THE ILLUSION OF THE 'POWER OF MARKETS'

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One of the most basic lessons any student of mainstream economics learns is that markets allocate scarce goods and services efficiently on the basis of price. More critical political economy scholars, such as Marxists who see capitalist relations of production as founded on ownership and control of the means of production, question the efficiency assumption and focus instead on the power relations underpinning markets. However, one does not have to be a Marxist (although it no doubt helps) to be interested in the power relations underpinning and driving markets. Since the 1980s debates about globalisation have largely revolved around the manner in which impersonal market forces, rather than states, are now 'in charge', with this famously said by Strange to mean that there was an increasing "diffusion of authority away from governments (that) has left a yawning hole of non-authority, ungovernance it might be called" (Strange 1996: 14). All the other political, social and cultural implications of globalisation were seen as flowing from a belief that "where states were once the masters of markets, now it is markets which, on many crucial issues, are the masters over the governments of states" (Strange 1996: 4).[1] For many commentators, this has been seen as an inevitable result of the 'forces' of globalisation (e.g. see Friedman 2000; and those who came before him such as Fukuyama 1992 and Ohmae

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1 Strange also pointed to the power of corporations, such as in her observation that states are increasingly ''merely the handmaidens of firms'' (Strange 1997: 184). Even so, she saw them as market actors being driven by market imperatives, so that their power derived from their role in, and control over, markets. See, for example, her earlier work *States and Markets* (Strange 1998: 22) in which she considered the "market-authority nexus" between economic versus political imperatives. Indeed, her collected writings are entitled *Authority and Markets* (Tooze and May 2002).

1990). Others have taken issue with this perspective, especially those who still hold that states remain very much drivers of the processes and outcomes of governance (*e.g.* see Bell and Hindmoor 2009; Drezner 2007; Weiss 1998 and 2003). Many have stressed the way the marketisation of all aspects of society and state functions has produced a neoliberal form of the state, and scholars in this vein have often stressed the way that states have embraced markets as a policy choice rather than having it thrust upon them (e.g. see Tiberghien 2007; Thatcher 2007). Indeed, there has been a vast literature since Vogel's (1996) *Freer Markets More Rules* that examines the marketisation of the functions of the state as a process of reregulation rather than deregulation.

While such debates reveal different positions about the desirability of markets for allocating an increasing variety of goods and services, and whether or not markets are inevitably and increasingly 'in charge' something often missed is analysis of the nature of markets themselves. It is the contention of this article that much academic and popular discussion of markets obscures more than it reveals. The market is a concept used to explain the process of economic exchange, and a concept is useful to the extent that it helps us to explain reality. Contrary to what is implied in much popular discourse, and taken for granted in much analysis, markets are not economic agents or autonomous entities. However, corporations and governments are, and national economies and the global economic order are constructed by these purposive actors in pursuit of their interests. In this, they are primarily driven by political imperatives to exert control over economic processes and outcomes. The central point of this article is therefore primarily to take what has been observed by others in respect of the power of corporations *vis a vis* states, and in the light of current data make the point that many scholars have been skirting around, and I would venture most would embrace: the popular, mainstream conception of the market is potentially a distraction, and scholars of political economy who wish to speak truth to power would do well to abandon it in favour of a more actor-centred basis for their analysis.

This is demonstrated by examining what are actually three well-established, interrelated myths. In the first section, the myth of markets being in charge versus the reality of corporations being key political actors is considered. It is shown that not only is the latter more accurate, but the more such concepts as 'the market', market 'forces', and market 'imperatives' are employed, the more this reality is lost sight of and therefore the harder it is to study. The myth of the powerless state is examined in the second section, to show that despite an increase in the power of corporations, especially multinational corporations (MNCs), it does not necessarily follow that state power has been undermined. Powerful states and their corporations together shape and benefit from an age of “mega-corporate capitalism” (Braithwaite 2008), because powerful states and their corporations together dominate political agendas. Finally, given this is the case, it is shown why there is a need to re-territorialise corporations and abandon the myth of the placeless, global corporation once and for all. The relationship between corporations and states cannot be generalised, but instead should be the focus of study. This, rather than the power of markets, should provide the framework for future research.

