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The Myth of the Global Corporation (Princeton, New Jersey: Princeton University Press,  
1998. Pp. vii – 194. H/back ISBN 0-691-03636-5, \$21.50).

This is a very nice and useful little book. Its authors argue that, contrary to the frequent claims in both the popular and academic press, the increasing integration of the international economy *does not* mean that individual corporations have lost their national character or are even in the process of doing so. When I began reading this book I was quite skeptical about these claims. But, despite the regular announcements of cross-national mergers that hit the front pages of the business press as I read the book, by its end I was convinced that there was something to the argument.

The authors convincingly demonstrate two significant points. First, firms are and will continue to be very diverse. This diversity is systematically related to national origin. They use anecdotal evidence, descriptive statistics, and a wealth of institutional description to show that firms in the United States, Japan, and Germany differ in a variety of important ways: their relations to external financial markets; their systems of corporate governance; their patterns of investment in and location of research and development; and their patterns of direct foreign investment.

Some of these differences reflect differences in the legal environment. For example, differences in national banking and securities laws create differences in the relationships between manufacturing firms and banks. In other cases, these differences reflect cultural norms of corporate behavior. For example, even firms with significant multi-national production and distribution exhibit "home bias" in the location of R&D.

None of their characterizations of cross-national differences will surprise you, but their presentation bring them together to make a convincing case.

Somewhat less convincing is their argument that these differences are not lessening. This is not for lack of evidence on the question. For the most part their evidence of continuing national differences is strong. Rather it is because a prospective argument requires a theoretical understanding of the determinants of change. They would have made a more convincing case that there will not be greater convergence in the future if they had focused more on the *causes* of cross-national differences. If we had a better understanding of these causes it would be easier to determine the likelihood that they will endure in increasingly integrated international markets.

For example, it might have been useful to distinguish between those differences that reflect government policy and those that reflect cultural norms. It is not that either government policy or cultural norms are going to disappear or converge in a manner that would instantaneously lead to corporate convergence. Rather, government policy and cultural norms are themselves affected, though in different ways, by increasing international competition.

In the current period, we see globalization of both policy and culture. The European Union has created greater uniformity in the legal environment in which European firms operate. The United States Treasury Department and the International Monetary Fund seem to have been trying, with mixed success, to use the current international financial crisis to force east Asian countries to "reform" their legal environments so that they more closely resemble those of the West. Individual firms that have participated in cross-national mergers, such as Daimler-Benz and BP Amoco, are

redefining or recreating new international norms of corporate culture. In these newly merged firms there is certainly concern that one set of national norms will come to dominate. Whether truly international norms will be created in these hybrid firms is yet to be seen, but these mergers are a relatively new phenomenon that could destabilize the enduring national patterns described in this book.

Second, the authors convincingly argue that we cannot have a global economy made up of global corporations absent some form of state governance; the *oikos* cannot survive without the *polis*. They demonstrate the continuing importance of state policy in facilitating the operation of international markets as well as the success of national firms. The recent reaction to the resignation of U.S. Treasury Secretary Robert Rubin provides an important illustration of this. The state is important not only where it "impedes" or "intervenes" in markets, but also where its explicit goal is the aid of markets -- which often means the aid of domestic corporations. At this point in history and into the foreseeable future, that governance will be provided largely by nation states.

I would still argue that there are three important ways in which their argument is misleading. First, globalization does weaken nation states. Markets and firms may need governments, but, as their last chapter implicitly indicates, the state has increasingly become the handmaiden of corporations rather than the creator and regulator thereof. Their examples of the continuing importance of the state are virtually all policies in which the state helps corporations achieve corporate objectives. The idea that there are objectives of the populace or even of the state itself has almost disappeared from view. The global corporation may be a myth, but the corporation and its global ideal define the terrain in which we now all live.

A useful comparison to the contemporary process of international integration is the experience of national integration in the United States. There were differences—there still are differences—between firms with origins in the North and the South. But the emergence of national corporations combined with competition among the states to render state-level government policy virtually impotent. (For a discussion of the historical emergence of this inter-state competition and its implication for national economic policies, see Charles W. McCurdy "American Law and the Marketing Structure of the Large Corporation, 1875-1890" *Journal of Economic History* 37:3 (September 1978, 631-649) and Christopher Grandy "New Jersey Corporate Chartermongering, 1875-1929" *Journal of Economic History* 49:3 (September 1989, 677-692). For a provocative discussion of the contemporary problems created by inter-state competition see Robert Goodman, *The last entrepreneurs: America's regional wars for jobs and dollars* (Boston: South End Press, 1982).)

Second, they are correct that the systematic difference in corporations of different national origin implies that corporations are not global organizations but distinctly national entities. But we should not expect globalization to lead to convergence in organizational form or strategic behavior. Competition may eliminate some behaviors or organizational forms. But as any evolutionary model demonstrates, competition does not lead to uniformity. Firms may pursue diverse strategies that allow them to remain competitive in increasingly global markets.

Third, there is a possibility of global governance, as evidenced by in the emergence of the Euro and other European economic policies. If there is to be anything like public governance of corporations, as opposed to simply using the powers of the

nation-state in the service of private corporations, then global governance will be required. While this would not eliminate cultural differences across nations, it might go far to eliminating the systematic relationship between national origin and corporate strategy demonstrated in this book.

One particularly useful feature of the book is that each chapter focuses on a particular aspect of corporate behavior -- financial structure, corporate governance, research and development, foreign direct investment. The concise comparisons of national patterns presented would make the book very useful in a wide variety of classes, such as industrial organization, international business, corporate strategy, technological policy, corporate finance, or business history. And the clear and controversial positions taken will provoke lively and well-informed discussions.

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