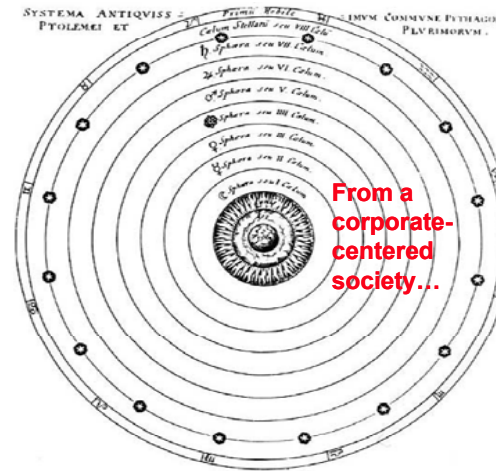


Corporations and economic inequality around the world

Jerry Davis
Strategic Management Research Center
University of Minnesota Carlson School
April 29, 2011

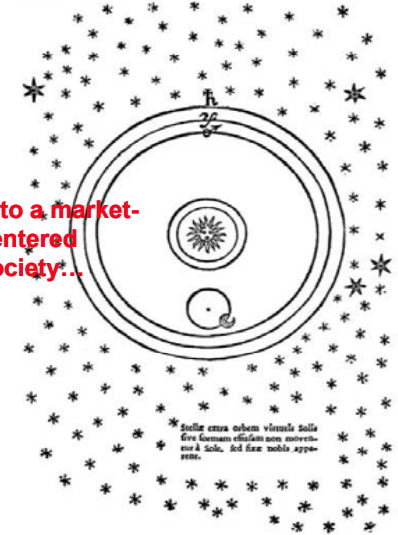


The big claim of *Managed by the Markets*: Finance decisively shaped the post-industrial shift



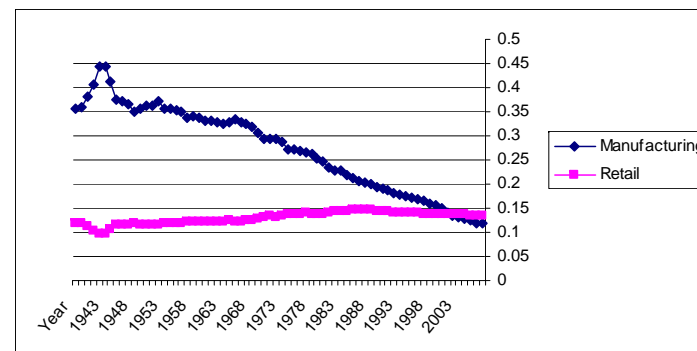
From a corporate-centered society...

...to a market-centered society...



Post-industrialism (def. 1): “the majority of the labor force is no longer engaged in agriculture or manufacturing but in services” (Daniel Bell, 1973)

Manufacturing employment is increasingly rare in the US

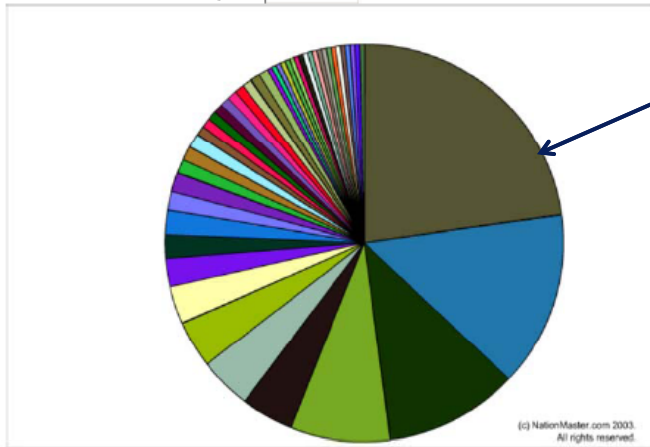


Proportion of US private labor force employed in manufacturing and retail, 1939-2010 (Source: BLS)

Since January 2001, the US has shed 5.7 million jobs in manufacturing—one in three

As of March 2009, more Americans were unemployed than were employed in manufacturing

The US still leads the world in manufacturing value-added...



Global share, 2008:

US:	19.0%
China:	16.1%
Japan:	10.5%
Germany:	8.0%
Italy:	4.1%
France:	3.3%
UK:	3.0%
Russia:	2.7%

...it just doesn't require employees to do it (cf. agriculture)

THE WALL STREET JOURNAL
WSJ.com

CAREERS | MARCH 9, 2009

Lean Factories Find It Hard to Cut Jobs Even in a Slump

By TIMOTHY AEPPEL and JUSTIN LAHART

SPARTANBURG, S.C. -- At a factory here that churns out plastic parts for everything from spray cans to blasting caps, laying off just one worker can be more trouble than it's worth.

The plant, owned by Cleveland-based Parker Hannifin Corp., has become so lean over the past decade that many assembly lines run with only a handful of highly trained workers.

So while mass layoffs have driven the U.S. unemployment rate to its highest in 26 years, Parker and other companies like it are responding to the slump in more surgical ways, mainly by cutting hours and shedding temporary workers.

"Because of productivity gains, every one of my people carries more dollars in sales today," says Donald Washkewicz, Parker's chief executive. In 2000, the average Parker worker represented about \$125,000 a year in sales. Today, that figure tops \$200,000. "If I need to cut back, I have to cut back fewer people to achieve the same goal."

Similar trims are taking place at each of Parker's nearly 300 factories. And to varying degrees, this is happening at thousands of other large and small factories across the U.S.

The largest US employers have shifted from manufacturing to retail and other services

10 Largest US Corporate Employers, 1960-2010

1960	1980	2010
GM	AT&T	WAL-MART
AT&T	GM	TARGET
FORD	FORD	UPS
GE	GE	KROGER
US STEEL	SEARS	HOME DEPOT
SEARS	IBM	SEARS HLDGS
A&P	ITT	"AT&T"
EXXON	KMART	WALGREEN
BETH. STEEL	MOBIL	VERIZON
ITT	GTE	SAFEWAY

Wal-Mart now employs roughly as many Americans as the 20 largest manufacturers combined

Manufacturing Oil Services

Ten industries with most-tenured employees

Industry	Avg tenure	Age	%
Agriculture	14	47	1.6
Utilities	13	45	0.9
Petroleum and coal products mfg	11	45	0.1
Forestry, logging, fishing, hunting	10	44	0.2
Electrical equipment, appliance mfg	10	46	0.3
Public administration	9	45	4.9
Transportation equipment manufacturing	8	44	1.4
Beverage and tobacco products	8	38.5	0.1
Paper and printing	8	43	0.9
Primary metals and fabricated metal prods.	7	43	1.4

Ten industries with least-tenured employees

Industry	Avg tenure	Age	%
Internet publishing and broadcasting	0.5	42.5	0.0
Food services and drinking places	1.5	26	5.0
Private households	2	40	0.6
Retail trade	3	38	11.9
Motion picture and sound recording	3	34	0.3
Rental and leasing services	3	36	0.4
Administrative and support services	3	40	3.3
Social assistance	3	41	2.2
Arts, entertainment, and recreation	3	38	1.8
Accommodation	3.5	40	1.3

