Corporate power and the globalization process

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Abstract Looks partially toward a conceptual clarification of globalization interrelated to corporate power. The global economy has experienced structural transformation over time. An integrated network of world trade has evolved in the context of two separate stages. Stage one appeared during the period of the 1870s. The second stage appeared during the post Second World War era. To distinguish this period from stage one, the process of structural transformation now taking place is conceptualized and demarcated as corporate globalization. Given the growing increase in size, power and dominance of the MNCs, the locus of sovereignty is currently being questioned. An issue currently being raised relates to whether or not nation states or MNCs will be in control of the globalization process. Interjects and analyses the theory and policy of free trade, all of which is contained in a paradigm of culture evolution fed by the dynamics of technological change and economic development.

Globalization: the dynamics of structural transformation

Globalization, a major current buzzword, constitutes one of the most significant and dominating developments of the post-Second World War era. As yet, however, there apparently is no agreed on consensus-conception of globalization appearing in the literature. The lack of conceptual clarification in turn obfuscates questions to be raised, problems to be addressed, and from this policy and resolution. Consequently, the multiplicity of differing conceptions that are offered in the basic literature is also manifest in an ambiguity of analysis and theory.

Evidence in support of this lack of consensus is readily revealed in the many alternative conceptions of globalization which appear in the literature[1]. “The definitional nature, empirical character and ultimate significance of interdependence and globalisation are all matters of considerable controversy and confusion” (Jones, 1995, pp. 4, 219). As a general viewpoint, interpretations as to what globalization entails appear as a basic polarity in the literature. On the one hand: “globalization is seen negatively and at times almost demonically, as the dominance of Western economic and cultural interests over the rest of the world . . . the perpetuation of inequality between the rich and poor countries and regions”. On the other hand another view offered is of: “globalization as a triumphalist light, as the penetration of capitalism into every corner of the world, bringing with it the possibility for all of the world’s population to participate in the fruits of the international division of labor and market economy” (Holton, 1998, pp. 2-3, 10-19; Gilpin, 2000, pp. 293-324).

But there are, in addition, many attempts at specific definitions of globalization interrelated to integration, interdependence, internationalization, and on. One conception relates to globalization, “. . . understood as the
phenomenon by which markets and production in different countries are becoming increasingly interdependent due to the dynamics of trade in goods and services and the flows of capital and technology” (OECD, 1993, p. 7). While such a market-oriented conceptualization appears relevant, it does not go far enough to include the social and cultural variables impacted by the globalization process. It also conceals the dynamics of structural transformation which have taken place over time in the evolution of what might be called a global economy. The global economy has evolved over time, and that evolution is predicated on structural transformation.

One approach toward a conceptual clarification is to draw a distinction between two ideal types depicted as an international economy on the one hand versus a globalized economy on the other (Hirst and Thompson, 1996, pp. 1-17; Holton, 1998, pp. 23-4, 42-9). In these two diverse models, Hirst and Thompson put forward the view that globalization constitutes a juggernaut of uncontrollable free-market forces. In Globalization in Question they argue that this conception of globalization constitutes a myth, not reality and that it “... robs us of hope ...” and amelioration from market failures, in terms of governance at the national level. A more relevant model is to depict the current global economy as an international economy “... in which the principle [sic] entities are national economies” and still consequently capable of control and governance (Hirst and Thompson, 1996, pp. 2, 6, 8).

It is however still arguable that the global economy is none the less currently in a state of transition toward a new structure of international interdependence led by MNC dominance and control. And as such this process of globalization, so dominated, constitutes a potential to unleash the inexorable force of free markets superseding national control. If this view is correct, the current global economy is evolving toward the polarity of what might be called not simply globalization but rather corporate globalization. Also, that the locus of sovereignty might be conceivably shifting from the nation state to MNCs, however, is not to assume that the process is irreversible and beyond the capacity for national control and governance. But this does not deny the fact that currently MNC power, policy and values are increasingly coming to dominate the global economy.

Internationalization of national economies into what legitimately might be called a global network of trade refers to a long-term process going back to the mid nineteenth century. This first stage took place in the context of nation-state sovereignty and control. It refers to an interconnection of relatively distinct national economies in which sovereignty was still predominantly relegated to the nation state. But a second stage manifest in a different structure is evolving, something new is taking place. “Globalization in its radical sense should be taken to mean the development of a new economic structure, and not just conjectural change toward greater international trade and investment within an existing set of economic relations” (Hirst and Thompson, 1996, p. 7). What constitutes this new structure? And how then to analyze and explain that new structure, viewed as corporate globalization, in relation to stage one?
To begin with, while it is arguable that an overall consensus-conception of the globalization now taking place still eludes us, there are still some specific aspects of globalization that might be agreed upon. One aspect of apparent agreement relates to the fact that the phenomenon entails a great complexity. Globalization entails not simply the economic process and free markets in relation to trade and competitiveness. Globalization is also related and relevant to jobs, the quality of life, ecological concerns, MNC power, nation-state sovereignty and survival, human rights and needs, and on. In terms of Polanyi’s (1944) *The Great Transformation*, there is need to bring into the paradigmatic boundaries of analysis, the impact of the market and price mechanism on society (Mittelman, 1997, p. 3; Soros, 1998, pp. v, xx, xxix).

Such a complexity embraces not simply the economic but also relates to the so-called “noneconomic” in terms of social, political and cultural dimensions. Consequently, relevant analysis and theory obviously require an interdisciplinary conception of the globalization process. The scientific conception which deals with such a complexity of interrelated disciplines, resides in the anthropological conception of culture better known as “that complex whole”[2]. It is the anthropological conception of culture which serves as an interdisciplinary blender. In this paper, at the broadest level of generalization as to process and conception, globalization constitutes a current manifestation of the ongoing dynamics of general culture diffusion. This evolutionary process appears over time in a variety of forms and structures. In this context, international trade as an agency of this dynamic serves as an “umbilical cord of culture diffusion”. The question (to be addressed later in this paper) becomes, in Galbraithian terms, who and or what controls this process and for which purpose?

