

Globalization or Europeanization:
Evidence on the European Economy Since 1980

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Introduction

At the core of the European Union, has been the gradual creation of the "single market" across western Europe. The European Union began as the European Coal and Steel Community (ECSC) and expanded to become the European Economic Community (EEC). The original intent of the ECSC was to stabilize the production of steel across Europe in order to prevent ruinous competition. The EEC formed to expand the activities of the alliance to cooperation in agricultural policies and various industrial policies. The Treaty of Rome which produced the EEC, had the goal of reducing tariffs and other trade barriers, thereby promoting free trade and economic growth. Both Schumann and Monet, the principal intellectual architects of the EEC felt that if the European societies had economies that were more integrated, governments would be less tempted to engage in military activities that would end up in war.

The purpose of this chapter is to consider how Europe became economically integrated. The central theme is that European economic integration is near to completion in two ways. First, the EU has provided a common set of rules that make it difficult for governments to raise barriers to entry to foreign firms and markets, at least formally, are open. Second, trade between European countries now accounts for almost 40% of GDP. Moreover, 70% of the exports from the countries that make up the EU are to other countries in the EU. Globalization in Europe is not about

the increase in either Asian or American exports to Europe, but instead it is about "Europeanization". The economies of western Europe are now tightly interlocked.

A second theme, is that in spite of "Europeanization", national capitalisms across western Europe persist. The largest firms in the European economy remain resolutely German, French, Swedish or Italian in ownership and investment. Only in Great Britain have large firms been taken over extensively by foreign ownership. I argue that the main reason for this persistence is that Europe has so far resisted creating a single market for property rights. It is difficult or impossible to engage in hostile takeovers of continental European firms. The national ownership of firms remains the rule, with some notable exceptions. Nationally owned firms continue to invest primarily at home.

These two main results show the contradictory nature of Europeanization quite clearly. From the perspective of the top leadership of many of Europe's largest firms, they are major participants in markets Europe and to a lesser degree the U.S. (In general European firms do not have a high Asian profile.) This makes them firm supporters of free trade and the monetary union and in general strong supporters of the EU. At the same time, a large proportion of shareholders and workers remain in the nation where the firm is headquartered. Their experience of Europe and their sense that their jobs depend on Europe is much less pronounced. They remain firmly wedded to a national conception of property rights and labor relations.

How do we make sense of Europeanization of the economy? In the literatures that compare market arrangements across nation states, there are two images that are juxtaposed. First, there are many scholars who support the view that eventually there will be convergence in the way that markets and firms are organized across societies. The sources of these convergence usually emanate from some form of competitive process. The argument is that when firms meet in a market, there is some most efficient way to organize that revolves around the appropriate use of technology, social organization, and investment. Thus, market forces produce convergence towards a single way of doing things.

This point of view is often the justification for arguments about how globalization (defined as the integration of world markets for goods and services) forces firms to reorganize. If firms from one society figure out the most efficient way to produce a set of products, then firms from all other societies will have to emulate those firms or fail. A similar argument has been applied to government interventions (Couch and Streeck, 1996; Drache and Boyer, 1996; Garret, 1995). Governments that persist in producing trade barriers, protecting workers, and engaging in too much taxation of firms, will over time lose firms to societies where firms have friendlier arrangements. This forces governments to dismantle worker protections, free up capital markets, and deregulate other markets.

The problem with these plausible arguments, is that there is little evidence that they are true (for reviews, see Fligstein and Freeland, 1995; Pauly and Reich, 1997; Wade, 1996). Studies

typically show that governments continue to sponsor a great number of policy interventions into capital and labor markets. There is little evidence that there has been a race to the bottom to undermine the protection of workers in advanced industrial societies. There is also little evidence that the so-called global corporation has converged to either a network or "informational" form (Fligstein, 1998). Almost 30 years ago, the political economists Raymond Vernon (1967) and Charles Kindleberger (1970) argued that the leaders of multinational firms were people who quickly were becoming nations unto themselves. They predicted the growth of an international capitalist class that would have no national loyalties. Thirty years down the road, when the evidence is examined, this claim turns out to not be true.

Given the contrasting images, one that emphasizes how market forces should produce convergence in firms and government policies, and the other of a world where national capitalisms persist, one is left to wonder about where the truth really lies. The purpose of this chapter is to untangle these questions in the context of Europe. Europeanization, as it turns out, produces evidence to support both of these arguments. On the one hand, there has been much convergence across Europe in terms of producing markets with participants from many societies. On the other, there is little evidence that this convergence has produced a capitalist elite that transcends national borders. Indeed, large firms remain owned by people in particular societies, by and large, and dependent on their home governments

for many things.

My basic argument begins by trying to define what an integrated market would look like for a given commodity. I use the theory of fields elaborated to the context of markets to produce conceptual leverage on this question. I argue that an integrated market requires a single system of rules of exchange, property rights, and rules of competition and cooperation. To produce a stable market requires that a "local" set of rules evolves in a particular market that defines which firms are dominant and why and which are peripheral.

One of the main reasons that national systems have proved to be so robust is because firms depend on their governments and societies for institutional stability. Without governments to provide for stable rules, labor market policies, systems of law, and promote investments, there would be no markets. Capitalist elites recognize this interdependency. Moreover, most capitalist elites want to try and defend their privileges. This means that they may like trade if they are "winning", but they do not want property rights to be part of this.

The purpose of developing this perspective on markets is to apply it to what has occurred in the EU in the past 30 years. My basic argument is that Europeanization of the economy has meant a great deal of pressure for increasing rules to make trade easier and more transparent, what I will call "rules of exchange". Indeed, most of the activities of the EU have been of this variety. I will also present evidence that the EU has by and large also come to coordinate rules of competition and

cooperation for firms involved in trade across borders. However, there has been little convergence across Europe in property rights. While there is some movement in this direction, national political and economic elites (with the exception of Great Britain) have held fast to rules to protect their control over property rights in the largest and most important firms in society. Therefore, the evidence exists to show that two of the three conditions for producing single markets exists within Europe.

I then, turn to considering the degree to which markets have become integrated over time. I examine cross border trade and look for how it has changed across society and industrial sector. My results provide evidence for the view that the European political project is fundamentally about the degree to which European markets are integrated. Over time, the share of European production that ends up in Europe has increased. Indeed, Europe's "external" trade dependence is relatively low as a percentage of GDP. Having said this, some European firms are increasingly spreading their activities overseas. They are mainly investing in the United States. But, they have been moving some of the investment to Asia. Perhaps most interesting, the Europeans, who have traditionally been skeptical about the value of services, have been extensively purchasing financial and business service firms abroad at home and abroad.

