

TRANSNATIONAL CORPORATE RATIONALITY AND STATES, WORKERS AND POOR PEOPLE

By R.H.Green

TNC Rationality

A Transnational Corporation is an institution not a sentient being. However, institutions do have requirements (contextual and internal) for survival, expansion, attainment of objectives. These objectives and requirements do inform the operating styles, selection of data and of choices to consider at institutional level and create the context in which the human beings who are TNC executives think and act. Therefore, it is not - at least not necessarily - a confusion in terms to speak of TNC rationality.

That rationality turns on three requirements:

- a. security and survival
- b. growth and expansion
- c. surplus generation (profit) and accumulation (investment)

It is naive to speak of maximising any one of these goals - even if economists, supporters and critics often do so. Each is integral - if survival is not achieved there can be no growth and accumulation; if growth is lost both surplus generation and security are at risk; if surplus and accumulation lag, growth cannot be financed and survival is threatened either by bankruptcy or takeover.

The goals are usually broadly complementary. However, they are not - especially in specific cases - totally so. Certain means of holding wages down may maximise profits now at the expense of the productivity, docility or even presence of the labour force in the future. Absolute avoidance of taxes is likely to imperil survival whether because the state reacts or collapses.

This logic is the logic of "high" capitalism (and probably of pre-communist socialist productive units in a socialist state constructed directly from Das Kapital). It is not necessarily the logic of medium and small capitalism in that for such enterprises survival, avoiding negative growth and some satisfactory level of profits may be perceived as adequate logical goals.

The TNC, however, has an additional element in its rationality. It operates on a geographic spread not confined by national frontiers. This is not true of small, medium or even some high capitalist (and socialist) enterprises which are basically nationally bounded. Nor is it the same as economic models which take the world as a single production unit because these either abstract totally from the state or implicitly assume a single global state. The TNC operates across national boundaries but in a context of bounded, nation states.

A corollary of the logic of survival, expansion and accumulation on a global (theoretically and potentially) or multi-country (operationally) basis is large size. This may be - indeed, usually is - absolute but the requirement is really of large size relative to the total production and/or marketing of the goods and/or services in which that TNC specialises.

Ancestry of the TNC

The TNC is not a mutant without identifiable ancestors nor one with a totally new logic. It is perhaps going too far to claim the bankers (money changers) and commodity brokers (sellers of doves) whom Christ drove from the Temple as ancestors but the Jewish and Greek banking/merchant communities of the Middle East - Mahgreb - Rome of that period did exhibit a number of characteristics which could be termed proto-TNC.

The rise of high capitalism with the waning of the middle ages five centuries ago gives a clearer and more subsequently sequential set of ancestors, eg:

- a. the long distance traders of Venice (including its best known Merchant);
- b. The House of Fugger who financed governments by the dozen and organised a European Copper Price Stabilisation Scheme (and ended insolvent);
- c. the state financed, research and development (on navigation and shipbuilding) establishment of Prince Henry the Navigator which opened the way for the Iberian outsurge culminating in the 19th century global colonial world that Europe made;
- d. the great chartered companies (Adam Smith's prime targets as enemies of the public good) such as the East India Companies - Clive of India is surely the prototype in style and character to men like Geneen and Rowland (a judgement perhaps a shade too harsh on Colonel Clive);
- e. the 19th Century banking (eg Rothschild's, Barclays), merchanting (eg United Africa, Compagnie Francaise d'Afrique Occidentale, Danish East Asiatic), mining (eg Consolidated Gold Fields, the ancestors of Shell and Exxon, the Rhodes group), transport (eg P and O, Suez Canal) and conglomerate (eg Societe Generale de Belgique) companies whose reach was at least imperial;
- f. the "merchants of death" (not excluding the clear survivors and descendants such as Du Pont, ICI, Nobel, Krupp, Societe Generale) so widely denounced in the years 1910-1950 as the financiers, provisioners and entrepreneurial instigators of war (again perhaps a trifle unfair - high tension, high sale and limited actual war probably was their standard optimum).

The list could be extended but the examples are adequate to make the point - high capitalism has always had a logic and trend toward global reach. Further, state-enterprise interaction including state ownership/finance is nothing new and is a critical role for research and development, communications and finance. The variety of forms may suggest something else - the logic of high capitalism requires change over time as contexts (including states, knowledge and technology, levels of productive forces, class and social formation consciousness) change - otherwise security, growth and accumulation will be constrained, put at risk or lost. Those who developed from the slave or East India trades through "legitimate" trade to global banking survived (consider Barclays), those who stuck rigidly to one approach and model joined the mastadons and the great medieval abbey communities in extinction (consider the various East India Companies).

