Articles

Towards a Political Economy of Competition: Transnational Companies

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Abstract

This paper strikes up a dialogue among three approaches to parsing competition between companies; it also examines the role in competition played by institutions, economies, and the societies involved. These interpretations provide the building blocks to enrich the political economy of competition, predicated on the exercise of power entailed by the actions companies take, in particular, the large corporations that shape the contemporary world.

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INTRODUCTION [2]

The global economy has been profoundly transformed since the early nineteen-eighties, both in terms of the relationships that comprise it and the actors shaping its path. In step with the regulatory reforms spearheaded by conservative administrations, large companies have become the dominant players in the global market, displacing the State in what used to be a lead role. The functions of the State have become secondary to business needs, projects, and strategies. This transformation has given rise to a bevy of theories and analyses aiming to explain business activities.

This paper engages in a dialogue with three approaches to analyzing competition between companies, as well as the role played in it by institutions, economies, and societies. These propositions provide the building blocks for enriching the political economy of competition, grounded in the exercise of power inherent in company actions, in particular, the actions taken by the large corporations that shape the contemporary world.

Of the extensive repertoire of theories of the firm, two are remarkable for their scope and complexity, sketching out the essential dynamics and dimensions of competition: transaction cost theory and value chain theory. These theories were selected insofar as they together comprise the primary paradigm used to analyze companies in both the academic world and multilateral institutions, not to mention within the business community itself. Following a description of the main tenets of these theories, they will be connected with some of the main contributions of critical thinking about the internationalization of capitalism.[3]

THE PARADIGMS OF THE THEORY OF THE FIRM

In the nineteen-nineties, business studies tended to fall into one of two camps of interpretations: those focused on the "power of the market" and those predicated on the internalization of transaction costs (Cantwell, 1991). Both schools of thought are rooted in neoclassical economic theory and begin with the same point of departure, considering companies to be individual agents.

Market power theories (Kindleberger, 1969; Hymer, 1976) analyze the ways in which companies are organized and their ability to control the markets in which they act, as well as the consequences of the actions taken by transnational companies for their host economies: restraints on competition, imbalanced balances of payments, and loss of sovereignty, to name just a few.

Theories related to the internalization of transaction costs prioritize analysis of economic efficiency and conceive of companies as institutions that allow for the expansion of wealth and social welfare; in more extended versions, these theories underscore the critical role of the institutional environments in which companies act to achieve optimal results in the allocation of productive resources.

This theoretical and analytical landscape began to shift as the global economy evolved. As companies started to expand into every corner of the planet, it marked the end of the economic nationalism so characteristic of metropolitan capitalism since the Industrial Revolution; globalization hit an inflection point with reconstruction in Europe and Japan in the wake of the Second World War and with the burgeoning industrialization of the semi-peripheral countries of Asia and Latin America. The formalization of economic interconnectivity lent momentum to the study of company efficiency: if economic growth was no longer going to depend on the State, it was necessary to become closely acquainted with the conditions companies need to generate wealth and welfare for societies. This prompted major advances in disciplines studying business: sociology, economics, geography, and, in particular, the theory of the firm.

In the nineteen-nineties, the paradigm used to analyze transnational companies shifted radically. The transaction costs approach began to overtake the structuralist approach, anchored in the effects of wielding power on national economies, which is characteristic of business activities.

It reflected a sharp turning point in the broader social life towards a new legitimacy for capitalism. Transnational companies were no longer considered dangerous to the integrity and development of the territories in which they set up shop, and rather became one of the main indicators of trust that the markets have in economies receiving transnational investment. Attitudes shifted from a focus on business regulation to policies to boost foreign investment; in fact, attracting foreign investment became one of the strategic objectives of state interventions.

Transaction Costs and the Institutions of Capitalism

This section summarizes approach of the currently prevailing paradigm in studying transnational companies: the transaction cost internalization theory. This approach is grounded in neoclassical theory and aims to further elucidate some of the aspects underdeveloped by said theory, such as the theory of the firm, the dynamics of innovation, and the role of institutions.

Coase pioneered the concept of cost internalization in *The Nature of the Firm* (1937), asserting that the rationality of a company, as an economic institution, consists of reducing the costs of economic transactions; a company is considered an agent of efficiency and a creator of wealth.