The Myth of Markets in Charge versus the Reality of Corporations

The myth that markets are and should be in charge has long been propounded by those who would attack the state. In the modern era, the ‘Father of liberalism’, Adam Smith, was among the first to lead such an attack with his reference to the governing power of the market’s invisible hand. The invisible hand he referred to was an allegorical one. In referring to it he was attacking the visible hand of the state, so that the invisible hand of the market is ‘code’ for individual freedoms, particularly the freedom of individuals to act in their self interest. The individual who is free to do so is “led by an invisible hand to promote an end which was no part of his intention” (Smith [1776] 2003: xviii), with this end being an inadvertent greater good than is possible when the state has greater authority. Although his anti-statism was tempered by a recognition that the state has a necessary role to play in providing such things as defence, a framework for justice and the provision of public goods, in general individual freedom produces better outcomes for society than the visible hand of the state. Or, as Ricardo put it, the “pursuit of individual advantage is admirably connected with the universal good of the whole” (David Ricardo, quoted in Crane and Amawi 1997: 75).

Table 1: Non-Financial Corporations' Sales Compared with States' GDP and Expenditures, 2008

Non-Financial Corporations ranked by sales.	Sales ($US millions)	State ranked by GDP.	GDP[a] ($US millions)	State ranked by expenditure.	Expenditure[b] ($US millions)
1. ExxonMobil Corporation	459,579	23. Saudi Arabia	476,941	11. Russia	569,639
2. Royal Dutch/Shell Group	458,361	24. Norway	446,319	12. Netherlands	401,567
3. Wal-Mart Stores	401,244	25. Austria	416,621	13. Australia	363,834
4. BP PLC	365,700	27. Greece	348,674	14. India	348,908
5. Chevron Corporation	273,005	34. Thailand	272,578	15. Mexico	263,693
6. Conocophillips	240,842	37. Portugal	253,167	16. Belgium	254,098
7. Total SA	234,574	38. Colombia	234,544	17. Sweden	240,192
8. Toyota Motor Corporation	203,955	43. Romania	204,339	18. Poland	228,685
9. General Electric	182,515	46. Ukraine	180,116	19. Korea	211,746
10. Volkswagen Group	166,508	47. Chile	170,749	20. Austria	203,249
11. Eni Group	158,227	48. Algeria	170,228	21. Norway	180,518
12. General Motors	148,979	49. Philippines	166,598	22. Denmark	177,471
13. Ford Motor Company	146,277	51. Egypt	162,435	23. Greece	171,628
14. Daimler AG	140,268	52. Hungary	156,712	24. Switzerland	162,527
15. Carrefour SA	127,238	53. Kuwait	148,770	25. Saudi Arabia	150,737
16. E.On	126,925	54. Kazakhstan	135,229	26. Finland	134,401
17. ArcelorMittal	124,936	55. New Zealand	131,553	27. Argentina	112,310
18. Hewlett-Packard	118,364	56. Peru	126,874	28. Portugal	110,386
19. Statoil ASA	116,318	57. Qatar	110,712	29. Ireland	110,367
20. Siemens AG	116,089	58. Slovak Republic	94,945	30. Indonesia	108,801
Top 20	**4,309,904**	**Bottom 137**	4,143,889	**Bottom 163**	**4,294,056**

Sources: UNCTAD (2011); IMF (2011).
[a] Current prices
[b] Total general government expenditure