My main interpretation of the data presented here, is that the European economic integration project rivals that of the U.S. Indeed, I will show that Europe is in many ways, as economically

integrated as the U.S. And like the U.S., the largest European firms are looking to other markets to grow, particularly the markets of North America. In this way, large European multinationals are very similar to their American counterparts in orientation. While national governments remain important to providing stable conditions for economic growth, they have increasingly pooled their sovereignty and make collective decisions in Brussels. National governments also maintain the bureaucratic apparatus necessary to enforce rules. They also continue to foster separate systems of property rights.

The picture one obtains is of a European convergence within markets where goods are heavily traded, but a lack of convergence in certain markets with little trade. There is also little evidence in convergence in either labor relations regimes or property rights. Governments continue to play pivotal roles in protecting their most organized workers and firms.

What is an integrated market?

To apply the theory of fields to understand market society, it is necessary to define what kind of fields markets are, and what types of social organization are necessary for stable "markets as fields" to exist. The central insight of the political-cultural approach to economic sociology proposed here, is that to produce markets as stable fields requires four kinds of social organization. It is useful to define the terms of my discussion.

Economic exchange ranges from infrequent and unstructured to frequent and structured. *Markets* are social arenas or fields that exist for the production and sale of some good or service and they are characterized by structured exchange. I distinguish markets as structured because I want to emphasize that they rely on rules and social structures to guide and organize exchange. Actors in unstructured or haphazard exchange have little invested in the exchange and participants may or may not interact again. While they may benefit from the exchange, their ultimate survival does not depend on haphazard exchange. It is when the agents in exchange begin to view their own stability (ie. reproduction) as contingent on stabilizing trade, that they turn to social organizational vehicles. Exchange throughout human history has often been closer to unstructured exchange but, markets in the way in which I use the term here, have preexisted modern capitalism.

Markets (and this includes almost all modern production markets) are mainly structured by sellers looking for buyers.¹ A given market becomes a stable field when the product being exchanged has legitimacy with customers, and the participants, particularly the suppliers of the good or service, are able to produce a status hierarchy whereby the largest dominate the market. These actors produce organizations to make the good, and manage to create social relations between competitors that govern competition. They use these social relations to remain in existence on a period to period basis.² Thus, stable markets can be described as "self reproducing role structures" where

incumbent and challenger firms reproduce their positions on a period to period basis (White, 1981).

The sellers generally produce the social structure in the market because their firms' existence is at stake if structured exchange fails to take hold.³ The social relations between sellers in a stable market is one whereby one set of firms produces a dominate frame for the market and the others firms fall in line. This does not imply that the partners to any given exchange between buyers and sellers have to be the same actors. Sellers vie for customers and customers may switch suppliers. The stability of the sellers, in the sense of their organizational survival, is what is important to the stability of the market. My operational definition of a market is the situation where the status hierarchy, and by implication, the existence of the leading sellers, is reproduced on a period by period basis.

For example, the steel industry in the United States for much of the 20th century, was a stable market with persistent firm identities and defined products. The largest firms reproduced themselves on a period to period basis by being vertically integrated and focussing on stabilizing prices even as demand shifted radically (Fligstein, 1990). Since the mid-1960s, the identities of the suppliers of steel products have been transformed. Many of the largest producers disappeared and new firms began to dominate the market. The market itself became differentiated between products that were basic commodities and higher end, higher value added products. The newer firms were able to take advantage of these changes to form a new market. The

field that once existed has disappeared and two new market fields have taken its place (Hogan 1984).

I do not mean to obliterate the distinction between a market and an industry here. A market is a social arena where sellers and buyers meet. But, for sellers and buyers to exist, a product has to exist and someone has to produce it. A market depends on the buyers continuing to "show up" in a particular social space to purchase the product. But, the sellers' firms and their status relations define what stability means in the market. They define what the market is about and their relations define the local culture by which money is to be made and stability produced. While there is obviously an interdependency between buyers and sellers, the sellers' stake in the arena is one of survival.

In spite of elaborate social mechanisms and rules to guide market interaction, markets are inherently unstable from the point of view of sellers. One of the deep insights of neoclassical economics is that market society makes it very profitable to create new markets. At the beginning of markets, first movers can often reap huge rewards. But, as other economic actors realize this, they enter into the market, and prices begin to drop. Moreover, as markets slow down in growth (as they inevitably do), firms have incentives to go after more market share and to begin to cut prices. Products can be delegitimated, most often by being superseded by other products. It is these opportunities and problems that create unstable conditions for producers.

Even where seller relations have been stabilized, it is

possible for them to be upset. The "game" is to find a way to produce a market as a stable field. These stable markets contain social structures that specify the relations between dominant, challenger and seller firms. The social relations are oriented toward maintaining the advantaged positions of the largest seller firms in the face of their challengers. They define how the market works and how competition is structured.

As forms of social organization, market structures involve both cognitive understandings and concrete social relations. The cognitive understandings are of two sorts: general societal understandings about how to organize markets and solve the problems of stability, and specific understandings about the way a particular market works. These specific understandings provide actors with ways to make sense of their competitors' actions.

The concrete social relations in a given market will reflect the unique history of that market and its dependency on other markets. These relations will constitute which firms are dominant and why, and their relations to challenger firms. The ultimate success of firms in producing stable fields (ie. social structures to stabilize their relationships with one another), is dependent on the general principles of making markets in their society, and the ability to find a way to do this within a particular market.

The first problem for developing a sociology of markets is to propose theoretically the kinds of rules and understandings necessary to making structured exchange (ie. markets as fields) possible in the first place. There are four types of rules

relevant to producing social structures in markets-- what can be called property rights, governance structures, rules of exchange, and conceptions of control.

It is through the existence of these institutions that actors produce social structures to organize themselves, to compete and cooperate, and to exchange with one another in a regular and reproducible fashion. Each of these types of social structure is directed at different problems of instability. Some are more related to the general problem of creating a market in the first place and others have to do with insuring the stability of firms in a particular market.

Property rights are rules that define who has claims on the profits of firms (akin to what agency theorists call "residual claims" on the free cash flow of firms (Jensen and Meckling 1974; Fama 1980)). This leaves open the issues of the different legal forms that exist; the relationship between shareholders and employees, local communities, suppliers, and customers; and the role of the state in directing investment, owning firms, and protecting workers. I argue that the constitution of property rights is a continuous and contestable political process, not the outcome of an efficient process (for a similar argument, see Roe 1994). Organized groups from business, labor, government agencies, and political parties will try to affect the constitution of property rights.

The division of property rights is at the core of market society. Property rights define who is in control of the capitalist enterprise and who has rights to claim the surplus.

