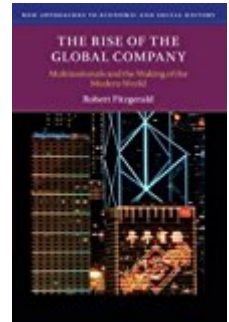


Robert Fitzgerald. *The Rise of the Global Company: Multinationals and the Making of the Modern World.* Cambridge: Cambridge University Press, 2016. 624 pp. \$29.99, paper, ISBN 978-0-521-61496-2.



Reviewed by Miles Kahler

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Commissioned by Seth Offenbach (Bronx Community College, The City University of New York)

The multinational corporation (MNC) provides an organizational face for foreign direct investment (FDI). Large flows of FDI, a principal motor of globalization in recent decades, were driven by decisions made by these corporations and their managers. Those decisions were based on calculations of risk and reward in a complex economic and political environment. A comprehensive history of these actors would be essential reading for those who seek to understand the evolution of both global politics and the international economy over the past 150 years. *The Rise of the Global Company* by Robert Fitzgerald aspires to be such a comprehensive history, linking “the history of international business and international, diplomatic, military, and political history generally” (p. 22). It also aims to examine “the strategies, organization, and competencies of multinationals in order to advance understanding of the international economic system and its development, and to add to our historical understanding of the relations between countries” (p. 22). The author succeeds in his ambitious goals to a degree. The

book’s strengths lie in its historical reach and its inclusion of all major home countries for MNCs, from small European economies that are big investors (such as the Netherlands and Sweden) to the usual suspects, the United States and the United Kingdom. What is missing, however, is the promised link between the evolution of the global corporation and its strategies on the one hand and the larger trends in world politics and national policy on the other.

Fitzgerald engages with the large literature that deals with the MNCs as a species of business organization, as well as the competing explanations for its particular form over time. He successfully weaves useful summary accounts of that literature into his historical chapters. Unfortunately, the dimension of firm strategy in his narrative is relatively thin; too often, he does not explain why the global company assumes the particular form that it does in certain historical periods and global settings. For example, Fitzgerald notes that the most common organizational model for global companies during the first era of globalization

(1870-1914) was the Free Standing Company (FSC), a model that produced little direct managerial control from the home country. He does not explain, however, the reasons for this model's popularity. The environment of the companies that operated in the colonial empires undoubtedly shaped their operations, but the ways in which the colonial political environment shaped their operations are not specified, and contradictory estimates of its effects are given. For example, after highlighting the importance of government ties for firms active in the empires, the author argues that the "business of international finance dissolved national identities and loyalties" (p. 108). Interesting variation in business organization is left unexplained: United Fruit, which emerged and expanded in a neocolonial environment in Central and South America, chose to deviate from the FSC model and adopted vertical integration, which the author attributes (without elaboration) to its reliance on "a delicate perishable" such as bananas (p. 90). Some banks avoided connections to home country financial institutions (typical of British banks); others were more likely to venture abroad with subsidiaries of domestic banks (especially French and German banks).

Manufacturing was not the driver of globalization before 1914, but some manufacturing firms did internationalize their operations. Manufacturers in the same sector, as Fitzgerald illustrates, often pursued radically different strategies: General Electric with its bias toward "transferring patents and know-how in return for market-sharing and price agreements" versus Westinghouse's preference for wholly owned subsidiaries (pp. 131). This pair of competitors would have provided a fascinating comparison, if their differences had been explained. The nationalist sensitivities of governments promoted secrecy and shaped the strategies of such firms, but those dimensions of the political environment are left unexplored as well. One thread of government policy that was perhaps the most significant in determining the global orientation of manufacturing firms does

appear in this era of apparent liberalism: protectionism, a major incentive for firms to relocate their operations to another jurisdiction.

In chapter 2, as in subsequent chapters, the author levels important criticisms at contemporary scholarship on MNCs: its failure to explain the choice of one organizational strategy over another (hierarchies versus networks), the absence of an investigation of corporate calculations of risk, and a neglect of the importance of governments and their policies. Fitzgerald does not produce a counter to these shortcomings, however. Many illustrative and interesting cases are presented, but few generalizations are made across the cases. His conclusion that imperialism and the MNC went hand in hand seems overdrawn, given the experience of Latin America, which lay outside formal empires during this period, and the emergence of global manufacturing firms, which concentrated on markets in the other industrializing countries. Even in this early era of the global corporation, the developing countries were not very important to the technologically advanced manufacturing sectors that represented the sinews of national power. For those firms, tariffs seemed more important than empire, and even in a natural-resource sector such as oil, Russia and California loomed as large as Iran and Burma.

