

Readings from Summary of Global Reach II Global Shopping Center

- 1 27 global corporations, US and elsewhere
27f " factory
- 28 internationalization of finance capital
29 power of internat fin cap
- 2 29 g c's in a position to play world capital and currency markets
able to attract local investment
international division of labor
- 3 30 advertising into cultural anthropology
31 new needs to old customers, old needs to new customers
32f oligopolistic competition
34 corporate expansion: the essential strategy
- 4 if integrated on a world scale, then an oligopoly
invention is the mother of necessity; once integrating
35 technologies invented (computer, communication satellite,
corporation jet set), the global factory, shopping center,
money market became inevitable
- 5 36 political power of g c's
37 two fundamental tenets of the modern business faith
39 extent of control by g c's
- 6 "
- 40 business wants Washington's support in world competition
41 each part of g c does, what it does best and cheapest
- 7 42f variations in the degree of centralization
global centers: NY Paris London
science of centralization: sophisticated control of information
- 8 43f a decentralizing ideology masks a centralizing reality

Global Reach III Personal Identity and Global Image

- § 47 g c's claim superior management skills; they can integrate the world so that every body gains, but obsolete governments should not interfere
- 54 the most dangerous myths of modern man are national prejudices and fears; the nation state not as such but as the carrier of outmoded 19th viewpoint
- 10 55 The g c and the world economy it is working to build are the modern embodiment of Adam Smith's invisible hand. It holds that the market is the best, fairest, and freest regulator of human affairs. ~~It~~ provided it is not hindered but helped by politicians
- 50 Opposed to export controls
The only human organization that has managed to free itself of nationalism
- 57 .. a growing sense in corporate boardrooms that in the new situation the U S government is no longer able to promote and protect corporate interests with traditional military measures... a growing realization that Washington may not ~~be~~ perceive its interests to be the same as the g c's
- 58 Nationalism at home and abroad is a problem; some of most serious problems are created by the governments of the parent companies.
National cultural and racial differences create marketing problems. In Japanese "Body by Fisher becomes Corpse by Fisher
- 11 59ff claims of g c's
- 62 Executives working abroad become detribalized men
- 63f In general managerial roles in the parent country are given to its nationals
- 12 66 Weaknesses of nation state
68-70 Counter arguments
- 71 The anticonsumption movement
- 13 The antihierarchy movement

GR oh 4: Corporate Diplomacy and National Loyalty

- 13 73 The companies that made war in 17th and 18th centuries
The market economy created a new type of society under
which the market mechanism was a determinant of the body social
Premarket times: merchant motivated by gain, but knight by
valor, priest by piety, craftsman by pride.
- 14 75f Complexity of relationship between state and g c's
77ff International character of capital, growing companies
- 15 82 ITT and Alende
86f domination 16th century style
89 Corporate diplomacy replaces national loyalgty by
corporate loyalty
90 g c's organize Brazilian business men and become spokesmen
for Brazilian economy
92 Efforts to establish a feeling of community in employees
93 Outline of World Managers' ideas and ideals
97 The lesson of Vietnam: a military policy that results in
weakness needs to be updated
- 8 99 Now a worldwide policy: local troupes are hired with American
dollars to carry out police function once performed by US
soldiers
- tax

GR: ch 6: The Global Corporation and the Underdeveloped World

- 10 126-8 Comparative Tables
129 Students of the new science of market research in business schools worked out theory of product life cycle.
16-18 129ff The story of U S television industry: four phases.
18-22 133ff Characteristics and Weaknesses of UDC's
22-27 140ff The sources of global power
22f 140 Ownership of patents
23 141f Finance Capital
25f 143ff Advertising Skill and Technique

GR ch 7: Engines of Development

- 26f 149 The rich richer and the poor poorer
151 g c's and poor countries have different, indeed conflicting, interests, priorities, and needs
153 g c's financial practice in Latin America

