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## Multinational corporations: Social process, capitalism, and the development of capitalist firms

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MULTINATIONAL CORPORATIONS:  
SOCIAL PROCESS, CAPITALISM,  
AND THE DEVELOPMENT OF CAPITALIST FIRMS

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A Thesis

Presented to

The Faculty of the Department of Sociology  
The College of William and Mary in Virginia

In Partial Fulfillment

Of the Requirements for the Degree of

Master of Arts

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By

Daniel John Santoro

1982

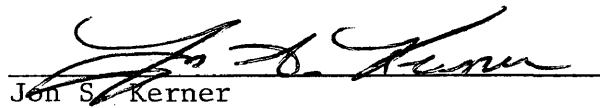
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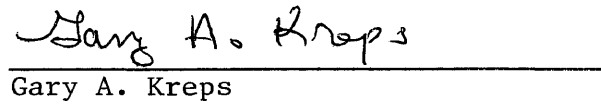
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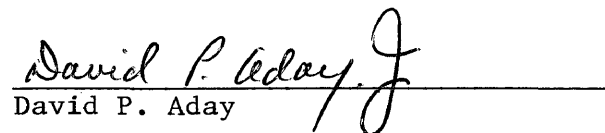
Master of Arts

  
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## DEDICATION

This thesis is lovingly and respectfully dedicated to my brothers Mike and John. They have inspired me, in many ways, to undertake this topic.

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## ABSTRACT

In rendering a sociological explanation of the multinational corporation, this organizational form is approached through the concepts of process and the derived conceptualization of social structure in process. Benson's (1977) model of social process provides the basis for the construction of a conceptual framework wherein social change is seen as occurring through an intentionalistic process of social construction/reconstruction producing structural morphology. This conceptual model provides a means whereby the emergence and transformation of social arrangements are interpreted.

Through a review of literature, the applicability of this model to explanations of capitalist dynamics, development of capitalist firms, and the existence of the multinational corporation is demonstrated. This occurs as the multinational corporation is approached through the completion of three additional tasks. First, the model is applied in an explanation of the core-periphery dynamics of capitalism on the societal level of analysis primarily through the works of the world-system school. Second, this understanding of capitalism is applied in an explanation of the development of capitalist firms, a subprocess of capitalism on the organizational level of analysis. Primarily through the works of Hymer (1975) and Presthus (1978) it is demonstrated that firms reconstruct peripheralization as they develop along the dimensions of increased centralization and complexity. Third, an explanation of the multinational corporation, the unit of analysis, is derived where this firm type is treated as one particular aspect in the overall process of organizational development. Using Benson's (1977) conceptualization of the morphology of organizations (consisting of the analytical dimensions of paradigm commitments, intraorganizational structural elements, and inter-organizational, organizational environmental linkages) it is demonstrated that the multinational corporation reconstructs peripheralization contemporarily (via underdeveloped areas of the globe). Also, the literature indicates that these organizations reconstruct peripheralization in a manner similar to that of the "dependencia" model of socio-economic development. The multinational corporation is therefore understood in relation to the societal context in which it exists, the organizational process from which it emerged, and the process which it in turn perpetuates. Lastly, the conceptualization of morphology is extended in order to make predictions about future corporate development.

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## CHAPTER I

### INTRODUCTION

#### I. Multinational Corporations: A Description of Characteristics

Recently, much attention in the social sciences has been given to the study of multinational corporations. While much of this work has come from economics and political science, the conceptual tools of sociology can potentially contribute to the study of this social phenomenon. The reason I have chosen this topic of study is to attempt to develop a sociological approach to the study of these organizations.

The first task is to identify the multinational corporation as a representative entity and to clarify the subject under study. While a variety of descriptions appear in the literature, I believe the most representative is that provided by the United Nations (1979:16). This organization describes multinational corporations as any business concern to which the following four descriptive statements are applicable:

1. "A central characteristic of multinational corporations is the predominance of large-scale firms." More specifically, this includes firms whose annual sales range from about one billion to more than ten billion dollars.

2. "Closely related to (the first) is the predominately oligopolistic character of multinational corporations. Multinational

corporations operate in and are characteristic of a market with limited numbers of buyers and sellers. Their oligopolistic character is achieved and maintained through development of new technologies and processes as well as differentiation of products and markets with substantial emphasis placed on marketing.

3. "Another characteristic of the very large multinational corporation is their tendency to have a sizeable cluster of foreign branches and affiliates." The United Nations observes that multinational corporations may have affiliates and subsidiaries in one other to more than twenty other foreign countries.

4. "A further characteristic of multinational corporations is that they are in general the product of developed countries." The United Nations points out that the United States alone accounts for approximately a third of the total multinational corporate activity. Also, the U.S. in combination with the nations of Europe accounts for more than three-fourths of such activity.

These four characteristics indicate the types of organizations to be studied in this thesis, as well as those to which attention will not be directed. The following statements are presented in this regard: a) the thesis concerns profit-oriented business organizations (business organizations can be broadly defined as organizations through which commodities and/or services are sold and distributed for profit); b) multinational corporations, as they are described above, are but one type of business organization (attention will not be paid to small or even large scale firms whose activities are restricted solely to non-international markets); c) attention will not be paid to what Barnett (1980:250) describes as "Third World

Multinationals" nor with "parallel-type" economic organizations whose source or "parent country" is one of the so-called State Communist nations (attention will be focused on private multinational corporations of developed countries); d) multinational corporations discussed in this thesis are largely a phenomenon of the developed world, including especially the United States, Western Europe, and Japan.<sup>1</sup>

Having presented these characteristics of multinational corporations, it is necessary to ask: "How can multinational corporations be understood?" An effective treatment of social phenomena in general can strive to, as stated by Gareth Morgan (1980:620),

. . . penetrate beneath the surface appearance of the empirical world, and reveal the deep structure of forces which account for the nature, existence, and ongoing transformation of organizations within the total world situation.