Property rights do not always have to favor the privileged groups in society. If, for instance, governments own firms and control investment decisions, their decisions can take into account different divisions of profits. Cooperative businesses or partnerships can allow for equal distribution of profits. Workers can receive part of their pay in profit sharing schemes.

Property rights are necessary to markets because they define the social relationships between owners and everyone else in society. This stabilizes markets by making it clear who is risking what and who gets the reward, in a particular market situation. A given firm's suppliers know who is the responsible entity. Property rights thus function to produce two forms of stability: defining the power relationships between constituencies in and around firms, and signalling to other firms who they are.⁴

Governance structures refer to the general rules in a society that define relations of competition, cooperation, and definitions of how firms should be organized. These rules define the legal and illegal forms of how firms can control competition. They take two forms: (1) laws and (2) informal institutional practices. Laws called antitrust, competition, or anti-cartel laws, exist in most advanced industrial societies. The passage, enforcement, and judicial interpretation of these laws is contested (Fligstein 1990), and the content of such laws varies widely across societies. Some societies allow extensive cooperation between competitors particular when foreign trade is involved, while others tend try to reduce the effects of barriers

to entry and promote competition. Competition is not just regulated within societies, but across societies. Countries have tariffs and trade barriers to help national industry to compete with foreign competitors. These laws often benefit particular sectors of the economy.

Market societies develop more informal institutional practices which are embedded in existing organizations as routines and are available to actors in other organizations. Some mechanisms of transmission are professional associations, management consultants, and the exchange of professional managers (DiMaggio and Powell 1983). These informal practices include how to arrange a work organization (such as the multidivisional form), how to write labor and management contracts, and where to draw the boundaries of the firm. So, for instance, firms can compete on price, but if firms infringe on one another's patents or trade secrets, they are likely to run afoul of the law. They also include current views of what constitutes legal and illegal behavior of firms. Governance structures help define the legal and normative rules by which firms structure themselves and their relations to competitors. In this way, they generally function to stabilize those relations.

Rules of exchange define who can transact with whom and the conditions under which transactions are carried out. Rules must be established regarding shipping, billing, insurance, the exchange of money (i.e., banks), and the enforcement of contracts. Rules of exchange also regulate health and safety standards of products and the standardization of products more

generally. For example, many pharmaceutical products undergo extensive testing procedures. Health and safety standards help both buyers and sellers and facilitate exchange between parties who may have only fleeting interactions. Products produced in one country often have to meet the safety standards of those products in another country.

Product standardization has become increasingly important in the context of rules of exchange, particularly in the telecommunications and computer industries. There exist extensive national and international bodies meet to agree on standards for products across many industries. Standard settings produces shared rules that guarantee that products will be compatible. This facilitates exchange by making it more certain that produce bought and sold will work the way they are intended.

Rules of exchange help stabilize markets by insuring that exchanges occur under a set of rules that apply to everyone. If firms who ship their goods across a particular society do not have rules of exchange, such exchanges will be haphazard at best. Making these rules has become even more important for trade across societies. Many of the newest international trade agreements, including the European Union's Single Market Program and the last round of GATT, focus on producing and harmonizing practices around rules of exchange.

The purpose of action in a given market is to create and maintain stable worlds within and across firms that allow dominant firms to survive. *Conceptions of control* refer to both the understandings that structure perceptions of how a particular

market works and the real relations of domination in the market. A conception of control is simultaneously a worldview that allows actors to interpret the actions of others and a reflection of how the market is structured. Conceptions of control reflect market specific agreements between actors in firms on principles of internal organization (ie., forms of hierarchy), tactics for competition or cooperation (ie. strategies), and the hierarchy or status ordering of firms in a given market.

A conception of control is a form of "local knowledge" (Geertz 1983).⁵ Conceptions of control are historical and cultural products. They are historically specific to a certain industry in a certain society. They are cultural in that they form a set of understandings and practices about how things work in a particular market setting.

The Integration of European Markets

There are two sorts of market integration projects that this analysis suggests. First, is the political-legal project that would produce a single set of rules to govern market activities. To say that there existed a single market in a geographic area would imply that there exists a single set of rules to govern exchange, to regulate competition and cooperation between firms, and to define property rights. In the real world, there are no single markets in this way. It may come as a surprise to readers, but the U.S., which is often held up as a single market does not have a single set of rules defining property rights and there are

some differences in rules of exchange. These are caused by the fact the U.S. is a federal system and in the evolution of the national economy, state governments have kept some jurisdiction over economic activities within their borders. The U.S., is of course, more a single market in a geographic sense than an unintegrated market, but this is a question of degree.

The second way in which markets are integrated concern exactly who the main market participants are. So, a particular market may be fragmented geographically or not. It is possible that markets are integrated in terms of laws and practices, but that because of which firms are in the markets, they may be in reality fragmented.

From this perspective, we can begin to examine the degree to which world markets are integrated. So, for example, some markets, like high technology weapons, may be highly regulated and national in orientation. There do not exist rules of exchange, rules about cooperation and competition, or rules about property rights. Finally, there will be little direct competition between firms across societies. Other markets may be highly integrated. World currency markets operate according to a set of rules, allow free exchange, and have participants from around the world. There are generally less international agreements about competition policy, but even here, there are exceptions. The World Trade Organization examines world trade practices in order to discover if societies are creating illegal trade barriers to keep out foreign competitors in markets where societies have signed agreements. What appears to be least integrated across

world markets, is the market for property rights.

The case of the EU can be held up to similar standards. In the next chapter, I will show that Europe now has fairly free exchange in markets where firms are trying to trade. There also exists a substantial number of rules governing various forms of nontariff trade barriers that would effect competition. Rules about competition policy exist across Europe and apply broadly. What is least integrated is European property rights regimes. The only country in western Europe with a market for corporate control is Great Britain. I will consider this issue in more depth later in this chapter.

If one accepts for a moment that Europe is a single market in terms of market access, the ease of engaging in transactions across national borders, and competition policy, then one can turn to the degree to which Europe is actually a single market in practice. This implies examining the data on trade within Europe and between Europe and the rest of the world over time.

(Table 1 about here)

It is useful to consider world trade more broadly before turning attention to Europe. Table 1 presents data on the shares of world trade by region. There are several interesting and important features in this table. First, western European countries accounted for between 40.2 and 48.3% of world exports and 39.6 to 44.8% of world important over the period 1980-1995. The share of world trade in which European countries were involved was extremely high and relatively stable over time. If anything exports are growing, while important are remaining

stable as a share of world output. In this sense, when we talk about globalization and world trade, about half of what we are talking about is trade amongst the nations of western Europe.