Globalization encompasses a spread of the complex dynamics of general culture evolution and diffusion on a global scale. But relevant to culture evolution, economics and the processes of globalization, what is meant by a dynamic process? Dynamic economic analysis entails a metamorphosis as a process of structural transformation. But transformation and changes of what? “The major preoccupation of dynamic economics is the study of changes in social phenomenon…” and which is basically related to “… the technological elements in the economic system”[3]. This conception of a dynamic economic analysis coincides with Myrdal’s (1974, p. 729) conception of economic development as the “… movement upward of the entire social system”. And again, it is culture as “that complex whole” which conceptually comprises the entire social system. Culture evolves in a dynamic mold of structural transformation, as a sequential process, in which one “S” curve is superimposed on the next as a series of “logistic surges”. The growth process relates to quantitative increases within a given structure. Development as an evolutionary process relates to the dynamics of structural transformation in a sequential pattern of “S” curves and/or as “logistic surges”, as one structure gives rise to the next (Brinkman, 1995).
From a very long-term perspective, trade even on a multilateral basis has impacted various parts of the world and promoted culture diffusion. Primitive cultures (civilizations) of antiquity, the city states of the past, the Vikings, and on, all spread and diffused culture via a trading process (Hilgerdt, 1943, p. 397; Holton, 1998, p. 49; Pomeranz and Topik, 1999). But globalization as an integrated network involving “... the trade balances of almost all countries so as to constitute a world wide orbit, is a formation of only about three generations old” (League of Nations Secretariat, 1942, p. 84).

Our concern relates to the epoch of modern economic growth which has experienced two major stages in the evolving network of global trade. The first stage had its origins during the 1870s and the second during the post-Second World War era. In the early stages of economic evolution and development, the scope for trade was limited. To speak of international trade for hunting and gathering societies or the great civilizations of antiquity would obviously be a bit premature. Trade in the early stages of cultural evolution affected local or regional areas. International trade as trade among nation states could not have taken place, in that nation states were nonexistent. The nation state as such, and relevant to international trade, came into being during the stage known as the Commercial Revolution (1350-1750).

And while ships did roam and trade globally, and served as pre-conditions in the evolution of capitalism and modern economic growth, the trade which took place during the period of mercantilism obviously did not constitute an integrated or interdependent global network. The internationalization of national economies on a multilateral and global basis awaited the advent of the Industrial Revolution and had its origins during the 1870s. The multilateral trading which evolved during the nineteenth century, took place during the “scientific epoch”, which Kuznets called industrialism or an industrial system, as the dynamics of modern economic growth, “... a concept used to designate a wide application of knowledge, based on empirical science to the problem of economic and social technology ... the industrial system dates from one and a half to two centuries ago” (Kuznets, 1954, pp. 238-9). And it was during this period, delineated as the “great divide”, that “The Genesis of the Current Global Economic System” took place (Leavy-Livermore, 1998, pp. 3-28; Holton, 1998, pp. 42-9).

The two basic stages which internationalized nations into a global economy took place during the stage of economic development known as modern economic growth. The first structure or stage was in the form of a multilateral trading system which had its origins circa 1870s, and the second marked by the Bretton Woods era. An empirical study, The Network of World Trade (League of Nations Secretariat, 1942), delineated the global economy in terms of a multilateral trading system. And while trilateral or multilateral trade as such “... is likely to have existed from the time when trade advanced beyond the stage of barter ...” such trade did not constitute a global network (League of Nations Secretariat, 1942, p. 84; Hilgerdt, 1943, p. 397).

However, a multilateral trading system embracing the global economy, and as international trade embracing nation states, had its origins in the late
The network of this multilateral system is depicted in Figures 1 and 2. Figure 1 shows the maturation of the system which took place during the 1920s. A multilateral system of balances, nurturing global interdependence, evolved on a regional and national basis. The USA had a deficit with the tropics, which were covered with surpluses elsewhere. The UK (non-continental Europe) had a surplus with the tropics which in turn covered deficits elsewhere. And in this manner trade balances were interconnected functioning overall as a global multilateral trading system.

Analogous to the “unfolding of a fan” as time passed more and more nations became a part of the overall system. The center or hub of the evolving wheel of interdependence resided in *Europe the World’s Banker 1870-1914* (Feis, 1930). And in this center the UK assumed a hegemonic role, especially in the context of the international gold standard. The international gold standard provided the financial glue which held it all together.

That glue turned to water when trade and capital flows deteriorated between the UK and the tropics. This development which “short-circuited” the system took place during the early 1930s. With the demise of the international gold standard in 1931, the system “disintegrated” and this is depicted in Figure 2 showing a reduction in multilateral trade balances for the year 1938 (League of Nations Secretariat, 1942, pp. 89-95; Hilgerdt, 1943, pp. 400-4). Hardly any aspect of a modern economy would not be affected by the ensuing collapse of

**Figure 1.**
The system of multilateral trade, as reflected by the orientation of balances of merchandise trade in 1928

**Source:** Network of World Trade (1942)
such an interdependent network of trade, all of which interconnected to the Great Depression.

The next stage of internationalization took place during the post-Second World War era. And it is this period which, in the context of this paper, is referred to as globalization, and perhaps even more correctly conceptualized as corporate globalization (Nader and Wallach, 1996, p. 94; Korten, 1995; Anderson et al., 2000). In the immediate post-Second World War period, Bretton Woods served to rejuvenate and reconstruct the collapsed nineteenth century system of global trade. The institutional adjustments which took place appeared as a trilogy in the forms of the IMF, GATT and the IBR&D[4]. Again the system was to be predicated on nation states as the basic building blocks of the new system, though taking account of Article XXIV of GATT of Europe’s needs for regional integration. And GATT (1947) in turn was transformed into the WTO (1995) which now comprises the global trading organization of the current period.