Given the above, the focal problem of this study can be stated in the following manner: to attempt to understand the multinational corporation through the concept of process and the derived conceptualization of social structure in process.

The dynamics of process are further conceptualized as implying "intentional" movement, where social structure emerges through social

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<sup>1</sup>However, the extent of this involvement is a matter of disagreement. For example, the United Nations (1979:16) attributes one-third of the total multinational corporate activity to U.S. based firms. Horowitz (1974:32) attributes about 75 percent of such activity to U.S. based firms. Suffice it to say that the involvement of U.S. based firms in the overall multinational corporate movement is significant. In brief, the definition of the United Nations constitutes a relatively conservative estimate of the degree of involvement by U.S. firms.

interaction between individuals. Social change then, occurs through an intentionalistic social construction/reconstruction process which produces a developmental morphology. Morphology in turn, refers to the particular expression of social structure at a particular point in time. Since intentionalism refers to the emergence of social structure through human interpersonal interaction, social construction/reconstruction is important as a sensitizing concept within the context of this study. The notion of social construction/reconstruction is bounded by individualistic assumptions. The focus of the thesis is not the particular interpersonal interaction through which social structure emerges. Rather, the study is concerned with changes in structural arrangements occurring over time. Intentionalism provides a conceptualization of the way in which social structure is assumed to emerge, yet it is the development of social structure (particularly the structure of capitalism on the societal level and the structure of capitalist firms on the organizational level) to which attention of this study will be directed.

The utilization of these concepts in this study are presented in light of the following qualifying statements: a) process is one among other possible conceptualizations of the formation of social arrangements, and b) intentionalism is one among other descriptions of social process. In light of these qualifications, a delineation of an approach to "process" and "structure in process" is necessary.

## II. Methodology and Thesis Format

This study of multinational corporations will be approached qualitatively through a review of current literature. Generally, this will involve the construction of a conceptual scheme and its

application to literature relevant to multinational corporations. This scheme will utilize the concepts of "process" and "structure in process" facilitating our understanding of social phenomena at both the societal and organizational level of analysis. Through the use of this model, I seek to achieve three main objectives. The first objective is to apply these concepts to a discussion of capitalism on the societal level. The second is to apply this understanding of capitalism in dealing with the development of capitalist firms at the organizational level. The third is to apply these concepts to our unit of analysis, the contemporary multinational corporation as one type of capitalist firm. In this way, the multinational corporation will be explained within the societal context in which it exists and the organizational process through which it emerges. The conceptual model also provides a means whereby the role of the multinational enterprise in the continuance of this developmental process can be assessed.

Toward these ends literature is selected according to the following criteria. First, works are reviewed which facilitate the articulation of the conceptual model described above. Secondly, works are reviewed which demonstrate the applicability of these concepts to the study of multinational corporations. Regarding this second point, it is important to demonstrate the utility of these concepts through the analysis of divergent theoretical positions. For example, regarding the development of capitalist firms, I will discuss the works of Stephen Hymer, who takes essentially a Marxist position, as well as Robert Presthus, who holds an essentially Weberian position.

In one sense, the literature selection process occurred cumulatively. The review of one work often led to other works pertinent to similar issues or raising new ones. Nevertheless, my objective was to select works which could be utilized in the presentation of balanced arguments and balanced demonstration of the applicability of the above mentioned concepts.

Lastly, I feel obligated to note some of my initial subjective perceptions. My intent is to give the reader a basis to assess the degree to which literature is reliably used and represented. I brought to the research a limited understanding of multinational corporations and a generally critical view of capitalism. These perceptions generated my interest in multinational corporations and provided initial motivation and focus regarding the literature selected.

The remainder of this thesis is directed toward the accomplishment of the following tasks:

1. It is necessary to construct a general conceptual model for interpreting the emergence and transformation of social arrangements.
2. It is necessary to apply this framework in an explanation of the dynamics of capitalism.
3. It is necessary to apply the understanding of capitalism achieved through this model to understand the development or emergence of capitalist firms.
4. Lastly, a coherent explanation of the multinational corporation needs to be derived in which the firm is treated as one particular aspect in this development. The existence or expression of this organizational type can be conceived through its emergence and the context within which this emergence occurs.



The model can then be extended in an attempt to assess the future development of such firms. In brief, this thesis is oriented toward a treatment of the multinational corporation in the present era via its role in relation to capitalism in general and within the developmental process of capitalist firms.

## CHAPTER II

### THE CONCEPTUAL FRAMEWORK

#### Introduction

In this stage of the discussion it is important to understand the context in which multinational corporations emerge and exist, and the dynamics of their emergence. This will involve an explanation of the dynamics of capitalism and the organizational development of capitalist firms placed within a societal context. The development of capitalist firms has reached a point characterized by the multinational corporation in the modern era. This chapter then, is devoted to the construction of a general conceptual model for interpreting the emergence and transformation of social arrangements. This model can in turn be applied in an explanation of capitalism.

The primary assumption in this chapter is that society can be understood through the concepts of emergence and process. Derivatively, it is assumed that if society is emergent, then social structure is also in process--a continual state of transformation. A further assumption is that social process occurs through human interaction, i.e., humans exercise a degree of control in the creation of social structures. "Society is a human artifact" (Earle, Knudsen, and Shriver, (1976:33). As such humans participate in the ". . . process of creating and . . . maintaining social facts that are coercive on (them)" (Ritzer, 1980:122). The dynamics of this process are the basis of the conceptual model to be used in this study.

This general model of social process is delineated through the work of J. Kenneth Benson (1977) who provides a point of origin. This model incorporates two themes constituting the dynamic conceptualization of social process: social construction/reconstruction and morphology. Society emerges as a set of routinized behaviors established through human interaction which eventually become institutionalized (hence, it is an "intentionalistic" characterization of society though this "intentionality" need not always be overtly expressed). It is within institutions, which wield a certain degree of influence over their members, where the objective reality of society is reproduced (Earle et al., 1976:40-41).