In *The Economic Institutions of Capitalism* (1989), Williamson developed a theoretical framework for the institutional economy, positing an analysis in terms of governance, aiming to cover the entire range of activities in which companies engage, as well as their economic and social surroundings: “A common characteristic of the new line of research is that the concept of firm as production function is supplanted (or augmented) by the concept of firm as governance structure” (Williamson, 1989: 26).

How companies behave is governed by the internalization of transaction costs. When certain transactions are incorporated into the organization, the company sees its economic costs fall.

The central concern of this approach is to explain nonmarket modes of economic organization, like hierarchies and contracts. By analyzing "market failures," this theory serves up a critique of the neoclassical stance that all economic transactions find a way to happen in the market. When it comes to transactions that cannot take place in the market, or transactions made more efficacious through contracts and/or company activities, the institutional economy posits an expansion of the territory of economic analysis. In particular, it considers that the internalization of transactions at companies frequently constitutes a more efficacious solution from the transaction cost standpoint.

Analysis in the institutional economy is focused on the contracting processes that guide economic functioning. Insofar as relationships between economic agents can take on alternative forms (market operations, contracts, or hierarchy), the analysis aims to shed light on the conditions in which the choices made by agents are most efficient.

This approach is frequently contrasted with the arguments of neoclassical theory and other arguments that explain the creation of hierarchies as monopolistic practices. If the former are easily refutable through the activities of mega-companies, the arguments about the effects of monopolies merit broader discussion. According to Williamson:

All of the approaches to contract…monopoly and efficiency alike, are concerned with the same puzzle: What purposes are served by supplanting classical market exchange—whereby a product is sold at a uniform price to all corners without restriction—by more complex forms of contracting (including nonmarket modes of economic organization)? The monopoly approaches ascribe departures from the classical norm to monopoly purpose. The efficiency approaches hold that the departures serve economizing purposes instead (1989: 35).

This vision of the economic process is directly related to the theory of the transnational company: gigantic companies find their legitimacy in the efficiency they achieve through their organization. Institutional theory considers three main elements to explain the nonmarket practices of companies: *1*) the existence of limited rationality; *2*) opportunistic practices; and *3*) the specificity of companies' assets.

The former two, which Williamson refers to as the "behavioral assumptions," pose a serious challenge to the basic hypotheses underpinning neoclassical economic theory, which assumes that all economic agents are in possession of the same information and, therefore, that it is impossible to take advantage of asymmetries in that domain.

Asset specificity is another key element in explaining the form acquired by the "interfaces" of transactions: the fact that the assets involved are important and unique to the company moving them will cause the parties involved in the transaction to establish a bilateral relationship that gives them each a degree of certainty, in contrast with the relatively random conditions characteristic of market exchanges. This element is moreover essential to explaining the behavior of large companies, whose resources are of particularly large dimensions and specificities.

The presence of these three elements makes governance necessary as a framework of action for economic agents and reduces the alternative frameworks (planning, promise, and competition) to particular cases in which one or various of these principal elements is absent.

Transaction Costs and Multinational Companies

For the institutional economy, studying modern enterprises requires examining vertical integration in order to explain how and under what circumstances company actions involve efficiency objectives.

Historically speaking, the passage from family companies to giant firms entailed a radical transformation in forms of management and organization; the multidivisional organization structure is one of the more well-known examples in this regard.

Williamson held that company profitability and functioning could be hindered by three features of internal organization: *1*) highly centralized structures; *2*) the inability of managerial teams to represent the range of interests across a company; and *3*) the limits this would imply for the efficient allocation of resources.

The multidivisional structure overcame these obstacles through two crucial innovations: *1*) the creation of a management body able to come up with the overall strategy; and *2*) the endowment of autonomy to the various divisions of the company. This structure granted greater freedom of action to the "semiautonomous operating divisions" or "profit centers" organized along product, brand, or geographic lines, etc., and created the "general management," in charge of overseeing the performance of the divisions and devising plans for the company as a whole. Thus, a new form of resource allotment emerged. On the one hand, profit centers began to compete with one another, doing away with many of the bureaucratic obstacles of centralized large corporations; on the other, management was given the power to sanction, as a last resort, the distribution of resources resulting from said intra-company competition (Williamson, 1989: 284-285).