Whether this is the case or not, the reality is that today the key actors that pursue their individual advantage are large corporations, and they do so not on the basis of competition but on the basis of control. By this, I do not mean control of the means of production so much as control of industrial sectors, all of which are dominated by five MNCs at most, while 28 per cent have one corporation that accounts for more than 40 per cent of global sales (Harrod 2006: 25). For example, Fuchs (2007: 53) notes that just three corporations control 70 per cent of private water supplies, while ten companies run every aspect of the US media market, which itself is the source of much of the world's media content. The visible hand of the state has been replaced by a visible handful of corporations, so that "the development and consolidation of sectoral concentration…has freed the corporation from the restraints of classical competition" (Harrod 2006: 25; see also Chandler 1977; Galbraith 1958). These corporations do not pursue their own self-interest and thereby inadvertently promote the public good; they deliberately and visibly promote their own good just as the more overtly mercantilist states that Adam Smith was attacking did before them (*e.g.* see Viner 1948).[2]

A basic measure of the size and power of corporations is given by their annual sales revenues in comparison to the national incomes and expenditures of states.[3] Table 1 shows that in 2008, the top 20 corporations' sales were greater than the combined GDP of the bottom 137 states, and the combined expenditure of the bottom 163 states. These are astonishing figures, given that there are currently 192 states in total. On the basis of GDP, many of the top 20 corporations are as large as middle income or emerging states such as Chile, Algeria and the Philippines. On the basis of national expenditure, they are as large as many of the top 30 high income states. Only the world's largest and most influential economic powerhouses, such as the US, Germany, Japan and (relatively recently) China may be said to rival them. In addition, it may be noted that by comparison to the US$4,310 billion in sales accounted for by them, in 2008 the United Nations had a budget of just US$4.2 billion (United Nations 2007). Perhaps more pertinently, given that it describes itself as "the only global international organization dealing with the rules of trade between nations" (WTO no date a), the World Trade Organization (WTO) had a budget of just US$171 million

2 Although liberals and Marxists are constantly at each others' throats as to whether in practice individual freedoms ever exist in markets in reality, given this is the case it is probably not too cheeky to suggests that if Smith and Marx had been contemporaries they would have found much on which to agree, both being concerned with the emancipation of populations from those in whom power was concentrated and who controlled the means of production.

3 For example, Harrod (2006) points out that a corporation's sales figure shows how much it has spent on purchasing labour, resources, investments, goods, advertising, corporate image-making, lobbying, consultants and so on in order to produce a desired surplus. As such, it is an indicator of its organisational budget, and therefore is analogous to a state's budget.

(WTO no date b).[4] Therefore, they are much larger than not only many of the world's most powerful nations, but also the international organisations that are supposed to make "rules for the world" (Barnett and Finnemore 2004).

It may also be noted that the corporations shown in Table 1 are more vast conglomerates that underpin whole national economies, as well as the world economy, than entrepreneurial enterprises. They are so large and visible as to be regarded as 'household names' worldwide, and the decisions they make in respect of their core businesses have flow-on effects to other industries and industrial sectors, as well as outcomes beyond their own profit motivations. For example, five of the top 30 corporations are car firms. They dominate the automotive sector which accounts for four to eight percent of GDP and two to four per cent of the labour force in OECD countries. The industry's importance is then further magnified in particular states and regions. In the US, car manufacturing employs 14 million people either directly or indirectly in component suppliers and related industries, contributes six per cent to private sector GDP overall and as much as 20 percent in some regions. In the EU, the car industry accounts for nine percent of manufacturing value added and directly or indirectly employs over 12 million. In Japan, 7.1 million people are employed by the industry directly or indirectly, and it accounts for 11 percent of total manufacturing output (UNEP and ACEA 2002; see also UNEP 2002). Market 'forces' are not in charge on the basis of the disembodied laws of Smith's invisible hand, but the embodied interests of mega-corporations such as these.[5]

The same may be said of Ricardian comparative advantage, because it has long been recognised that the majority of trade between developed countries is intra-firm rather than inter-state in nature (*e.g.* see Karliner

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4 This is based on a 2008 consolidated budget of CHF184,891,500 converted at a yearly average for 2008 using the exchange rate calculator at *http://www.oanda.com/currency/average*.