#### I. A Model of Process

Social construction/reconstruction and morphology, two interactive themes developed by J. Kenneth Benson (1977), provide the basis from which a model of social process can be constructed. Humans continually produce the context of their social existence; they are the makers of history. The dialectical, intentionalistic theme of social construction/reconstruction as stated by Benson (1977:3) is a conception of how social relationships are created and recreated.

He writes:

Social arrangements are created from the basically concrete mundane tasks confronting people in their everyday life. Relationships are formed, roles are constructed, institutions are built from the encounters and confrontations of people in their daily round of life. . . . People produce a social world which stands over them, constraining their actions. There are powerful forces which tend to occasion the reproduction of existing social structure. (My emphasis.)

However, these social arrangements constructed by humans take on limiting characteristics. Their reification (La Piere, 1954) presents

obstacles (albeit, not totally untranscendable) to further construction of new social arrangements.

The theme of morphology is closely related to that of social construction/reconstruction. Morphology is an analytical construct that refers to the physical expression of characteristics or arrays of characteristics of some set of social arrangements (i.e., social structure). For example, the economic system may be described morphologically as either being in holistic relationship with other systems (e.g., political, religious, etc.) or as ". . . abstracted from its concrete, intricate relationship with other aspects of social life" (Benson, 1977:10). Through the concept of morphology, particular social structures in process are viewed as possessing somewhat "static" features at a particular point in time (or features which endure over time). Morphological description in this sense is a means whereby social structure may be assessed on its own terms.

As a physical characteristic (e.g., the array of, and interaction between formal and informal organization, stratification, power distribution, communication networks, etc.) of social arrangements, morphology on the most elementary level is created through social construction/reconstruction, and, concomitantly embodies constraints to this process as noted above. Morphology is conceptualized as existing in a continuous state of flux. It is always in transformation due to the social construction process. Pressures toward transformation originate in the linkages of a particular social structure itself. As material conditions in either of these change, pressures are created which promote human action to either rearrange or maintain the morphology of social structure (Benson, 1977:10-12).

Morphology is produced social structure and the context in which social construction/reconstruction occurs, which in turn affects its further expression. Within social arrangements, the array of morphological features is both the result of and constraint to social construction/reconstruction.

Together, social construction/reconstruction and morphology refer to the proceeding interrelationship between emergence and expression of social arrangements. In this way they describe the dynamics of social process. Social arrangements emerge through the social construction process and the way these arrangements are expressed at a particular time constitutes their morphology.

## II. An Application of the Concepts of Process: The Dynamics of Capitalism

The concepts discussed above can be usefully applied to a discussion of capitalism. On the societal level of analysis, capitalism may be understood as a particular substantive instance of this social process, i.e., it has emerged and been continually reconstructed through the expression of transforming morphology. Capitalism is a continually constructed and emergent set of social arrangements.

Benson, referring to the social construction process, (1977:3) states:

Through (human interactions within the parameters of an empirically definable material existence,) . . . social patterns are gradually built and eventually a set of institutional arrangements (i.e., social structure) is established. Through continued interactions the arrangements previously constructed are gradually modified or replaced.

On the basis of this observation by Benson regarding the social construction process, several assumptions about capitalism, pertinent

to the present task, are submitted. First, regarding the institutional reality of capitalism, capital exists as a social construct; aspects of the material world are defined as capital by humans through the social construction process within the boundaries of an empirically definable material existence. Capital, as simple material, does not necessarily exert power over humans. The power of capital is humanly attributed. It is not capital per se that exerts power over or controls human behavior. It is the social relation of and to capital, in which capitalism (as a constellation of overlapping institutions) is constructed and constrains human action therefore tending toward its reconstruction. The "powerful forces which tend to occasion" reconstruction are described by Benson as ". . . the interests of particular groups of people and their power to defend their interests within an established order" (Benson, 1977:3). This recognizably raises several complex issues, among which is the controversy of dominant class consciousness (i.e., the existence of a dominant class "conspiracy").<sup>1</sup> Fred Block (1978:27-37) approaches this issue and draws a distinction between "capitalist class consciousness" and what he calls "business confidence." The former implies a ". . . long range, strategic point of view. . ." for which there is little empirical support. The latter implies a ". . . short-term, short-sighted perception of the environment. . ." which seems more plausible. This issue is not the primary focus of this thesis and I will not attempt its resolution. The main point is that in either

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<sup>1</sup>For a more complete understanding of this controversy see Maurice Zeitlin's article "Corporate Ownership and Control: The Large Corporation and the Capitalist Class." Also see Michael Patrick Allen's statement in "Commentary and Debate, Management Control in the Large Corporation: Comment on Zeitlin."

case the concepts of morphology and construction/reconstruction can be applied.<sup>2</sup>

The relationship of humans to what they define as capital as well as their relationship with each other within capitalism is in a continuous state of flux. Human manipulation changes the conditions in which humans exist because of the continual conversion of aspects of the physical and social environment into socially defined "use" values and "exchange" values. The social relationship of capitalism is maintained in an ongoing process of social reconstruction. In essence, capital is redefined continually because human manipulation changes its "nature" (impacts the environment). The morphology of capitalism is continually recreated (undergoes institutional change) as changes occur in its material base.

#### A. The Dynamics of Capitalism: Core-Peripheralization

This model of process can be used in a description of the process of capitalism through the world-system approach to the study of capitalist society. The world-system school led by Immanuel Wallerstein (1978), describes the process of global capitalism as one of uneven development and unequal exchange emergent through the relationship

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<sup>2</sup>Benson does not indicate whether or not the ". . . interests of particular groups of people" he refers to are implemented through long term strategies or short term perceptions. If the reader desires a better understanding of Block's argument, see his piece entitled "Marxist Theories of the State in World Systems Analysis." Immanuel Wallerstein (1978:222-223) replies to Block and states the position that, "intentionality only has to be overtly expressed if it is necessary to express it. If things are, in fact, going along the way one wishes, one does not have to intend to do things.

between core and periphery.<sup>3</sup> The structure of core-periphery is in process (described as core-peripheralization). Using the framework of social process described above, the structural morphology of capitalism is interpreted as the particular expression of the relationship between core and periphery at a particular time while recognizing that it is socially constructed and reconstructed through global economic activities.