Nothing New Under the Sun?

However, there are significant differences between TNC's of the last quarter of the 20th Century (whether private capitalist, state owned capitalist, or socialist state owned), and their predecessors. The House of Fugger is an ancestor of both RTZ and Barclays and (much more directly) the Rhodes Group of Anglo American while half of Shell-Royal Dutch once was Shell Transport and Trading (specialising for a time in Borneo sea shells) but there is change as well as continuity, radical alteration of form as well as persistence of goals and logic.

At least eight areas of difference which appear to be of some significance can be identified.

First, TNC's now operate more widely. Partly this results from there being more significant sources and markets to be in, partly from better communication and partly from the break-up of empires which favours globalism and inter

TNC Competition over segmented peripheral spheres of influence.

Second, key decision taking and review of operations is becoming more centralised. This is probably largely related to communications improvement - Clive "acquired" Bengal before the Courts of the East India Company knew what was happening because if he had waited for instructions (9-14 months) it would have been inevitably "lost". With instant transfer of information and computer processing of alternatives, decentralisation enforced by time lags and distance is no longer very relevant.

Third, There is a more organised hierarchy from routine procurement - sale - production, through key production - procurement - transport - role, to control research/development - group planning - surplus centralisation and reallocation. This is partly made possible by better communication and partly rendered necessary by the increased role of proprietary knowledge creation and use.

Fourth, there is, thus, more specialisation and division of labour among subsidiaries and branches. The same may (usually does) apply to work within branches. Any particular occupation tends to become divided and routinized (moving down the hierarchy) but the constant creation of new technical and professorial specialists centering at upper and middle levels results in a certain overall stability in "skilling" for the TNCs as a group and shifts up and down for individual units and given periods.

Fifth, a greater number of economic activities have come to be TNC ("high" capitalist) dominated ie the family, the local and the national firm have tended to become less independent and more subordinated over a broader number of sectors.

Sixth, that trend relates to the systematic entry of TNC's into manufacturing. The old proto-TNC areas were commerce, transport and finance plus capital intensive raw material production (mining and - to a lesser degree - plantations). Only in the 20th Century has production come to be generally dominated by "high" capitalism and only since the 1950's to be primarily organised by TNC's. (There were precedents but often - eg chemicals and gunpowder - more in the form of cartels among national enterprises - say du Pont and I.E.Farben - than institutional interpenetration of markets via true TNC's.

Seventh, knowledge - more specifically proprietary knowledge from whose use profit can be derived and general access to which can be prevented (whether by patents or - more usually - by commercial secrecy and the cost of independent reproduction) - has become the central factor of surplus production for at least the most dynamic TNC's and therefore research - development - data processing - communication have become central areas of activity not just for TNC's specialising in them but for almost all TNC. (Weakness in these areas is a hallmark of moribund TNC's. Some plantation and mining groups eg United Fruit and Anaconda Copper have exhibited it very markedly and - as a direct result - have not survived as independent entities).

Eighth, the size of TNC's absolutely, relative to non-TNC competitors and - for the largest - relative to states has risen. This can be overdrawn, the East India Company was not small relative to HMG but Du Pont-Conoco is larger and there are more Du Pont-Conoco's than there were "Honourable Companies".

TNCs and States: Conflict, Cooperation and Complicity

To see state/TNC relationships in terms of permanent unresolved conflict, of total mutual interest or of unilateral domination (either way) is to

oversimplify to the point of gross distortion. Relations are complex, problematic and fluid even in one context at one point of time and much more so across time and space.

TNC relations with home states (those in which a key chunk of planning - central management - research and development is located and/or where ownership is concentrated) are not identical to those with host (some activities, perhaps large ones but not including any significant fraction of the top layers of the hierarchy) states. In the former the TNC needs a stable base from which to operate and a relation with the state that will allow it to gain state backing on key international issues (eg GATT tariff rounds, Multi-Fibre Arrangements, Commodity Agreements, Codes of Conduct, "permanent sovereignty over natural resources") and conflicts (eg legislation or policies of host states).