5 It might also be noted that a list which included financial corporations would have also included banking and insurance companies such as ING Group (revenues of US$198 billion, similar in size to Romania) and AXA Group (revenues of US$152 billion, similar in size to Hungary). The reason they were not included in this list is because they do not strictly make sales in the same manner as non-financial corporations. Instead, they generate revenues. Therefore while some lists include them together, such as the Forbes Global 2000, they are not strictly comparable on the same basis.

1997; Grubel and Lloyd 1975). By the 1990s, as much as 60-70 per cent of trade in manufactured goods between OECD countries was intra-firm (Bonturi and Fukasaku 1993; see also Bardhan and Jaffee 2005; Strange 1996).[6] Therefore, trade largely takes place on the basis of the internal corporate strategies of a handful of the world’s mega-corporations and the global supply chains they control, so that trade statistics primarily reflect trade within companies rather than in finished products between states. No wonder the Director General of the WTO, Pascal Lamy, recently enjoined corporate leaders to assist in maintaining and crafting future rules for international trade and investment in the following terms:

> It no longer suffices that you trade while relying on governments to craft the regulatory framework for you in the WTO through which your trade relations would take place. You must provide the ‘evidence’, through your trade experience, of what is actually happening on the ground, and must guide us in how to make things better (WTO, 2011).

According to authors such as Sell (2003), they have already taken up his offer. She quotes James Enyart, former Director of International Affairs for Monsanto, as saying that “the rules of international commerce are far too important to leave up to government bureaucrats” (Sell 2003: 96).[7]

We can certainly talk about corporations wielding their power ‘in’ markets, or perhaps even ‘over’ markets. Those who would like to see markets as ‘free’ and ‘competitive’ bemoan this (*i.e.* most mainstream liberal economists), as do those who see capitalism as producing inevitably exploitative relations through them (*i.e.* Marxists). But an analysis in these terms risks placing a veil over the reality of the power corporations possess over the governments of nations as a result of their dominance of industrial sectors, their control of global supply chains, and their control of world trade. To the extent that markets exist, they are

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6 Bardhan and Jaffe (2005) more conservatively estimate that the figure for the US is more conservatively around 50 per cent, but overall the point made by Strange (1996: 47) is that “by 1990 the goods and services sold by foreign affiliates of TNCs were almost double world exports, if intra-firm trade is excluded to avoid double counting’. In other words, intra-firm trade inflates the trade figures and focussing on trade in ‘markets’ on the basis of these clouds our understanding of power and control in the world economy.

7 More generally, she outlines the manner in which the WTO’s TRIPs agreement was largely fashioned by, and in the interests of, the world’s major corporations.

made by corporations that are best seen as political actors with economic motivations. It is time we abandoned the myth of markets as ‘places’ where such powerful actors compete, because they make them rather more than they compete in them. The risk is a disembodiment of the power they wield.

The Myth of the Powerless State versus the Reality of a Reorientation of its Role

Many commentators have come to the conclusion that the economic power of corporations constitutes a weakening of states’ ability to exercise their political will. Some are weakened more than others, but the conventional wisdom is that their sovereignty is universally attacked. Analyses of how corporations wield their political influence range from those who see them as attempting to ‘capture’ governments (*e.g.* liberal public choice theorists who believe a separation between markets and the state should be preserved), to those who see them as so powerful that they can ignore the governments of nations and the desires of their citizens altogether (*e.g.* the anti-globalisation literature). Most view the transnationality of their operations as producing a degree of harmonisation in states’ economic policies over time. This view was popularised by Friedman (2000) with his much cited image of a neoliberal “golden straightjacket” that all nations must don regardless of their particular political preferences, and by tranformationalist globalisation scholars who believe that a sharing of sovereignty and authority between states and non-state actors is a reality of greater global economic interdependence (*e.g.* see the overview provided by Martell 2007). The result is that governments are being forced to reinvent themselves in the image of the firm. Putting it simply, political systems are becoming economic ones.[8]

There is a danger in unproblematically reaching such a conclusion, and there is no doubt that a great deal of what Hay and Marsh (2000: 6) call

8 The converse is also said to be the case. For example, Dicken (1998: 467) has observed that “nation states, whilst essentially political institutions, have become increasingly involved in economic matters, arguably as increasingly competitive economic actors. Transnational corporations, though fundamentally economic in function, have become increasingly political in their actions and impact.”