The new organizational structure explains the expansion of companies under a new form of diversification (the creation of conglomerates) and/or the internationalization of operations. Accordingly, the multinational company is seen as the economic entity able to manage assets located in different countries (Williamson, 1989: 294).

Considering industrial organization permits a fertile dialogue with critical interpretations interested in the themes of monopolization, extraordinary gains, and global geopolitics. In essence, delving into the modes in which companies and managements organize capital valuation makes possible specific knowledge about the strengths and contradictions of the capitalist economy.

By analyzing transformations in the internal organization of companies, the transaction costs approach aims to demonstrate that the diversification and integration achieved by large companies do not always imply the rise of monopolistic practices. The multidivisional structure constitutes a means to attain greater efficiency in operations for companies, insofar as anticompetitive practices are derived from the nature of the environments in which companies act.

For the institutional economy, the international expansion of companies is bound up in the pursuit of enhanced efficiency. Multinational companies look for better "interfaces” to engage in the three transactions considered most important to these types of firms: *1*) capital transfer; *2*) technology transfer; and *3*) organizational skills transfer. Of them, technology transfer is the trickiest; the other two can, in principle, be performed within the confines of the market. By contrast, technology transfer brings with it issues that make it unworkable through market exchanges, namely, the identification, dissemination, and training of the team that will use the technology once it is installed in its new facilities.

If the technology is complex, and if knowledge is the cornerstone, buying this element is rather unrealistic, and therefore requires investment abroad. This generally entails creating a hierarchy in the form of an affiliate that meets the characteristics required for technology transfer. Creating an affiliate is the most efficient solution in the sense that it permits greater control over the vast variety of variables that come into play in these types of transfers. As such, the activities in which the greatest investments are made in technology development are precisely those that are taken global the most.

This is fertile breeding ground for critical approaches to transnational companies: the essential characteristic of capitalist production is the permanent transformation of its productive foundation, in particular, technology. Insofar as it is a mechanism to make goods, technology is also the means and motive for internationalization at companies. Given its strategic nature, large companies tend to keep tight control over technology.

Where the effects of monopolization are concerned, Williamson has negative arguments to contribute, trying to prove that anticompetitive practices are not the direct result of investment abroad. First, because a company's rising control over a given market can be obtained by way of financial transactions, especially through portfolio investment, and not through the manufacture of goods. Second, if the pursuit of greater market control were the cause of foreign investment, the differentiation by activities entailed by the internationalization of business operations would not exist. All strongly-concentrated activities would want to invest abroad, which has not been the case for industries like the tobacco, glass, and steel industries.

These are the main ways in which the transaction costs approach contributes to analyzing the behavior of transnational companies. From the standpoint of this author, these contributions bring the theory closer to contemporary economic realities. Epistemologically speaking, the argument is in favor of meso-economic analysis, emphasizing the role played by the organization and by technology as essential dimensions of business. This interpretation is not overly interested in the global dimension of the exercise of power: insofar as they are economic institutions, transnational companies shape not only the markets, but also much of the social relationships around which capitalism is articulated. By focusing the analysis on competition within economic activities, the institutional paradigm turns a blind eye to the issue of the formation of coalitions composed of companies and States that struggle for control of the markets and power around the globe.

THE VALUE CHAIN PARADIGM

One of the main paths down which institutional theory has advanced is in analysis of value chains. Early ideas can be traced back to Marshall’s (2005) work, which pointed out that certain industries tended to concentrate in specific locations coined *industrial districts.* Another precursor to this approach is found in Porter’s (1991) studies on competitiveness, establishing which factors would lead a company to be successful in its efforts to enter the global markets.

One of the more recent and influential strains of thought in this type of analysis is found in Gereffi’s work, which analyzes changes in the global economy derived from export-led industrialization, affecting both actors and regions that fuel capitalism. In this approach, the main actors are groups of companies connected in global networks; likewise, it is certain recently-industrialized regions, like Southeast Asia and Latin America, which are home to the most successful examples of such production networks (Gereffi *et al.*, 1994; Gereffi, 2001).

