

INTER-FIRM EXTRA-MARKET EXCHANGE RELATIONS An Interpretive Note

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This paper examines briefly inter-firm co-operation and conflict through the business practice of sub-contracting. After outlining the co-operative functional forms of this widespread practice in Section I, the paper highlights in Section II how some radical and modified neoclassical writings account for the existence of this phenomenon as also portray power conflicts there-upon. In the light of this discussion, some concluding remarks about integrated development of large and small industries, are made in Section III.

The co-existence of large and small firms¹ by way of co-operation and conflict through *subcontracting* as a specific form of industrial production organisation has been a fact since long. However, there has been a lot of confusion in the literature about early as also modern capitalism, on the connotation of the term, subcontracting.² One way of grasping this practice, however, is to probe into its apparent, co-operative functional forms.

Forms of Subcontracting

In form, three subcontracting varieties can be distinguished : economy subcontracting, specialized subcontracting, and capacity subcontracting. The distinction is made on the basis of the main motivations of larger parent firms.³ However, they could and do overlap in reality.

In *economy subcontracting*, the motivation of the parent firm is to take advantage of the relatively low costs of the smaller subcontractors originating from the latter's low (wage and non-wage) labour costs, and consistently lower profit margins. The assumption here is that the labour productivity and quality efficiency of the subcontractors are not so low as to atrophy the wage differential advantage. In the process, the parent firm avoids capital investments for uneconomical manufacture of several types of parts

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and components it requires in small batches.

According to a study by UNIDO, even in conglomerate enterprises (i.e. multi-product, multi-plant giant firms) which maintain in-house facilities for every item up to a certain capacity, the trend is "increasingly to permit the managers of individual plants or product divisions to decide whether to produce within the firm or to subcontract out. . . This policy is usually followed not merely to give an adhoc cost advantage on the basis of the figures of alternative costs but rather to ensure that over the long term, all facilities within the firm will be used at competitive production costs. In this case, economic subcontracting is a means of forcing all production units to be constantly efficient and competitive."⁴

In *specialized subcontracting*, the parent firm depends on the specialized machinery and equipment or specialized technologies or innovative capabilities of the subcontractors in activities that are mostly dissimilar to its own.⁵ It should be noted that parent firms or customers also depend on *purchasing* (as distinguished from subcontracting) from large-scale suppliers specializing and deriving economies of scale in the manufacture of interchangeable, standardized parts and components which are cheaper to purchase than to produce in-house.

In *capacity subcontracting*, the parent company finds its production capacity insufficient to meet the delivery schedules of the normal flow of orders and hence it depends on outside capacity. A variant of this is *peak-load subcontracting* due to sudden surges in the order books. Capacity subcontracting can also arise due to "unforeseen factors such as labour disputes, excessive absenteeism, machine breakdown, defective materials or just bad planning resulting in far too optimistic production estimates."⁶ It may also emerge when, due to fierce competition, the ability to meet quickly delivery schedules is more crucial than price or even technical competence. Therefore, parent firms may "deliberately take on far more orders than they can handle with their own capacity or quote early delivery dates to obtain a particular order, relying on subcontracting to enable them to fill the orders."⁷ There can also be a situation of *marginal subcontracting*, when the orders are too small or infrequent to justify in-house production. Capacity subcontracting can also emerge as a substitute for expensive overtime work or night shifts or set-up operations. Thus capacity subcontracting merges with economy subcontracting. Further, capacity subcontracting is found to be the most intermittent of all subcontracting forms, thereby making the business atmosphere for the smaller subcontractors highly volatile and uncertain.