Fitzgerald covers the years of war and closure during the mid-twentieth century (1914-48) in one of his most interesting chapters, even though long lists of company exploits, particularly cross-border mergers and acquisitions, often obscure his larger themes. For the first time during these decades, the global corporation faced a deteriorating political and policy environment. The inflection point was the Great Depression and its imposition of exchange and capital controls that threatened the expatriation of profits. Two new patterns emerge from this era. The first was a demonstrated adaptability on the part of the MNC, which, unlike other facets of globalization, survived and even flourished in a much less fa-

avorable environment. The second thread, which represented a sharp break with the past, was an increasingly suspicious and even hostile attitude of governments toward these entities. After the Bolshevik Revolution and the rise of populist movements in the developing world, property rights and investor protections were no longer guaranteed. That political change in the developing world largely affected natural resource MNCs. Increased protectionism among the industrialized countries, beginning well before the Great Depression, affected the balance between exports and FDI for many global manufacturing companies. By the 1930s, nationalist and autarchic governments in major economies, such as Germany and Japan, created an environment in which MNCs were forced to make uncomfortable choices between accommodation and exit. Fitzgerald documents these changes thoroughly, but his focus is entirely on the MNCs. He does not analyze the causes for these changes in the international business environment, which may lie outside the scope of his ambitious project. This shift in political attitudes would persist for decades in the developing world: a persistent suspicion of cross-border capitalists, offering modernity but also appearing to threaten national autonomy.

As the industrialized countries liberalized their booming economies after 1945, the history of the global company witnessed another inflection, less precise than the onset of the Great Depression, one that produced a tale of two varieties of MNCs. For MNCs engaged in manufacturing and services, particularly financial services, the 1960s marked the beginning of their golden years. US MNCs expanded into the nascent European Economic Community; US banks followed their corporate clients, drawn as well by the innovation of the Euromarkets. In this chapter, Fitzgerald elaborates the diverse strategies of US MNCs as they moved abroad, usually through the deployment of wholly owned subsidiaries. The author also examines the record of European multinationals, especially those based in small European

countries (the Netherlands, Sweden, and Switzerland) that produced more than their share of international corporate giants. Although Fitzgerald paints a picture of welcome for foreign corporations in the industrialized world, the record of France, with its active policy of national champions, and Japan, which remained hostile to foreign companies well into the postwar decades, belie such a generalization.

The second trend affecting global corporations, which began at about the same time as the wave of American investment in Europe, was a more assertive stance on the part of developing countries toward their natural resource patrimonies, a stance that accelerated with decolonization. Unfortunately, Fitzgerald presents few explanations for the sudden inability of the Northern MNCs to defend their positions in the developing world or reluctance by their home governments to defend their positions. MNC policies of accommodation, which were often highly successful, are given their due. International Telephone & Telegraph under the leadership of Harold Geneen was the exception in adopting policies of resistance (pp. 409-411). Once again, variation among host developing countries, despite an overall trend toward nationalization and suspicion of MNCs, is left aside. At a time when Middle Eastern and other developing country governments were nationalizing the assets of Big Oil and other natural-resource producers, Singapore had embarked on a successful economic trajectory centered on attracting investment from Western MNCs.

During the latest era of globalization, the reach of the global corporation has extended beyond the industrialized economies and the North Atlantic core to emerging markets that had previously rejected foreign investments. The global corporation shapes and is shaped by contemporary international politics. The contemporary era also represents another dramatic inflection point in the history of expansion and accommodation by these border-crossing organizations. The devel-

oping world has turned, with few exceptions, toward an embrace of foreign investment. FDI increases more rapidly than world trade during the second era of globalization, replacing commerce as its principal driver in an altered political environment. At the same time, the protean character of global corporations is demonstrated by its mutable organization, which is no longer dependent on wholly owned foreign subsidiaries. New forms, such as joint ventures, strategic alliance, and intricate global production networks, become the signature of such sectors as consumer electronics.

Unfortunately, chapter 5, which covers the global company's apotheosis during the second era of globalization, is the most disappointing in Fitzgerald's book. His discussion of global governance—the framework that supports this expansion of MNCs—is perfunctory. No mention is made of the investment provisions in preferential trade agreements (PTAs) or the web of bilateral investment treaties (BITs) that support the expansion of foreign investment in the absence of multilateral agreement. The consideration of important sectors, such as finance, remains as it was in previous chapters, a cataloguing of firms without analysis or explanation for the variation in their strategies or their success. For example, Fitzgerald notes (p. 483) that the largest manufacturing MNC is General Electric, a striking transformation, given its earlier skepticism regarding an overseas investment strategy (p. 291), but one that remains unexplained. The recent strides made by MNCs from the emerging economies, labeled “dragon MNCs” by Fitzgerald (although they are hardly limited to China) are awarded only a brief consideration.

The conclusion of this lengthy investigation should have provided an opportunity for the author to revisit the themes laid out at the start of the book. The comprehensive history that he outlined in chapter 1 would have concentrated on three determinants of the global corporation's evolution since the era of imperialism—organiza-

tional strategy, which has moved from the FSC to global production networks over the past 150 years; technology, which has allowed increasingly sophisticated global strategies on the part of the largest firms; and the political and policy environment, which altered the balance of incentives and risks in investing abroad. Within that environment, two features appear most important across the eras covered in this book—property rights (risk of expropriation) and changing levels of trade protectionism, which first provided a major incentive to invest in difficult export markets and later allowed for ease of operation in conducting intra-firm and intra-network trade. Robert Fitzgerald has presented a formidable collection of historical data on a myriad of global companies in his book. The definitive analytic history of this organization and its role in world politics remains to be written.

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