"globaloney" has been written in support of it. Or as Weiss (1998) put it, we should not rush to believe in "the myth of the powerless state". After all, the death of the state has been 'foreseen' by liberals for at least the last 200 years. In the mid-nineteenth century what amounted to Fukuyama's (1992) "end of history" was being predicted by those who claimed the time was coming when "all governments (will) acknowledge the truths of political economy and liberalism (will) be carried throughout the globe" (Hobsbawm quoted in Wade 1996: 61). In actual fact, less than 40 per cent of all countries may be regarded as liberal democracies (Diamond 2002: 26), and Table 2 demonstrates that there has been growth in government expenditures post the global financial crisis of 2007-08, so that as Altman (2009: 2-3) suggests the future appears to be one in which "the role of the state will be larger and that of the private sector will be smaller". Yet, the data also indicate that the crisis may have only accelerated what was already a longer term trend. Although the largest states all have government expenditure as a proportion of GDP that was greater in 2010 than 2007, in almost all cases it was larger or the same in 2007 than in 2000.

Table 2: Government Expenditure

State (ranked by GDP)	**Expenditure 2010 (% GDP)[a]**	**Expenditure 2007 (% GDP)[a]**	**Expenditure 2000 (% GDP)[a]**
1. US	41	37	35[b]
2. China	23	19	17
3. Japan	40	33	37
4. Germany	47	44	45
5. France	57	52	52
6. UK	47	40	37
7. Brazil	40	38	35
8. Italy	51	48	46
9. Canada	44	39	41
10. India	26	25	26
Average for Major Advanced Economies (G7)[c]	47	42	42
Average for Latin America and the Caribean[c]	30	27	26
Average for Sub-Saharan Africa[c]	30	26	25

Sources: IMF (2011)

[a] Total general government expenditure

[b] 2001 data used as 2000 data is not provided in this time series.

[c] These figures are averages of expenditure as a percentage of GDP for the countries in this group, rather than expenditure as a percentage of GDP for all counties in this group combined.

The magnitude of state expenditure has also remained larger in the major advanced economies. On average, it is now approaching 50 per cent of GDP, versus 30 per cent in developing countries. These are the same states that imposed neoliberal Washington Consensus conditionality on the world's weakest states in the 1990s through the control they exerted over the Bretton Woods Institutions (see Williamson 2000, and later more critically 2003). They are also the same states that were instrumental in suggesting the need for a 'new world order' post the crisis that looks very much like the one that existed prior to it – *i.e.* a liberal world of 'free' trade and investment between interconnected nation states. Such prescriptions have never involved them becoming smaller and weaker, but have been the result of policy choices made in their own interest.[9] As such, the world's great powers still make the rules that weaker states must follow (*e.g.* see Drezner 2007; Braithwaite and Drahos 2000), and the trend to increased government expenditure is not a recent phenomenon, nor one that can be explained purely as an aspect of the aftermath of the global financial crisis.

What of the *role* of governments in advanced, industrialised economies, as opposed to their size? Progressive Marxist scholars such as Cahill (2009: 14) believe that "despite the current crisis, there is as yet no sign of a broad based commitment by policy makers to dismantling the political and economic power gained for capital through neoliberalisation". If this is the case, government expenditure is growing in order to serve the interests of corporations. There is weight in this argument, yet authors such as Braithwaite (2008) and Jordana and Levi-Faur (2004) have also pointed out that the increasing concentration evident within industrial sectors, and the growth in size and influence of the corporations in them, has led not to the demise of the state but a reorientation of its role. Contrary to what Braithwaite (2008) dubs the "the neoliberal fairytale" of the demise of the state, instead there has been a transformation in the relationship between powerful states and corporations. In the face of industry sectors dominated by a visible handful of mega-corporations, it is more efficient for states to reach agreement on rules for their operations rather than seeking to curtail