II

Nature and Character of Sub-contracting

In the leftist radical economics school, some scholars have analysed subcontracting as amounting to a conflict ridden, exploitative unequal

'centre-periphery' power based exchange relationship between firms of different sizes. Andrew Friedman, a noted authority in this connection, has explained admirably how larger firms can derive their 'discretionary power' (in relation to their 'make-buy' policies in the context of unstable product market conditions) by exploiting the smaller ones through subcontracting relations.⁸ Central to the analyses in the radical tradition is the major premise that mutual interests and '*relative power*' are two distinct elements in both the organising and structuring of productive relationships. For example, an interesting analogy is drawn between inter-firm power relationship (in terms of domination and subordination) via subcontracting, and the power relations between labour and capital in production. Just as labour is inherently inferior to capital and much more immediately dependent on capital, so also is the subcontractor vis-a-vis the parent firm.⁹ Thus from the radical point of view, the even matching of firms in contractual relationships by ignoring power relations would be as much of an obscene myth as that of orthodox free-market economists who take as their starting point a 'state of nature' in which labour and capital are evenly matched.

Andrew Friedman had rightly attacked mainstream micro economics as reflected in standard text books on the grounds that it has almost abstracted from the middle ground between *arms' length transactions and vertical integration*— where firms on either side of a market co-operate via subcontracting, long-term contracts, leases, technical (patent license) agreements etc., and that it has covered just the middle ground between competition and horizontal integration (through combination/merger or take-over) where firms in the same business restrict competition through price agreements and market sharing. However, the modified neoclassical school has addressed itself, albeit belatedly, to the 'black box' of the middle ground between arms' length transactions and vertical integration.¹⁰

Thus in the modified neoclassical tradition, subcontracting occurs in the middle ground between vertical integration (that reflects complete internalization or manifestation of complete market failure as far as the ability of the market to co-ordinate inter-firm transactions) on the one hand, and arms' length transactions reflecting 'pure' market transactions (i.e. anonymous buyers and sellers exchanging goods in discrete transactions at prices determined in perfectly competitive markets) on the other. The middle ground reflects extra-market, direct linkages or relationships established by firms in complementary activities. And this is treated as a manifestation of '*partial market failure*' in so far as the establishment of a direct linkage is the means of achieving co-ordination of inter-firm transactions in the real world of imperfections involving (a) differential technical characteristics of the products to be exchanged, (b) existence of firms exercising significant market power, (c) unpredictable future, (d) lack of all the information and knowledge (including technology) that the firms need and hence the need for exchange of information through negotiations etc. This middle ground of direct linkages is also referred to as the world of '*vertical inter-firm linkages*'¹¹, or '*vertical quasi-integration*'¹².

This middle ground which constitutes fairly large part of the real, imperfect business world has no doubt costly costs of contracting, so to speak. These are known as *transaction costs*—the tangible and intangible costs of non-optimal administrative/bureaucratic decision making, discovering prices, search and negotiations to be undertaken, inspections to be made, arrangements to be made to settle disputes etc. The central point is that despite there being these costs in the extra-market methods of inter-firm co-ordination, they (the extra-market methods) are nonetheless preferred to relying on the fictionalized 'pure' market mechanism—the only method of co-ordination normally worshipped and analysed by liberal and conservative neoclassical economists.¹³

The lack of appropriate and efficient legal and other formal and informal institutional arrangements ('rules of the game') required to settle the disputes arising out of possible conflicts between firms depending on the extra-market exchange relations, constitutes a significant transaction cost. And the source of inter-firm conflicts in this connection can be fundamentally attributed to the tendency of the dominant, larger parent firms' behaviour to become parasitic, if unchecked, especially when large firms become 'vulnerable dinosaurs' in the face of intense competition. To illustrate, let us consider, for instance, Blofs's seminal paper which delineates, perhaps for the first time in the modified neoclassical tradition, the influence that a dominant firm can exercise in the vertical plane as follows.¹⁴

The dominant buyer/customer or large parent firm has many options with which it can threaten its existing suppliers/subcontractors with withdrawal of its business. It can shift the business to other suppliers; encourage new suppliers to enter the industry; or set up its own facilities or take-over an existing supplier. These options are, however, only open to those customers whose total demand for the product concerned is sufficient enough to generate the same scale economies as the existing suppliers do.¹⁵

If the suppliers are market specific (i.e. their product is specific to one industrial market) and product specific (i.e. their plant and machinery are only geared to current product range), then such threats are all the more powerful and will greatly determine the responsiveness of the suppliers to the power of the dominant buyers to call for special requirements, conditions and terms of trade. The unequal relationship between the customer and supplier/subcontractor can manifest itself in a number of areas wherein extra costs are incurred by the supplier. Unless these extra costs are incorporated in the price, they will 'suck-off' the profitability of the supplier.

