In this chapter, I will explicate certain theoretical notions with respect to the corporate economy. Obviously, much of corporate theory as we know it today has evolved in the West, alongside the development of corporate capitalism. While the developmental dynamics in the developing world have been quite different, some of the basic institutional mechanisms of Western corporate capitalism have been imported to the developing world through the relationships of colonialism. As DiMaggio and Powell (1983) have argued, a colonial history produces a certain degree of institutional ‘mimicry’, whereby organisational forms adopted by post-colonial states come to reflect colonial structures. In any case, it is possible to argue that certain similarities characterise capitalsims of both worlds, at least to the extent that they both concern the accumulation of capital through the institution of the modern corporation. In both worlds, the corporation seems to have provided an enduring framework for the ownership and control of assets, the investment and accumulation of capital and the organisation of production.

A theoretical understanding of the corporation – its internal framework as well as its relation to society – is therefore the legitimate starting point of this work. I will begin by explicating the relevant notions of what the corporation is, how it is structured and how it functions. More specifically, I will examine the phenomena of the conglomerate – or the complex corporate group – since it is this specific institutional form that has come to define corporate capitalism as we know it today. Here I will be concerned with three aspects of the phenomena: first, the particular organisational features through which conglomerates create wealth; second, the historical trajectory through which the form evolved, and
third, the relationship of business to politics in a corporate economy. In the final section I will present a conceptual framework to explore the relationship between the specific nature of a corporate economy and its impact on development.

Before I proceed, let me emphasise what I think is my point of departure – from two important sets of literature that concern similar themes. The first is the literature on corporations and corporate governance that takes epistemologically from neo-institutionalist economics. This literature emphasises primarily the *internal* structures of corporations and conceives of corporate governance as comprised of issues purely internal to the firm. The second comprises the literature in political-economy: this literature, with some exceptions, does not take as a primary analytical category the internal structures of governance of firms. Rather, it focuses on the political relationships of capital as a whole with entities such as the state, labour, or more generally, civil society.

I wish to propose an approach that mediates between these two extremes: the dichotomy that currently exists between the internal dynamics of the firm and its external, *political* behaviour, may serve us better when substituted by a framework where the two are seen as mutually constitutive of each other. Structures of corporate governance evolve historically and reflect responses to the particular balance of social forces that obtain at different points in time, as do institutional/political structures, which regulate corporate capital. In that sense, drawing a rigid line between what is internal to the firm and what is external may be somewhat misleading. Similarly, conceiving of only some corporate acts as *political* (e.g. lobbying, campaign financing etc.) and others simply as ‘business’ can also be misleading. With these two caveats in mind, I present an approach that gives equal weight to the internal structures/principles of governance of the firm and its external behaviour, with an effort to delineate the linkages between the two.

**Ways of thinking about the corporation**

Two somewhat inconsistent conceptions have dominated our thinking about corporations since the late nineteenth century. In the first conception, the corporation is seen as the private property of its owners (stockholders), the exclusive purpose of which is to create wealth for these owners. The second conception sees the corporation not as the private property of stockholders, but as an institution, a form of social compact among various constituencies. In this view, the corporation is