These analyses are centered on organizational structures typical to contemporary capitalism, with regionally and globally integrated value chains. In its earliest formulation, the concept of commodity chains was posited, encompassing both the forms in which production is integrated at diverse geographical and organizational scales thanks to business activities as well as the establishment of hierarchies that permit the concentration of decision-making and appropriation of profit (Bair, 2008). This concept is part of the macrosociology that studies the world system. Hopkins and Wallerstein (1986: 156) define the commodity chain as a "network of labor and production processes whose end result is a finished commodity.”

This approach underscores three main aspects:

1. The evolution of the international division of labor, showing that production chains are inherent to capitalism, at least since the global market began to become integrated in the sixteenth century.
2. The unequal appropriation of the benefits, taking into account that some links of the chain are located in the center and others in the semi-periphery and periphery.
3. Variations in the scope of the chains due to cyclical variations in capitalism: contractive phases lead to fewer participants, while expansive faces have the opposite effect, raising the number of participants in the chains.

The commodity chain complements analysis of the world-system and shows how the process of capital valuation is driven at the meso- and micro-economic scales.

This perspective of the organization of activities results in two schools interested more in the machinations of the productive chains than in their relationship with the capitalist totality. Gereffi and his associates came up with the global commodity chains (GCC) and global value chains (GVC) concepts, in an attempt to overcome the limitations of an analysis anchored in final goods, expanding the study of the productive organizations into forms of "adding value.”

A global commodity chain is defined as follows:

A global commodity chain consists of a set of inter-organizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world economy. These networks are situationally specific, socially constructed, and locally integrated, underscoring the social embeddedness of economic organization (Gereffi *et al.*, 1994).

Through this conceptualization, the strategies and practices of those who participate in production chains are systematized, and the nature of the activities that make it possible to manufacture products is revealed, both in a concrete sense (acquisition of means of production and labor-power) and spatial forms of deployment characteristic of globalized capitalism.

Differing forms and levels of economic development are treated as themes tied to “access to the markets and resources.” In this perspective, innovation and competition shape the activities and regions in the world systems: the core regions are where greater shares of wealth cluster thanks to innovations, which, in turn, transfer competition towards the peripheral regions.

These general considerations lay the groundwork for a vast field of analysis concerning the activities of transnational companies. Thinking of capitalist production as chains of goods underscores the unit of the global market, establishing the role it plays in each phase of wealth creation. Also striking is the role of scientific development and technology, insofar as it is a key element that drives the production of goods and has a decisive influence on the trajectory of competition and the distribution of the surplus.

The key element of commodity chains is driven by the foundation of productive organization: *governance structures.* Gereffi speaks of the shift from the internalization of activities, which characterized large companies and conglomerates involved in Fordist production, to externalization, which has permitted flexible production that exists nowadays, with widespread outsourcing a typical example of this process. In this context, corporate governance is essentially a coordinating structure and does not necessarily imply relationships of subordination between participants in the chains: it is rather a practice of spatial and productive integration and not a hierarchy.

This position is the point of departure for an approach to the conceptions and procedures of the conventional economy, which are accentuated in the global value chains approach.

Another aspect relevant to the analysis of the activities of transnational companies is to characterize the commodity chains pursuant to the dynamics that drive them. Large corporations act in "producer-driven" chains of goods due to the large amounts of capital and investment required to take part in capital-intensive activities (automotive, aerospace).

"Buyer-driven" chains exist for those activities that are less technologically intensive in which companies dedicated to marketing and organizing international networks of production tend to be predominant, such as footwear or athletic clothing manufacturing.

This characterization also applies to governance structures. Studies on both types of chains show that centralized structures are inherent to producer-driven chains, to the degree that decentralization is predominant in buyer-driven chains.

Bair (2008) argued that using this approach as one of the principal paradigms in analyzing global economic development is tied to the historical change that has happened in the countries of the global south as they have shifted toward export strategies in which their chances of achieving development are determined by their ability to integrate into global commodity chains. This argument marks a substantial departure from the original theoretical model of the world-system. In contrast with ideas related to unequal exchange, dependency, and the effects of domination on the global scale, the global commodity chain approach emphasizes that countries and regions will gain the chance to develop by joining production chains.

Lead Firms and Value Chains

Following its initial success, the global commodity chain approach evolved towards a more complex conceptualization, driven by two main issues.