For instance, the dominant buyer can shift the burden of holding large stocks to the supplier. Sometimes it can demand more than one delivery of components a day despite each delivery being less than a lorry load. If it is a multi-plant firm or has stores dispersed over a wide area, it can ask the supplier to switch deliveries between different locations at very short notice and thereby increase the supplier's delivery charges. It can also exploit the supplier by demanding frequently sub-optimal volume of special products.

It can demand access to supplier's plant and records not only to enforce quality control but also to learn about the cost breakdowns of the products it intends to purchase or subcontract out. It can impose the condition that the supplier must not work for its competitors or embark on an ad campaign in truck with a rival of the parent firm.

In the event of poor labour relations at the supplier affecting its production flow, the large customer can compel the supplier to end the hitch on terms not agreeable to the supplier. It can even interfere to overhaul the supplier's management. Moreover, it can specify the materials and other items (even by the name of the source) to be incorporated into its end-product. Or, it can give them at economical prices (due to large-scale buying economies). But, for the supplier making profits on the basis of cost plus pricing method, that would interfere with its flexibility. Moreover, the customer, especially when suffering from a general financial crunch, can delay payment for longer periods, and thereby cause serious cash-flow crisis for the supplier.

The large customer/parent firm can benefit from the specificity and capability of the supplier to effect changes in the design of certain intermediate products in the context of increasing technological complexity of many final products. But for the supplier/subcontractor, the employment of technical experts (oriented only to the current customer industry) and free provision of technical service is very risky and not always economical in the face of the uncertainty of work orders in immediate future.

The large customer can apply pressure at the cost of the supplier's future on the belief that the latter's average cost curve falls more rapidly than what the supplier concedes or that the latter's per unit profit is too high. A growing trend is that large parent firms make estimates of cost and add an allowance for profit. But such estimates are subject to disputes. While it is easy to estimate prime cost (i.e. material and direct labour cost), the allocation of overheads between different product lines and the determination of margin size by apportioning the capital employed to different product classes are extremely complex.

The supplier/subcontractor is not completely helpless; it has indeed some ways of resistance open to it against the *bargaining power* of the customer/parent firm. For instance, it can reduce its dependence on any one customer or client, but this option is not always open, when the number of potential customers for an individual item may be small as in the aircraft industry. It can perhaps diversify into other product ranges and sell to different industrial markets. But finding a suitable product range and setting up the necessary organisation to conduct diversification programme is usually complex.

The supplier itself can become a monopolist in a situation where there are two or three suppliers versus relatively more customers but "as a result of take-overs and mergers and also the integration of some firms' activities throughout Europe, bigger customers are created and thus making it possible for customer to compete with its supplier's economies."¹⁶

If the supplier's skills and machinery are highly specific so that it would take considerable time for the large customer to collect them in order to produce the item on its own, then this time period plus the learning time taken by the productive facility to achieve economical costs could create an elbow room enough for the supplier to diversify away from the existing markets.

Another option is to diversify into the existing markets themselves in such a way as to offer the customer a range of products as an entity. If the customer tries to withdraw some part of its business from this range, then the supplier can reshuffle its prices across the range, possibly via a discount structure, so as to make the reduction of cost of buying elsewhere to the customer marginal and 'certainly less than one-twentieth'.¹⁷ But again, following Blois, this is not an easy alternative.