Source: 2004 Current Population Survey

Retail jobs are not like manufacturing jobs



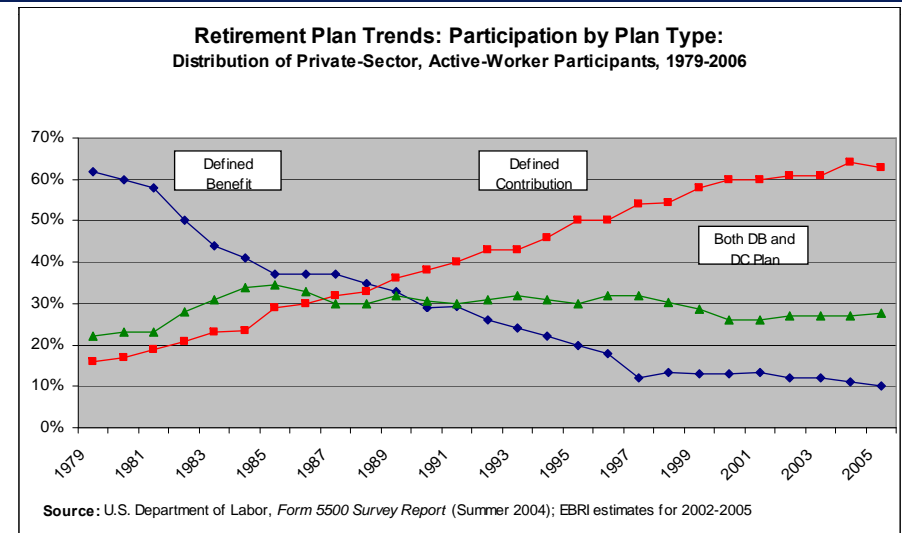
- Median hourly wage in “Motor Vehicle Manufacturing” for “Production Occupations” (May 2008) : **\$27.14**
- Median tenure with current employer in “Transportation Equipment Manufacturing” (Jan. 2004 CPS): **8 years**
- Median hourly wage in “General Merchandise Stores” for “Sales and Related Occupations”: **\$9.33**
- Median tenure with current employer in “Retail Trade”: **3 years**
- Mean weekly hours worked at Wal-Mart: **34**
- Estimated annual turnover at Wal-Mart: **40%**

Long-term attachments to employees can be costly...

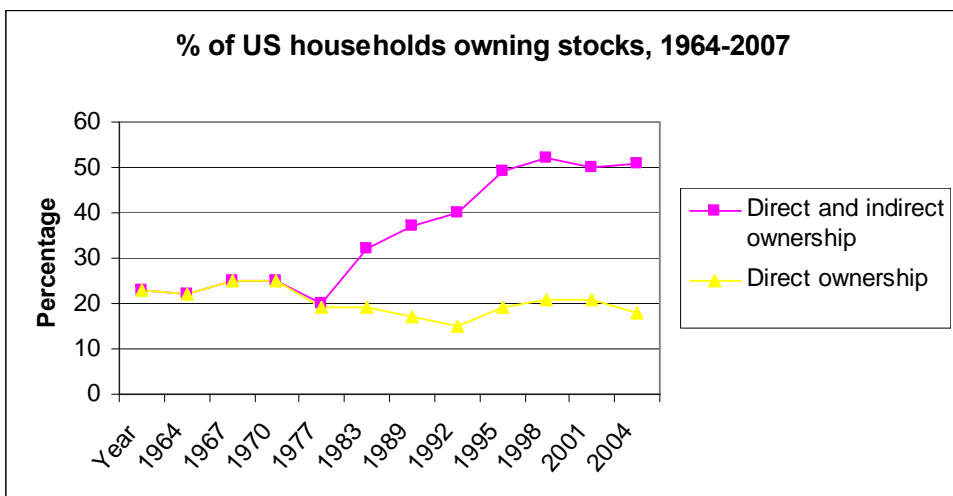
“Our legacy costs in pensions and health care are an area of significant competitive disadvantage for us... We're now subject to global competition. We're running against people who do not have these costs, because they are funded by the government.”

Rick Wagoner, CEO of GM, Feb. 2006

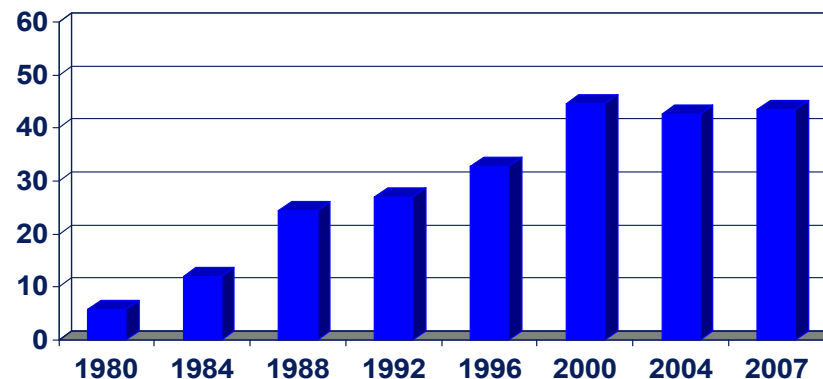
...so most employers have abandoned traditional company pensions in favor of relatively portable 401(k) plans



As a result, households became increasingly invested in the stock market during the 1980s and 1990s

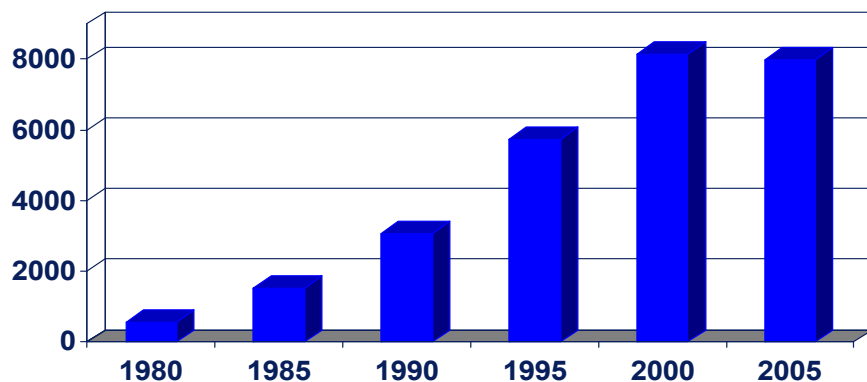


Specifically: investors in mutual funds



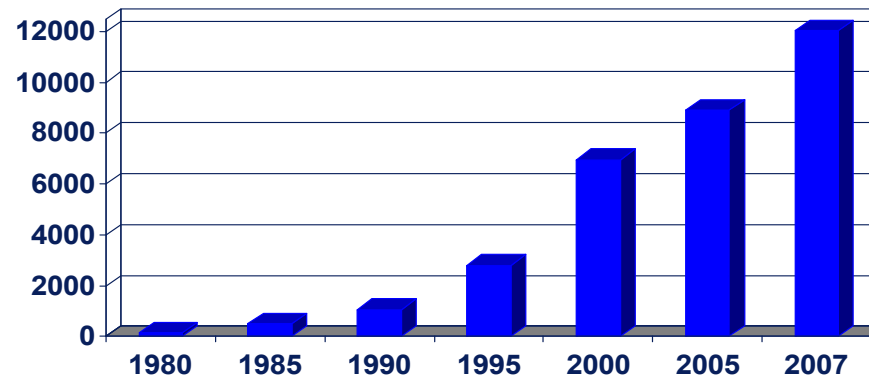
Proportion of households allegedly owning mutual funds

