



Economic Power and Social Responsibility of Very Big Enterprises

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Very Big Enterprises

- access to finance (50'000 listed companies worldwide - IFC);
- multinational operations (60'000 such companies – UNCTAD);
- economies of scale and scope in production, marketing and brand management;
- R&D capacity – mastering of logic of technological progress

☞ *Unique «structuring power» on markets and societies*



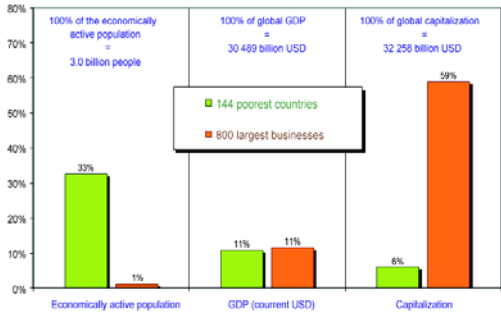
Assessing the « weight » of VBE in the world economy:

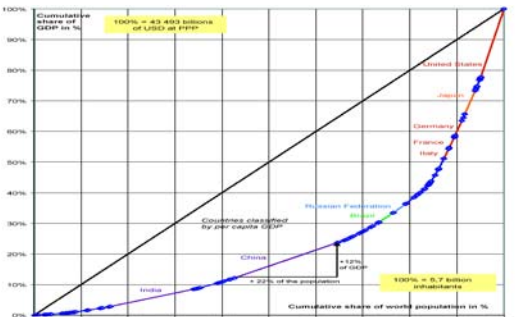
- very weak data – company listings;
- differing reporting methods;
- huge exchange rate problems;
- Fortune 500 US industrials started in 1954 ended in 1994;
- ☞ *Their turnover = 25% of world GDP – stable*
- 800 biggest – Thomson Financial – end 2001



Measuring 800 VEBs:

- Direct influence exerted on about 50% of world GDP
 - 11% of world value added;
 - Upstream influence (turnover) = 33% of world GDP;
 - Downstream influence (distribution networks) could be as high another 10-15% of world GDP;
- high and growing proportion of world trade - intra-firm and intra-industry trade(over 50%);
- extremely high proportion of FDI (80%?);
- 60% of world financial assets (shares);
- but (direct employment) 1% of world active population.







No economic reason for the productivity gap to narrow in the future:

- local and transnational firms use different factor-mixes, and achieve unique global cost advantages;
- capacity to substitute capital for labour much higher in the VBEs due to managerial performance, R&D and access to financial markets;
- non-listed companies in the North and in the South can compete only on:
 - ☞ radical innovations (*Microsoft in 1970s*)
 - ☞ cheap labour or longer working hours (*sweatshops*);
 - ☞ niche markets, too small to be of interest to VBEs



- Are there other dimensions that could counterbalance the structuring power of the VBEs?
 - ethical erosion;
 - regulatory absence;
 - VBEs not recognized as political actors;
 - since Mandeville's Fable of the Bees (1714) we expect with docility the "ideal market to come on earth" and transform 'private vices' (including greed) into 'public benefits'.
- Will CRS or reporting standards fill the vacuum before it is too late?