Thus what Blois's descriptive analysis conveys basically is possibility of a zero-sum model of social conflict in extra-market relations and unequal distribution of bargaining power there-upon, which is similar to exploitative character of exchange that some radicals emphasize in relationships of domination and subordination between big and small capitals. For, after all, as the Marxist economist Michel Aglietta puts it succinctly, the dependence of subcontractors "is set by techno-economic norms over which they have no influence."¹⁸ That is to say, the legal autonomy of subcontractors does not always ensure them against loss of technological, economic and even managerial autonomy. In most cases, even if they are not controlled by financial holdings, they do not form independent capitals from the parent firms' production functions in an integrated series. They do not decide on the quantities they produce. Similarly, the prices at which the quantities are exchanged are *transfer prices* imposed on them; they are not market prices. Moreover, their survival, commercial viability and future are ultimately dependent on the vicissitudes of production planning and financial soundness of parent firms. Thus from the radical point of view, what is implied explicitly or implicitly is that the only substantial independence or freedom that subcontractors can have from the predatory activities of big capitals (involving active seeking out contracts with small capitals that have low pay, and poor working conditions) is in respect of their own predatory abilities (involving brutalization of their employment conditions).

In the context of new production procedures known by the acronym CAE (Computer Aided Engineering) based upon sophisticated data analysis techniques, as it is becoming technologically feasible to fully control the quality of a subcontractor's work, there are three powerful reasons as to why big firms have tended to increasingly subcontract out work previously maintained in-house : "(a) a recognition that the costs of adapting a workforce to changing economic circumstances are considerable; in particular that where redundancies are necessary considerable costs both direct and indirect arise, e.g., redundancy payments; bad public relations; management time; disruptive employee relations; lowering of employee morale; (b) a view that large units often lack flexibility compared with small

units in terms of such matters as hours of work; definition of work roles, etc.; (c) a view that small units are often more economic in production costs because of (b) above but also because of lower overhead allocations, etc."¹⁹

Now the question is : how will this trend alter the nature and character of inter-firm extra-market exchange relations through subcontracting from the way we understand it on the above lines? There is really no easy answer. A debate is going on among the experts pursuing this grey area. However, Blois's overview of the fuzziness in this regard leads to the perception that the situation of small subcontractors may well become all the more precarious and vulnerable in the new technology regime for the following reasons: first, the relative power of the parent firm to impose transfer price on any subcontractor will increase : "the customer has a clear idea of what a reasonable price is. This will be based upon (its) own experience of manufacturing similar products and the possibility of obtaining quotations from other subcontractors."²⁰; secondly, the place and timing of delivery will be determined by the customer and may be subject to alteration at short notice; and thirdly, and more importantly, the conventional verbal and/or written contracts are likely to be replaced by '*electronic contracts*' between the parent firm and the subcontractors. And due to this, long-term commitments between the two parties are less likely to develop; in other words, the customer's power to switch between subcontractors is likely to increase immensely. For, the CAE system "will choose the most appropriate method of manufacturing and then potential suppliers will be considered for the appropriateness of their facilities. As one of the benefits of CAE is its ability to work with a wider variety in its product range than traditional manufacturing systems, there is, therefore, obviously a possibility that this may result in an increasing variety of components required from subcontractors. This implies that the appropriateness of a particular subcontractor will vary over time."²¹ In this scenario, there are two deadly problems for any subcontractor : (a) given ruthless competition among subcontractors themselves, the problem for each one of them is to convert its productive capacity into an overall *intangible 'capability'* which will distinguish it from those of its rivals which also have productive capacity acceptable to the customers. This intangible capability will depend on the creation of such characteristics as effective use of the production facilities, good production management and planning so as to provide prompt delivery, the willingness of its employees and its suppliers to co-operate for adaptation to dramatic changes to supply schedules, financial strength, ability to adapt the volume of output and the ability to be able to make something novel, technical awareness and competent administration (i.e. efficient preparation of documentation, effective access to relevant management etc.). The creation of such features (that determine the difference between 'capacity' and 'capability') is costly; and (b) if exchange relationships are going to be unstable or chaotic, how can any subcontractor make the customers aware of its capabilities?