There are several other important features to note about this table. First, the developed worlds' share of world exports (ie. North America, Japan, and Western Europe) was roughly 65% in 1980 and increased to about 71% in 1995. As world trade grew in real dollar terms, the developed world's share of trade increased and not decreased. Finally, there was a huge increase in the shares of imports and exports for nonJapan Asia over the period as these increased from about 10% to about 18%. The real losers in world trade over time were the C.I.S., Eastern Europe, and the rest of the developing world.

Globalization from 1980-1995 thus showed a great deal of continuity in terms of the relative shares of trade going to the most developed societies (indeed, their shares were increasing) and Europe continues to dominate world trade. The real winners were the developing countries of Asia while the real losers were the rest of the world.

(Table 2 about here)

Table 2 shows a snapshot of the ultimate destination of trade in 1993. Exports are divided into three regions: Asia, Western Europe, and North America. Most of the exports of Western Europe (almost 70%) end up in Western Europe. 46.5% of Asia's exports end up in Asia while only 35.6% of North America's exports end up in North America. Table 1 and table show provide convincing evidence that world trade in the past 15 years is

greatly centered on western Europe. The countries of western Europe account for almost half of world trade and about 70% of that trade ends up in Europe. This is clearly evidence for Europeanization.

(Table 3 about here)

It is useful to disaggregate these trade patterns to observe how they break out over product groups. Table 3 provides a breakdown which isolates the countries of the EU, North America, and Asia, examines what they trade in, and looks more closely at the destination of their trade. The bottom panel of the table examines trade specialization. The EU, which accounts for about 45% of world exports, produces about that share of agricultural exports and slightly more than its share of manufactured goods. It produces a great deal less of mineral raw materials and office and telecommunications equipment. North America (about 16% of world exports) exports about its share in manufactured goods, slightly more than its share of agriculture products and office and telecommunications equipment, and less than its share of mining. Asia (about 28% of world exports) produces way over its share of office and telecommunications equipment, slightly under its share of manufactured goods, and less than its share of agricultural and mineral products. This table is the clearest snapshot that captures the rise of high technology production in Asia.

However, if one begins to examine these data more carefully, they begin to tell a more subtle story. So, while the Asian societies dominate world exports for office and telecommunication

equipment, their exports (\$193.1 billion) account for less than 5% of world trade in 1993. A large part of that share ends up in Asia and to a lesser degree the U.S. Europe imported about \$42 billion from Asia in 1993, while European trade in office and telecommunications equipment was \$102.1 billion and imports from the U.S. were \$71.2 billion. Thus, even with the high production of high technology computer products, the EU was producing almost three times as much equipment in dollar terms, and was importing almost twice as much from America than Asia.

The most interesting part of the table is caught by examining the shares of exports of the products that end up with each region. Very high amounts of European production of agriculture and minerals end up in Europe. Europeans do export more manufactured goods although 67.1% still end up in Europe. As already noted, most of European office and telecommunication equipment ends up in Europe. Table 3 reinforces the conclusions in tables 1 and 2. The EU exports dominant shares of manufactured goods, and agricultural products, and less of mineral products and office and telecommunications equipment. The EU is the largest exporter in the world, but most of that export ends up in Europe.

(Figure 1 about here)

Figure 1 graphically portrays what has happened in European exporting between 1980 and 1995. Between 20 and 25% of European GDP was accounted for by exports over the period. Exports started at the higher end of that range, declined until the early 1990s, and increased thereafter. The percentage of European GDP

accounted for by exports to other EU countries changed from about 15% to 18% over the period. This change occurred consistently. Thus, over time, while the percentage of European GDP involved in exports moved within a relatively narrow band, the percentage of European GDP accounted for by exports to Europe increased. The top line of figure three shows the percentage of total exports due to intra-EU trade. Not surprisingly, this increases from about 60% in 1980 to a little over 70% in 1995. European societies were not becoming more trade dependent over the period, but they were increasingly turning that trade towards the other members of the EU. This is evidence that the Single Market had the effect of redirecting European trade to the other countries of Europe.

(Table 4 about here)

The final table to examine in terms of economic exchange across Europe considers how these changes in trade worked out across countries between 1980 and 1995. We see that the U.S. almost doubled exports as a percentage of GDP over this era, albeit starting from a low level. Japan's internal economy grew faster than its exports over the period and so trade as a percentage of its GDP fell. In Europe, there are two patterns to note. First, Germany's exports as a percentage of GDP rose and then fell. By 1995, exports as a percentage of GDP were smaller than they were in 1980. Second, both France and Italy became more trade dependent while Great Britain stayed about the same. In 1995, the four largest European economies were all about equally trade dependent at about having exports as 20% of GDP. Europe's

smaller countries are even more trade dependent. Ireland, Belgium, the Netherlands, and Luxembourg depend on exports for over 60% of GDP.

Taken together, these tables imply that the story about globalization as a description of what is happening to world trade is too broad. In fact, what has been going on in the world economy are two main trends: Europeanization, and the growth of nonJapan Asia. Asian societies have increased their share of world exports, not at the expense of the developed world, but at the expense of the less developed world. They have produced huge exports in office and telecommunications equipment, but remain less competitive in manufacturing. Europe, continues to be the largest trade zone in the world with almost half of world trade occurring across the borders in western Europe. This share has remained stable over time. What has changed is that European countries, as a result of the single market, are trading more with each other, and less with the rest of the world. Taken together, this is evidence that European markets are continuing to integrate in the sense that European firms are coming to face one another more and more in European product markets.

Europeanization and the Strategies of Large Firms

If trade across Europe has grown more dense, it is interesting to consider exactly what this means for corporations. One can imagine that firms engaged in export would pursue one of two strategies as they expand their activities in Europe. First,

they could decide to redistribute their activities across Europe. This would mean that they would make investment in plant capacity and buy up firms in other countries. They could do this to lower the costs of their wage bills or to just be closer to finished markets. Alternatively, since the single market means that European firms are theoretically free to ship goods anywhere in Europe with few barriers, firms could decide to stay at home. Indeed, as trade barriers decrease and transportation and communications costs decrease, firms would feel less compelled to relocate facilities to other societies.

To figure out what large European corporations are doing, it would be useful to have data on their activities as they change over time. Unfortunately, data of this sort just does not exist. So, instead, I will rely on available data and try and examine more indirect evidence to ascertain if changes are occurring over time.

The first data I consider come from a study of the world's largest multinational corporations in 1987 (Stafford and Purkis, 1989). This data set is unique in that it contains information on the world's largest 450 multinational corporations. It attempts to disaggregate where firms have their main investments, assesses their major markets, and considers their main strategies. This snapshot of the world's multinationals gives us a great deal of insight into the organization of the activities of the largest firms around the world. It also allows us to compare the activities of European based multinationals to other firms of similar size and with similar aspirations. Thus, we can see the

degree to which European firms are like or not like the multinational firms of other societies.