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9 Chang (2002 and 2008) goes further to suggest that in making rules in their own economic interests, they have undermined those of other weaker states by effectively "kicking away the ladder" to ensure their economic pre-eminence remains unchallenged.

these – i.e. new forms of *re-regulation* rather than deregulation. Braithwaite (2008: 4) explains it thus:

> In the era of regulatory capitalism, more of the governance that shapes the daily lives of most citizens is corporate governance than state governance. The corporatisation of the world is both a product of regulation and the key driver of regulatory growth, indeed of state growth more generally…The reciprocal relationship between corporatisation and regulation creates a world in which there is more governance of all kinds.

Even as they have come to rival states, or perform roles over which states were once more unilaterally in control, corporations are increasingly regulated by states in how they do this.

The upshot is that there are large, powerful corporations and large, powerful states that act together, and analytically untangling the two on anything other than a case-by-case basis is almost impossible. Although it is true that there has been a privatisation of the state, it is comparatively little acknowledged that there has also been a 'publicisation' of the corporation. The hybrid forms of authority produced in the process mean that Friedman's (1970) dictum that "the business of business is business" seems to have been replaced with one that the "business of business is government" as powerful states effectively outsource their functions while maintaining the power to determine what these are. They have 'hijacked' the agendas of corporations as much as the converse is the case, and this is why they have not 'faded away' into irrelevance. The relationship between states and corporations is what matters, rather than a belief in some artificial boundary between the two that demarcates one as a market actor and the other as a political actor.

The Myth of the Placeless Corporation versus the Reality of the Nationally Embedded One

The above discussion suggests a need to (re-)territorialise our understanding of the corporation. Although it may seem that corporations increasingly have interests and operate beyond national boundaries with all the problems this raises for regulating and controlling them,[10] the fact is that despite over sixty years of a supposedly global liberal agenda, it remains the case that rich, industrialised countries still account for 80 per cent of world output, 70 per cent of international trade and make up to 90 per cent of foreign direct investments (Chang 2008: 32). But to be more accurate, it is the corporations from these countries that do so. The FT Global 500,[11] which are responsible for 30 per cent of world output, 70 per cent of international trade and at least 80 percent of the world's stock of foreign direct investment, are not placeless entities (Rugman 2000; Bryant and Bailey 1997).[12]

Table 3: The Top Ten Headquarters of FT Global 500 Corporations, 2010

Country	Number of Corporations	Per cent
US	163	33
China[a]	42	8
Japan	42	8
UK	32	6
France	27	6
Canada	27	5
Germany	19	4
India	16	3
Switzerland	13	3
Australia	13	3
Total	**394**	**79**

Source: Financial Times (2011)
[a] The Financial Times lists China and Hong Kong separately, but they have been combined here.

Table 3 demonstrates that a third of them are headquartered in the US, and the top 10 states by headquarters account for 79 per cent of them. With the rapid emergence of China and India as economic powers it may

10 To be specific, they are outside the scope of international law and are still subjects only of national laws, yet are fundamentally transnational in nature (e.g. see May 2006).

11 This ranks the world's top 500 companies on the basis of their stock-market capitalisation.

12 Apart from the output figures, the rather close correlation between the figures for rich, industrialised states' trade and foreign direct investment and those of these corporations, suggests this to be the case.

no longer be as true as it once was that "a statistical profile for the current corporation indicates that it is predominantly Anglo-American" (Harrod, 2006: pp.27-28),[13] but it certainly remains the case that the home bases of the world's largest corporations are like a map of global economic power.