Through world-system analysis, capitalism is defined as a single expanding economy progressively global in scope. In this approach to the study of capitalism the central terms of core and periphery are employed. These refer to two inter-related sets of production processes. The core-periphery relationship describes and indicates, according to Wallerstein (1978), the extent to which surplus value is distributed toward the core. The relationship between core and periphery; i.e., between "core units" and "peripheral units" in an economic relationship, is unequal in exchange between the products of both, and uneven in development of their corresponding areas of geographic occupation. World-system analysts, through interpretations of historical evidence, contend that structurally, core-periphery refers to a central capital accumulation process (operating on a

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<sup>3</sup>Randall Collins (1980:938) submits the following comments regarding world-system analysis and the work of Immanuel Wallerstein. "Weber and Marx both stressed that capitalism requires a pool of formally free but economically propertyless labor; the sale of all factors of production on the market; and the concentration of all factors in the hands of capitalist entrepreneurs. . . . Unlike Weber, Marx gave no causal importance at all to calculable law, nor did he see the links in Weber's causal chain: economic ethics, citizenship, bureaucratization, and their antecedents. . . . (However,) Wallerstein's revision of Marxism is in many ways a movement toward a more Weberian mode of analysis, stressing the importance of external relations among states." (Parentheses mine.)



global scale) between an advancing, enlarging, and geographically shifting core and a relatively less advancing, disproportionately increasing and shifting periphery. This accumulation process is also organized and paralleled by a central division and integration of labor or social stratification (that is, the core which engages in "core processes" and the periphery which engages in "peripheral processes") (Hopkins, 1979:22).

Core-periphery structure then, is characterized by the following elements:

1. Core-periphery refer to two inter-related levels of capitalist social structure which is in process via the continual "flow," "movements," or distribution of surplus value through economic activities.
2. While core and periphery are inter-related within this capital accumulation process, they are also distinguishable vis-a-vis this process. Core areas are distinguished from peripheral areas insofar as core areas are areas within which surplus value is collected from the periphery. Relatedly, peripheral areas comprise those from which the flow of surplus value originates and is unevenly distributed toward the core through economic relationships of unequal exchange.
3. Structurally then, core and periphery are further distinguished by the location one occupies in relation to the other in the capitalist societal division and integration of labor. The core is characterized by processes related to the control of production ("core processes") e.g., technology, knowledge, etc. The periphery, on the other hand, is characterized by processes ("peripheral processes") associated with the provision of the propensities to carry out production processes controlled by the core; e.g., labor, material resources, etc. As such, the relationship between core and periphery within this stratification system resembles that of "center" to "satellite."

The following contention of Philip Ehrensaft (1976:59-60) illustrates these characterizations of core-periphery structural arrangements.

Structuralist analysis begins by looking at the world market which arose as a result of Europe's capitalist revolution and maritime expansion from the late fifteenth century onwards. Europe, and later the United States and Japan emerged as the dynamic technological and financial center of world capitalism. Latin America . . . Africa, and Asia, became incorporated into the world system as a dependent periphery supplying mineral and agricultural

products which suited the needs of the dynamic center. The periphery's resources were used in such a way that the major gains and accumulation of capital from international trade in primary products were reaped by the center or core nations.

An example of core-periphery relationships would include those between particular countries of the so called "First World" and those of the so called "Third World." The core-periphery relationship, as both accumulation process and division of labor, usually becomes expressed as a relationship between certain "national" and "colonial" economies related through some arrangement and process of "international trade" (Hopkins, 1979:22). However, national boundaries per se become somewhat arbitrary, that is, unequal exchange relationships (core-periphery) could exist between, for instance, rural and urban areas within states. Also, as a description of a process of development; i.e., "core-peripheralization," Wallerstein (1978:221) states:

The degree to which the economic relationship is core-peripheralized is the degree to which there is an increasingly unequal distribution of the surplus product (between at least two different principals in the relationship--two sets of economic decision makers).

Core-peripheralization is the extent to which the flow of surplus value between core and periphery becomes unequal with advantage canted toward the core. The role of the nation-state in this process, as a unit of production and accumulation, is not specified here in any particular manner. While the model of capitalism used in the context of the present study predicates no particular role to the nation-state in this regard, that role exists and its dynamics constitute an interesting issue. However, since the central concern of this thesis lies on the organizational (firm) level of analysis,

the particular delineation of that role need not be attempted in this analysis.

The core-periphery designation, applied on a global level, refers to sets of complementary relationships existing between portions of the world-economy and only by derivation pertains to political divisions between nation-states. The world-system is comprised of multiple nation states in a condition of expansion. Hopkins (1979) observes that in one sense these nation-states continually expand qualitatively in their areas of jurisdiction. In another sense there is a quantitative expansion of the number of states forming units in the interstate system. The interstate system is in effect, the political forum within which states are continually formed and terminated via external relations of rivalry and alliance. This occurs in continual attempts to maintain and expand dominion in relation to one another and over external populations and geographical areas. While the core-periphery designation is only derivatively pertinent to political divisions between nation-states, there is a general correspondence between geo-political units and economic (core-periphery) designation. As stated by Hopkins (1979:23), "the terms 'core' and 'periphery' thus designate complementary portions of the world-economy and only derivatively pertain to its political divisions. . . ."