(Table 5 about here)

Table 5 presents data on investment of the world's largest multinationals broken down by whether or not the firm are headquartered in the EU or somewhere else. EU firms and non EU firms have about 60% of their assets invested in their home countries and about 20% of their additional assets invested in the rest of Europe, but not their home country. Interestingly, these totals are not statistically significantly different. Thus, European multinationals and non European multinationals are similar in how they have invested at home and in Europe.

But, EU and non EU multinationals differ greatly when it comes to sales. EU firms sell 20.9% less of their production at home than do non-EU firms, which is a statistically significant difference. They also sell about 40% more to their European counterparts than do the rest of the world's multinationals. This is also a statistically significant difference. Even more telling, is the degree to which European large corporations are concentrated in the European market. EU multinationals, all together sell on average 70.5% of their production in Europe and have 75.8% of their assets in Europe.

These results, taken together suggest that EU multinationals are much more Eurocentric than multinationals in general. They tend to invest more at home, export more of what they produce, and export most of their products to the rest of Europe. I note that the ratio of non European firms sales and investment are

roughly the same at home, and overseas. This suggests that they have made investments to be close to markets. European firms, on the other hand, have not made those investments as much and are more likely to be exporting from their European home. It is no exaggeration to say that EU multinationals are predominantly "Europeanized".

(Table 6 about here)

Table 6 expands this analysis by breaking down differences between European and non European firms into more categories. The top of the table considers the strategies of European firms. Strategy, here, refers to the product mix of firms. Large corporations, by definition tend to produce a multitude of products. The link between those products has been the subject of a great deal of business and economic history (Chandler, 1961; Fligstein, 1990; Dunning, 1995; Teece, 1987; Gort, 1967; Rumelt, 1970).

There are four major sorts of explanations that exist for this diversification. Economic explanations tend to focus on economies of scope. Firms enter in new businesses that are related to their main business, either to become their own supplier of some key product, or because the product is naturally related to products they are already producing. So, a company making gasoline finds it natural to produce fuel oil, diesel fuel, and petrochemicals. This allows them to also gain economies of scale because they can produce larger quantities of common inputs into outputs.

A second set of explanations centers on the role of

transaction costs in drawing the boundaries of the firm.

Transaction cost analysis suggests that diversification results from capital market failure. Here, firms discover opportunities that they can successfully exploit by controlling them internally. If capital markets were perfect, they would provide investment into these new arenas. But firms, because of their asset specificity (ie. investments in new products) are better able to capitalize on related products than the market which has a difficult time evaluating the new opportunity. It therefore invests too little.

A third set of explanations focuses on firms strategies and the possibility to enter new markets. Here, technology and the core competencies of the firm are used to discover new markets either for products that already exist or products that spin off from existing products.

Finally, firms diversify to spread risk and survive. Fligstein (1990) shows that diversification took off during the Depression in the U.S. During this period, firms' found their existence threatened by lack of sales. They made sales and marketing a more important function of the firm and realized that finding new products for existing products or expanding product lines was a way to insure the survival of the firm. After the Second World War, the U.S. government aggressively persuade firms who were dominant in a single product line. This further encouraged firms to engage in diversification. During the 1950s, some entrepreneurs discovered that diversification for purely financial reasons made sense. They began to build acquisitive

conglomerates. Firms were bought and sold on the basis of their potential growth and the relative cheapness of the assets.

Whichever explanation scholars favor, by the late 1960s, the largest corporations had diversified their product lines substantially. The top of table 6 divides product mixes into three rough categories: product dominant, product related, and product unrelated. Firms coded as product dominant were producing over 90% of their product in a single main industry. Firms in this category were likely to be some metalmaking firms (e.g. steel, aluminum) or some automakers. Product related implies that firms are producing products in more than one major industry, and that the main industry does not account for more than 90% of production. The products in the two industries need to bear some relation to each other either by using related technologies, depending on similar outputs, or serving similar markets. So, oil companies that were producing oil and chemicals would be in this category. Most firms producing consumer goods, drug companies, and even machinery might be in these categories. Conglomerates were cases where there was no obvious link between products being produced and no single industry accounted for more than 90% of production.

While there remains some disagreement over why firms diversify, it is clear that over the course of the century the largest corporations have become more diversified in their product mix. Table 6 shows that EU and non EU firms were diversified. Almost 20% of both categories of firms were in the product dominant category. EU firms were slightly more

conglomerate in character than nonEU multinationals. However, the difference between the two distributions is not statistically significant. So, at least in terms of product mixes, European and nonEuropean firms are similarly diversified. This shows a certain convergence in the strategies of the largest corporations in the world.

The middle part of the table considers more closely the degree to which EU firms are more dependent on the nonhome European market for sales. About 67% of nonEU multinational depend on Europe for less than 25% of their sales. Almost 60% of EU firms, depend on the nonhome European market for more than 25% of their sales. This difference is statistically significant.

The bottom of table 6 shows the number of firms with more assets than sales at home versus those with fewer assets and sales at home. Here there is a clear difference between EU and non EU multinationals. 84.6% of EU multinationals have more assets than sales at home while 56.2% of other multinationals have more assets than sales at home. This difference is highly statistically significant. EU multinationals basically are more likely to produce at home and ship abroad than non Eu multinationals.

The snapshot of European versus nonEuropean firms in 1987 shows quite clearly the similarities and differences between EU and non EU multinationals. Large multinationals tend to be highly diversified, have about 60% of their investments at home and 40% abroad, and have about 20% of their sales to the EU (not including their home country). In these ways, EU and other large

multinationals closely resemble one another. EU multinationals, however, sell much less of their product at home than other multinationals and sell much more of their product in Europe than do other multinationals. The picture this suggests is that investments are made in the home country for the European market. They are driven by opportunity, but also the fact that the home markets are relatively small. European multinationals are more national, in this sense, and more European than their counterparts in the population of the largest firms.

Changes in Investment in Europe in the 1990s

The problem with the data just presented, is that it is a snapshot in time. There have been three events since this data have been gathered that might make it obsolete. First, firms were still preparing for the completion of the Single Market during this period. Their investment patterns may have changed even as this data was collected. Second, global trade did increase substantially during the 1990s. I have showed in this chapter that in the EU this meant more intra-European trade. This increase in intra-European trade could have effected investment decisions as well. Finally, at the end of this period, the EU has gone towards monetary union. The monetary union could also encourage firms to expand their investment because the differential costs of factors like land and labor are becoming more transparent and the transaction costs of doing investments are lower.

