global industrial activity

When we turn to explore the neo-liberals’ claims as regards TNCs’ homogeneous global reach we are faced with a contradictory picture that tells that FDI’s direction in recent years has not resulted in one global whole as is usually assumed by the literature, but it has been routed to certain economic blocs.

To give but a few examples, Gill and Law’s (1988) empirical work shows that:

“the share of foreign capital received by the developing countries has steadily fallen from a peak of around 30 percent in 1967... Of developed countries, Canada, the US and West Germany are the leading host countries to the affiliates of foreign multinational enterprises; in the late 1970s they accounted for nearly two-thirds of all FDI in developed countries and nearly half of all FDI”.

In the same vein, Jenkins (1992) suggests that, in the last few decades, the FDI share of the advanced industrial countries in the low-wage Third World has fallen in real terms. Results of empirical data in Britain’s case included in Jenkins work concluded that the FDI share of the home-based TNCs fell from 19 per cent in 1975 to 16 percent in 1984. A similar decline has been experienced in West Germany and Japan. That is to say, shares for TNCs based in West Germany and Japan were 27 per cent in 1975 in both countries and fell to 19 per cent in 1984 (ibid.). Griffin and Khan (1992) also suggest that the USA’s and Japan’s outward FDI’s to the whole area of Asia fell in the period from 1989 to 1991. The UNCTAD World Investment Report (1995) indicates that in the early 90s almost all foreign direct investment is concentrated in the already developed countries or alternatively in the Newly Industrialized Countries (NICs).

Further empirical data indicate that TNCs from different economic blocs or various advanced industrialized countries have been involved in different patterns, rates, and in different ways in global activity. To give but a few examples, data published in 1998 illustrate that there is a constant dominance in the global terrain of the TNCs from the so-called “Triad”, i.e. EU, Japan, and the US, regardless of whether someone considers number of firms, foreign assets, sales or employment composition. In particular, it is illustrated that in 1996, 85 of the top 100 TNCs were headquartered in the Triad compared to 86 in 1990. Most important, the US, Japan, the UK, France, and
Germany alone accounted for three-quarters of the new entries in 1996 and 1990 (Ibid.). European firms account for the largest number (39) in the Top 100 List. The five most important home countries of the world's 100 largest TNCs - in ranking order - were the US, Japan, France, the United Kingdom and Germany (Ibid.).

Furthermore, the highest representation in the world's top 100 TNCs' list was composed by firms operating in highly concentrated industries such as the electronic/electrical sector. Firms from automotive, petroleum and mining, and food/beverages industries follow the first-ranked position of TNCs from the pharmaceutical/chemical industry (Ibid.). Grant and Paterson (1994) have indicated that, although in the European context globalization trends are quite pronounced in the chemical industry, the global dispersion strategies of the British CI and the German chemical giants such as Bayer, Hoechst or BASF are quite distinctive. In fact, Grant and Paterson empirical evidence shows that the British CI has been involved more deeply in global activities than the German corporations.

According to more recent statistics, the "Triad", during 1998-2000, accounted for three-quarters of global FDI inflows and 85 per cent of outflows (WIR, 2001). In the same period the "Triad" accounted for 59 per cent of inward and 78 per cent of outward FDI stocks. At the end of the 90s the "Triad" hosted nearly 50,000 TNCs and 100,000 foreign affiliates. Compared with the mid-80s, its share in world inward FDI stock has risen (Ibid.). The EU's shares of stocks and inward as well outward flows increased and it remained dominant as both investor and recipient. This rise in the EU's shares (estimated on the basis of the fifteen member countries) is mainly attributed to cross-border increased Mergers and Acquisitions (M&As) (Ibid.). As regards the US, in 2000 it continues to be the single largest host country for FDIs, while since 1999 the United Kingdom - and also France for the first time in 2000 - has taken the lead from the US as the largest outward investor (Ibid. p. 12).