There is a pattern where core-type activities and peripheral-type activities are disproportionately distributed geographically across the world-system and within its segments (nation-states). Areas referred to as peripheral states are those where the greatest amount of productive activity internal to a state can be described as peripheral. Core-states are those where the greatest amount of

productive activity internally can be described as core-activity, these states also possess some of their own peripheral activities (Hopkins, 1979:22-24; Wallerstein, 1978:221-223).<sup>4</sup>

The expression of the process of core-peripheralization as an accumulation process as well as a central division of labor, and the process of state formation in the modern era results in the emergence of the network of relations among nation-states (political formations) being patterned like the network of relations among zones of production and accumulation (relations between core and periphery and vice versa) (Hopkins, 1979:24). Competition between these states takes place; a) through the continual search for low cost production operations for resources and/or high return markets, and b) between states seeking alliances and/or resources to create or maintain competitive advantage (Hopkins, 1979:25). Apart from indicating cultural differences, national boundaries generally indicate areas of; a) differing internal productive processes, and b) areas of more or less similar productive processes in competitive relationship. In this regard, boundaries of states are more or less "permeable" reflecting the degree of rivalry or alliance with particular other states (Hopkins, 1979:37).

Essential to world-system analysis is the premise that all things are process (Wallerstein, 1978:219). Necessary for the development of advanced states has been the maintenance of unbalanced exchange

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<sup>4</sup>Besides core and periphery, Wallerstein (1978:222) briefly mentions "semi-periphery." He says, "A semi-peripheral state appears to be a state which has a roughly even balance of core-like and peripheral-like activity. This has, of course, important political consequences. The model of a semi-peripheral state is one that exports the peripheral products to core countries and core products to peripheral areas of the world-system and does both in roughly equivalent degrees."

relationships with other parts of the world, implying a single array of economic processes underlying uneven global development (Hopkins, 1979:22). A single capitalist global economy has been developing since the sixteenth century. Its development, oriented toward production for profit with labor as a commodity, has been the primary force of modern social change (Hopkins, 1979:23; Chase-Dunn, 1978:159). The tendency toward uneven development is the tendency toward the concentration of productive and therefore competitive advantage in particular core areas (Chase-Dunn, 1978:159 and 165).

The historical account of the origin of the emergence of capitalism often varies from author to author. For our purposes, we will agree with Christopher Chase-Dunn (1978) who finds that historically competitive advantage in production and exchange has successively been concentrated in three core areas since the origin of capitalism. These include the Netherlands in the 17th Century, the United Kingdom in the 19th Century, and the United States in the 20th Century. In relation to other areas each attained high levels of productivity (Chase-Dunn, 1978:160).

Core-peripheralization is a process with two simultaneous aspects; the shifting of the core, and peripheralization. The shifting of hegemony throughout the core according to Chase-Dunn (1978:161),

. . . can be understood as a result of the unevenness of capital accumulation in the context of the state system (competing 'sovereign' and unequally powerful territorial nation-states) which comprises the political organizations of the capitalist world-system.

Core areas achieve hegemonic status first and foremost through the concentration or intensification of productive advantages in relation to other areas. The ability to concentrate productive advantage

is a function of what Chase-Dunn calls "locational advantages" (Benson would call these an "empirically definable material existence") which within a particular age are best suited to the level of development of the world economy as a whole including the level of technological development.<sup>5</sup> These conditions are further constrained by the state's relationship to the interstate system; i.e., its political and economic interests vis-a-vis that system, military advantage, and state alliances (Chase-Dunn, 1978:161).

Over time, productive and competitive conditions which account for advantage of a particular hegemonic core-state tend to shift to other states. Chase-Dunn (1978:110) refers to this as the shift from "unicentric" to "multicentric" distribution of "competitive advantages." Generally, investment capital created through accumulation, is invested by hegemonic states (in an attempt to maintain high profit levels) in other states in the core which improves these states' opportunities to develop. Other states of the core advance at the expense of the investing state (Chase-Dunn, 1978:162). Shifting of hegemony in the core, or leveling of productive conditions may result in improvement of other core states' or even peripheral

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<sup>5</sup>Marvin Harris (1977:261) refers to these as the ". . . interplay between ecological and political-economic factors." He states in another work, "The insatiable need for cheap labor, raw materials, and markets, interacting with local material conditions, determine the rise and fall of slavery, peonage, migratory and wage labor, and homesteading settlement in Africa, the Americas, and Oceania. . . The absence of traction animals in the Americas inhibited the development of the wheel, thereby slowing the pace of all mechanical inventions and assuring the eventual subordination of New World populations to European armies when transatlantic contact between the hemispheres was established. . . (this also) . . . explains why the feudal polities of Africa were weaker, less centralized, and more egalitarian than their European counterparts, and why it was ultimately the Europeans who developed capitalism and enslaved the Africans rather than vice versa" (Harris, 1980:103, 106 and 112).

areas' "status" in relation to others. Chase-Dunn cites several reasons for this tendency of productive conditions to approach increasingly even dispersal. First, is the tendency for successful accumulation to elicit political demands on the state and economic units, an increase in what he calls "unproductive" activities, and establishment and proliferation of organized labor who again make demands which can lead to higher wages.<sup>6</sup> Second, this may incite capital to shift to areas outside national borders where there is less opposition. Foreign investment of capital, however, holds high risks to investors. ". . . It may bring higher profits in the short run, but is also subject to expropriation in areas outside the jurisdiction of the investing country" (Chase-Dunn, 1978:162). Third, investment in fixed capital commits productive units to a particular infrastructure (set of productive conditions and processes) at a particular time. Because of the tendency for the turnover time of fixed capital to become reduced, these units run the risk of being surpassed in technological and therefore productive efficiency by other competing units.<sup>7</sup> Fourth and finally, maintenance of competitive

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<sup>6</sup>According to Christopher Chase-Dunn (1978:172-173), capital is motivated to search for and use less expensive labor in the periphery because an increase in core capital accumulation creates a tendency for labor to organize and make demands for higher wages ". . . and other amenities."