Unfortunately, there currently exists no data replicating the Stafford and Purkis study. But it is possible to construct data on cross border mergers and investments in order to ascertain what European firms were doing since 1987. To sum up what I will try to show, the data show mostly continuity, but there does appear to be some changing in the amount and number of cross border investments and mergers. Generally, firms continue to mostly invest at home. They are also more likely to engage in mergers with firms at home. When they decide to enter markets across borders, they most frequently do so through a joint venture with other firms. This suggests continuity with the 1987 data.

The main changes appear to be by the link between the U.S. market and the European market. Many European firms have entered into mergers with firms from the U.S. They have taken advantage of the existence of the U.S. market for corporate control to buy up U.S. firms. Many European firms also are involved in joint ventures with American firms in Europe. There is thus, some evidence that European firms are becoming more global in the sense that they are acquiring a larger presence in the U.S. market place. Finally, there is evidence that Europeans do little investment in Asia and that their trade and investment with Japan is very low. To the degree that there has been any change, and here, it is difficult to judge, U.S. and European firms are drawing closer together and Asian and Japanese firms are less involved.

(Table 7 about here)

Table 7 breaks these patterns out by the main country of origin. British firms depend on Europe for their export markets about half as much as German or French firms. These numbers suggest why the British government is less European focussed than continental European governments. Still, British firms depend on Europe for almost two-thirds of their sales while French and German firms depend on Europe for almost 80% of their sales. It is also worth noting that the Japanese challenge in Europe has been very small. Japanese multinationals average less than 10% of their sales to Europe

Table 8 presents data on investment flows towards and out of the EU. The top of the table shows that in the run up to the Single Market, firms from the EFTA countries invested heavily in the EU. This began to drop off by 1992 and the U.S. assumed its traditional role as the main investor in Europe. Japan increased its share of investment in Europe in the period of the single market, but this tailed off at the end of the period as well.

(Table 8 about here)

The bottom of table 8 shows where firms in EU countries were investing during the run up to the single market. It is clear that EU companies were not investing in the EFTA countries. They were heavily investing in the U.S. through most of the period, particularly during the merger movement of the 1980s. There was almost no European investment in Japan. There was an increasing percentage of investment in the rest of the world. A fair amount of this investment was in Australia, Canada, and other countries

with natural resources.

(Table 9 about here)

Table 9 tries to get at the question as to whether or not European firms were primarily investing in other European societies or elsewhere. In 1993, about 60% of EU cross border investment was in the EU, while about 40% was somewhere else. Outside investment in the EU equalled the flow of investment outside the EU (both were about 21 billion ecus). This data is difficult to interpret for two reasons. First, it is only one year of data. Investment flows are notoriously unstable. Second, without knowing how much investment was made in the home country by firms, it is difficult to tell if this is a lot of foreign investment or a little. Still European firms when investing abroad were investing mostly in Europe.

Another way to get a handle on whether or not the investment strategies of European firms shifted over this period is to study cross border mergers and joint ventures. Mergers suggest the degree to which firms are adding capacity across borders. It is important to not just consider intra-EU mergers, but also mergers across societies. The existence of joint ventures suggest a more modest form of inter-country cooperation. Here firms decide to enter for a given market by jointly producing or marketing products. Conclusions must be taken cautiously. As with much of the data, these data are fragmented and somewhat incomplete.

(Figure 3 about here)

Figure 3 presents data on the number of mergers and joint ventures that the 1000 largest European firms engaged in on a

year to year basis from 1982 to 1992. The table clearly reveals the influence on the single market on mergers and to a lesser degree joint ventures. The largest European firms increased their merger activity between 1984 (the announcement of the single market) and 1990). Merger activity peaked in 1989 and fell off afterwards. Joint ventures follow a similar pattern and peak in 1989 as well.

(Figure 4 about here)

Figure 4 presents data on who the country of origin of the merger targets. At the beginning of the merger wave 60-70% of the mergers were within national borders. But as the merger wave grew and peaked in 1989, cross border mergers increased. In 1989, the peak year of merger activity, EU mergers made up a slightly higher percentage of all merger activity of the 1000 largest EU firms. After 1989, however, national mergers became prominent once again and EU mergers dropped off. The number of mergers with non-EU firms fluctuated over the period. This table shows that it decreased after 1982, picked up after 1984 and peaked in 1990. Still even at its peak, the largest European firms were engaged in almost 80% of their mergers with other European firms. This table presents clear evidence that the run up to the single market increased cross border merger activity. But, national mergers predominated through most of the period. There is thus evidence for the reinforcement of national firm identities and at least some Europeanization of some firms.

(Figure 5 about here)

Figure 5 considers the changes in joint ventures for

European firms over the same period. At the start of the period, most European firms were engaging in joint ventures with firms from their society, although there was a substantial amount of cross border joint ventures and joint ventures with nonEU firms. By the time the single market project was done in 1992, the pattern of joint ventures had changed dramatically. Joint ventures with EU firms were the highest category, followed by joint ventures with home country firms, and nonEU firms. Roughly one-third of the new joint ventures in Europe were in each category by the end of the period. The most dramatic increase was in joint ventures with nonEU firms. Clearly, in the run up to the single market, nonEU firms decided they needed to partner with EU firms in order to not be shut out of the single market. EU firms that were reticent to enter other EU markets through direct investment or acquisition found joint ventures to be attractive.

These two figures suggest that the single market intensified the European character of the largest firms. They conducted more cross border mergers and engaged in more joint ventures with both European and nonEU firms. However, EU firms still conduct most of their mergers with home country firms. This historical pattern has reasserted itself in the 1990s. The largest European firms prepared themselves for the single market by getting more presence in other European countries either by merging for market share at home or abroad. They also engaged in more joint ventures with both EU and non EU firms. Their propensity to favor merger with home country firms and joint ventures with EU or nonEU firms implies a preservation in the national character of the largest

firms.

Conclusion

The European Union is the largest trading zone in the world. It accounts for nearly half of world trade. Astoundingly, almost 70% of that total originates and ends up in the EU. As of 1992, Eurostat, the agency in charge of collating statistics for the European Union started to describe this internal trade as the internal market. They began to consider only trade outside of the EU as foreign trade. This clearly is a somewhat symbolic gesture, but it captures a real truth. Europe is a kind of single market.

This can be juxtaposed to the jarring realization that governments continue to see themselves as sovereign states and the people of the nations of Europe do not consider these facts to be consequential.