III

Concluding Remarks

The nature of co-operative direct linkages between firms in complementary activities involving transaction costs in the real, imperfect business world has been viewed as a very 'murky area in the study of industrial economics.' However, the argument made in a perspective of the integrated development of large and small industries that such linkages including subcontracting "are essential to the functioning of any normal industrial market, and that they can stimulate the development of linked activities and industrial diversification in LDCs"²² has gained currency.

This elementary paper has emphasized that while it is not very difficult to find out what form such linkages take, and why they occur by drawing on either the modified neoclassical or the radical tradition, it is important for the ideologues of integrated development of large and small firms through subcontracting to realize that the terms and conditions of trade based upon such apparently co-operative contracts are, however, fixed by 'relative power' or balance of negotiating or bargaining power which in turn is determined by such factors as size, market power, technological sophistication, specialization, product and market specificities etc. As such, conflicts can and do emerge in these relations. So, a moot question for research and policy is : what kind of institutional setting and business ethos and culture can really make industrialization on the basis of integrated development of large and small firms through subcontracting, a positive sum game? Or, to put it differently in general, since in extra-market methods of exchange between firms, power can be ordinarily talked about as a zero-sum phenomenon, what 'checks and balances' can be proposed and implemented against the parasitic domination of large parent firms vis-a-vis the smaller subcontractors?

Otherwise, as has been the case in India since long, industrial policy makers would make a rhetoric of mutually beneficial relations between large and small firms through subcontracting on the one hand even as on the other, empirical research largely discovers that the so-called co-operative relations ultimately amount to unsymbiotic and unstable relations, and that the only successful adjustment the small subcontractors are capable of making is with respect to superexploitability and expendability of their undervalued labour. In the absence of institutional reforms that work towards minimisation of transaction costs, and especially from the viewpoint of problems of survival and commercial viability of small subcontractors, and labour standards of their unorganised workers, is it not futile to speak about the munificent beneficence of inter-firm exchange relations through subcontracting?²³

It is now clear that new insights into this particular field of investigation will depend on its reexamination in the light of the ongoing hot, very hot debates among political scientists, sociologists and economists, about (a)

the role of public policy and nonstate institutional arrangements in resolving *collective action dilemmas* inherent in industrialization,²⁴ and (b) the role of labour market policies in economic development in LDCs subject to structural adjustment programmes.²⁵