The statistics appear to indicate the success of the current stage of globalization now taking place. Economic growth has increased during the period. But trade increased at faster rates and private foreign direct investment increased at rates even faster than both economic growth and trade. Given the apparent positive statistics concerning the increased trade and growth, why the Globaphobia and the “Battle in Seattle?” Why then the angst and discord.

Figure 2. The system of multilateral trade, as reflected by the orientation of balances of merchandise trade in 1938

Source: Network of World Trade (1942)
concerning the current dynamics of globalization now taking place under the auspices of the WTO? It is also argued in the literature that while growth and economic development have been taking place the underlying problems of inequity in income distribution, declining real wages, stagnating family income, environmental degradation and a questionable improvement in the overall quality of life, and on, have produced a good deal of conflict, discord and debate.

The sovereignty issue: the nation state versus the MNC

As long ago as 1969 and before the current issue of globalization surfaced as such, Kindleberger stated that “...the nation state is just about through as an economic unit...” (Kindleberger, 1969, p. 209; Ohmae, 1995, p. 129). The nation state to be noted, along with the MNC, does not simply serve as an economic unit but is obviously also interconnected to the political and social domain as well. Much has been written since 1969 in relation to Sovereignty at Bay, juxtaposing the growing power of the MNC as a major agency contesting the sovereignty of nation states[5]. It is arguable, and the position put forth in this paper as well, that this confrontation constitutes a basic core problem of the current stage of global economic evolution called globalization.

Analysis requires that a distinction should be drawn between the concepts of sovereignty and power. Sovereignty relates to the locus of power as a supreme authority, be it the chieftain, the monarch or king, the nation state or the MNC, as sovereign. An analysis of the locus of power now being contested by the MNCs, the megacorporations of the current period, requires a clarification, in turn, of a meaning and conception of power. Galbraith has made the subject of power a central focus of his long-term research effort. It is Galbraith’s (1983, p. xiii; 1973a) contention that, “...economics divorced from consideration of the exercise of power is without meaning and certainly without relevance”. And while power should be a central concern of economics, mainstream thought is more directed toward avoidance and obfuscation rather than clarification. It hard to analyze power in a matrix confined to MR = MC, MV = PQ, and $Y = C + I + G + X - M$ or Marshallian offer curves. All of these are static, and devoid of social and cultural variables and the dynamics of structural transformation; still less do such paradigmatic boundaries include a conception of power relevant for analysis.

Yet as Russell notes, “Of the infinite desires of man, the chief are the desires for power and glory” (Russell, 1963, p. 11; Galbraith, 1983, p. 1; Berle, 1969, p. 59). The literature dealing with the subject of power is so large that it in turn defies cognizance by any one individual. Therefore, many definitions and conceptions of power are available. It is frequently argued that power basically relates to the capacity to control and dominate others in order to make them behave and submit in ways which usually benefit the user of power, but not necessarily always beneficial to those being dominated[6].

A conception of social and political power is similar to the physical world in which energy is conceptualized as the “capacity to do work” and which when administered over time is conceptualized as power, i.e. horsepower. In the
world of social power, by comparison, the conception and analysis of power also relates to the capacity to work in the sense of a capacity for doing. Such a capacity is necessary in order to accomplish certain ends and objectives. Bertrand Russell concurs in addition to Galbraith’s connection of power to the social sciences, but he also draws an analogy to the physical world as well. “In the course of this book I shall be concerned to prove that the fundamental concept in social science is Power, in the same sense in which Energy is the fundamental concept in physics” (Russell, 1963, p. 9).

The locus of social power, meaning, and basis, when analyzing ecclesiastical power, academic power, the power of power élites, the military industrial complex, MNCs, power in small groups or personality, and its diffusion, varies considerably. The social units for analysis in terms of sovereignty and power, addressed in this paper, relate to two dominating social institutions of the current period, the nation state and the modern megacorporation.

On an intranation-state basis, corporations have long since been recognized as the dominant institution. But now the extent of corporate power is more far reaching. “Corporations have emerged as the dominant governance institutions on the planet, with the largest among them reaching virtually every country in the world and exceeding most governments in size and power” (Korten, 1995, p. 54). Corporations are as big as nations: of the 100 largest units concerned with production of goods and services, 51 are MNCs and the other 49 are nations. Only 23 nations are bigger than General Motors (Anderson et al., 2000, pp. 12-19). And as noted previously, private foreign direct investment, the signal empirical feature of the MNC, is growing faster than global trade, and trade in turn is growing at rates faster than global production[7]. The acceleration of corporate power is at root based on economic production and growth. And in Galbraithian terms, production and growth are primarily based on organizational structures and the resulting control over knowledge and technology. It is this capacity to control knowledge, applied and innovated as corporate material and social technology, which serves as the dynamic for the cornucopia of corporate production.

The power of nation states also rests on an economic base of production predicated on a given level of technological advance. We speak here of Pax Britannica and the reigning British hegemonic power which existed during the nineteenth century. British hegemony was predicated on the Industrial Revolution which served as an economic base of production, wealth, and the ensuing concomitant economic and political power. Kohn, a leading student of nationalism, noted that the mid-eighteenth century was marked by three significant and interrelated events:

1. nationalism;
2. industrialism; and
3. democracy (Kohn, 1944, p. vii).

But what does nationalism mean and how is it related to industrialism and a republican form of democracy? Nationalism, as a social institution and as with
globalization, constitutes a very complex phenomenon[8]. Given the complexity of nationalism, a relevant analysis is difficult in that it mandates an interdisciplinary approach. Consequently, again granting an interdisciplinary complexity of the concept of nationalism, it is also arguable that an analysis of nationalism (and globalization as well) is integral and appropriately relegated to the domain of the dynamics of culture evolution.