GR ch 9: The Latin Americanization of the U S

- On the U S dual economy, p 442, 28, Averitt and Galbraith
- 28 230f Concentration of more workers in fewer corporations
Growth by merger
- 29 231f Ideology through the media and profits and concentration
- 30 233 U S banks; expansion of
Their mobility
Three major strategies in gaining control of nonbanking
1) Their own holdings in industrial stocks and in trust funds
- 31 234f The key importance of ownership of 5% of stock
237 2) Interlocking directorates
- 32 237f 3) The one-bank holding company
- 33 239ff Their use of power in non regulated sectors
It runs hand in hand with global expansion and expands
with it
- 34 241 Their use of power in regulated sectors
242 Penn Central
243 Lockheed
- 35 244 Con Ed of N Y
- 36 246 Ever greater concentration of economic power
247 explained by lack of countervailing power
249-53 Business-government interlock

GR ch 10: The Global Corporation and the Public Interest

- 37 254 By the late 1960's the U S like the UDC's was experiencing "inflationary recessiin, campus disorders, frequent power shortages, creaky and bankrupt railroads, erratic mails"..
255 The Senate Finance Committee Report on g c's
The essential strategy of managerial ~~ix~~ revolution is .. cross-subsidization: the use of power and resources developed in one "power center" to start or expand another.
Hence importance of cash flow: depreciation allowance and undistributed profits.
- 256 When the system becomes global, the parent company can shift profits through transfer pricing, "profit-loan" swaps, and other accounting miracles on worldwide scale, cross-subsidizing its various operations with the profits of others. Only by constantly expanding can an oligopoly hope to compete with other giants.
When pursued by a small number~~x~~ of such firms, there results Robert Averitt's dual economy: the center economy of a few hundred firms controlling over 60% of the productive and financial resources of the country and employing the bulk of organized labor; the periphery economy of thousands of smaller firms dependent on the giants for their survival and employing usually unorganized labor.
- 38 Large corporations plan centrally and operate globally. This is the difference that keeps governe~~m~~nt at a disadvantage in try~~8~~ig to keep up with activities of g c's
- 257 U S pushing agricultural products to solve balance of payments problem; thereby raised price of bread and meat and reduced ~~px~~urchasing power of U S citizens.
- 258ff Dependence of U S economy on economic activity outside U S
- 39 261 Govt losing what power it had to control effectively
262 Weakness in FRB SEC IRS
- 40 263 General failure to grasp that current economic changes are truly systemic; hence in~~ade~~quate analysis and patchwork policies
Lag behind technological breakthroughs in accounting
- 264f Testimonies
- 41 266 Two sorts of information gap: missing and distorted
267 Rand corporation study: Dept of Commerce statistics on foreign trade and foreign earned income totally unreliable.

- 41 267 Significant decline in cost of processing an item of information... will mean an increase in both numbers and size of national and multinational corporations
- The (economic) theory on which governmental policy-making is based assumes that the market fulfills certain crucial public functions... allocation and distribution of resources, the setting of social priorities, the develop-
268 of needed goods and services
- Until the 1960's... the Keynesian tools worked rather well. But then something happened. By the mid-1960's the economy was responding less and less to Keynesian policies in the predicted manner. Tax credits and other incentives to increase investment and employment and the supply of goods were offered, but output did not increase at the anticipated rate. Raising interest rates and curtailing money supply did not curtail demand and reduce the inflation rate as theoretically was anticipated. Market "imperfections" instead of being occasional and correctable were becoming stubborn and systemic.
- 42 269 Oligopolists can frustrate govt moves. Instead of increasing output, they can keep output constant and charge higher prices. Inversely, instead of curtailing production, they pass on to the consumer the increased cost of raising capital. There is mounting evidence that this is what is happening. The consumer pays the oligopolist what is
270 called an ~~an~~ "adminstered price" because he has no place else to go for products that have come to be regarded as necessities in modern civilization.
- Thomas Balogh's diagnosis: p 42.
- Take monetary policy.
- The Keynesian model assumed that demand could be effectively ~~mak~~ controlled through adjustment of the interest rate... But the pattern of oligopolistic competition for ever greater shares of the market and its accompanying grow-or-die ideology now mean that the corporation will continue to borrow regardless of the cost of credit simply because they can pass on the cost to the consumers who have no alternative.
- 43 271 George Budzeika of FRB of NY: cf p 43

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272 Fiscal Policy is the other Keynesian managerial remedy.