NOTES & REFERENCES

There are a number of problems in understanding the meaning of 'large firm' and 'small firm'. As regards the large firm, some problems are as follows: first, a large factory is not inevitable; recent developments point out that factory size is not related to the growth of large firm. We owe this point to Fergus Murray. His study of productive decentralisation in Italy reveals that 'factory size is not given, and least of all does not necessarily correspond with the size of a firm or corporation's turnover, or their market and financial strength. Rather it is determined by specific configuration of the conditions for profitable production prevailing in any given period.' See Fergus Murray, 'The Decentralization of Production. The Decline of the Mass-Collective Worker?', *Capital & Class*, No. 19, Spring 1983, p. 76; secondly, technical economies of scale at the plant level and the Schumpeterian thesis of overwhelming advantage that large firms have in innovation as explanations for increasing concentration have come under heavy fire, for the following reasons: (a) S.J. Prais (in his *The Evolution of Giant Firms in Britain*, Cambridge University Press) found that in the U.K., high aggregate concentration was not due to firms building larger and larger plants. It was because firms were building or acquiring more plants. Large firms bought up small firms; (b) There is no evidence to support the Schumpeterian view in toto. J. Jewkes, D. Sawyers and R. Stillman (in their *The Sources of Innovation*, Macmillan 1969) found that in the post-1900 period most innovation was not sourced in large firms but in small firms; and (c) There exists 'no correlation between the importance of large firms and the level of output or the rate of economic growth.' See Graham Bannock, *The Economics of Small Firms Return from the Wilderness*, Basil Blackwell, Oxford 1981, pp. 85-88, 92. As regards the small firm, what is it? The answer is very difficult indeed. There are numerous statistical definitions that differ between countries. Definitions are made in relation to net worth or fixed assets, total employment (including or excluding homeworkers), total output, total sales, energy consumption, number of customers, market share, value added etc.; they also differ from sector to sector (manufacturing, construction, distributive trades, services etc.); and the criteria for 'small' vary depending on context and use. For example, in the US, American Motors holds only 2 per cent market share. So it is small. But it employs 28,000 employees, and hence on this count it is big! Thus, what is small in one context and use may not be so in a different context and use. Some writers emphasize the characteristics epitomising the operations of a typical small firm such as small market share (although it can hold a large market share in a small market), legally independent ownership, non-accessibility to the capital market for the public issue or placing of securities, single product line or a set of closely related products, single plant in general etc. For some writers, subsidiaries of large companies are not small. Further, statistical data are on a single ownership (firm) basis in some countries while elsewhere they are on establishment (plant) basis. Thus on these grounds (definitional embroglio, statistical practices etc.) it is extremely difficult to embark on an international comparative analysis of the relative importance of small firms. Moreover, whether one country has fewer small firms than others is difficult to say because there is little information on entries to and exits from small firm population of any country. Also data on 'large firms taking over small, on an enterprise basis' are not available. See S.J. Storey, *Entrepreneurship and the New Firm*, Croomhelm, London 1982, pp. 5-7; and Bannock, *op. cit.* pp. 26, 28-29, 53.

2. On a brief review of some confusion, and clarifications, see Annavajhula J.C. Bose, 'Subcontracting of Industrial Production — An Anatomy', *The Asian Economic*

- Review*, The Journal of the Indian Institute of Economics, Vol. XXI, No. 2, August 1989, pp. 237-240. Here we define broadly subcontracting as a business practice wherein a firm (called, the subcontractor) does the following types of work according to the technical parameters and design specifications of the work order received from another firm (called, the parent firm): production of materials, parts and components; or, performance of any subassembly/assembly; or, any processing; or, performance of any service; or, even manufacture or final assembly of an end-product. See Annavajhula JCB, 'Subcontracting in Electronics A Case Study of Keltron', *Economic and Political Weekly, Review of Industry and Management*, February 25, 1989.
3. We draw from UNIDO, *Subcontracting for Modernizing Economies*, UN, New York 1974, pp. 46-51.
 4. *Ibid*, p. 47.
 5. For example, in the engineering industry there are specialist jobbing firms in activities like foundry work, forging, heat-treatment processes, planing and metal finishing, specific machine operations, production of tools or high precision parts (even on 'one-off' basis) etc., which are still significantly based on the high manual skills of workers and technicians.
 6. UNIDO, *op. cit.* p. 49.
 7. *Ibid*, p. 49.
 8. See the masterpiece by Andrew Friedman, *Industry & Labour Class struggle at Work and Monopoly Capitalism*, MacMillan, London 1977, p. 118 and *passim*.
 9. On these lines, see Frank Wilkinson, 'Productive Systems', *Cambridge Journal of Economics*, 1983, 7, p. 417 and *passim*.
 10. Vertical integration takes place not only when a single firm sets up all the production facilities on its own, but also when two firms that are suppliers or customers of each other merge.
 11. See Sanjaya Lall, 'Vertical Inter-firm Linkages in LDCs: An Empirical Study', *Oxford Bulletin of Economics and Statistics*, Vol. 42, No. 3, August 1980.
 12. See K.J. Blois, 'Vertical Quasi-Integration', *The Journal of Industrial Economics*, Vol. 20, No. 3, July 1972. Quasi-integration is vertical integration without the legal form, as the author puts it.
 13. See R.H. Coase, 'The Institutional Structure of Production', *The American Economic Review*, Vol. 82, No. 4, September 1992. In this lucid and celebrated Nobel Prize Lecture, Prof. Coase has emphasized the futility of the fetish of 'blackboard economics' in which much of the discussion is theory without any empirical basis and what is studied is a system which lives in the minds of economists but not on earth. Elsewhere, the late Prof. Seers had lamented bitterly that most modern economists have a predilection for mastering 'arcane mysteries' and elegantly trying very hard indeed to make the air of much of today's economics almost as rarified as in the theological schools of the Middle Ages. See Dudley Seers, 'The Birth, Life and Death of Development Economics' (Revisiting a Manchester Conference), *Development and Change*, Vol. 10, 1979, 716-717.
 14. We draw extensively from K.J. Blois, *op. cit.*
 15. Here we can qualify Blois; for, we should note that even if internalisation or take-over is possible on the grounds of scale economies, there are certain costs which may discourage the customer from opting for vertical integration. Take-over of a large or medium (standardized) component supplier may not be worthwhile; it can be financially prohibitive; it can entail burden of undertaking costs of entering intermediate markets as a seller to many other customers as also of co-ordination arising out of being a seller. On the other hand, take-over of a small supplier would increase costs via loss of economies of small scale (e.g., low wages, below average working conditions, less capital intensive and simpler technology or even technology that is not inferior to the parent firm's and well-suited to small-scale production, more flexibility in terms of quicker decisions, simpler and quicker retooling of operations and easier layoffs when final demand fluctuates, lower strike-proneness etc.). Also, take-over of the small supplier is very likely to boomerang by way of parity disputes regarding wages and other working conditions. Furthermore, growth through vertical integration increases the risk of customer's capital, especially in the context of rapid