Therefore - quite apart from the fact that the human beings who run TNCs do have national loyalties they do not totally shuck off in their corporate roles - TNCs in a meaningful sense do have home or base countries. This is not to say they have policies totally congruent with the foreign policies of their bosses or vice-versa. That incidentally is in itself problematic from a host point of view - that several US TNC's (oil, mining, banking, aviation) perceive Angola as a sound, profitable partner and vehemently object to US destabilisation policy is as much a product of such divergences as was ITT's "self help" destabilisation" campaign in Chile, both prior to and less "subtle than the official one.

Host state relations turn on gaining access (generalised free trade defined as the right of the economically strong to enter without let or hindrance into the territory of the economically weak), on avoiding costs and on securing benefits (eg stock capital such as rail and port facilities,

government backing vis a vis labour or peasant bodies or competitors). How much a TNC will "give" for access and support depends in part on how valuable it perceives it as being, or what alternatives both it and the state have and on how effective the state is at perceiving and bargaining for its (or its backers') interests.

States and TNCs necessarily have partially divergent interests. States are short and wide - they cover all of a limited geographic area -; TNC's are long and thin - they cover a limited number of activities over a broad (or unbounded) geographic sweep. States must take account of certain interests and activities of no concern to TNCs and TNCs have options not open to states (or territorially limited companies) which can mean de facto commitment to one state (and against others) in any given case.

TNCs in principle - so they assert - want freedom from state action. In practice they do want freedom from regulations and changes limiting growth, surplus generation, accumulation and shifting resources among states. (They are by no means so concerned that these benefits be passed to other TNCs - Lenin's comment that the next to last capitalist could be hanged with rope sold for the purpose by the last captures one element of intra-TNC relations even if not the whole of them). However, they want a whole series of positive interference from protective tariffs to tax waivers and from cheap services to support for export promotion costs. Self-reliance as a TNC principle is seen as perfectly compatible with negotiating state contributions to surplus so long as the TNC is the dominant party in the negotiations.

In addition, there is a further, more general point. If states did not exist TNCs would have to create them. Provision of basic infrastructure (stock capital), handling labour force production - maintenance - training (health, education, water), physical security (police, army), macro economic management, (eg ensuring demand to buy goods and/or an overall economic context other

"Withering Away of the State"?

TNC advocates used to assert with great conviction that the nation state was obsolete and that only TNCs could achieve the necessary efficiency in production at global level. (Today they are less confident - first, in some cases TNCs do perceive themselves, not states, as at bay and second, few TNCs want to take over the very real macro economic problems now confronting virtually all states). TNC opponents often assert that states are powerless in the face of or mere tools in the hands of TNCs. (Operationally an unwise general stand unless one is world federalist and sees a global state as the answer or an anarchist as it implies that no state can do anything, and therefore provides states and elites with a perfect excuse for all failings in that respect).

Both positions are very considerable over-statements which capture the reality of TNC power and of inherent conflict between broad territorially bounded and narrow globally mobile institutions at the expense of failing to see the limits on TNCs and the complexity of state-TNC relationships.

The ability of TNCs to avoid taxes and regulations is not unlimited unless a state believes it to be so and acts on that belief (as the UK sometimes seems to do) or unless other states are engaged in cut-throat bidding for the same TNCs (contrast pre-1965 and post-1973 host country/foreign oil company relationships and how this shift changed the degrees of freedom open to a previously isolated national oil company like that of Mexico).

Nor do TNCs prefer head on conflicts to compromises. The former carry survival risks, dislocation of profits, halts to growth, dangers of escalation in the immediate case and emulation elsewhere. True, if a TNC misjudges a situation and has a "bluff" called it may decide to fight a l'outrance to encourage other states not to behave like its opponent but that is a second best choice resulting from initial miscalculation or

the mark of a stodgy TNC (eg many of the hard rock mining and plantation companies).

Major TNC initiatives require state backing for security, for access to capital and markets, for reasonable certainty as to profit flows. Eg the Rossing Uranium project in occupied Namibia is a joint violation of international law by the Republic of South Africa, the UK and RTZ not the unilateral creation of the latter.

True, TNCs have a bargaining card in their ability to go elsewhere. But there is no inherent reason states cannot agree on minimum terms, conditions, regulations which are coordinated among them to limit such TNC freedom of manoeuvre. Some limits of this type do exist and operate in EEC, as in OPEC - it could be made a growth area.