<sup>7</sup>Mandel (1978:248) discusses this process in the following manner: "The reduction of the turnover-time of fixed capital is closely related to the acceleration of technological innovation. . . The acceleration of technological innovation determines the acceleration of the obsolescence of machinery which in turn compels the acceleration of the replacement of fixed capital in use, and hence reduces the turnover-time of fixed capital" (My emphasis). Also, the shift from unicentric to multicentric distribution of productive and technological conditions appears to occur in "cycles." That is, it occurs in periods of unicentricity followed by multicentricity when conditions approach equalization across the core. Then, again competitive technological advantage becomes concentrated unicentrically through the ongoing process of technological innovation.

advantage requires investment in institutions of social control and finance. Hegemonic core states usually bear this cost most severely, especially as their position becomes increasingly tenuous necessitating investment in these areas in an effort to maintain a position in the forefront of competition (Chase-Dunn, 1978:162).

Peripheralization is a vital process to the development of capitalism because competition in the core for productive advantage necessitates the search for and control of markets outside the jurisdictional boundaries of particular core states. As stated previously, the core-periphery relation not only describes an economic process; i.e., the flow of surplus value, but also the central division of labor of the capitalist world-system. This division of labor is maintained, that is, reproduced within a structure of power-dependency relations (Chase-Dunn, 1978:164).

The process of peripheralization has a two-fold nature. Wallerstein refers to the process as a ". . . transition from being an external arena to being a peripheral area within the world of capitalism" (Wallerstein, 1978:230). This refers to a process whereby previously non-capitalist units become incorporated or included on the lowest levels of the capitalist world-system division of labor. Further, peripheralization occurs both intensively and extensively. Intensive peripheralization describes the degree to which core and periphery processes are in dual interaction and the flow of surplus value becomes increasingly canted toward the core (the result is an increase in, or intensification of peripheralization). Extensive peripheralization occurs when units previously not included become included in the system. As more and more units are included in the bottom rungs



of the world stratification system, it is said to indicate an increase in peripheralization (Wallerstein, 1978:229). To illustrate, Wallerstein cites the case of India which he describes as peripheralized in the 18th or early 19th century. This means that its inclusion within the capitalist system resulted in an overall increase in extensive peripheralization. And, ". . . in 1900 direct producers in India received significantly less for comparable types of work than they did in 1600" (Wallerstein, 1978:230). This points to a general tendency for India to have become more intensively peripheralized.

Capitalism, as a profit motivated system, depends for survival on the increasingly successful accumulation of capital. The accumulation of capital is a process which occurs, is expressed and achieved through the establishment and emergence of increasingly intensive and extensive macro-social core-periphery relationships of uneven development. The addition of units and intensification of the flow of surplus value describes the conditions under which the structure of core-periphery is maintained; i.e., reconstructed. These relationships are established and exist within the context of an interstate global system. Capital accumulation, therefore, occurs through the emergence of core-competition and concomitant peripheralization.

Central to capital accumulation is production (and distribution), by a labor force, of surplus value and realization of surplus value through sale of commodities from which portions of surplus can be utilized to acquire additional capital, (especially in the form of fixed capital). Because of the tendency in core-competition for productive conditions to even out across the core, the central "theme" of capital accumulation becomes the intensification and complexity

of the means of production through the increasing development of capital intensive productive forces; i.e., technological innovation (Hopkins, 1979:26).<sup>8</sup> Within core competition, core productive units can increase profit rate (rate of capital accumulation) by establishing technological advantage over competing units (Harris, 1978:262). The establishment of technological advantage in relation to other core units aids a particular unit in establishing a primary position in the competition for and maintenance of such a position. From Harris (1978:262) we learn that,

Technological innovation . . . becomes the key to the accumulation of capital and business success. Science, in turn, provides the key to technological innovation. Hence capitalism, science, and scientific technologies form a distinctive mutually reinforcing complex. . . .

The advantage in any one core unit, however, is ultimately temporary for the reasons cited earlier.

Reflecting the aforementioned tendency for technological and productive conditions among core units to approach competitive equilibrium, Ernest Mandel (1978) has been able to identify three "Technological Revolutions" during the history of capitalism. In the First Technological Revolution, production of raw materials by artisans predominated, with one exception. Namely, the development of the steam engine provided an increasing capacity for machine production of other machines and consumer goods. The Second Technological Revolution, through the primary development of the electric motor,

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<sup>8</sup> Again, Chase-Dunn (1978:172) states that, "Diffusion of technological innovations from the hegemonic core states and the stimulus to more efficient production resulting from core competition, leads, in combination with the right domestic political conditions to the expansion of industrial production in other core states and in some semi-peripheral states. . . . This results in a more even distribution of competitive advantage across the core."

created an acceleration of accumulation and peripheralization via the increased centralization of capital. This was occasioned by the rise of trusts and monopolies as well as the establishment of productive processes oriented toward the mass production of durable consumer goods. The Third Technological Revolution, an era still yet to run its course, is characterized by full industrialization of all productive processes; i.e., automated production of both raw materials and foodstuffs (Mandel, 1978:184-191).

Each one of these periods was preceded and followed by a general equalizing of competitive and productive conditions across the core. Also, each Technological Revolution is historically marked by an ever increasing general tendency toward the centralization of capital (Hopkins, 1979:27). Mandel (1978:322) states,

Centralization of capital implies central commanding power, or centralization of control over the means of production. . . It is of no importance in this context whether shares are widely scattered internationally over small or medium shareholders. . . . Centralization of capital thus means central command over capital with originally different national origins or controls.

Therefore, centralization of capital, as a result of technological innovation, results in increasing pressures toward and intensification of peripheralization. This is an outcome of the necessity to accumulate ever greater amounts of capital for reinvestment (reproduction) of fixed capital production processes.

There are other historical results related to the centralization of capital cited by Hopkins (1979:26-27, paraphrased):

1. intensification of capital accumulation,
2. elimination of small-scale productive competitors,
3. capital-intensifying industry increasing proportions of population available for employment but at the same time the decreasing proportion of those so employed,

4. increasing unemployment among formally defined employable segments of "colonial" populations,
5. decrease in real wages as a result of competition for employment (i.e., competition among laborers), and,
6. tendency toward the increase of "head-count employment" (employment without regard to specific social necessity other than to counter high unemployment rates) to counter the above impact of increasing employment competition (as noted in numbers 4 and 5) in order to employ this continually created low-wage segment of the population.

