

The Multinational Corporation is a Morally-Failed Organizational Form

by Stephen Elliott-Buckley - Saturday, September 18, 2004

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So I was asked a few questions about multinational corporations (MNCs). I have a book on them that I could write, but I was asked to limit my responses. Here's where I went with it.

What is a Definition of the Multinational Corporation?

The multinational corporation controls or coordinates operations in more than one country. It is a champion of vertical integration through foreign direct or portfolio investment. It uses its power to exploit home and host states for their own ends of profit maximization. Rather than having to exist in the zero-sum perspective of a realist paradigm, it can operate in a liberal perspective that all boats can rise. The MNC succeeds by ensuring that all parties gain and that even though an MNC may gain much more than a host country, it persuades the host country to accept its lesser gain as opposed to none at all.

While on the surface an MNC can be distinguished from a state by its lack of territoriality and the monopoly on the use of force to control its citizens, in substance, MNCs are expanding to the point where they are eroding this once-meaningful distinction. They now have massive global land holdings (ex. plantations that have dispossessed traditional land-holders) and have engaged in security enforcement through private forces (ex.: South African diamond mines). Arguably MNCs may now constitute a category of actors on par with nation-states.

On Balance, is the Multinational Corporation a Positive or Negative Organizational Form?

The high concentration of ownership of stocks of MNCs among a small percentage of global society, coupled with MNCs' prime motive of profit generation over other ideals undermines its social and moral legitimacy. It is not sufficient that many have the legal ability to purchase stocks; while many share in ownership, few have sufficient ownership for significant or controlling interest.

Further, the structure of MNCs with limited liability for stockholders creates a model of unaccountability for those who benefit from the MNCs activities. Since more than half of the top 100 economies of the world are MNCs, not nation-states (with varying degrees of political representation), MNCs now have an illegitimate level of policy control in the world. While political empires, sometimes acting through chartered corporations, maintained feudal, medieval or imperial control, MNCs now exist with a neo-feudal control over much of the world.

What are Two Positive Aspects of Multinational Corporations?

While the Soviet Union was unable to develop an efficient centrally-planned economy in the long run, MNCs have mastered that task on a transnational scale.

Not that MNCs are the only organizational forms that can be capitalized to such an enormous extent, the fact that many of them enjoy access to billions of dollars of resources has allowed them to create effective research and development regimes that, despite negative consequences such development has on our ecology, have proven to be an organizational model that can be effective to accomplish tasks.

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