Further, TNCs - as suggested earlier - have neither the desire nor the capacity for macro management nationally or globally, on employment or market buying power or security. Because they need states to handle these issues for them (from a TNC perspective just as a state, per contra, might see TNCs as necessary to handle large scale production or exports or knowledge flows for it), TNCs are and know they are constrained to make some payments to and accept some regulations from states - if the states insist. It is no accident that the European iron and steel (existing) and chemical (on the drawing board) cartels are organised by EEC and sub-managed by its nation states - the TNCs could not agree among themselves and could not control the middle and national capitalist "interlopers" without state backing. One may suspect that EEC and the states have not demanded adequate "compensation for services rendered" but that is a different question - one of recurrent myopia rather than the generic senility of states.

TNC's. Hierarchy, Labour and Poor People

TNCs are hierarchical. Hierarchy's deal most easily with predictable, relatively similar, relatively stable, relatively efficient hierarchies. Unpredictability, spontaneity, absence of decision takers able to make binding commitments, radically different styles of behaviour and disorder turn them off.

The implications are not so stable as they may seem. A Pinochet style regime (in the absence of more resistance than at present) meets these tests but so do Ireland, Yugoslavia and Tanzania. A democratic structure, civil rights and pre-negotiation participation do not disqualify a country if an orderly negotiation, leading to a decision that will be implemented, in a context of stability with good prospects of substantial surplus (or avoidance of substantial additional loss in a renegotiation case) is attainable. On the other hand TNCs as such put no great faith in the value of democracy, civil rights, development or participation as such or even as means to increasing stability or broadening markets. Certainly they did not see Bokassa's Central African Empire, Macias' Nguema's Equatorial Guinea, any of the last three governments in Afghanistan or Iddi Amin Dada's Uganda as plausible choices for significant activity but lack of predictability, stability and surplus prospects not the nature of the regimes from a human point of view was the reason.

TNCs prefer to deal from a position of strength. Eg for a decade OPEC wanted to negotiate as a unit but the oil companies (wisely in the very short run) declined because they preferred to play off states and to handle overall output management - thus the eventual unilateralism of OPEC in 1973. Thus internationally they prefer to deal with states and unions separately and nationally to negotiate separately with and play off various government units and economic or social groups - unless this leads to delays and

confusions from their own point of view.

For labour TNC's pose two specific institutional problems. First, TNCs, but not by and large unions, can operate on a global basis so that each union in one piece of a TNC ends negotiating with the whole TNC with the other pieces' unions de facto waded at it as potential (no matter how unintentional) strikebreakers. Second, TNCs are larger and better organised than other employers and, therefore, more able to bear the costs of industrial action (or more accurately industrial inaction).

Beyond this it is hard to generalise. On average TNC terms and conditions of employment are above national averages. This partly relates to TNCs choice of relatively high productivity, high growth, high surplus activities - they can afford to pay more and need to have the pick of the labour market. In part it relates to a higher proportion of TNCs than of small, middle or national capitalists seeing better than average wages and conditions of employment as either directly paying off in productivity, insurance against risks of disruption and/or an investment in acquiring at least passive legitimacy and acceptance. (Certainly there are TNCs which pay starvation wages, decline to negotiate with workers, etc - but these are not characteristics unique to TNCs and are probably less common among them than among employers in general).

To the TNC the poor are normally invisible - they are excluded from its concerns because very few of them are its direct customers, employees or sources of supply. Unless a clear route to growth and profit can be seen by relating to the poor (or a clear threat to survival from not doing so) a TNC will normally ignore them. This is exclusion and facilitates their oppression and exploitation by others (quite possibly in ways benefitting the TNC) but it is rarely the result of any direct TNC concern with exploiting the poor as such. If as a result of an external event

the poor become less poor, or more skilled or able to supply a key good, then the TNC will become interested in selling to, buying from or hiring them.

However, the nature of the TNC product and knowledge mixes do create biases against the poor. TNCs by and large produce goods and services designed for specialised and mass markets in high income countries. They create and apply knowledge in relation to those goods and services.

This approach does exclude the poor (in the centre as well as on the periphery). If most people in a state are poor and TNCs or national copies of TNCs dominate economic activity the poor will be excluded as customers and employees. Major alterations of production, products and technology to achieve different outputs and scales for small poor countries is unlikely to pay for a TNC. Similarly developing new small scale, simple knowledge is rarely profitable - the users cannot pay much, the proprietary control needed for high "rents" is inconsistent with broad use, direct operation by the TNC would not be viable.

Again the poor are likely to be shoved aside or ignored not absorbed or incorporated as suppliers or employees or customers. They cannot generally contribute as objects to growth or surplus and pose a threat as subjects to survival and are, therefore, perceived by most TNCs as irrelevant to their logic (living in a different parallel world).