Table 4: The Transnationality of the World's Largest Corporations, 2008

Non-Financial Corporations ranked by sales.	Nationality	TNI [a]
1. ExxonMobil Corporation	US	68
2. Royal Dutch/Shell Group	UK	73
3. Wal-Mart Stores	US	31
4. BP PLC	UK	81
5. Chevron Corporation	US	58
6. Conocophillips	US	43
7. Total SA	France	74
8. Toyota Motor Corporation	Japan	53
9. General Electric	US	53
10. Volkswagen Group	Germany	61
11. Eni Group	Italy	56
12. General Motors	US	49
13. Ford Motor Company	US	54
14. Daimler AG	Germany	54
15. Carrefour SA	France	56
16. E.On	Germany	56
17. ArcelorMittal	Luxembourg	87
18. Hewlett-Packard	US	59
19. Statoil ASA	Norway	36
20. Siemens AG	Germany	73

Source: UNCTAD (2011).
[a] The TNI is a simple composite average of foreign assets, sales and employment to total assets, sales and employment.

As well as the location of their headquarters, data on their operations demonstrate that the majority are still more accurately national corporations with international interests, and many are regional rather

13 This was based on his analysis of FT Global 500 Corporations in 2004.

than global.[14] Table 4 shows that most of the world's largest corporations have a transnationality index (TNI) of less than 60, and the average for the top 20 corporations is 58. While some corporations are indeed highly transnational, many are not, and some quite notably so. For example, the world's largest retailer, Wal-Mart, is often taken as an emblematic case of a global corporation yet has a TNI of only 31.[15] This is not to say that its impact on global markets is irrelevant, nor that its impact is not profound in particular ones such as China in respect of manufacturing. However, Wal-Mart is clearly an American company.

Those adhering to the globalisation thesis will surely respond that while this remains the case, it does so to a lesser extent than it once did, and that there is an inevitable process of transnationalisation underway. Corporations are increasingly challenging and undermining the governments of the nations where they are headquartered, while exploiting cheaper labour and weaker conditions in developing countries, and therefore states are engaged in a global 'race to the bottom' to competitively bid down standards and conditions in order to attract their globally networked operations (*e.g.* see Held *et al* 1999).[16] There are three responses to make in respect of such arguments that do not so much negate as qualify them. Firstly, the change so far has been extremely gradual. The average TNI for the world's top 100 MNCs grew from 52 to 59 between 1993 and 2008 (UNCTAD 2011; Dicken 2007).[17] At this rate, it will be another 30 to 40 years before their average TNI reaches 75 per cent. Secondly, these global trends mask national specificities. For example, the average TNIs of US, German and Japanese firms in the top 100 MNCs are just 51, 55 and 52 respectively (UNCTAD 2011), so that on average the largest corporations headquartered in the world's major

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14 For example, Rugman and Verbeeke (2009: 169) calculate that of the top 500 MNCs, only nine may be regarded as global, by comparison to 320 that are home-region oriented.

15 In fact, 75 per cent of its sales revenues are generated in its home base of the US (UNCTAD 2011).

16 On pages 276-279, they postulate that MNCs with their global production networks politically compromise the ability of national governments to implement independent monetary policies, lead to states competing through fiscal incentives to attract MNCs, and curtail their industry policies aimed at national firms in favour of international capital.

17 These calculations treat the top 100 corporations as a group, calculating their transnationality based on the sum of their assets, sales and employment.

industrialised nations retain half their sales, assets and employment at home. Thirdly, while it is dangerous to make predictions, one can say that it is by no means certain that the gradual long term trend towards greater corporate transnationality is irreversible. Corporations have certainly constructed elaborate supply chains to benefit from the weaker standards, lower wages, more ‘flexible’ conditions and general financial benefits of internationalising their operations. However, as the opportunities for efficiencies/exploitation shrink with the development of the states in which these companies have invested, such as China and India, and as the cost of oil and carbon emissions ultimately must be factored into corporate strategic decision making, local rather than global strategies may become increasingly attractive (*e.g.* see *The Economist* 2011). Even if this does not involve a wholesale rush back to corporations’ home bases, it may produce a rationalisation of their supply chains.