The nation state comprises two separate ingredients. The nation relates to people and nationality, on the one hand, and the state by comparison relates to polity and political governance, on the other. Nationality and political governance were combined in the formation of nation states during the Commercial Revolution, circa 1350-1750. This synthesis constitutes the major political development of the period. The expansion of trade which took place during this period, served as a primary factor to ultimately integrate the previously fragmented feudal units of production, the manorial system, into larger and integrated national units. Again an evolutionary process, serving as an exemplar of the dynamics of culture diffusion via the agency of trade, took place.

But the origination of the nation state which took place during the Commercial Revolution, did not constitute the advent of what has come to be called nationalism[9]. During this period, the nation state was governed by the monarchy, the king, as sovereign. The reign of the king, as an absolute monarch and associated policies, could not be translated nor identified with the interests of the people. Therefore the loyalty of the people, the nationality element, was not directed or commensurate to the king as sovereign. The synthesis of nationality to that of the state took place with the innovation of a republican, democratic form of government. This resulted in a shift of sovereignty from the king to “we the people”. Nationalism originated when loyalty was directed to the state via a republican form of government in that now the state represented “we the people” (Carr, 1945).

The American and French Revolutions of the late eighteenth century innovated the institution of nationalism as a major social institution (social technology) of the modern era. A republican form of government transferred sovereignty from that of the king, to that of “we the people”. This transfer of sovereignty also nurtured a loyalty to the state in that the state now came to represent “we the people”. Consequently, a given populace, demarcated by the same nationality, was now willing to even die for the state. “Give me liberty or death”, and “my country right or wrong” served as clarion calls marking the birth of modern nationalism. In asserting the rights of “we the people” and driven by the newly formed social institution known as nationalism, the American Revolution constituted the first anti-colonial revolution of the modern era.

Nationalism and republicanism were interwoven during the mid-eighteenth century, with industrialism as the basic dynamic of modern economic growth. It is consequently the industrial process which granted power to the social unit known as the nation state. Nationalism, which in its origins was ostensibly oriented to promote the interests of the collective whole as “we the people”, has not always produced positive results. Nationalism and its underlying
patriotism came to be misguided and misdirected in its control by a minority power of power élites as opposed to the majority, in terms of “we the people”. The most negative manifestation of nationalism having gone berserk appeared during the 1930s in Nazi Germany.

But there are many other problems that can be associated with nationalism. The nation state, which delineated the boundaries for loyalty, was established prior to the advent of the Industrial Revolution. Given the agrarian base of the economy characterizing the period, demarcated as the Commercial Revolution, the boundaries of the nation state were consequently adequate in terms of market size and prerequisite raw materials. However, with the onset of the Industrial Revolution, nation states came to require larger markets and an expanded base of raw materials extending beyond their given geographical boundaries. This was provided for by the evolving multilateral network of world trade which originated during the 1870s, discussed previously.

When this network of trade collapsed during the 1930s, exacerbated and interrelated to the Great Depression, nation states had to fall back on the limited market size and resource base contained within their geographical boundaries. And while such boundaries proved adequate during an agrarian phase of development, circa the Commercial Revolution, such limited boundaries were inadequate and did not suffice for nation states in the throes of modern economic growth. Given the economic anomalies contained in high levels of unemployment and collapsed production which took place during the 1930s, nationalism became intensified and increasingly belligerent. But loyalty, now intensified, came to be contained by limited geographical boundaries which in turn limited market size and a prerequisite resource base. Such limitations were incompatible with the needs of a nation in the stage of modern economic growth. When trade collapsed during the 1930s, the intensified loyalty became militant and was directed toward achieving the required expanded market size and raw materials through militant aggression. Europe, in the intensified nationalism of Nazi Germany, was now going to be integrated by military force and aggression. The hub of this “new order”, in the promotion of human rights, was to be located not in London but in Berlin.

This intensified nationalism was manifest in a horrific world war of untold destruction of life and material well-being. From this experience it became evident that Europe could no longer embark on military aggression fed by the fires of red-hot supranationalism. The post-Second World War period marked a movement toward a prerequisite integration of Europe through peaceful political means oriented toward supranationalism. This appeared in the movement toward the EEC and the later EU, the objective being to define nation-state boundaries based upon economic prerequisites concomitant to the needs of modern economic growth rather than being demarcated by nationality.

Given the experience of the 1930s, nationalism came to be universally viewed in very negative terms. As a result, the quest became directed toward a replacement of supranationalism with that of supranationalism. The transition toward a “supra” approach directed toward being “above” that of the nation, fed
by the force of nationalism, became the desideratum. This favorable attitude toward supranationalism, in turn, spilled over to multinational corporations in that they also constituted a force directed toward a supranational solution. But is nationalism all that bad?

Nationalism as comprising the collective will of “we the people”, embedded in patriotism, has a very positive potential if directed by a majority of the populace in the mold of a participatory democracy and a spirit of community. For example, when the democratic process was transformed from that which was called a “liberal” democracy to that of a “mass” democracy, it promoted a structural transformation appearing in the form of the new deal. The anomalies of the period produced a gestalt switch from that of a laissez-faire policy orientation of mainstream economics to that of the welfare state and Keynesian economics. The spirit of “we the people” now given greater political franchise, in the form of a “mass” democracy, became a very powerful agency for social reform.

For different reasons Veblen, in portraying the horrors of the 1930s, by comparison evaluated nationalism in very negative terms. In typical Veblenese, “Born in iniquity and conceived in sin, the spirit of nationalism has never ceased to bend human institutions to the service of dissension and distress. In its material effects it is altogether the most sinister as the most imbecile of all those institutional incumbrances that have come down from the old order” (Veblen, 1997, pp. 11-39, 38-9).