As a result from the above evolutions, in 1999 intra-Triad flows have risen, with 40 per cent of total outward FDI stock being located in other Triad members, as compared to one-third in 1985 (UNCTAD, FDI/TNC database). It is worth mentioning that mainly due to the Asian financial crisis and the prolonged economic slowdown of the EU, the most important country as a destination for FDI in the late 90s became Japan (WIR, 2001).

As regards global trade developments, considerable evidence-based work indicates that trade conveys a more or less similar picture to the FDIs. To put but an example, Glyn and Sutcliffe (1992) show that Africa's, Asia's, and Latin America's share in world trade has declined. Specifically, Latin America's share in world exports has decreased from 12.4 per cent in the 50s to 3.9 per cent in the 90s, whereas Asia's share has declined from 17.8 to 14 percent in 1990. Africa's world exports' share has declined from 5.2 per cent in 1950 to 1.9 per cent in 1990, Glyn and Sutcliffe see that the increase in the entire developing world global share of exports is mainly due to the higher contribution of the four first-tier East-Asian NICs which, combined, account for almost half of the total manufacturing exports originating from the Third World.

Wallace (1996) stresses that only 18 of the biggest 100 foreign direct investors in manufacturing (the top TNCs in the world) kept the majority of their assets abroad in 1993. For instance, the USA's, Japan's or Britain's manufacturing TNCs' assets kept domestically, were 73, 93 and 62 per cent respectively. Wallace further detects the German manufacturing TNCs' experience according to which, in 1993, almost 75 per cent of these companies' goods were sold at home. The US's and Japan's TNCs goods sold at home accounted for 67 and 75 per cent of their total sales, respectively. More or less a similar picture has been detected as regards investors in the services sector. Wade's (1996) empirical survey found that 90 per cent of the US, Japan and Europe's economy is grounded on domestic market production. Wade also indicates that most of the FDIs worldwide occurred as the natural corollary of state regulations in areas such as import quotas, anti-dumping restrictions, national production standards, subsidies etc. Dicken (1992) has shown that till the early 80s, Japanese foreign direct investments in automobile industry had been low compared to investments at home. From this period onwards, the increase in the Japanese FDIs has been attributed rather "to protectionism introduced by the US administration than to lower-cost labour advantages abroad (Ibid.).

Similar complexity informs the exploration of writings on capital movements. In fact, the empirical evidence suggests that capital movements around the world are not uncontrolled, but to a great extent they are nationally directed. For example, Amsden (1989) and Wade (1990) argue that the state's interventionist role - either in directing local capital into particular sectors (high-tech or heavy industries) or protecting it from foreign competition through subsidies or controls on imports and restrictions to TNCs - is also crucial for the effectiveness of TNCs' investments. More precisely,
these scholars’ examination of the development patterns of the new industrial countries of East Asia (i.e. Hong Kong, Singapore, South Korea and Taiwan) suggests that, beyond factors such as geographical proximity or high levels of aid and accessibility to the US market, the effectiveness of state intervention was crucial for their subsequent economic success.

The neo-liberals’ assumption that foreign capital dominates the Third World countries’ trade composition has been challenged by a considerable number of authors. For example, Jenkins (1987) detects that local capital as a proportion used for exports, equals foreign capital use. White (1988) and Kiely (1994) clearly suggest that South Korea and Taiwan economic effectiveness has been largely based on local capital and state alliances. Schiffer (1991) also confirms the state’s crucial role, this time in the case of Hong Kong’s economic growth through subsidies.

From the discussion above, it becomes obvious that insofar TNCs do not trade in all parts of the world. Consequently, the neo-liberals’ assumption that TNCs marketing strategies “penetrate simultaneously the worlds major markets with new and updated products” (Amin, 1992) appears to be highly problematic with its accuracy dependant on how the word major is defined? Young and Hamill (1992) detected that product markets showed a highly diversified picture also.