There are many more US mutual funds now



Number of US mutual funds

And they gathered a lot of assets

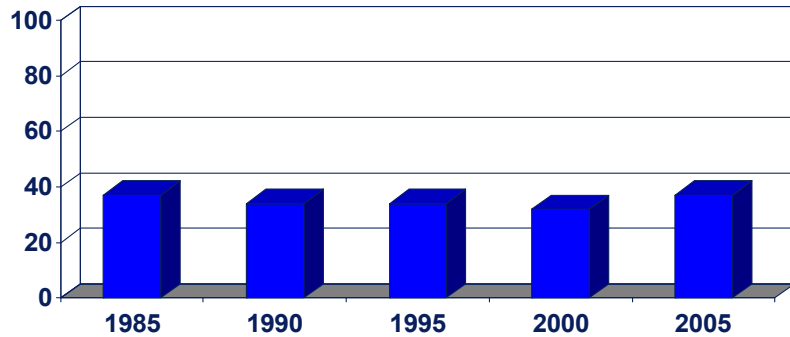


Billions of dollars in assets held by US mutual funds

But “name brand” funds got most of the benefit

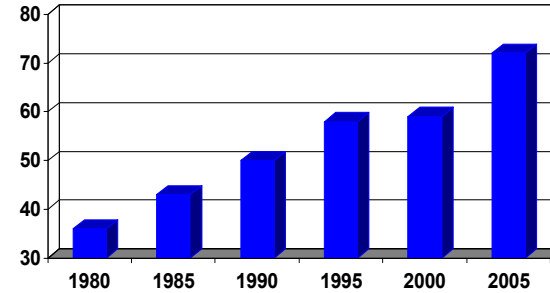


Market share of top 5 fund families



Source: Investment Company Institute 2008 *Investment Company Fact Book*

Leaving US corporate ownership largely “intermediated” by a few mutual funds



Corporate ownership by mutual funds

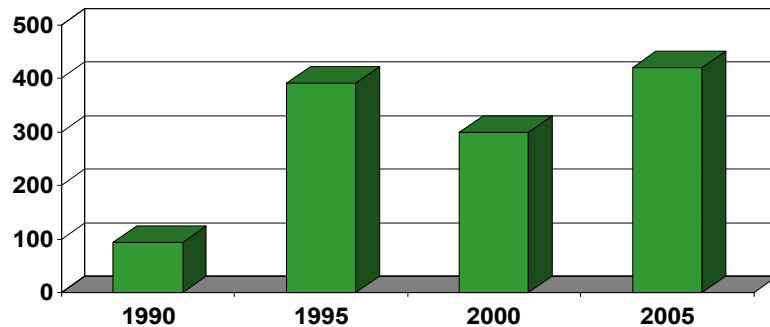
- 1950: 3%
- 1990: 8%
- 2005: 28%

Mean ownership by institutional investors of 1000 largest corporations

Source: Spectrum 13F database, various years

Fidelity is now the largest shareholder of one in ten US corporations

Number of US-listed firms in which Fidelity is largest shareholder



of listed firms in US

3833 5187 5828 4423

Source: Spectrum 13F and 13G databases, various years

Increased ownership by institutions has corresponded to increased devotion to “shareholder value”...

“We exist to create value for our share owners on a long-term basis by building a business that enhances The Coca-Cola Company's trademarks.”

“Sara Lee Corporation's mission is to build leadership brands in consumer packaged goods markets around the world. Our primary purpose is to create long-term stockholder value.”

...and an orientation to share price induced massive restructuring favoring a “Nike model” of production

“Wall Street can wipe you out. They are the rule-setters. They do have their fads, but to a large extent there is an evolution in how they judge companies, and they have decided to give premiums to companies that harbor the most profits for the least assets.”

John Bryan, CEO, explaining Sara Lee’s “de-verticalization” program

The US economy is at an advanced stage of Nike-fication

Corporation ≠ organization: no fixed nationality

THE WALL STREET JOURNAL
WSJ.com

MAY 27, 2009

Accenture to Move Base To Ireland From Bermuda

By KATHY SHWIFF

Accenture Ltd. said its board has voted to change the consulting company’s place of incorporation to Ireland from Bermuda.

Accenture incorporated in Bermuda in 2001 after the company did an initial public offering.

Several large companies have recently announced plans to reincorporate from Bermuda, helping them avoid what are expected to be significant changes in how the U.S. taxes multinational corporations. Earlier this month, drug maker Warner Chilcott Ltd. said its board approved a plan to relocate to Ireland from Bermuda.

Accenture shareholders will be asked to vote on the proposed move at meetings in the next three to four months.

“We believe that incorporating in Ireland will provide Accenture with economic benefits and help ensure our continued global competitiveness,” said Chairman and Chief Executive William D. Green, adding that the company will benefit from Ireland’s well-developed corporate, legal and regulatory environment.

The technology outsourcing and management consulting company doesn’t expect any material change in its operations, financial results or tax treatment as a result of the change.

The company will continue to be registered with the Securities and Exchange Commission and its shares will continue to trade on the New York Stock Exchange.

Corporation ≠ organization: no fixed boundaries

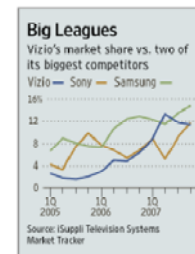
THE WALL STREET JOURNAL
WSJ.com

LEADER (U.S.) | APRIL 15, 2008
PICTURE SHIFT

U.S. Upstart Takes On TV Giants in Price War

By CHRISTOPHER LAWTON in San Francisco, YUKARI IWATANI KANE in Tokyo and JASON DEAN in Beijing

But one upstart, Irvine, Calif.-based Vizio Inc., has largely surfed past the industry’s woes. Its single focus: churning out low-priced flat-panel TVs.



Vizio is a fraction the size of Sony and Samsung Electronics Co., both leading brands in the U.S. flat-panel market. Yet Vizio shipped 12.4% of North America’s liquid-crystal display, or LCD, TVs in the last quarter of 2007. That’s just behind Sony’s 12.5% share and Samsung’s 14.2%, according to research firm iSuppli Corp. Overall, Vizio’s sales have multiplied to just under \$2 billion last year, up from \$700 million in 2006 and \$142 million in 2005, according to the closely held company.

The California company’s success illustrates the rise of a new business model in the fast-changing TV industry. Big Korean and Japanese consumer-electronics makers spent huge sums developing and marketing their own technology, creating a high barrier to entry for newcomers. They also built many key components in-house, including the all-important LCD and plasma display panels.

But panel technology is becoming ever more commoditized, meaning big brands aren’t the only ones controlling the field. The shift has allowed nimble players like Vizio, which handles the design and marketing, to hook up with contract manufacturers and produce their own cheap TVs. At the same time, discount retailers such as Wal-Mart Stores Inc. are increasing their sales in the electronics category, slashing prices in the process.