Myrdal, however, as another institutional economist, drew attention to a potentially positive or instrumental function of nationalism. Also, as the analytical father of the developmental state, Johnson (1995) along with Myrdal draws attention to a positive role played by nationalism in the process of economic development. As with material technics, social technics qua social institutions, can also serve instrumental functions and need not always comprise the ceremonial or imbecile as to function. Myrdal’s (1957) *Rich Lands and Poor* offered a basic sequential paradigm of economic development. Nationalism was crucial in that it served as a force in the promotion of a political revolution which in turn was necessary to achieve political and economic independence. Independence, in the framework of circular and cumulative causation, is necessary for the LDC world in order to pursue policies in the promotion of industrialization and modern economic growth.

The historic role model for Myrdal’s economic framework for development is empirically supported in the experience of the USA. The birthplace of modern nationalism took place in the context of the American Revolution, which led to independence and a social invention in the form of the US Constitution, and which in turn established the foundation for Hamilton’s (1791) *Report on Manufactures*. All of this was crucial in the promotion of the ultimate take-off of the US economy into the stage of modern economic growth. Veblen’s critique of nationalism relates to a mature phase of the institution, in which the control of patriotism is directed toward of, by and for élites intent on promoting their own power and interests. By comparison, Myrdal dealt with nascent nationalism which played a positive role in the context of, by, and for “we the
people” in the break from colonial rule in promoting the dynamics of economic development.

Therefore, as a basic conclusion, technology as a whole, be it material or social, may function in positive or negative ways depending on who and or what has the power to control and direct that technology and for which purpose (Brinkman, 1997). Nationalism, as a form of social technology, directed by “we the people”, need not be isolationist or protectionist. In fact, the patriotism or community spirit contained in nationalism can produce positive and humanistic intranational results exemplified by the new deal. And internationally that same spirit could be used to promote global treaties analogous to the UN Declaration of Human Rights of 1948, and the more recent International Covenant on Economic Social and Cultural Rights of 1966[10]. Therefore, the desire and will of the American people could ostensibly be supportive of the achievement of human rights in the domain of the social and the economic. This potential and collective will is currently being thwarted by conservative corporate and power élites.

Consequently the locus of sovereignty contained in the nation state versus the MNC is crucial in determining the fulfillment of a democratic agenda directed toward the achievement of basic human rights. While nation-state policy directed toward intranational or international objectives can potentially be directed by the will of “we the people”, as a participatory democracy, such is not the case vis-à-vis the MNC. Though as big as nation states, the MNC is not governed by the populace in total as “we the people”. By comparison, the megacorporation is directed by a few in terms of corporate and power élites. The resulting 20:80 society hardly denotes a fully participatory, democratic society (Martin and Schuman, 1998, pp. 1-11).

Corporate policy is not subject to direction by the will of a majority contained in “we the people”. The corporation constitutes an institution of enormous power, and formulates policy impacting the whole of the US populace, but outside the realm of a participatory, democratic process of the populace as a whole. Therefore, the locus of sovereignty in either the nation-state or the MNC is of crucial importance in determining how the process of globalization will be directed and who benefits. The resolution of the sovereignty debate is consequently fundamental in determining if the path will be toward the promotion of basic human needs and rights, or simply to that of enhancing corporate power and profits.

In a study very supportive of the current process of globalization, the authors state: “The claim that globalization has cost the USA its sovereignty is intellectually bankrupt” (Burtless et al., 1998, p. 126). This view put forth by the authors of Globaphobia is very much subject to debate. While Korten may be incorrect in terms of analysis and conclusions, one would be hard pressed to declare him intellectually bankrupt. Korten (1995, p. 12), by comparison, states that the current period marks “... a crisis of governance born of a convergence of ideological, political, and technological forces behind a process of economic globalization that is shifting power away from governments responsible for the...
public good and toward a handful of corporations and financial institutions driven by a single imperative – the quest for short-term financial gain”. In Veblenian terms, CEOs have been institutionalized to pursue the making of money and profits rather than production serviceable to basic human needs. Corporate leaders are intent to maximize profits without considerations of social responsibility.

The argument usually put forth in the media and by mainstream economists is that the primary danger to be addressed is that the globalization process might be taken over by protectionist groups and thereby thwart the potential benefits to be derived from liberal, free trade policies. Rodrik draws attention to a basic paradox in that ostensibly the whole GATT-WTO system is directed toward avoiding capture and control by interest groups intent on protectionism. “Yet in practice it turns out that the agenda of trade globalization, trade expansion, and trade pacts has been captured largely by business interests” (Rodrik, 1998, p. 94, 1997). What has been the result of policies pursued and advocated as a result of MNC power and dominance? What happens when corporations rule the world?

Corporate globalization at bay
Galbraith (1973b, p. 5) has stated: “Perhaps the oldest and certainly the wisest strategy for the exercise of power is to deny that it is possessed”. But corporations today do not have to deny their power; this is done more than adequately in the paradigm of rigorous, orthodox economic theory, “The economics profession serves as its priesthood” (Korten, 1995, p. 69). According to mainstream economic theory the real power and control reside in the ideological base of a free-market process directed by the “consumer as king”.

And it is the free-market process which accounts for the cornucopia of production. And in the inherent freedom of choice a free-market system serves as a concomitant necessary to the nurturing of a free and democratic society. Many others however have come to question the democratic correlation (Anderson et al., 2000, p. 62; Nader and Wallach, 1996). Given such benign results of a free-market process the objective is to get the government out in that it constitutes the problem, not the solution. But in getting the government out through the front door, corporate power comes in via the back door. The government, which Myrdal categorizes as the state, serving as the only conceivable agency capable of regulating and controlling corporate power, is removed from the scene. Consequently, the current period is more correctly delineated as megacorporate globalization rather than free-market globalization.