One, the explicit reference to commodities, because production chains also involve highly complex technological activities, which made it necessary to change the original name.

The essential matter at hand was to demonstrate the limitations of the analysis of governance structures that characterized the global commodity chain approach, because chains are not driven solely by producers or buyers: case studies and theoretical debates revealed the dynamic nature of the roles of producers and buyers, as technological advances and the spread of technology have made it possible for these roles to become interchangeable within production chains.

These developments led to the concept of the *global value chain,* defined as follows:

The value chain describes the full range of activities that firms and workers do to bring a product/good or service from its conception to its end use and beyond. This includes activities such as design, production, marketing, distribution and support to the final consumer... A global value chain is divided among multiple firms and geographic spaces (Stacey, 2016).

Grounded in the opposition between markets and hierarchies and the concept of transaction costs, Gereffi *et al.* (2005) crafted an explanation as to how the "fragmentation" of capitalist production is organized, characterizing production chains as forms of governance. The three basic relations of productive organization, namely, the specificity of assets, timeliness, and costs of coordination, can be managed through internalization or through a greater division of labor, setting up relationships with other companies. In this sense, the relationships essential to driving production networks are not those of ownership but those of coordination.

In this way, the value chain approach departs from concerns derived from the analysis of the world-system and productive inequalities, as well as the appropriation of wealth, to turn the spotlight on themes related to organization and efficiency. Accordingly, this constitutes the transaction cost-based theory of the firm.

To market relations and vertical integration, this approach adds the concept of the "network," to portray relationships of coordination between companies that do not go through the market, proposing three forms of governance: modular, relational, and captive. On this foundation, the global value chain approach offers a typology of governance structures (Gereffi *et al.*, 2005: 83-84).

1. Markets. Transactions typical of the capitalist economy. Rather than the duration of the ties, the essential point is that the costs of switching to new partners are low for both parties.

2. Modular value chains. Customers set expectations for suppliers, who retain significant margin to maneuver thanks to the use of generic technologies and by making capital outlays on behalf of customers.

3. Relational value chains. In these networks exists the highest degree of exchange possible among participants, which often creates mutual dependence and high levels of asset specificity, as well as more balanced distribution of power and benefits generated.

4. Captive value chains. Buyers set the terms of the transaction, and are intensely supervised and controlled by the lead firms, generating high switching costs, and producers are therefore considered "captive."

5. Hierarchy. Refers to vertical integration, and the dominant form of governance is managerial control, flowing from management to subordinates, or headquarters to subsidiaries and affiliates.

Relationships attributed to the network mode move away from the direct control brandished by the managerial hierarchy via the division of labor within the firm, but are more stable and codified than market transactions.

Beginning with this typology, the value chain approach establishes governance patterns, bringing into play three types of relationships in handling the elements necessary to produce goods: *1*) the complexity of transactions, in particular, product and process specifications; *2*) the possibility to codify and transmit information without the need for any new investment; *3*) the capacity of suppliers to deal with their buyers' demands (Gereffi *et al.*, 2005: 85). To each of these elements is assigned a "high" or "low" value, giving rise to the five modes of governance typical to global value chains, summarized in Table 1.

Through this formal model, the relationships are established that determine the position of companies within global value chains: coordination and power asymmetry. They are inversely proportional: when transactions require more coordination, power is distributed more equitably across participants, with the market transaction representing the ideal type; in transactions where coordination is not possible (or desirable), decision-making will tend to be concentrated in the lead firms in the value chain. These relations determine which actors obtain greater economic gains by conducting higher-added-value activities.

Table 1. Key Determinants of Global Value Chain Governance

Governance type	*Complexity of transactions*	*Ability to codify transactions*	*Capabilities in the supply-base*	*Degree of explicit coordination and power asymmetry*
Market	Low	High	High	Low
Modular	High	High	High	
Relational	High	Low	High	
Captive	High	High	Low	
Hierarchy	High	Low	Low	High

Source: Gereffi, Humphrey, and Sturgeon (2005: 87).

Governance structures reveal what drives globalized production and the different roles played by the links or nodes in generating value. Studying these elements reveals the potential in production networks to improve performance and the conditions for successful integration within them.