Vizio now has the largest market share of LCD televisions in the US (22%)—with 180 employees

Corporation ≠ organization: no fixed identity

May 9, 2007

ADVERTISING

101 Brand Names, 1 Manufacturer

The Mass Pet-Food Recall Reveals a Widespread Practice: Many Competing Products Come From the Same Factory

By ELLEN BYRON
May 9, 2007

(See Corrections & Amplifications item below.)

Pet owners have been reeling ever since tainted pet food led to the confirmed deaths of more than a dozen dogs and cats and likely sickened many more.

Some owners were also startled to learn that dozens of competing brands, from discount to premium, are all made by the same company, Menu Foods Inc. of Ontario.

Menu has recalled more than 60 million cans of pet food under more than 100 brand names ranging from Procter & Gamble Co.'s Iams and Eukanuba brands to Hill's Pet Nutrition Science Diet, owned by Colgate-Palmolive Co., to Ol' Roy pet food by Wal-Mart Stores Inc. Each was apparently affected by wheat gluten contaminated with melamine, a chemical substance with no approved use in food.

Poisonous pet chow containing melamine from China was made by an Ontario-based manufacturer but sold under dozens of different US brand names.

The global OEM model is not just for Nike anymore.

25

April 22, 2008

U.S. Identifies Tainted Heparin in 11 Countries

By GARDINER HARRIS

WASHINGTON — A contaminated blood thinner from China has been found in drug supplies in 11 countries, and federal officials said Monday they had discovered a clear link between the contaminant and severe reactions now associated with 81 deaths in the United States.

But a Chinese official disputed the assertion that the contaminant found in the drug, heparin, caused any deaths and insisted that his country's inspectors be allowed to inspect the American plant where the finished heparin vials were made. He said any future agreement to allow American inspections of Chinese firms should be reciprocal.

"We don't have a strong evidence to show that it is heparin or its contaminant that caused the problem," said the official, Ning Chen, second secretary at the Chinese Embassy.

Mr. Chen said that illnesses associated with contaminated heparin had occurred only in the United States, which he said suggested that the problem arose in this country.

Dr. Janet Woodcock, director of the Food and Drug Administration's drug center, said that German regulators uncovered a cluster of illnesses among dialysis patients who took contaminated heparin. She said Chinese officials had conceded that heparin produced in their country contained a contaminant, though they say it was not connected to the illnesses.

"Heparin should not be contaminated, regardless of whether or not that contamination caused acute adverse events," Dr. Woodcock said. "We are fairly confident based on the biological information that we have had that this contaminant is capable of triggering these adverse reactions."

Corporation ≠ organization: no fixed industry

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Listed below are the Top 50 bank holding companies (BHCs) as of 06/30/2007. If a value is not displayed for Total Assets, the data have not been posted. You can view additional information for an institution by selecting that institution.

Rank	Institution Name (RSSD ID)	Location	Total Assets
1	BANK OF AMERICA CORPORATION (1073757)	CHARLOTTE, NC	\$2,256,059,674
2	JPMORGAN CHASE & CO. (1039502)	NEW YORK, NY	\$2,026,642,000
3	CITIGROUP INC. (1951350)	NEW YORK, NY	\$1,848,533,000
4	WELLS FARGO & COMPANY (1120754)	SAN FRANCISCO, CA	\$1,284,176,000
5	GOLDMAN SACHS GROUP INC. THE (2380443)	NEW YORK, NY	\$890,137,000
6	MORGAN STANLEY (2162966)	NEW YORK, NY	\$676,967,000
7	METLIFE INC. (2345824)	NEW YORK, NY	\$509,457,014
8	HSBC NORTH AMERICA HOLDINGS INC. (3232316)	METTAWA, IL	\$383,820,898
9	TALMUS CORPORATION (2818006)	NEW YORK, NY	\$366,350,000
10	BARCLAYS GROUP US INC. (2914521)	WILMINGTON, DE	\$323,685,026
11	PNC FINANCIAL SERVICES GROUP INC. THE (1069778)	PITTSBURGH, PA	\$279,788,303
12	U.S. BANCORP (1119794)	MINNEAPOLIS, MN	\$265,560,000
13	BANK OF NEW YORK MELLON CORPORATION THE (3587146)	NEW YORK, NY	\$203,246,000
14	QMAC INC. (1562859)	DETROIT, MI	\$181,250,000
15	SUNTRUST BANKS INC. (1131787)	ATLANTA, GA	\$176,854,034
16	CAPITAL ONE FINANCIAL CORPORATION (2277860)	MCLEAN, VA	\$171,911,307
17	CITIZENS FINANCIAL GROUP INC. (1132449)	PROVIDENCE, RI	\$153,304,291
18	STATE STREET CORPORATION (111435)	BOSTON, MA	\$152,921,189
19	BBAT CORPORATION (1074168)	WINSTON-SALEM, NC	\$152,398,410
20	REGIONS FINANCIAL CORPORATION (3242838)	BIRMINGHAM, AL	\$142,824,610
21	TD BANKNORTH INC. (1249196)	PORTLAND, ME	\$131,355,762
22	FIFTH THIRD BANCORP (1070345)	CINCINNATI, OH	\$115,983,653
23	AMERICAN EXPRESS COMPANY (1937516)	NEW YORK, NY	\$115,926,564

What is a "bank"?

Corporation ≠ organization: no employees

shop by phone 1.800.THE.CITY

SEARCH: Keyword or Item #

TV & HOME ENTERTAINMENT | MP3 & PORTABLE ELECTRONICS | COMPUTERS & OFFICE | COMPUTER UPGRADES | CAMERAS & CAMCORDERS | HOUSEWARES & APPLIANCES | VIDEO GAMING

More TV

Vizio M550NV 54.6" Razor LED Backlit LCD HDTV - 1080p, 1920x1080, 16:9, 100Hz, 1,000,000:1 dynamic, Built-in WFI 802.11n, VIA VIZIO Internet Apps

Item Number: V23-5369
Model: M550NV
Availability: Order Today, Ships Today
List Price: \$1,749.99
Instant Savings: - \$450.00
Price: \$1,299.99

ADD TO CART

Customer Reviews: 4.5 (17 reviews)

The Vizio M550NV 54.6" Razor LED Backlit LCD HDTV lets you bring the best of the Internet to your TV screen!

The Vizio M550NV 54.6" Razor LED Backlit LCD HDTV features full 1080p resolution, 1,000,000:1 dynamic contrast ratio, built-in w/fi, VIZIO Internet apps, and a 4.1 energy star rating to bring crystal clarity to all aspects of your viewing experience.

Now Just \$99.99

Hermit crab organizations maintain the brand but lose the people (e.g., Circuit City's 43,000 employees)

MICHIGAN ROSS SCHOOL OF BUSINESS

Can corporations be used as tools of public policy, e.g., to create jobs?

Apple to the Rescue?

Why President Obama should meditate on the career of Steve Jobs.