To be recalled, it is our position that at the most general level of conception, the movement toward a global economy relates to the processes of general culture evolution and diffusion. This is not necessarily to infer a spread or diffusion of Western culture, per se, in terms of given values, ethics or religion. But rather this is to infer the spread of the dynamics of modern economic growth, as a science-based (useful knowledge) technology, which may be material or social. Technology, so originated, can be used to advance the given
values embedded in a specific culture to maintain the integrity and diversity of that culture, rather than necessarily emulate the particular values and objectives of Western civilization (culture). The USA, Japan, Germany, and Russia have all embraced the dynamics of modern economic growth, and yet they all represent diverse cultures. Therefore while the spread of what may be called corporate globalization may lead to a homogenization of cultures dominated by corporate cultural values policies and a lack of diversity, such need not be the case.

General culture evolution is predicated on the dynamics of technological advance as the “core of culture”. For without this technological advance, which has produced a shrinking of time and space, and a disappearance of borders, the current processes of globalization could not take place. Consequently, “... globalization is a process integrating not just the economy but culture, technology, and governance” (UNDP, 1999, p. 1). The question, again, becomes Galbraithian: who controls this process and for which purpose? Who should be in control, the public as “we” in a democratic polity, or the private as “me” in a legal person known as a corporation?

The basic agency serving as the “umbilical cord of culture diffusion” is contained in the processes of international trade. But orthodox trade theory, which ostensibly should deal with this dynamic of culture diffusion, is woefully inadequate to describe, analyze and explain the process. But why? To begin with, free trade essentially constitutes a policy of international laissez-faire. This obvious conclusion is supported in the literature. For example in his Essays in Persuasion, Keynes (1972, p. 278) states, “Here we have the economic doctrine of laissez-faire with its most fervent expression in free trade, fully clothed”. Laissez-faire in practice obviously does not mean no government, but in reality and in application constitutes a policy of no regulation of business enterprise.

As a practical matter it is not conceivable today, assuming any semblance of a democratic polity, to have laissez-faire dominate the policies at the nation-state level. The Nobel laureate Paul Samuelson states: “Capitalism, in the sense of undiluted laissez-faire, died before Queen Victoria died. And most of this book has been concerned with the mixed economy that buried it” (Samuelson, 1970, p. 820; Keynes, 1972, pp. 272-94). Nonetheless, it is inconsistently argued that free trade as international laissez-faire and free markets be used to organize and control the global economy. A laissez-faire policy has not worked for the nation-state, in isolation; still less might we expect it to work for the global economy. The global economy is far more complex than any given national economy in that it consists of many heterogeneous and diverse cultures at various levels of economic development. It does not appear possible that the price mechanism and profit maximization, alone, will suffice as the basis of socio-economic organization for such a global complexity – with the expectation that it will work in manifesting benign and harmonious results.

The liberal trade policies which were implemented during the Bretton Woods era were predicated on the orthodox “pure theory of trade” which existed and dominated during this period. But this theory of trade not only
contained “whopper” assumptions, completely unrelated to empirical reality. The internal logic of the theory, itself, is seriously flawed (Lovett et al., 1999, pp. 106-35). The theory rests on a value system which entails an outward shift of the production possibilities frontier impacting an indifference map as the basis of “gains” from trade. Consequently, the theory does not submit to a cardinal measure, such as found in GNP data, a quality of life index (QLI) or a genuine progress indicator (GPI), but simply relies on higher ordinal levels of total satisfaction which defy statistical measure.

Perhaps the major problem inherent in the logic of the pure theory of trade relates to its reliance on the static “law” of comparative advantage. It is oxymoronic to apply a static theory to a dynamic and evolutionary process. The theory is static in that technology is taken as a given and is contained in homogeneous production functions for all nations. But it is generally conceded today that the dynamics of technological change constitutes the sine qua non of the dynamic processes of economic development. The theory offers a conceptual “logic” that an outward shift in the production possibilities curve, as economic growth, constitutes a conceptual equivalent to that of the process of economic development. But the process of economic growth is not synonymous with the process of economic development (Brinkman, 1995).

An outward shift of the P-P curve, assumed to be synonymous with economic development, is based on Marshallian offer curves and the derivation of the international terms of trade which represents the “gains” from trade. The newly derived international terms of trade was assumed to be the same “as if” the P-P curve had shifted when in actuality, in real terms, it did not. Consequently, when the dust finally settles in the Edgeworth-Bowley box, what the analysis boils down to is that a change in the international price, as an improved international terms of trade, is the conceptual equivalent to that of the process of economic development. The alleged “logic” of that position defies logic.

It would take a heroic level of rationalization to argue that the pure theory of trade is relevant to any analysis of the globalization process taking place today. In fact, by assuming that capital is immobile internationally, a “whopper” assumption beyond compare, the theory by assumption excludes an analysis of the MNC. Consequently, the rise of the MNC as one of the most significant developments of the post-Second World War era was assumed to be nonexistent. But recall that the pure theory of trade was the theory in place during the formulation of the Bretton Woods system. Liberal trade policy so formulated was predicated on the free trade policy derived from the pure theory of trade. Given the many flaws of the pure theory of trade contained in the theory itself as well as in the underlying “whopper” assumptions, it is understandable and predictable that orthodox trade theory would finally have been pressured to undergo a metamorphosis.

Currently, there are attempts being made by orthodox, neoclassical trade theorists to introduce the new growth theories and technological change into trade theory in order to originate a dynamic theory of comparative advantage (Grossman and Helpman, 1993). But such attempts basically avoid the issues of
corporate globalization as put forth in this paper. Corporate power and the sovereignty issue are not discussed, let alone the dynamics of general culture evolution. Essentially what these theories offer is increased elegance at the opportunity cost of decreased relevance[11].

In fact, a conceptual clarification of corporate globalization is not addressed, let alone offered in the literature of the orthodox trade theories now being put forth. Perhaps a current theory of trade which comes the closest to addressing an international diffusion of technology, and therefore culture evolution, as well, appears in the work of Vernon (1966, 1979) and the theory of the product-life cycle. However, in the context of the product-life cycle, as theory, the issues of corporate power and sovereignty are avoided. Vernon (1971, 1977, 1998) elsewhere, however, has of course made significant contributions to the sovereignty issue vis-à-vis the MNCs.