Centralization, which implies the growth of commanding power of core units over production processes, increases the capacity of these units to direct social behavior. Centralization implies the capacity to eliminate or at least limit ". . . competing forces of social organization and social change. . ." (Hopkins, 1979:24). The point of development characterizing this trend presently has promoted one author (Bottomore, 1974:88) to write,

The social conflict between capital and labor, (Touraine suggests), is losing its central importance in capitalist societies of the late twentieth century, but new forms of domination . . . are giving rise to new social conflicts between those who control the institutions of economic and political decision making and those who have been reduced to a condition of 'dependent participation.'

Peripheralization is thus promoted by centralization as the system increases in its capacity to counter "foreign" or antithetical currents of social organization and change such as localism and other cultural forces (Hopkins, 1979:24).<sup>10</sup>

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<sup>9</sup>Mandel (1978:317) believes that, "Structural pressure exerted by the growth of the forces of production. . ." generate in capitalism an increasing tendency toward "international coordination" so that, "an additional stimulant to the creation of multinational corporations is the compulsion towards vertical integration (formalization) that is one of the motive forces of the centralization of capital." Mandel may be seen then to concur with this statement in Bottomore.

<sup>10</sup>See also, Armand Mattelart (1979:229-231) for an elaboration of this idea.

Capital accumulation involves vertically and horizontally the ". . . creation (extension) of the conditions of 'capitalistic' development of capital in all branches of production. . ." and spacio-temporal extension of these productive conditions to any area ". . . of the globe outside the geopolitical area of their initial world-historical creation" (Hopkins, 1979:28).

The "dependency theorists," in theoretical empathy with world-system analysis, have as their central theme the "development of underdevelopment."<sup>11</sup> This theme is contrary to that depicting underdevelopment or "economic 'backwardness'" as an outcome of a country initiating a process of development late in relation to other countries. Rather, underdevelopment is viewed as a concomitant outcome of the development of capitalism. Their conception of the core-periphery relationship is that it is a non-inherent feature, which in the course of the development of the capitalist world economy is continually reconstructed (Hopkins, 1979:32).

Peripheral areas, rather than being inherently underdeveloped, "achieve" that status in the course of capitalist development. It would appear that the "creation of the conditions" of capitalist development via underdeveloped nations takes place through the development of capitalist organizations. The morphology of capitalism, the expression of core-periphery relationships socially constructed through economic activities, is established and expressed through

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<sup>11</sup>Hopkins (1979:32) best explains the difference between world-system study and dependency theory as one literally of "focus," ". . . in world-system studies the core-periphery relation itself is central to the operation and development of the capitalist world economy. It itself is a major focus of attention. Thus, what is 'ground' in dependency studies becomes 'figure' in the world-system studies."

organizational arrangements. Economic activities, such as international trade, take place on the organizational level primarily through capitalist business firms. The morphology of capitalism is in this way reconstructed through the transformation of such organizational arrangements. The interrelation of processes of production may be accomplished via such things as ". . . colonial trade monopolies (such as the East India Company). . . bi- or multilateral barter-like agreements among states. . ." etc. Whatever form these social arrangements take, they are expressed and operate as forms of unequal exchange (Hopkins, 1979:32-33). Despite historical shifts in the capitalist system's core or periphery, and regardless again of changes in organization and methods of production, unequal exchange has and continues to develop through a variety of organizational arrangements reproducing the essential core-periphery division of labor and social stratification (Hopkins, 1979:32-33). Amin (1975:357) concurs and states this same point in the following manner:

Every phase of (capitalist economic) expansion is characterized by a particular accumulation model: a type of propelling industry, specific forms of competition, and a definite kind of firm (i.e., organizational arrangements). (My emphasis.)

The "definite kind of firm" (the organizational arrangements wherein the core-periphery relationship of unequal exchange and development is continually reproduced) in the present era is the multinational corporation.

Andre Gunder Frank (1980:9)<sup>12</sup> here illustrates the importance and impact of multinational corporations emphasizing those of American origin.

While U.S. manufacturing exports increased from \$15 billion to \$35 billion between 1961 and 1970, foreign sales of U.S. multinationals increased from \$25 billion to \$90 billion. Roughly 75 percent of their sales are destined for the national markets of the countries they operate in, and the remainder is exported. . . to neighboring or other countries and also increasingly back to the United States market itself . . . The sales of multinational corporations abroad have been variously estimated at U.S. \$200 billion for U.S. multinationals (sic) and \$450 billion for all multinationals . . . The latter figure would be about one sixth of the world GNP, and the former, as is frequently observed, makes the U.S. multinationals abroad 'the second biggest economy' of the capitalist world. (My emphasis.)

The analysis undertaken in this chapter is about to come full circle and at this point we can generate several statements regarding the morphology of capitalism.

First, the general morphology of capitalism is that it is a profit motivated system where capital accumulation occurs through the continual reconstruction of the macro-social core-periphery relationship of unequal exchange and uneven development.

Second, although not contingent on any particular array of organizational arrangements, this relationship develops and is reconstructed within the context of organizational arrangements which characterize particular eras (stages of development).

Third, the core-periphery relation is reconstructed in the establishment, operation, and development of corporations.

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<sup>12</sup> Andre Gunder Frank (1980:9) places the percentage share of sales of U.S. based multinationals (in 1964) for several regions as follows: Canada, 22%; Europe, 3%; Latin America, 7%. In particular industries, such as the automobile industry, share of sales in certain countries, such as Canada, is 100%.

Fourth, the prominent firm or organizational arrangements of the present era of capitalist development are those of the multinational corporation.

What remains to be demonstrated is that multinational corporations operate as forms of unequal exchange (reproducing the core-periphery relationship). This is best illustrated by Barnet and Muller (1974) who provide a particular theory of capitalism conceived as process. While not necessarily identified with the theoretical orientations of world-system studies or dependency theory, their delineation of the Product Life-Cycle Theory is demonstrated through a recounting of the American television industry.