Yet, these are material concerns that may not be as important as institutional considerations. Ultimately, regardless of where a corporation decides to locate its manufacturing operations or where its employees are located, Dicken (2003: 234; echoing earlier arguments made authors such as Boyer 1996) notes that corporations “are ‘produced’ through an intricate process of embedding in which the cognitive, cultural, social, political and economic characteristics of the national home base play a dominant part”. Organisational and individual behaviours within firms, including MNCs, are a consequence not just of internal strategies, but of the national institutional contexts in which they remain embedded. Authors such as Rugman (2005), Doremus *et al* (1999) and Hampden-Turner and Trompenaars (1993) have long noted that corporations retain distinct national and regional characteristics, as has the comparative capitalism literature (*e.g.* see Whitley 2002; Hall and Soskice 2001, and the extensive debate around their Varieties of Capitalism Approach outlined in Hancke 2009). This is certainly true of ownership and control, which has long been recognised as remaining very much national rather than multinational. Wade’s (1996: 79) observation over a decade ago that “in Japanese companies foreign directors are as rare as British sumo wrestlers” is borne out by even a cursory look at the boards of many of the world's major companies,[18] and one notable aspect of the global financial crisis was that in times of trouble the boards of corporations seek support from their home countries' governments. Rather than the alternative of assuming a homogeneity of corporate behaviour based on the notion of the global corporation that is placeless and driven by global market imperatives, the reality should be embraced that what matters is where corporations are based, where they hold their assets, where they employ their workers, where they generate their sales revenue, and where they make their key strategic decisions – *i.e.* in their home states.

Conclusion

The global economy is not predominantly characterised by small, entrepreneurial firms adrift on a sea of market forces. Today, the idea of the market, and with it such associated notions as market forces and market imperatives, is increasingly redundant. Of course, goods and services are produced and exchanged, but the classical, let alone neoclassical concept of competitive market forces producing efficient equilibria has long been supplanted by the reality of large corporate entities that coordinate global supply chains, decide what is produced, where it is sold and at what price. More critical approaches to markets are also increasingly redundant. Mega-corporations create and moderate economic conditions in their interests, so as to maximise their returns and power over determining outcomes. They are not 'just' powerful market actors because they exercise control over the means of production. They are more accurately powerful political actors because of their importance and control over the world's key industrial sectors, and therefore national and international economies. Therefore, to the extent that states are undermined or increasingly powerless, this is not because of disembodied market forces, but the embodied economic interests of corporations and their political ability to exercise these.

Yet, it should also be recognised that the relationship between corporations and states is more complicated than this. Where powerful

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18 Deutsch Bank's (2004) overview of the car industry, in particular its ownership and control, highlights that this observation certainly pertains to it, regardless of its global interests and operations.

states once built empires by conquering weaker states’ territories in order to exert control over their resources and labour, today they often act more as facilitators for their corporations to act as emissaries on their behalf through enacting and promoting what appear to be liberal policies. The myth of markets being in charge, and by implication states being powerless, is a veil behind which the power wielded by corporations and the interests of the governments of nations where they are based is jointly exercised. Lowi (2001: 131) observes that “whoever sets the terms of discourse will almost always determine the outcome”. Perpetuating the illusion of market power may therefore serve the interests of both. The relationship between states and corporations is what should be the focus of study, rather than some abstract notion of the power of markets.

Studying the reality of powerful corporations interacting with powerful states means rejecting the notion that market-focussed firms are in one corner of the ring, while national interest-focussed governments are in the other. This has led many of us with a critical perspective on economic relations to believe that a ‘fight’ is going on. The reality is that both are in the centre of the ring, but sometimes they are dancing rather than fighting. Analysing their interactions calls for an actor-centred framework that focuses on corporations and the governments of nations where they are headquartered, for it is from their home bases that corporations still derive their power. As such, their enduring embeddedness in distinct national contexts for material and institutional reasons remains most important for understanding the intersection of national and corporate interests in world affairs. While powerful states may be further empowered in some cases *vis a vis* their corporations, and in others less so, it is nevertheless virtually impossible to disentangle their interests in developing policies and the outcomes that result. The myth of the power of markets does not help us understand this. Instead, the complexity of the relationship between states and corporations should be the focus for analysis.

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