Quo Vadis?

Eliminating TNCs is neither a necessary, a sufficient nor a practicable first step:

- a. TNCs are central to large scale economic activity and knowledge development - if they are to be abolished something must be put in their place;

- b. many of the less human and less desirable features of TNC structure and logic are inherent in large scale economic activity - simply nationalizing them does little (sometimes does nothing) by itself to deal with these;
- c. TNC's respond to contexts - if a state or a church or an organisation of the poor can make specific changes profitable (or loss avoiding) the TNC's own logic will cause them to change;
- d. the duty of acting in the interests of the poor lies with organisations of the poor and of all people (eg states, churches, parties) not with specialised economic units which have neither legitimacy in, nor capacity for, setting socio-economic and political economic goods. But it does not follow that such bodies are the best choices to carry out all forms of economic activity.

On the other hand attempts to "convert" TNCs face three insurmountable barriers:

- a. TNCs are implausible as social consciences, defenders of the poor, human value setters - their capacity and legitimacy for independent action in these areas is nil and such action (except in response to a context enforcing it or making it pay) contradicts their inherent logic;
- b. macro economic management and human development are logically state concerns nationally and interstate globally - not functions to be hived off to TNCs (or to non-responsible bodies of Platonic guardians neither selected by nor responsible to members of the public);
- c. TNCs are not human beings and therefore do not have (cannot have) moral values in the gospel sense. (Whether states can is a highly controversial question but at least in some contexts and to some degree an affirmative answer seems possible).

Efficiency in production, surplus generation and accumulation is not the sum total of development nor of the wealth of nations and peoples. But - especially in conditions of low average productive forces per person-it is usually a necessary component. If development is justified in terms of the human condition then more food, more education, more pure water, more shelter, more access to communications (of self, of goods, of knowledge), more health services, more clothing are necessary especially for poor people in poor states. Wasting resources in such a context is a sin whether the waste is on ostentatious luxury for the few or incompetence which prevents production or causes it to go lost, strayed, stolen or spoilt. There is a role for large units in a significant number of aspects of economic life including international economic relations. TNC logic - if constrained by social and political requirements, penalties or inducements - can on occasion be efficient in creating and operating such units.

However, if that route is to be taken several requirements arise if it is to be reasonably consistent with the basic human needs of the poor and of labour more generally:

- a. the state must systematically frame policies relative to large economic units (public and private, foreign and domestic) which include regulations, penalties and incentives which cause specific aspects of social, political, economic and human goals to "pay" for TNCs (eg a shut down for certain levels of air pollution, a graduated penalty charge for those down to a norm and premia for still lower levels makes cleaning up the air serve survival and surplus generation);
- b. where TNC regulations require global (or at least transnational) action, states (and union and churches) must act together trans-nationally at least to the extent of agreeing on minimum

- national actions and recognition of national legal decision relating to such actions by the courts of other states;
- c. reducing unilateral external dependence by building national capacity (public and private, production of goods and production of knowledge) and by substitution of interdependence (eg South-South multinational enterprises by groups of South states, more TNCs or quasi-TNCs based in smaller and poorer countries);
 - d. facilitating small and medium scale production - especially when it directly benefits and can be controlled by the poor - wherever reasonably efficient in resource use and providing services, subsidies and stock capital to such production more generously than to TNCs (the exact inverse of the normal present situation);
 - e. identifying goods and techniques which in a given context at a given time have unavoidable negative spinoffs which justify their restriction or barring (eg for a majority of the world's countries, private saloon cars, baby foods, factory fishing of inshore waters) followed by action to ban or restrict so long as the negative macro consequences remain significant;
 - f. ensuring that self-organisation by the poor is allowed, supported when its members desire it (not "guided" or smothered), listened to and worked with by states, organised labour, churches, where appropriate, TNCs.

It may be argued that most states (or unions or churches) have little interest in such proposals. To the extent that is true then they must be transformed first before any approach to TNC regulation, limitation (let alone removal) can be effective. TNCs may well often be powers and principalities in the biblical sense but they are hardly the only ones.

The logic of survival, growth and investment is a useful servant and means even if it is a very inadequate or noxious general goal and master. TNCs

are basically amoral - when their amorality serves immorality (as it often does) it makes little sense simply to condemn their amorality without seeking ways and means to force or induce them to follow their own logic in ways with more acceptable consequences for workers and the poor.

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