In the last generation almost 80% of total Federal revenues have gone to purchase national security: the military and space budgets, atomic energy, veteran's payments, interest on old war debts, etc. Since the sellers of national security are the leading electronics, energy, transportation, and metals industries -- all oligopolies -- the effect of govt spending is to accelerate the process of concentration that has made the U S a dual economy. There results a law of uneven development. Pentagon checks do not go x to Appalachia where wages are low and jobs are scarce. As a general rule to the industries with the highest profits, highest wages, and least unemployment. The result is excess demand in the very sectors of the economy that can most easily pass on increased costs to the consumer (ultimately the taxpayer) and inadequate demand to the rest of the economy.

The principal tool of Keynesian fiscal policy is the tax law. It is implicitly assumed that managers of the economy are x relatively free to raise or lower taxes at will, and that if rates are progressive, there will fall a reasonably equal impact on rich and poor alike. In the Keynesian state it is assumed that concerned politicians will transfer from taxes on the rich welfare payments to the poor.

What has happened in U S is that corporations in the last five years have been paying a significantly reduced share of taxes.

44f

274f Comparative data.

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275 Oil shortage and paper scarcity follow upon a galloping dependence on fossil fuels and paper packaging. The market has not done its job of resource allocation because its social function was negated by concentration of cororation and political influence. Proper allocation results from perfect competition, not the perfect negation of competition.

Again, tax should cover cost of protecting restoring environment. They do not when the main polluters and earners do not pay their share.

GR ch 10 con'd

- 45 277 The widespread use of transfer pricing... is designed... to create a private economy isolated from real market pressures. According to a former Treasury official, "Prices in an economic sense do not exist. The price charged is simply a matter of relative power." Just as concentration negates the operation of the domestic market, so transfer pricing negates the operation of the international market.
- 46 278 When U S firms undervalue exports, the balance of payments problem is aggravated: the U S must give up more in resources than it receives in return.
- 279 A principal use of transfer payments is tax-minimization. The use of accountants to stage-manage the multiple layers of reality is particularly effective in keeping tax collectors confused. Some firms... employ five different sets of books in their foreign subsidiaries. Set one keeps track of costs of production; set two is for the local tax collector; set three is for the IRS; set four is for worldwide accounting purposes; and set five for currency transactions.
- 281-3 Tax-havens
- 284 Between 1964-68 U S corporations built up large deposits in their branch offices in Europe. These offshore deposits are known as Eurodollars. Most are in Europe but the term is equally applicable to any accumulation of a readily convertible money anywhere but in its country of origin.
- 286 Global corporations control anywhere between \$100 billion and \$268 billion, anywhere from one and a half to two times the total world reserves in the hands of governments. Now a prime instrument for the movement of the money of governments and banks, has become a central bankers' nightmare. .. almost certainly contributes powerfully to the inflationary pressures that no nation has succeeded in keeping under control. ex .. relatively unpoliced and regularly violating
- 287 the first principle of conservative banking -- never borrow short to lend long -- it is courting a liquidity crisis not equalled since the Great depression. Editors of Fortune early 1974: "We have learned that the more a country becomes part of a worldwide market, the more it loses control over events.

GR ch 11: The Obsolescence of American Labor

- 47 307 Relocating production in Mexico, Taiwan, Brazil, the Philippines, is an irresistible way to cut costs. In the field of office machinery, a company must pay its U S workers about 10 times what it pays its workers in Taiwan or Korea and about 6 times what it pays them in Mexico. In the last few years 50,000 jobs have been created along the Mexican border,
- 308 and exports back to the U S climbed from \$7 million in 1966 to \$350 million in 1972. In 1972 imports from Taiwan were \$1.3 billion. Corporate organization on a global scale is a highly effective weapon for undercutting the power of organized labor everywhere. Capital, technology, and market-place ideology are mobile; workers by an large are not. The ability to move investment from one country to another erodes the basis of labor's bargaining leverage the strike.
- 309 Management does not merely threaten. It acts. Dunlop-Pirelli. It has other devices. Cf 310-12.