- technical progress and shrinking product life-cycles. It might also invite government anti-monopoly intervention. On these points, see Friedman, *op. cit.* pp. 120, 221, 224, and *passim*; and Sanjaya Lall, *op. cit.*
16. Blois, *op. cit.* p. 266.
 17. *Ibid.* p. 267.
 18. Michel Aglietta, *A Theory of Capitalist Regulation*, New Left Books 1979, p. 220.
 19. See yet another fascinating paper by K.J. Blois, 'The Electronic Re-organisation of Industry: Implications for Sub-contractors', *European Journal of Marketing*, 20, 8, pp. 41-48.
 20. *Ibid.* p. 45.
 21. *Ibid.* p. 44.
 22. Sanjaya Lall, *op. cit.* pp. 203-205.
 23. Unless, of course, one deviates rather loosely to say that such professing is perhaps useful for generating some political future for different political parties competing with one another for the formation of their social basis in the petty bourgeois sections of the population.
 24. In this regard, for excellent reviews of East Asian 'miracle' experiences, see Robert Wade, 'East Asia's Economic Success Conflicting Perspectives, Partial Insights, Shaky Evidence', *World Politics*, 44, January 1992, pp. 270-320; and, Richard F. Doner, 'Limits of State Strength Toward an Institutional View of Economic Development', *World Politics*, 44, April 1992, pp. 398-431; and, for a comparative case study in the transaction costs framework, see Brian Levy, 'Transaction Costs, the Size of Firms and Industrial Policy Lessons from Comparative Case Study of the Footwear Industry in Korea and Taiwan', *Journal of Development Economics*, 34, 1991, pp. 151-178.
 25. See the outstanding assessment by Guy Standing, 'Structural Adjustment and Labour Market Policies: Towards Social Adjustment?', in Guy Standing and Victor Tokman, *Towards Social Adjustment Labour Market Issues in Structural Adjustment*, International Labor Office, Geneva 1992; and by Frank Wilkinson, 'Equality, Efficiency and Economic Progress: The case for Universally Applied Equitable Standards for Wages and Conditions of Work', in W. Sengenberger and D. Campbell (eds.), *Creating Economic Opportunities: The Role of Labour Standards in Industrial Restructuring*, International Institute of Labour Studies, Geneva 1994.