By accumulating the evidence provided by case studies and constantly reformulating the arguments, this theory has managed to establish a set of situations and strategies designed to improve the participation of companies in general and of dependent economies, in particular, in value chains. This is reflected in the concept of industrial upgrading and the characterization of the institutional context.

Diagnosing the niches or nodes where it is possible to join the value chain and actions that should be taken to improve the position is part of the so-called industrial upgrading process: "Industrial upgrading refers to the process by which economic actors—nations, firms, and workers—move from low-value to relatively high-value activities in global production networks. Different mixes of government policies, institutions, corporate strategies, technologies, and worker skills are associated with upgrading success" (Gereffi, 2005: 171).

The industrial upgrading trajectory is determined based on the degree of elaboration of the products contributed by each node along the chain. The lowest link is the assembly industry, which works with imported inputs and therefore has very little impact on the development of host economies; original equipment manufacturing (OEM) produces generic goods used by diverse buyers; original brand-name manufacturing (OBM) advances in the differentiation of products adapted to the requirements of buyers; finally, original design manufacturing (ODM) incorporates more complex tasks, making manufacturers less dependent on their buyers.

The institutional context plays a key role in determining which conditions allow countries to move towards the nodes that generate higher added value; the actions and strategies that companies and nations undertake to improve their position in value chains should interact in such a way that industrial upgrading is achieved.

This institutional context encompasses the following:

- Economic conditions, referring to the availability of key inputs for globalized production: labor costs, available infrastructure, and financing.
- Social context, which governs the availability of workers with required skills, and, therefore the bodies charged with training and educating the workforce.
- Institutions, intervening in a variety of realms: promoting scientific and technological development, subsidies, tax and labor regulation, and other important factors (Gereffi and Fernández-Stark, 2011: 11).

In short, the global value chains approach has managed to systematize a wide series of arguments that can be used to analyze productive organization, both within institutions and across economic actors, as well as in their relationships embedded in globalized production networks. It has also led to numerous case studies that provide unprecedented insight into the relations of capitalist production. By linking economic development potential to value chain integration and upgrading, this approach legitimizes managerial action and posits that state interventions and the actions undertaken by the rest of the economic actors should be channeled towards adapting to the needs to lead firms. In this way, economic success, and even the very survival of regions and nations, is tied to the presence and performance of companies and their production chains.

TOWARDS A POLITICAL ECONOMY OF COMPETITION BETWEEN LARGE COMPANIES

The dialogue proposed with the theoretical schools of thought discussed here begins by establishing how their analytical standpoints differ from one another. As a counterpoint to everything described above, it is a matter of placing power at the center of the argument: how it is formed, who exercises it, and what consequences it entails for the reproduction of a capitalist society, all of which are the questions central to this exercise. The political economy of competition aims to explain how transnational companies are organized to produce goods, how they are related to one another and to other subjects participating in the global market, and how they take part in building global hegemony.

It begins with the concept of hegemony as a social construct that drives the exercise of power. In Gramsci's (1995) interpretation, this concept refers to a world vision, accepted universally, that expresses the essence of the dominant interests and incorporates some of the interests of subordinate classes and groups. Extrapolated to the worldwide scale, it is defined as the ability to create and control the essential relations that permit the reproduction of capitalism. World hegemony is built on four main plains: political-diplomatic, military, economic, and cultural. This construction is analyzed through the strategies and practices of the hegemonic subject, a split subject that includes the States and large corporations disputing hegemony.[4]

In this analytical proposal, the competition between large companies drives the economic dimension of building hegemony. Giant corporations set the guidelines for the reproduction of the system and their strategies become the civilizing project of capitalism. Their imprint is expressed fundamentally through their productive organization, but is not limited to this domain: company action flows over into all dimensions of the social life. This occurs through the process of dominance: the actions of other subjects, and in particular those of the States, do not disappear, but do become subordinated to the strategies and practices undertaken by large corporations. These are the elements of the proposal that has been coined *strategic production,* which can be contrasted with the theories of the firm analyzed in the sections above, aiming to enrich the political economy of competition.