By RICH KARLGAARD

The seven-year drizzle of bad news had nearly destroyed American confidence. By Dec. 12, 1980, the prime-lending rate in the U.S. was up to 20.5%. One week later it would peak at 21.5%, the highest in U.S. history. In newly militant Iran, 50 Americans were enduring their 405th day of captivity. The hapless Jimmy Carter had 39 days to go in his presidency. But in truth Mr. Carter's presidency had failed 17 months earlier on July 15, 1979, the night he delivered his "Crisis of Confidence" address to the American people. It instantly became known as Carter's "malaise speech."

Malaise would die with Mr. Carter's presidency. A blast of fresh air preceded Ronald Reagan's presidency on Dec. 12, 1980, in the form of a thriller public stock offering, the largest since Ford Motor's IPO in 1956. That day, underwriters Hambrecht & Quist and Morgan Stanley sold shares of four-year-old Apple Computer to the public. The public snapped it up. Apple's stock spiked to nearly \$100 on day two and created more than 300 millionaire employees. Founders Steve Jobs and Steve Wozniak were instantly rich. The great American renaissance—ignited by technology, entrepreneurs and a capital gains tax rate recently reduced to 28% from 49%—had begun.

Mr. Obama and his advisers need to grasp this essential fact: Entrepreneurs are not just a cute little subsector of the American economy. They are the whole game. They will give us tomorrow's Apples and the multiplier effect of small businesses and exciting new jobs that go with them.

Entrepreneurs are necessary to keep our large multinationals on their toes. It's no coincidence that the entrepreneurial flowering of the 1970s forced a managerial revolution in large companies during the 1980s and 1990s. Without Steve Jobs, there would have been no Lou Gerstner to reinvent IBM in the '90s. Entrepreneurs like Steve Jobs make everyone better.

Analysts Expect iPad to Give lift to Asian Suppliers

By AARON BACK, JUNG-AH LEE And CHARMIAN KOK

Apple Inc.'s iPad device may significantly increase demand for components such as touch screens and memory chips, especially if it succeeds in creating a new product category and spawning competitors, according to industry analysts.

Apple suppliers in Asia

NAND flash memory:

- Samsung Electronics (South Korea)
- Toshiba (Japan)

LCD displays:

- LG Display (South Korea)
- Innolux Display (Taiwan)

Assembler:

- Hon Hai Precision Industry (Taiwan)

Touch-screen technology:

- Wintek (Taiwan)
- Sintek Photronic (Taiwan)

Source: Analysts

Analysts say that would be a boon to Asian suppliers, including display makers such as LG Display Co.; chip makers such as Samsung Electronics Co. and Toshiba Corp.; touch-screen makers Wintek Corp. and Sintek Photronic Corp.; and assemblers such as Hon Hai Precision Industry Co., which uses the trade name Foxconn. Shares of these companies all rose Thursday in Asia.

Apple hasn't identified its iPad suppliers and an Apple spokeswoman declined to comment.

Like many technology brands, Apple doesn't actually manufacture most of its products. It hires manufacturing specialists—mainly Taiwanese companies that have extensive operations in China—to assemble its gadgets based on Apple's designs. They, in turn, use parts from large and small manufacturers many in Taiwan, Japan and Korea.

The iPod and iPhone devices have already been a boon to component manufacturers in Asia, and many are hoping for a repeat performance.

The true component mix won't be known until Apple begins shipping the device and third-party analysts can

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May 25, 2010

String of Suicides Continues at Electronics Supplier in China

By DAVID BARBOZA

SHANGHAI — A 19-year-old employee was found dead Tuesday morning in what appears to have been the ninth suicide this year at a factory in southern China operated by Foxconn Technology, one of the world's largest contract electronics manufacturers, according to China's state-run news media.

Foxconn, which produces electronics and computer components for Apple, Dell, Hewlett-Packard and other global companies, has been struggling this year to explain a string of suicides among young workers at its huge complexes in the city of Shenzhen, where the company employs about 420,000 workers.

A spokesman for Foxconn, a unit of Hon Hai Precision Industry of Taiwan, could not be reached for comment Tuesday, and the Shenzhen police did not return phone calls. But Xinhua, China's official news agency, said the Shenzhen police had reported that a young man they identified as Li Hai had apparently jumped to his death at 6:20 a.m. Tuesday at Foxconn.

Wang Tongxin, vice chairman of the general labor union in Shenzhen, a government-controlled organization, said the Shenzhen police had alerted his organization to the death Tuesday.

"We have already sent an investigation team to the factory, and our city government is paying a lot of attention to this," Mr. Wang said by telephone.

Company executives say Foxconn is planning to hire psychiatrists, counselors and monks, and intends to bring in 2,000 singers, dancers and gym trainers to improve life on its two sprawling campuses in Shenzhen.

China's state-run news media also reported Tuesday that Foxconn was building tall fences at its dormitories to prevent workers from jumping to their deaths.

America's most innovative companies employ few people

- Apple: 34,300
 - Google: 19,835
 - Intel: 79,800 [44,000 US]
 - Amazon.com: 24,300
 - Cisco: 65,550 [37,050 US]
 - Microsoft: 93,000 [56,000 US]
- Kroger: 334,000 [all US]
 - **Jobs lost in 1/09: 598,000**
[That's 17.43 Apples]
- TOTAL: 316,785** [215,485 US]

Shareholder capitalism and corporate turnover: The Dow Jones 30 Industrials in 1987

Allied Signal	Eastman Kodak	Navistar International
Alcoa	Exxon	Philip Morris
American Can	General Electric	Procter & Gamble
American Express	General Motors	Sears Roebuck
AT&T	Goodyear	Texaco
Bethlehem Steel	IBM	Union Carbide
Boeing	International Paper	United Technologies
Chevron	McDonald's	US Steel
Coca Cola	Merck	Westinghouse Electric
Du Pont	3M	Woolworth