Although it is arguable that the current orthodox theory is inadequate, does this carry over to a conclusion that free trade as to policy is consequently flawed as well? Has not liberal trade policy nonetheless produced benign results, flawed theory aside? Regardless of the shortcomings of theory as a basis for explanation, does not aspirin nonetheless still work and the bumblebee still fly? Consequently does the policy of free trade still fly although explanations and theory offered in support are still wanting?

As a result of the liberal trade policies pursued during the GATT-WTO era, have not international trade and global economic growth experienced decided increases? As previously discussed, trade has increased faster than production, and foreign direct investment has increased faster than the increases in trade. The numbers are there in support of the fact that national economies have experienced an increased internationalization, and have grown as a result. Nominal exports and imports as a percent of nominal output for industrial countries were 24.6 percent for 1966-69 and 36.8 percent for 1980-89. For developing countries the comparable figures are 28 percent and 38.4 per cent. US long-term foreign direct investment, at historic cost, has increased from $11.8 billion in 1950, to $711.6 billion in 1995. Measured in market value the figure for 1995 is $1.3 trillion. Consequently, while a positive potential exists in the expansion of the global economy, the problem resides essentially in the realm of equity and fairness. How has that expansion impacted income distribution, wages, the environment and the human quality of life on a global as well as internally on a national basis. Who really has benefited from the dramatic economic expansion of the global economy?

For while “The collapse of space, time and borders may be creating a global village, not everyone can be a citizen” and reap the benefits (UNDP, 1999, p. 31). The Pearson Report of 1969 stated that “The widening gap between the developed and developing countries has become a central issue of our time” (Pearson, 1969, p. 1). Three decades later the problem is still with us and getting worse. For example, using the Lorenz curve as an indicator Zimmerman (1965, pp. 39-40) found that for the period between 1860-1960 the curve moved away from the line of equality, “... income distribution has considerably deteriorated
during the last century” (see Figure 3). Lorenz curves and other estimates related to the more recent period also indicate the trends toward growing inequality and a widening of the gap between the rich and poor nations of the world. For example: “In 1960, about 72 percent of total international inequality could be attributed to inequality between the OECD and LDCs. By 1990 this share had increased to 81 per cent, therefore indicating a further widening of the income gap between the ‘North’ and the ‘South’ over the last three decades” (Chen, 1998, pp. 103, 97-116; Leavy-Livermore, 1998, pp. 29-62).

Other measures offer an unbelievable, “mind-boggling” indication of increased global inequalities in terms of wealth and income distribution. In 1997, for the “ultra rich”, 225 of the richest individuals had a combined wealth of over one trillion dollars which is the equivalent of the annual income of 2.5 billion people or 47 percent of the total global population. Three of the richest people had combined assets equal to the total GDP of 48 of the poorest LDCs; assets of 15 of the richest equaled the total GDP of Sub-Saharan Africa; 32 of the richest had assets equal to the total GDP of South Asia; 84 of the richest individuals had assets greater than the total GDP of China, a nation consisting of 1.2 billion people (UNDP, 1998, Box 1.3, 30).

Although some view market failures as mythology (Gregory, 1986), statistical evidence is in support of the failure of free markets to produce a greater equality of income distribution. And in fact, without equivocation, inequality is worsening and the gap is currently widening, given that the Lorenz curves are shifting in an outward direction. If predictable results constitute a vindication of a theory, Myrdal’s theoretical framework has clearly been vindicated by the accumulated empirical evidence in relation to global

![Figure 3. Lorenz curves for world income, 1860 and 1960](image)

Source: Zimmerman (1965)
income distribution. Myrdal’s (1957) thesis and theory, as put forth in his Rich Lands and Poor, serve to predict that unregulated markets and a free-trade, laissez-faire predilection would result in a growing increase in income inequality between rich and poor nations. And further that the increased gap between the rich and the poor would be manifest in increased global and international conflict.

“The basic underlying philosophy of the WTO is that open markets, nondiscrimination, and global competition in international trade are conducive to the national welfare of all countries” (Hoekman and Kostecki, 1995, p. 1). Clearly the intent of the WTO to improve “welfare of all countries” has as yet to be realized. The current problems associated with the process of globalization now taking place do not simply relate to the growing gap of income distribution between the rich and poor on a global basis. The results of the globalization process are far more complex. The globalization process entails the overall complexity of culture and as such involves not only the international sector but radiates back to the national economy as well. The current process of corporate globalization now taking place is at bay as a result of its national and international impact on wages, downsizing, part-time work, the “race to the bottom”, environmental degradation, and the overall quality of life. The literature is replete with an intense questioning of a continuity of globalization policies now in place.

As a bottom line, one basic source of contention appearing in the literature is that the current processes of globalization are predicated on a free-market or laissez-faire ideology. In his focus on “corporate libertarianism”, Korten (1995, p. 69) states: “In the quest for economic growth, free-market ideology has been embraced around the world with the fervor of a fundamentalist religious faith”. The billionaire George Soros argues that the greatest threat today, given the demise of the USSR, is no longer that of communism. But rather is contained in “the capitalist threat” embodied in “. . . the untrammeled intensification of laissez-faire capitalism and the spread of market values into all areas of life is endangering our open and democratic society” and, “The central contention of this book is that market fundamentalism is today a greater threat to an open society than any totalitarian ideology” (Soros, 1997, p. 45; 1998, p. xxi).