Building Global Economic Leadership

To study the economic dimension of hegemony, one option is to use the concept of global economic leadership, defined as *the capacity of coalitions of governments or companies to create, develop, and control sources of profit, in relation to the entire set of competing firms, particularly when it comes to forms of productive organization.*

This definition both converges with and diverges from the dominant theoretical propositions used to analyze competition. Productive organization, scientific and technological development, globalized production, and the new territoriality spawned by competition between transnational companies are all themes they have in common. The main difference arises with respect to companies' motivations and means for action. To the extent that the dominant approaches consider the attainment and boosting of profits as the result of competition for more efficient solutions, the strategic production approach considers the effects of the concentration of diverse forms of power in the hands of large companies, such that the accumulation of profit in the hands of the few is not the result merely of more efficient solutions, but rather must also necessarily be derived from monopolistic practices.

This difference is essential because the prevailing argument grants legitimacy to and naturalizes the actions taken by large firms as the main route to achieving economic development. In contrast, by also looking at the practice of power, the scope of efficiency is reduced as the determinant criteria of the capitalist economy, showing that large companies, by pursuing their own personal interests, do not foster general welfare. And even more important: the practices of power reveal that the actions of transnational companies have nefarious consequences for the societies that play host to them and the environment.

From that viewpoint, there are four potential instruments that can be used to analyze competition:

1. Ability to monopolize sources of profit.

The ability to gain a monopoly is the material foundation of economic leadership; it describes the means at the disposal of companies derived from the concentration of resources of every sort: monetary, technological, workers, relationships with state and social agencies, etc. These means permit companies to create and impose modes of productive organization, and through that path, monopolize sources of profit. Competition is *shaped* by the creation and imposition of productive norms, driving research and development activities, and leading to agreements on the regulation of production and market share, the purchase of innovative or competitive companies, price wars, subcontracting networks, etc. It is important to speak of monopoly, and not merely of control, because the strategies of large companies rely not only on building their own bases of leadership, but also on their competitors' insufficiencies.

The scale of resources in the hands of the largest companies in the world points to who is in a position to make decisions with global repercussions, a situation that becomes apparent in such activities as oil exploitation, the automotive industry, and the genetic modification of seeds, where a small group of companies are setting the tone worldwide in their respective markets.

The concentration of power in the hands of large companies is one of capitalism's secular tendencies. Conventional economics generally tries to qualify this trend, or even claim that it has been overcome, but this study of competition indicates that it not only very much continues in force, but has actually gained strength in recent years. Twenty-first century capitalism can be characterized as a society shaped by large corporations.

2. Technological forefront.

Being at the technological forefront is defined as the *ability to create new technologies in activities essential to the reproduction of capitalism, particularly in pioneering fields destined for widespread use.* This criterion is about analyzing the innovations that create new ways to produce goods and which affect the economy as a whole.

The hierarchies that surge from the ability to monopolize are affected by innovations. Economic theory holds that technology plays a disruptive role in the economic process, boosting the potential for profit and throwing into doubt the positions held by lead firms. It is necessary to add that, in the framework of solid economic domination, innovations can also reinforce the existing hierarchies when they are appropriated by large companies. The scope of the innovations is tied to the concentration of resources: not all capital has the same ability to create disruptive technologies on the broad scale.

Through these practices, large companies build the paths to evolve in the activities in which they are present, shaping them to their needs, with the central goal of driving profits up as much as possible.

3. "Cooperative" practices and strategies across companies.

In conditions of relative equilibrium among participants, competition acquires a "cooperative" form in which rival companies agree to develop a technology or product, or control some source of supply. These "cooperative" modes come with practical and time-limited horizons. Companies create opportunities to cooperate with other companies or with the government or other subjects: technology partnerships, joint ventures, public-private consortiums, to develop some sector or activity, etc.

Two practices among these stand out: technology partnerships, which aim to deal with the rising costs of innovation in activities controlled by gigantic corporations, and public-private consortiums to foment research and development, which enable the stock of funding and knowledge in the hands of state bodies and educational institutions to flow towards companies and improve their production processes.

These "cooperative" practices have engendered wide controversy as to the relevance of competition as the primary form of relationships between companies, to the extent that direct disputes are displaced by relationships based on negotiation and agreement. The essential question resides in the type of product, especially the type of technology, being made together. For large companies, it is clear that beyond the mutual benefit for those who participate in the *cooperation,* power asymmetries persist, as do asymmetries when it comes to capitalizing on the results, always leaning in favor of large corporations.