How can this be? I would argue that one of the main reasons is that most economic activity within Europe still takes place within national borders. But equally important, European firms continue to have primarily national identities. They continue to be owned predominantly by people from a single society. As I have shown, the largest European corporations do most of their business in Europe. They also locate more of their productive activities in their home country than do multinationals from around the world. Thus, while they are big European traders, they are also firmly wedded to national governments and labor markets.

The single market and the increases in trade have altered

this picture a bit. It is clear that large European firms in the run up to the single market engaged in more cross border mergers than they had previously done. But, it is also clear that even these firms primarily engage in mergers with firms from their own society. After 1992, firms reverted to primarily engaging not in cross border mergers, but in national mergers. The largest firms, when they went cross border tended to take partners in joint ventures. They just maintained their national firm, while engaging in joint production with firms from other societies. Lastly, there is evidence that firms from other societies also increasingly invested in Europe from 1984-1992. Mainly U.S. firms engaged in both mergers but mostly joint ventures or direct foreign investment to prepared themselves to compete in the single market.

So, the Single Market and the Euro are now economic facts that push forward Europeanization on a market by market basis. Yet, in spite of these integration projects, the largest European firms remain national in orientation and production. If one considers smaller firms, this becomes even more true. Their productive activities are even more concentrated at home and their sales in the rest of Europe do not require them to expand abroad.

Table 1: Percentage of world merchandise exports by region, 1980, 1985, 1990, 1995

	1980	1985	1990	1995
North America				
Exports	14.4	16.0	15.4	15.9
Imports	15.5	21.7	18.4	18.7
Latin America (with Mexico)				
Exports	5.4	5.6	4.3	4.6
Imports	5.9	4.2	3.6	4.9
Western Europe				
Exports	40.2	40.1	48.3	44.8
Imports	44.8	39.6	44.7	43.5
Eastern Europe (with C.I.S)				
Exports	7.8	8.1	3.1	3.1
Imports	7.5	7.4	3.3	2.9
Africa				
Exports	5.9	4.2	3.0	2.1
Imports	4.7	3.5	2.7	2.4
Middle East				
Exports	10.6	5.3	4.0	2.9
Imports	5.0	4.5	2.8	2.6
Japan				
Exports	6.4	9.1	8.5	9.1
Imports	6.8	6.5	6.8	6.7
Asia				
Exports	9.2	11.7	13.3	17.5
Imports	9.9	12.3	14.5	18.3

Source: World Trade Association Annual Report, 1995, table III.1, III.2.

Table 2: Regional structure of world merchandise trade in exports, 1993; percentage of regional exports shipped to each region

	Destination of Trade				Total
	North America	Western Europe	Asia	Rest of World	
Origins of Trade					
North America	35.6	20.2	25.0	19.2	100.0
Western Europe	8.0	68.9	8.8	14.3	100.0
Asia	26.4	17.0	46.5	14.2	100.0

Source: World Trade Organization Annual Report (1996), table II.1.

Table 3: Network of exports by region and product, 1993

Origin	Total in Billion \$	Destinations			
		EU	North America	Asia	Rest of World
World	3641.0	42.7	19.4	22.8	15.1
Agric	437.8 (12.0%)	47.7	11.9	23.4	17.0
Mining	433.0 (11.9%)	40.1	18.1	30.2	11.6
Manu	2288.9 (62.8%)	43.9	20.0	20.7	15.3
Office/ Telecom Equip.	379.4 (10.4%)	36.4	27.3	27.8	8.5
EU					
Agric	196.7	76.7	4.2	5.0	14.1
Mining	110.6	78.4	8.4	4.0	9.2
Manuf	1162.7	67.1	8.7	9.9	14.3
Office/ Telecom. Equip.	102.1	71.4	9.8	9.3	9.5
North America					
Agric	85.6	16.2	25.6	37.7	20.5
Mining	43.2	15.0	51.6	21.9	11.5
Manu	371.3	19.0	43.4	21.0	16.3
Office/ Telecom. Equip.	71.2	27.2	23.6	35.8	13.1
Asia					
Agric	83.5	15.6	11.6	61.0	21.8
Mining	69.8	6.7	4.6	83.2	5.5
Manug	589.1	18.0	28.0	44.1	9.9
Office/ Telecom. Equip.	193.1	21.6	37.0	36.0	5.4
% of World Exports					
Agric		44.9	19.5	19.1	16.5
Mining		25.5	9.9	16.1	49.5
Manu		50.8	16.2	25.9	7.1
Office/ Telecom. Equip.		26.7	19.3	50.8	3.2

Source: World Trade Organization Annual Report, Table A.7.

Table 4: Exports as a percentage of GNP for selected advanced industrial countries, 1970, 1980, 1985, 1990, 1995

Country	1970	1980	1985	1990	1995
United States	4.2	7.9	5.1	6.7	8.0
Germany	18.5	23.6	29.4	25.9	21.0
Japan	9.5	12.2	13.1	9.8	8.6
France	12.4	16.7	18.5	17.5	18.5
Italy	12.3	17.4	18.5	15.5	21.2
United Kingdom	15.5	21.2	21.9	18.8	21.8
Canada	19.0	23.8	24.5	20.8	33.5
OECD Average	17.7	22.8	26.0	23.3	23.1

Source: Foreign Trade by Commodities, OECD (Paris, 1994), table 4.1. Economic Survey, OECD (Paris, 1996).

Table 5: Comparison of the world's largest mutlinationals in 1987
 (Source: D. Stafford and R. Purkis, Directory of Multinationals
 , London: MacMillan Press, 1989).

	EU Firms	Non EU Firms	T-test Significance
Percentage of Assets in Home Country	59.6 (119)	63.2 (196)	n.s.
Percentage of Assets in Europe, Not Home Country	19.0 (95)	17.3 (143)	n.s.
Percentage of Sales in Home Country	43.3 (138)	64.2 (204)	.000
Percentage of Sales In Europe, Not Home Country	30.1 (120)	21.6 (150)	.000
Percentage of assets In Europe, total	75.8 (95)	17.3 (143)	.000
Percentage of sales In Europe, total	70.5 (120)	21.6 (150)	.000

Number of cases reported in parentheses; Significance level
 refers to the t-test between the means; Data is based on numbers
 provided by Stafford and Purkis.

Table 6: Differences in Strategy, EU sales, and Assets/Sales at Home ratios for large multinational companies, 1987 (Source: D. Stafford and R. Purkis, Directory of Multinationals, London: MacMillan Press, 1989).