In turning to examine neo-liberals’ claims about homogeneous patterns of FDI’s development due to new technology and labour flexibility reasons, the evidence we are faced with is not at all straightforward. Indeed, statistics have now been accumulated which suggest that labour flexibility associated with high technology may not have the desired effect in every location. Consequently, TNCs’ regionalization movements of subcontracting or outsourcing and maintenance of the higher value production in the advanced countries are reported. To put it differently, the empirical evidence suggests that there are some counter-tendencies to the global business location.

Whereas in the mass production era some stages of production process located in low-wage countries, now, in the flexible technology era, it appears that they are allowed to return to domestic manufacturing. Indeed, beyond the car industry case, several other movements of a similar nature have been reported. For example, Walsh’s (1991) empirical survey in the Textiles in Germany and Britain suggests that large companies can gain greater cost-advantages at home through restructuring and the introduction of new technologies than in less developed foreign countries. Henderson (1989) reaches similar results examining the electronic wafers’ case in Britain. Humphrey (1993) – when he examined the Japanese subcontracting-techniques’ transferability to Brazilian industry – concluded that such a transfer was highly problematic.

The clearest evidence that the north-south divide remains and for recognising the dual economy framework at the global level comes from the geographic distribution of buyers and targets for merger activity by multinationals. Outside the OECD nations merger activity remains relatively unimportant. The share of non-OECD nations in merger activity whilst rising sharply in absolute terms was a mere 7% of the total merger activity in 1999. (Pryor, F. 2001a, p. 229, 230) In conclusion, the earlier discussion, although limited to the examination of scattered documentation on few aspects of TNCs’ strategic patterns, clearly shows that business global activity is not such a straightforward issue as the neo-liberals assumed. There is such complexity on the matter and such counter-tendencies and inconsistencies that surround global industrial evolution that only a comprehensive, multi-criteria framework of reference could assess its impact in a valid and credible way.

Notwithstanding the complexity it can safely be asserted that the last 20 years have seen a global concentration of capital in manufacturing and services, particularly in financial services (Prior, F. L. 2001a). Mergers, joint ventures, and acquisitions have been making headlines. Whilst concentration does not necessarily imply decreased competition there is no doubting that it has historically – as well as in the contemporary literature – been strongly associated with increased monopoly on both sides of the Atlantic. For example, see the work of the American senator Estes Kefauver in the 1960s, (Kefauver, E., 1965), and academics, such as S. J. Prais, working on data from the 1950s to the 1970s (Prais, S. J., 1976). Many commentators at the time indicated their concern about the welfare implications for consumer and worker of the existence and activities of the giant corporation (Bannock, G. 1971).

In terms of today yesterday’s giants would be seen as small as the consolidation and concentration continues under the impetus of a continuing industrial restructuring which due to its increasing scale has become a central driver in what has come to be known as globalization. Have the gloomy forecasts of the 1960s and 1970s been proven correct? Certainly the growth in unpaid overtime and increased stress, reduced effectiveness of collective labour laws and concurrent decline in trade unions suggest the fears have been justified. The weak, even precarious state of
small and medium enterprises and the failure of the enterprise culture strategy to generate decent work suggest that "If present trends continue unchecked the greatest threat we face is instability arising from growing inequalities". (ILO, 2000, p. 5)

4. Conclusions

The evidence suggests that the neo-liberals' claims about homogeneous developments in global industrial organization are flawed. In the preceding sections we have reviewed a sample of neo-liberals' claims on global business trends in juxtaposition with empirical results drawn from a number of studies developed within the context of the Dual Economy perspective. Although in the narrow context of this paper I have not captured all aspects considered within the Dual Economy framework of analysis, nor have I overviewed documentation on all aspects of TNCs strategic patterns, it is yet important to have shown the disparity of business responses to global changes and the growing polarisation in economic development and activity in both industrial and geographical terms.

