

Multinational Business History

World Economic Cycles and Global Value chains and Mass Production

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This course will explore both theoretically and empirically how mass production arose, how the modern world industry grew starting the middle of the 19th century, and more generally, how the modern corporation became the dominant form of industrial enterprise. These manifold forces led to changes in the international organization and location of value adding activities and gave rise to global production networks whose scale expanded immensely after WWII.

During the 19th century the initial innovation which sparked a firestorm was the railroads. Yet other techniques gave birth to mass production techniques : first arms production, next the sewing machines, then bicycles and finally the automobile. In particular the American System of interchangeable parts constituted a sine qua non of mass production.

While new methods of production appeared so too did new business forms for organizing production : the joint stock corporation, the trust and finally the holding company. With the rise of international subsidiaries through foreign direct investment, a new stage was reached. Old colonial methods where extraction of materials dominated the world markets gave way to foreign owned factories, multinational strategies and transnational corporations

Our class will examine the evolution of several different multinational companies and world markets. Our goal is to situate particular firms and the strategies within the world context from the mid 19th century until the latter half of the 20th century.

Table 3. *Overseas Investments of the Main Lending Countries, 1870-1914*

	(\$ million)			
	c. 1870	c. 1900	c. 1914	% c. 1914
United Kingdom	4,900	12,000	20,000	44.0
France	2,500	5,800	9,050	19.9
Germany		4,800	5,800	12.8
United States	100	500	3,500	7.8
Netherlands	500	1,100	5,500	12.1
Belgium				
Switzerland				
Others			1,600	3.5
			<u>45,450</u>	<u>100.1</u>

We shall study various case studies of international business starting with Singer Sewing Machines (the first large-scale multinational industrial firm). Standard Oil and the competition between Baku and Pennsylvania; next we shall consider the rise of automobile production on a planetary scale. The rise of Aviation is also a key area of study. Other industries will include radio corporations, and light bulb manufacturers as well as the computer and electronics industry and their avatars (such as IBM, Apple, Foxconn).

Requirements

Students will present an oral project on the multinational activity of a specific firm; and they must equally present their work using a powerpoint for 10 minutes maximum.

LEARNING OBJECTIVES:

Students should understand the evolution on a world scale of international investment activities over the past century. World trade has given way to international production sharing, that is, products are made successively through dispersed networks of value adding activities. The simple idea of trade between consumers (nations) and producers must be understood within the framework of intermediate good trade. Ownership and control are exercised by distant firms which dominate networks. Arms-length transactions no longer form the foundation for intermediate good trade.

Crucial to this analysis lies the thorny issue of sharing the profits from such activities. Low wages for some and exclusion for others.

Students should be able to indicate both the main value adding activities involved in the production and distribution of a given good and service and be capable of analyzing a specific value chain during a final examination.

More particularly, students should understand the problems arising from chain governance and strategic control and value sharing along the chain. These ideas are heuristic (the aide in conceptualizing much more complex networks) and thus are operationally useful.

The distribution of wealth, of gains, of profits resulting from these chains clearly determine their longevity; not merely as profits but also as wages. First, someone must buy the output and secondly, some must accept the footloose character of investments which seek the highest return.

Moreover, students should bear in mind that the fundamental idea underlying value chain analysis to obtain a greater grasp on the idea of “economic development” and “upgrading”.