	EU Firms	Non EU Firms
Strategy in Percentages		
Dominant	19.9	20.7
Related	54.5	58.5
Unrelated	25.6	20.7
N of Cases	156	294

Chi square=1.4, 2 d.f., significance level= .493

Percentage of firms with various levels of EU Sales

0-25 Percent	42.9	66.9
25-50 Percent	43.7	29.0
50 plus Percent	13.4	4.1
N of Cases	119	145

Chi square=17.5, 2 d.f., significance level=.000

Percentage of Firms with More Assets than Sales at Home	84.6	56.2
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Percentage of Firms with fewer Assets than Sales at Home	15.4	43.8
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N of Cases	117	194
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Chi-square=48.6, 1 d.f., significance level=.000

Strategy coded as: Dominant: Firms main products account for 90% of sales; Related: firms products are related by virtue of common inputs or products; Unrelated: Firms produce substantial products (more than 10%) unrelated to main products.

Table 7: Comparison of the world's largest multinationals broken down by country of origin, 1987 (Source: Stafford and Purkis).

Country	% Sales home country	% Sales Europe	% Assets home country	% Assets Europe	Number of Cases
U.S.	69.4	20.4	64.6	16.9	156
Germany	44.2	34.9	56.6	17.6	24
Great Britain	47.2	17.2	56.6	10.7	59
France	49.4	33.3	64.6	20.2	17
Rest of Europe	26.7	33.3	53.3	29.7	47
Japan	51.7	17.8	85.0	4.0	14
Rest of World	57.4	16.6	57.3	13.8	24
Total	55.4	25.4	61.2	18.0	342

Table 7, continued.

Country	Total % Sales Europe	Total % Assets Europe
U.S.	20.4	16.9
Germany	78.1	88.3
Great Britain	66.4	67.2
France	84.9	84.7
Other Europe	72.1	83.1
Japan	17.8	4.0
Rest of World	16.7	13.8

Table 7: Foreign Direct Investment EU per year, 1984-1993

Source of Investment in EU (by percentage)

Country/Region	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
EFTA	27	32	46	30	47	30	34	33	18	17
U.S.	48	31	37	18	14	35	28	26	52	43
Japan	6	13	7	12	14	16	17	8	8	8
Other	19	24	10	40	25	19	21	33	23	32

EU Investment Abroad (by percentage)

Country/Region	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
EFTA	5	5	-1	6	8	6	16	9	15	18
U.S.	66	67	81	78	70	72	35	35	37	47
Japan	2	0	0	0	1	2	4	1	2	-5
Other	27	28	19	16	21	20	45	55	45	40

Source: Eurostat, 1994.

Table 8: Direct Foreign Investment in the EU in 1993.

	Billion ECU of EU Investment in EU	Percentage
EU Investment in EU	30.8	59.5
EU Investment outside of EU	21.8	40.5
Outside Investment in EU	21.0	
Total	73.6	

Source: Eurostat, 1994.

Table 9: Cross border mergers , totals 1989-1996 (\$ Billions)

Sales								
Region/Country	Year							
	1989	1990	1991	1992	1993	1994	1995	1996
World	123.6	160.0	85.3	121.9	162.4	196.4	237.2	274.6
EU	49.7	60.3	38.7	56.9	51.7	58.4	74.8	76.8
North America	67.8	60.1	26.1	19.2	40.3	62.9	74.1	81.41
Total US Mergers (%)	222.1 (31%)	108.2 (56%)	71.2 (37%)	96.7 (20%)	176.4 (23%)	226.7 (28%)	356.0 (21%)	495.0 (17%)
Rest of Developed World	4.2	25.5	9.8	23.7	21.7	15.1	35.6	33.0
Developing Countries	1.9	18.2	10.7	32.1	48.7	70.0	52.7	83.4

Purchases								
Region/Country	Year							
	1989	1990	1991	1992	1993	1994	1995	1996
World	123.6	160.0	85.3	121.9	162.4	196.4	237.2	274.6
EU	61.7	90.7	50.5	50.0	74.8	75.3	98.7	114.3
North America	27.1	26.2	15.7	26.4	44.7	52.1	80.4	87.5
Rest of Developed World	21.7	28.5	10.4	17.6	13.2	18.3	23.6	21.8
Developing Countries	4.8	7.5	5.2	22.3	26.9	32.4	24.5	32.8

Source: Annex Table B.7-8. World Investment Report. United Nations. 1997

Table 10: Percentage of cross border world mergers by region and ratio of purchases to sales, 1989-1996
(Source: see table 5)

Sales								
Region/Country	Year							
	1989	1990	1991	1992	1993	1994	1995	1996
EU	40	38	45	47	32	30	32	28
North America	55	38	31	16	25	32	31	30
Rest of Developed World	3	16	11	19	13	8	15	12
Developing Countries	2	11	13	17	30	36	22	30

Purchases								
Region/Country	Year							
	1989	1990	1991	1992	1993	1994	1995	1996
EU	50	57	59	41	46	38	42	42
North America	22	16	18	22	28	27	34	25
Rest of Developed World	18	18	12	14	8	9	10	8
Developing Countries	4	5	6	18	17	16	10	12

Ratio of purchases to sales								
Region/Country	Year							
	1989	1990	1991	1992	1993	1994	1995	1996
EU	1.24	1.50	1.30	.88	1.45	1.29	1.32	1.49
North America	.40	.44	.60	1.38	1.11	.83	1.09	.83
Rest of Developed World	5.17	1.12	1.06	.74	.61	1.21	.66	.66
Developing Countries	2.53	.41	.49	1.06	.55	.46	.46	.39

Source: Annex Table B.7-8. World Investment Report. United Nations. 1997

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1. The idea of a market as a field does not assume that all market actors are in physical proximity, only social proximity. In modern society, trade shows, stock exchanges, commodity exchanges, shopping malls, shops in general are locales for physical markets. But, markets do not necessarily have to be located in physical space. Many sales are made directly between buyer and seller often through sales people. But in these situations, buyers often compare prices of sellers by talking to multiple suppliers.

2. This model, with a little modification can be applied to labor markets as well where some workers are organized and others are not.

3. Sellers can greatly affect the stability of market structures. If sellers stop buying a certain good, then the social organization of the market will do the producers no good. If markets are totally dependent on a single seller, then that seller can dictate market structure as well. But generally, even in these situations, sellers will frame their actions vis a vis one another in order to promote the survival of their firm (White, 1981).

4. Institutional economics has recognized the importance of property rights for market stability (Jensen and Meckling, 1974; Fama and Jensen, 1980a; b; Williamson, 1985; North, 1990). The division of property rights makes the firm possible in the first place, allows investment to occur, and constrains and enables managers and workers. In places where firm property rights do not exist, investment is haphazard and the economy is operated at the point of the barrel of a gun.

5. I will discuss the dynamics of particular markets and the formation of conceptions of control in a later chapter.