Blue = in index in 1930

~~~~~~~~~ = gone by 2009

Recent exits include AIG, Citigroup, and GM (all now wards of the state)

A random speculation: might corporate dis-aggregation have something to do with rising inequality in the US?

## A measure of corporate aggregation: employment concentration

Employment concentration =

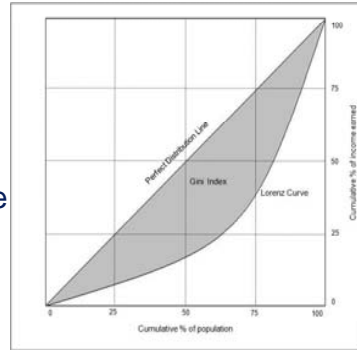
$$\frac{\text{Number of workers employed by } n \text{ largest firms}}{\text{Total labor force}}$$

Surprising finding: there is a very high correlation between employment concentration using the 10 biggest firms and using the 25, 50, or 100 biggest firms in the US.

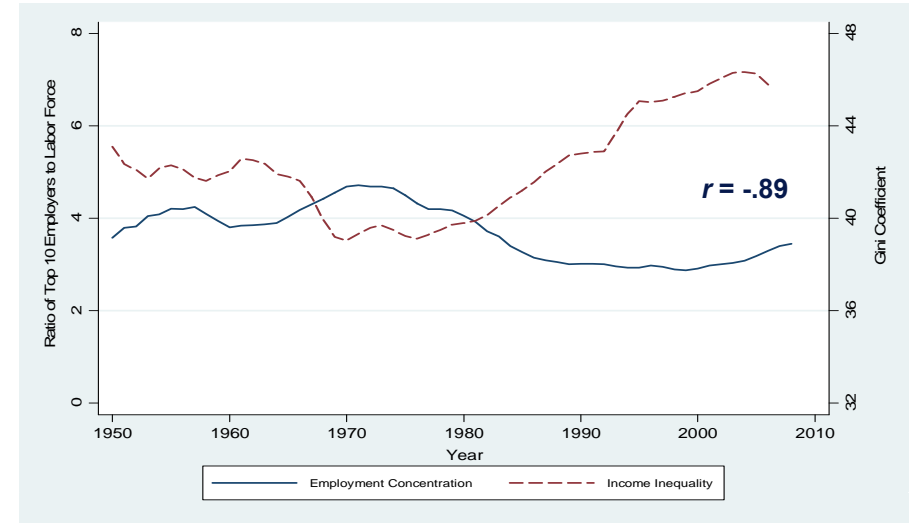
The corporate "tendency toward gigantism" is evident even with a relatively thin slice of data.

## A measure of income inequality: The Gini coefficient

- Measures the extent to which the distribution of income (or consumption) among individuals (or households) deviates from a perfectly equal distribution
  - The percentage of area that lies between the Lorenz curve and a line of perfect equality
  - Varies between 0 (perfect equality) and 1 (perfect inequality)



## U.S. income inequality and 10-firm employment concentration, 1950 - 2008

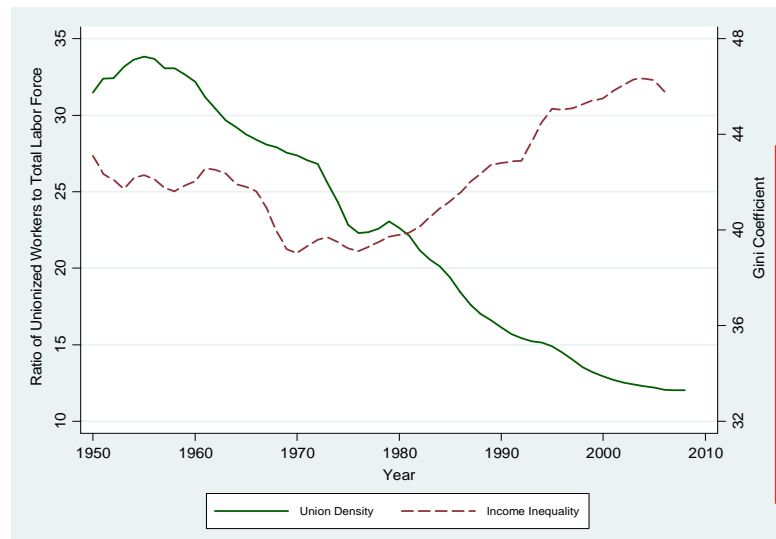


## Revised research question:

~~WTF??~~

Is there a causal link between corporate size and inequality?

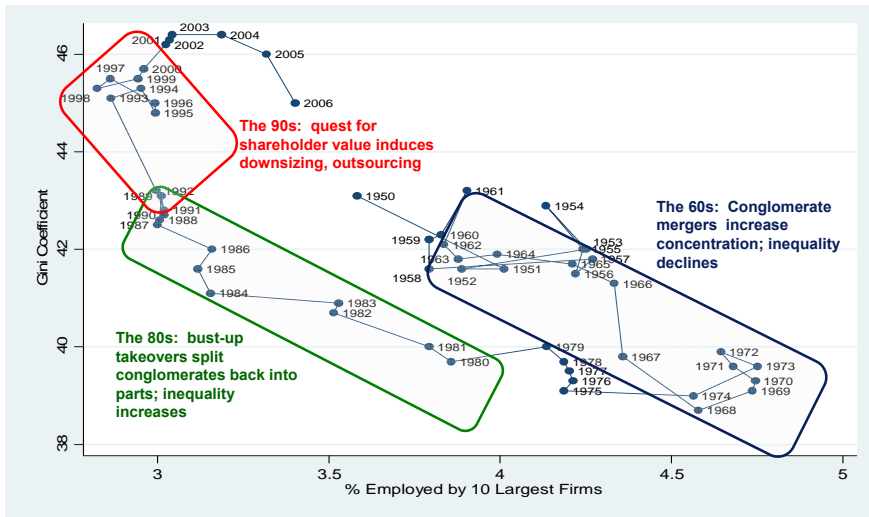
## Is this just the decline of unions? Inequality and Union Density, 1950 - 2006



**NO: union density has declined every year since 1958 (almost)**

**As of Jan. 2010, most union members are public employees**

# Income inequality and employment concentration by year, 1950 – 2006

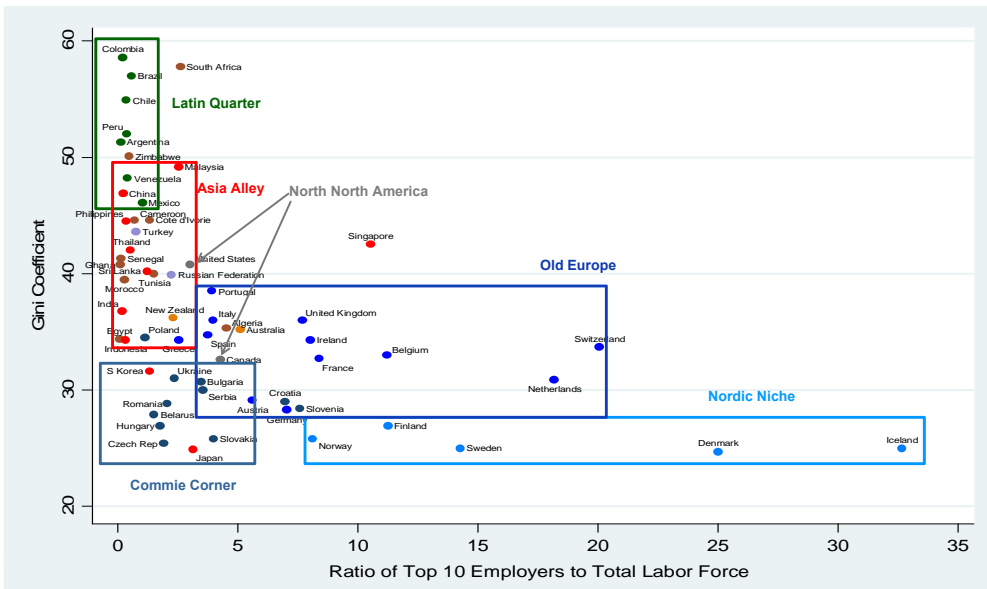


# First, a snazzy buzz-phrase: *The Paradox of Hierarchy*

- “Corporations are generally hierarchical, with those at the top earning incomes many times larger than those at the bottom, and larger firms are more hierarchical than smaller firms. Yet societies in which more of the workforce is employed in the largest firms are more equal overall than those where employment is spread more widely.” (Davis & Cobb, 2010)

- But, is the United States a unique case?