Whilst noting government's continued role in shaping and occasionally determining such business strategic choices, nevertheless, there is little evidence to suggest that in the political environment of privatisation and deregulation in the post Reagan and Thatcher context the role of the state has greatly enhanced either welfare in labour market or consumer market terms. In addition there remains a heavy tax burden falling on middle income wage workers and cut backs in government funding for the public sector, sometimes cosmetically hidden by public/private sector partnerships that arguably have hit the poor. We suggest that the extension of private at the expense of public economic activity has done little to prevent increased indebtedness by households or to improve the quality of the experience in the labour market where large amounts of unpaid over time, atypical employment, and stress prevail. Research by UK Health and Safety Executive, Work Related Stress, 13th Dec. 2002 indicates, for example, that in Britain the number of days lost through stress related illness has risen from 6.5 million in 1996 to 13.5 million in 2001. (Personnel Today, 14.01.03, p. 1)

In general, the Dual Economy analytical framework appears more compatible with the empirical data overviewed suggesting market structure in given forms is the result not the cause of the economic activity. TNCs global strategic decisions in practice appear also to be more compatible to wider market control goals as the Dual Economy advocates claim. The evidence overviewed indicates not so much globalization of industrial organization but rather an increasingly intense competition between a few advanced countries TNCs, associated thus with an uneven development in the global economy. The neo-liberals paradigm appears to fail in taking into account real global and national industrial realities. I have shown that global industrial developments should not be posited as a universal trend as the neo-liberal market advocates claim. Indeed, differences between markets, sectors, countries, and regions together with differences within them are dependent upon a mixture of micro, meso, macro socio-institutional factors, which are recognized as highly significant for global business direction in the empirical surveys overviewed.

The point is neither to justify nor to wring ones hands over the economic reality of the 21st century. The point is to confront and change the reality by exploring the use of the older co-operative forms of collaboration and ownership. These methodologies can create leverage and capacity within the secondary economy itself for the small and medium enterprises as well as in employment and consumer markets.

In this context, at present, co-operative strategies (not the co-operative movement) may be proving effective in supporting the giant firms that dominate the new global economy. Disparities are not only observed between themselves at the driving core of the world economy and the secondary firms, but also between people and countries. The secondary economy firms take the brunt of the competitive pressure and hence serve a crucial ideological role for the total system. Co-operation between firms in the private sector has been the focus of considerable academic speculation with the focus variously on interlocking share purchases, stock swaps, real estate investment trusts, acquisitions, asset sales, and divestitures, leveraged buyouts, joint ventures, strategic alliances etc. (Maidment and Thompson, 1993; Nalebuff and Brandenburger, 1997; Child and Faulkner, 1998).

The evidence of the last twenty years suggests that such activities increase the monopolistic pressures rather than detract from them (Pryor, P. 2001a and 2001b). Whilst factors specific to industry, firm and strategic groups have all become identified as playing a part in the determination of firm performance (Gonzalez-Fidalgo and Ventura-Victoria, 2002) none of the literature on industrial organization appears concerned with the impact of industrial organisation
on the performance of the market from the perspective of the small micro business or from workers and consumers standpoints except in so far as monopolistic versus competitive implications may be deduced at the theoretical level.

5. Recommendations: towards transforming industrial structure in the secondary economy by co-operative strategies

We raised earlier the hypothesis that even in the case of high levels of concentration the existence of co-operative and other membership based business may create real competition. With a people centred service delivery focus and rational in industries they operate with different ownership structures and different missions and values. Thus inserting a genuinely beneficial competitive element into the market (beneficial to their members be they micro businesses, farmers, consumers and/or workers etc). (Davis, 1994)

To give a contemporary example let us look at the co-operative case study within the British retail-banking sector in the UK. (Davis, 1999) This sector is highly concentrated even allowing for the probable decrease in concentration caused by deregulation and the privatisation of Building Societies in the last thirty years. Six big banks dominate by market share. Their collective decision to charge their customers for use of their ATMs was sent into retreat following the refusal of the Co-operative Bank (share under 4% of the retail market) and the biggest remaining building society – the Nationwide to follow suit. In fact they both made a very public stance offering free ATM use to non-customers as well as to their customers. Today the overwhelming majority of ATMs in the UK do not carry a charge. How much money has the existence of competition from the mutual sector saved consumers in the UK in this one example? In fact the Co-operative Bank also innovated by being the first UK bank to abolish bank charges on current account and to offer interest on current account. It also provided the first UK charge-free for life guarantee on its gold card. (Davis, 1999)

It would be surprising if this proved to be an isolated example given that the co-operative movement is a genuinely global movement (Birchall, 1997) with nearly three-quarters of a billion members with the largest proportions existing in precisely those third world economies most excluded from the new economic world order.