4. Vectors of state action.

The State constitutes one of the essential nodes of competition, because it performs two strategic tasks necessary for the reproduction of capitalism.

First, to the extent that the State is a space that processes social conflicts, it formulates and realizes the *general interest,* in two primary ways: by strategically reading the possibilities facing the economy as a whole under its jurisdiction (what activities to push, with what objectives), and by negotiating state policies and actions with the most powerful factions of the business world. At play are the legitimacy, governability, and coherence of the workings of the economy.

Second, the State must create and maintain the conditions that make it possible for markets to exist: setting the rules of the game for competition and implementing policies and practices that permit the continuity of the exploitation of workers and natural wealth.

Some of the strategic practices in which the State engages to intervene in competition include:

The State as investor. Currently, government investment is essential in that it provides capital, gods, services, or skilled personnel that companies are unable to contribute themselves. Venture capital (frequently sunk costs) is one typical way the State intervenes, to the extent that it finances experimentation to enhance production, something that is not profitable for the majority of companies.

Creation of new regulatory frameworks. The attainment of profit is guaranteed through the formulation of boundaries for economic activities and the rules for the machinations of the market. Several examples of this include laws on competition policy, intellectual property, and foreign investment. These are fields in which State-led "arbitration" is imposed as the least onerous solution, because reaching an agreement between the big owners of capital would not only be costly, but also sometimes impossible to achieve.

Direct stimulus for capitalist production. This factor deals with the subsidies, land concessions, payment exemptions, tax regimen, etc. This is the most well-known "indirect" form of intervention: the State delivers a portion of the economic surplus to companies, and in the majority of cases, does so in a way that is beneficial to large companies.

Realization and promotion of scientific and technological progress. The State allocates public funds for research and development, complementing the technological efforts made by private entities. These contributions are made via funding for education and research institutions and through state agencies dedicated to innovation, as is the case of military laboratories in the United States, which are the source of many of the most crucial innovations over the past 75 years.

Policies and actions for social control. With a view to an increasingly polarized society, the State spends enormous amounts on the means of social control. The most well-known engage in open repression: fortifying the military, purchasing weapons, services, and equipment for surveillance and espionage, etc. To that are added expenditures on social welfare and electoral promotion, as well as apparently luxury expenses, like massive shows and image campaigns.

The device of state intervention in competition is multifaceted and is not determined by efficiency or the "general interest" but rather by the results of bargaining with the most powerful sectors of the business community, and is also influenced by lobbying on the part of the subjects under rule.

These are the most important dimensions of competition. In addition to aspects related to productive organization and institutional interventions, the strategic production approach designates the construction of global economic leadership as the relationship that drives the set of strategies and practices undertaken by the subjects who partake in the competition.

CONCLUSIONS

This paper has sought to establish a dialogue with the prevailing theories in studying competition between large companies, aiming to improve the theoretical and methodological tools available and, in so doing, become familiar with the behavior of these important agents, the principal organizers of the contemporary economy.

The transaction costs and value chain approaches have advanced in analyzing productive organization, and postulate policies to achieve more efficient integration for the entire world economy. This paper has detailed these contributions, to incorporate them into an initial reading of capitalist competition grounded in power relations. To do so, a critical reading of these approaches was conducted, in order to enrich the political economy of competition.

This dialogue revealed some elements in common, including: the centrality of lead firms in driving the world market, the importance of how these companies organize production, the transformative role of technological development, and the need to consider the institutions that, in addition to companies, also participate in the economic process, aspects that are sometimes disregarded in critical analyses.

The concept of global economic leadership picks up where the results of this exercise in theory leaves off, to the extent that it synthesizes the relationships between companies, markets, and institutions, permitting an analysis of competition between large companies in the world market and how these relationships might evolve. In it, the question of efficiency continues to be salient, but unlike in the dominant theories, it is subordinated to matters of leadership relations: monopolies, hierarchies, being at the technological forefront. In this way, a methodology emerges that enables a more complex analysis of competition between large transnational companies.

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Notas

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[3] The main theories of the firm can be found in Pitelis and Sugden (2000); Coriat and Weinstein (2011); and Foss (2000).

[4] See Ceceña and Barreda (1995); Ceceña (2004).