# Cross-national comparison of income inequality and employment concentration, 2006



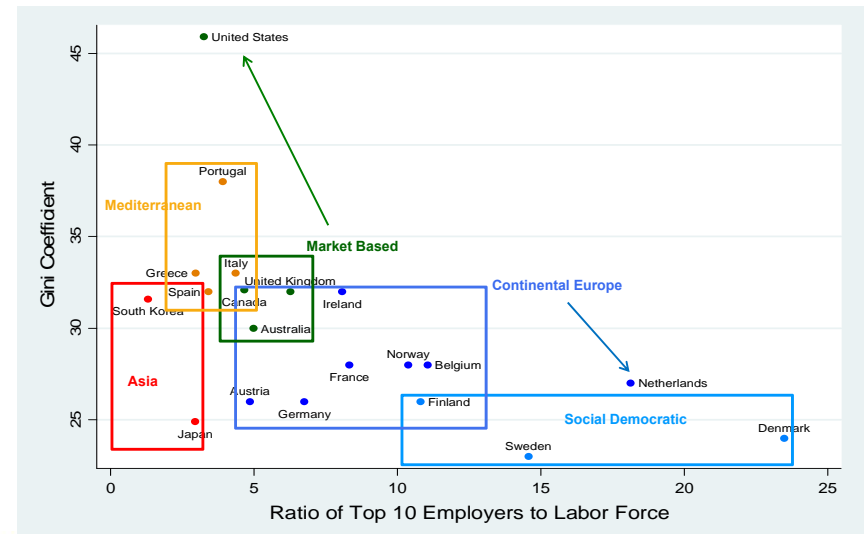
# Employment concentration: Colombia vs. Denmark

| COLOMBIA                       |                |                   | DENMARK                  |                |                  |
|--------------------------------|----------------|-------------------|--------------------------|----------------|------------------|
| Company Name                   | Industry Class | Employees         | Company Name             | Industry Class | Employees        |
| BANCOLOMBIA SA                 | BANK           | 7,027             | ISS AS                   | INDUSTRIAL     | 273,534          |
| INVERALIMENTICIAS SA           | INDUSTRIAL     | 6,798             | GROUP 4 FALCK AS         | INDUSTRIAL     | 246,366          |
| TEXTILES FABRICATO TEJICONDOR  | INDUSTRIAL     | 5,744             | A.P.MOLLER-MAERSK A/S    | TRANSPORT.     | 62,300           |
| BANCO DE BOGOTA SA             | BANK           | 4,800             | CARLSBERG AS             | INDUSTRIAL     | 31,703           |
| SURAMERICANA DE INVERSIONES S. | OTH            | 4,325             | TDC AS                   | UTILITY        | 20,573           |
| CIA COLOMBIANA DE TEJIDOS - CO | INDUSTRIAL     | 3,435             | NOVO NORDISK AS          | INDUSTRIAL     | 20,285           |
| ACERIAS PAZ DEL RIO S.A.       | INDUSTRIAL     | 2,834             | DANFOSS AS               | INDUSTRIAL     | 17,543           |
| BAVARIA SA                     | INDUSTRIAL     | 2,729             | DANSKE BANK AS           | BANK           | 15,382           |
| COMPANIA DE CEMENTO ARGOS S.A. | INDUSTRIAL     | 1,798             | DANISCO AS               | INDUSTRIAL     | 10,634           |
| CARTON DE COLOMBIA             | INDUSTRIAL     | 1,464             | FALCK A/S                | INDUSTRIAL     | 10,241           |
| <b>Total</b>                   |                | <b>40,954</b>     | <b>Total</b>             |                | <b>708,561</b>   |
| <b>Labor Force</b>             |                | <b>22,771,433</b> | <b>Labor Force</b>       |                | <b>2,834,422</b> |
| <b>Emp Concentration</b>       |                | <b>0.18%</b>      | <b>Emp Concentration</b> |                | <b>25.00%</b>    |