Soros uses “market fundamentalism” in place of laissez-faire, in that it gives emphasis to the religious fervor contained in the current frenzy directed by a free-market ideology “. . . easily carried to extremes” (Soros, 1998, pp. xx, 126-8). And replete as a theme put forth by Korten (1995, p. 12), “These forces . . . of a market tyranny that is extending its reach across the planet like a cancer, colonizing ever more of the planet’s living spaces, destroying livelihoods, displacing people, rendering democratic institutions impotent, and feeding on life in an insatiable quest for money”. Clearly the current corporate globalization process and the structure of the global organization of trade, established under the WTO’s rules of the game, leaves much to be desired and much to be questioned.
Globalization with a human face

The United Nations Development Programme (UNDP) and the related *Human Development Reports* have produced vanguard contributions to the literature relevant to the current processes of globalization. The objective of an integrated global economy does not simply relate to the promotion of economic development, *per se*. What is necessary is to use the dynamics of development as a means, not as an end in itself, which is oriented toward the promotion of a human development strategy. A strategy that is controlled via a participatory democracy, of, by, and for, “we the people” and globally, more correctly, for “we the peoples”. Such a strategy potentially constitutes a collective, patriotic force for solidarity in the promotion of a just global order for all the people, rather than one driven by greed and profits for an élite few.

Polanyi was very much concerned with the impact of the price and market mechanism on society. Soros also notes the connection, for given “market fundamentalism” the result has been “the development of a global economy has not been matched by the development of a global society” (Soros, 1998, pp. v, xx, xxix). The dysfunction of society is also addressed by Korten (1995, p. 19), “These conditions are becoming pervasive in almost every locality in the world – and point to a global-scale failure of our institutions”.

“The WTO is essentially not concerned with the behaviour of private businesses. It deals only with actions of governments . . . Thus the WTO is a regulator of the regulatory actions of governments that affect trade . . .” (Hoekman and Kostecki, 1995, p. 12). The UNDP (1999, pp. 97-114) provides an excellent summary of policy directions related to “Reinventing global governance – for humanity and equity”. A specific recommendation by the UNDP is particularly relevant, “The mandate of the WTO needs to be expanded to give it ‘antimonopoly’ functions of the activities of multinational corporations including production, working in close collaboration with national and antitrust agencies” (UNDP, 1999, p. 114). And of course this is not to deny increased management and regulation in the areas of human needs and rights, wage policies and the overall impact on the environment and the quality of human life.

In summary, the position put forth in this paper is not anti-market, nor anti-corporation, *per se*, but rather is anti-*laissez-faire* and opposes the unmitigated corporate power that is used to maximize profits without social responsibility. The overall problem might best be viewed as a cultural lag (Brinkman and Brinkman, 1997). In the crucible of globalization, we find a cultural lag comprising one aspect of nonmaterial culture (the MNCs) accelerating and advancing faster than another form of nonmaterial culture residing in a capacity for governance. To overcome this basic cultural lag there is the need for nation-states and the global economy to be controlled of, by, and for, “we the people” in the spirit of solidarity and in context of a legitimate participatory democracy. There is a need to assert human needs as human rights in the rapidly emerging global economy.

Currently the dialogue that is spread, promulgates the view that patriotic, working America should endure the pain of stagnating real wages and
downsizing in the policies now being pursued. Such "Low Road," wage-cost cutting policies produce gain for corporate America and a good deal of pain for working America[12]. Nationalism and the patriotic spirit should and could be used to promote gain, not pain. This relates to policies both intranational and international, as well as supranational. There is a need to promote greater governance of the globalization process, but “Governance does not mean mere government. It means the framework of rules, institutions and established practices that set limits and give incentives for the behaviour of individuals, organizations and firms” (UNDP, 1999, p. 9). “The globally integrated world will require stronger governance if it is to preserve the advantages of global market competition, and to turn the forces of globalization to support human advance” (UNDP, 1999, p. 13).

Notes
1. Compare for example: Krueger (1998, p. 46); OECD (1993, pp. 7-11); Chen (1998, pp. 2, 103); Holton (1998, pp. 10-24); Leavy-Livermore (1998, p. xxii); all of which indicate a lack of consensus. Conceptual clarification, however, is necessary to establish paradigmatic boundaries for questions, problems and policy direction for resolution.
3. Kuznets (1930, 432-3). The emphasis on the social and structural change and the dynamics of a science-based technology is replete in Kuznets's contributions to the literature and the need for "developing a tested theory of social evolution . . ." (Kuznets, 1930, p. 441).
4. Svennilson (1954) focused on the need for structural change and institutional adjustments in order to overcome the quagmire of Europe's interwar stagnation.
5. Much has been written on the sovereignty issue, for example: Vernon (1971, 1977, 1998); Featherstone (1990); and Arnason (1990).
8. Snyder (1954) found nationalism to be so complex that he concluded that it could not be defined; and on an earlier statement as to the interdisciplinary nature of nationalism and consequently its complexity, Deutsch (1956); which serves as a basis for our conclusion as to the relevancy vis-a-vis the complexity of culture. Nationalism is in turn is obviously relevant to globalization (Featherstone, 1990, p. 208).
9. Our analysis draws on the work of Carr (1945), a work which Deutsch (1956, p. 43) regarded highly: “The best summary presentation of the profound social, economic and psychological changes in nationalism dots”.
10. As noted in the UNDP (1998, p. 245) along with South Africa and China, the USA has signed but has not yet ratified the International Covenant on Economic, Social and Cultural Rights (1996). A similar fate was granted to the UN Declaration of Human Rights (1948).
11. The work of Grossman and Helpman (1993) stands as one of the leading exemplars of new trade theories. However, it does not delve into the arena of MNC power and the associated
social and cultural implications of corporate globalization. Textbooks similarly avoid the issue of MNC power, in terms of analysis and theory in this context note Salvatore (1998).

12. While the media and mainstream economist allude to the health and vigor of the current growth phenomenon and its favorable impact on “we the people”, others are not quite that sure (Mishel et al., 1999; Miringoff and Miringoff, 1999).

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**Further reading**