By restructuring, co-operating and/or merging, small co-operatives and other businesses might become substantial national regional and even global players challenging the “disturbing” threat to competition from increased private sector merger activity (Pryor, F, 2001a) in the core economy. As one former C.E.O of a substantial consumer co-operative in Canada put it if you measured all the consumer co-operatives turnovers around the world they will be found to have a turnover as big as “Wal Mart”. The problem for co-operatives has been too much government interference and control which has undermined their autonomy and ability to compete. Co-operatives themselves have found governance and the threat of managerialism to be a problem when they do grow and often their very community roots have prevented them from perceiving a broader picture thus preventing growth. (Davis, 1999)

The co-operative difference as a business model with their distinctive ownership and operating goals and values may become an important method of beguine market regulation. (Davis and Donaldson, 1998) There may be institutional and organisational barriers to be overcome in terms of their governance and management to enable them to manage the technicalities and political issues of merger, cooperation, and joint ventures etc but there is no evidence that such barriers as may exist are insurmountable. (Davis, 1995) There may well need to be changes in the co-operative regulatory framework in some countries to permit this.

The present reality in the market place is one in which the current industrial structure and restructuring of the world economy appears to be exacerbating rather than alleviating many social environmental and economic problems. There is a threat of bankruptcy to the small farmer, confusion of the consumer, continuation of widespread poverty, alarming levels of environmental damage, unemployment, underemployment, exploitative labour markets and the dangers inherent for small countries in the WTO led process of liberalisation. This makes academic research on new membership based business structures and their effective management imperative.

Notes

1. For a description of opinions discussing the major changes in the production base of advanced countries, see for example Cohen & Zysman (1987).

2. Former President Clinton quoted in a speech presented in Washington, January, 2001: “...freeing up international markets is the surest way to global prosperity”.

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3. For an overview of Neoliberalisms sovereignty in global political thinking from a historical perspective, see George, S. (1999).


5. F.N.: For evidence on this issue, see for example the statistics in UNCTAD Handbook of Statistics 2001, Table 1 (Value and Share of Developing Countries to International Trade Exports in Total Exports).

6. See the pioneering work of Polanyi, 1957.

7. F.N.: FDIs stands for Foreign Direct Investments.

8. F.N. Some of the advantages resulting for all sizes and types of businesses and countries wishing to attract FDIs from the agglomeration of resources and capabilities have been suggested also by the mainstream industrial theory; see for example Dunning, 1993, 2000).


10. F.N.: GATT stands for the General Agreement on Tariffs and Trade.

11. F.N.: “It is not only to create more trade volume. It’s about the distribution and quality of the trade that we are talking about” Dr Supachai Panitchpakdi quoted in WDM Action, Autumn, 2002, p. 12. (World Development Movement)

12. According to several authors, see for example Garrett, 2000, even in the advanced counties a few actors are benefited from globalization. In this view, globalization is considered as leading to increased insecurity in the workplace, especially high for manual workers and employees in small firms.

13. For an extensive discussion on the matter see Hymer (1972; 1975).

14. For more information see Averitt (1968).


16. For more information on the way the free-market perspective views consumers’ position in the new global economic order, see for example Ohmae’s comments in: Ohmae (1995).

17. See for example Munkiss & Knoedler (1987).

18. See for example Wade’s prohibited factors (i.e. sunk-costs) to the extreme production transferability or/and his interpretations as regards barriers against financial mobility in Wade (1996): pp. 80-81 & 73-74 respectively.


References


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