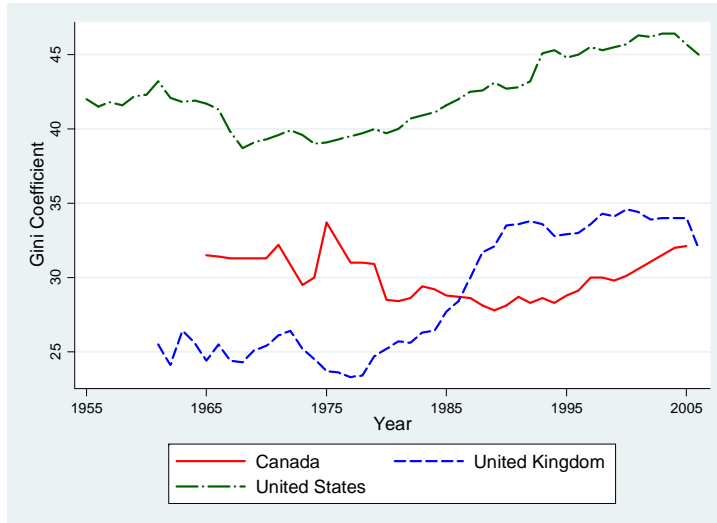
## Amable's varieties of capitalism

- **Market-based:** USA, UK, Canada and Australia
  - Product competition and financial markets are critical
- **Social-democratic model:** Sweden, Finland and Denmark
  - Coordinated wage bargaining and robust social protection
- **Continental Europe:** France, Germany, Austria, Belgium, Ireland, Norway (Switzerland and Netherlands)
  - Similar to social-democratic but less coordinated wage bargaining
- **Mediterranean:** Italy, Spain, Portugal and Greece
  - More employment protection and less social protection than Continental Europe
    - Limited skill and education of workers
- **Asian model:** Japan and South Korea
  - Large corporations coordinate with state
  - Employment protection combined with lack of welfare state

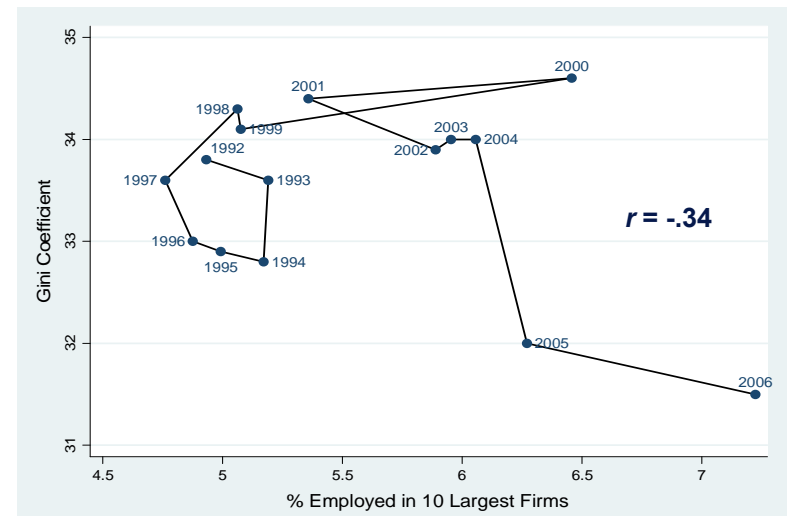
## Income inequality and varieties of capitalism



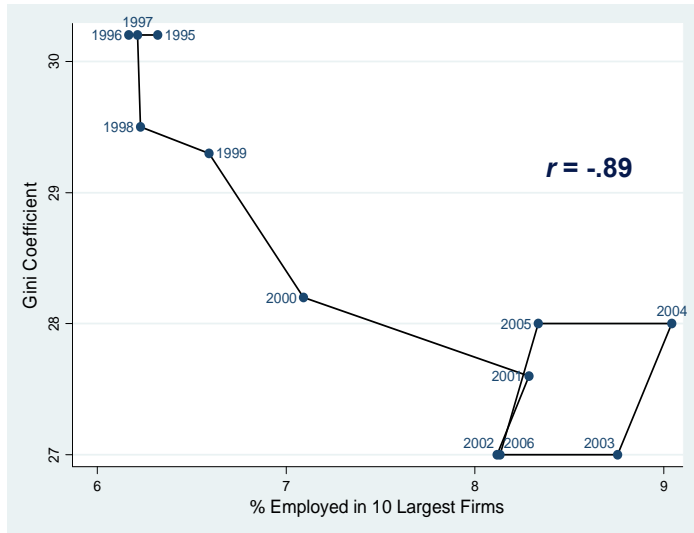
## An aside: is there really a coherent “Anglo-Saxon model”?



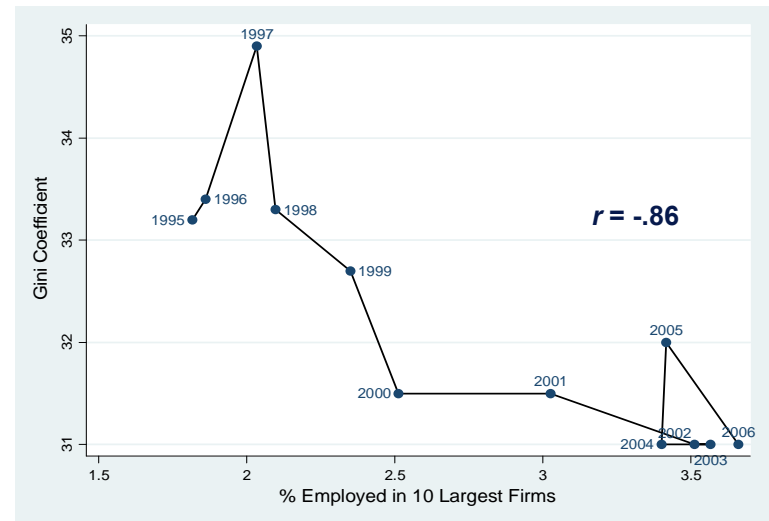
## United Kingdom: inequality and employment concentration by year, 1992 – 2006



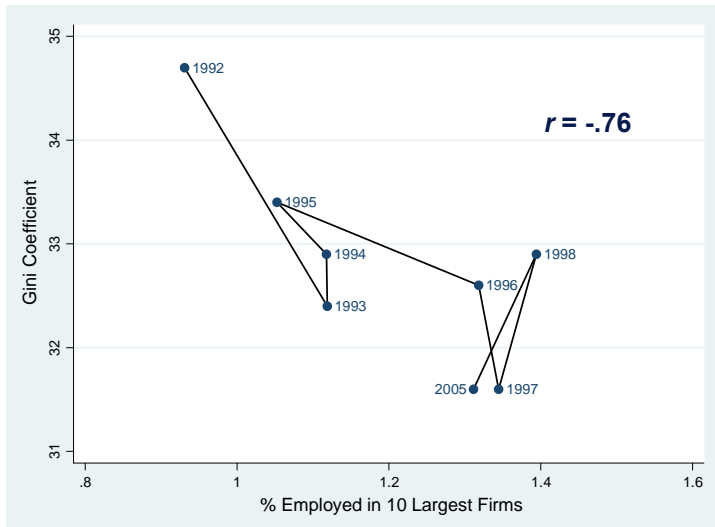
## France: inequality and employment concentration by year, 1995 – 2006



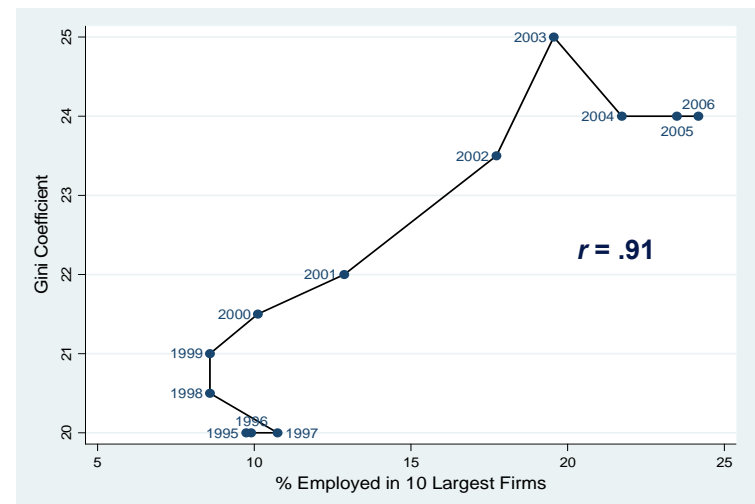
## Spain: inequality and employment concentration by year, 1995 – 2006



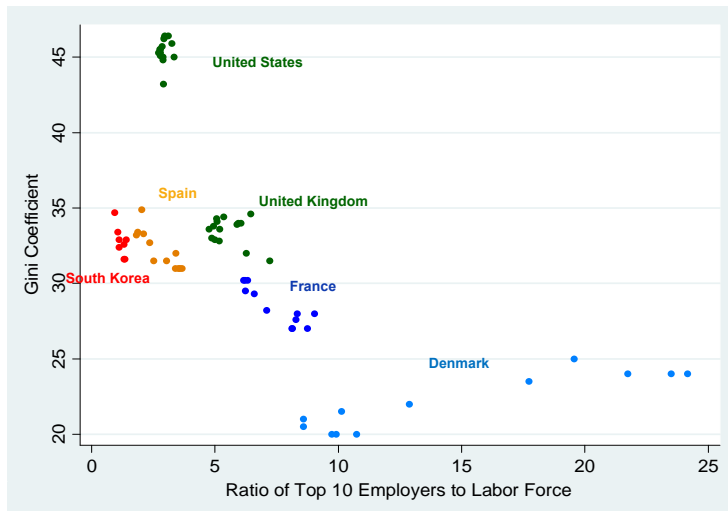
## South Korea: inequality and employment concentration by year, 1992 – 1998, 2005



## Denmark: inequality and employment concentration by year, 1995 – 2006



## Sample nations inequality and employment concentration



## Tentative factoids

- Corporate size varies widely and systematically around the world, both in absolute terms and relative to the size of the labor force
- Corporate employment concentration is positively related to equality
  - Very strongly in the US (over time)
  - Somewhat strongly around the world (cross-sectionally)
- The size of a country's largest corporations and its level of inequality are connected to its "variety of capitalism" (VOC)
- A possible (fuzzy) causal chain:
  - VOC=>concept of corporation→ corporate size→ inequality

## Conclusion: blame finance for everything bad