B. The Dynamics of Capitalism: Product Life-Cycle Theory and the Quest for Global Profit Maximization

Barnet and Muller demonstrate their four phase Product Life-Cycle Theory in a "biography" of the American television industry as follows (Barnet and Muller, 1974:131-133):

In Phase One, the "pioneers" achieved relative competitive advantage as mass-production and marketing practices were established and made more efficient for the production of televisions. They enjoyed a period of high profits because the 1950's found the television as a new life need. The conditions accounting for the competitive advantage of the pioneers in this phase equalized in the interim between Phase One and Phase Two where competitors, because of expired patents, etc., easily appropriated TV technology and established production without the heavy investment costs incurred by the pioneers.



In Phase Two, the pioneers desired to maintain high profit levels and, in fact, their survival in the industry depended on it. So, in this phase, they established export markets in Europe. Again, they achieved a relatively secure competitive advantage, for a time, by establishing a hold on the global market while their competitors were still developing domestic markets. However, this competitive advantage was also lost as conditions equalized toward the end of this phase when latecomers imitated the production and foreign marketing practices of the pioneers. This is consistent with Chase-Dunn's (1978) observation of the tendency for competitive conditions to approach equilibrium (to shift from "unicentric" to "multicentric" distribution of "competitive advantages"). European entrepreneurs were able to appropriate technology and capture some of this market with post-war industrial recovery.

In Phase Three, ". . . the TV pioneers became truly global corporations" (Barnet and Muller, 1974:131). The pioneers, in order to cut export costs, established production directly in other foreign markets (i.e., Latin American and Asia). Peripheralization became more apparent and intensified as, in this phase and in these markets, American based corporations "were buying up local competitors and exercising increasing power over the local economies" (Barnet and Muller, 1974:131). Many overseas production centers became favorable to these corporations as staging areas for exports to still other markets. Productive and competitive conditions level, this time from essentially foreign competitors such as the up and coming Japanese electronics industry of the middle 1960's.

In Phase Four, the TV industry pioneers attempted to re-assault the domestic market by establishing "export platforms" in the world's lowest income areas. From "export platforms" TV sets and, by now, other products of a diversified product line could be exported to the United States at relatively lower rates (Barnet and Muller, 1974:131-133).

The core-periphery relation is thus reproduced, currently in the behavior of multinational corporations through the process explained in the Product Life-Cycle Theory. Each phase represents an increase in relative competitive advantage and an increase in the rate of intensive and extensive peripheralization. This has occurred through the flooding of domestic markets, next the establishment of export markets, then the establishment of foreign based production centers, and finally the establishment of "export platforms." It is in Phase Four, the phase of "export platforms" where, according to Barnet and Muller (1974:132-133 and 135),

. . . the underdeveloped world assumes a critical role in the Global Factory. . . . (N)o mature industry can afford not to expand its production facilities into the poor nations of Asia, Africa and Latin America. . . . (B)ecause the power over national wealth (is) largely in the hands of foreigners, the finance capital generated by past wealth-producing activities (is) not used to maintain much less expand, the local economy. The result (is) a process of wealth depletion (and the) inevitable lower consumption of the local population.

The lower consumption level of local populations in the periphery is an outcome of the flow of surplus value toward the core (firm).

### Conclusion

In this chapter, I have attempted to establish a model of the process of capitalism. Also, to an extent, the modern multinational corporation has been placed within the context of this system. In

general, the profit motivated capital accumulation system is characterized by core-periphery relationships, unequal exchange, and uneven development. The development of capitalism is the extent to which this relationship is continually reproduced<sup>13</sup> within the context of organizational arrangements. The primary organizational form in the present era is the multinational corporation wherein the reconstruction of the process of core-peripheralization is illustrated by the Product Life-Cycle Theory of Barnet and Muller (1974).

The model of process utilized in this study was to a large extent based on that developed by J. Kenneth Benson (1977).<sup>14</sup> The core-periphery structural morphology of capitalism emerges and is expressed on the organizational level of analysis through the emergence of capitalist firms. The morphology of capitalism is continually reconstructed as changes occur in its material base. These changes are the result of human action itself occurring in an organizational context.

The next task as noted at the beginning of this chapter will be to discuss the emergence of capitalist firms as a sub-process of capitalism. Core-periphery relations are expressed through the emergence of capitalist firms. It will be demonstrated that the emergence of firms leading in the present era to the multinational

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<sup>13</sup>For other perspectives on this concept of social reconstruction, see Douglas Dowd's (1978) piece entitled, "Continuity, Change, and Tension in Global Capitalism," and the appendix of Maurice Zeitlin's (1974), "Corporate Ownership and Control: The Large Corporation and the Capitalist Class."

<sup>14</sup>For an indication of the work of Benson in relation to other organizational theories, see Charles Perrow's (1979) book Complex Organizations: A Critical Essay.

corporation takes place along the dimensions of centralization (emergence of firms with increasing capacity to control production processes) and complexity (emergence of firms toward growth along spatial, horizontal, and vertical sub-dimensions). While this discussion is an extension of the present discussion of capitalism, it is treated in a separate chapter because it represents a shift from the societal to the organizational level of analysis. Finally, Benson's concepts of intentionalist social process were applied to an understanding of capitalism on the societal level. These concepts, developed in the discussion of capitalism, are in turn applied to our understanding of the emergence of capitalist firms in the following chapter.

## CHAPTER III

### THE EMERGENCE OF CAPITALIST FIRMS

#### Introduction

With the assumption that core-periphery relationships are socially constructed through the emergence of capitalist firms, this chapter is an attempt to demonstrate how these organizations implement these relationships, i.e. how core-peripheralization occurs on the organizational level. This necessitates a demonstration of how the degree of peripheralization, intensively and extensively, is a function of the morphological expression of capitalist firms. The development of these organizations will be treated as a sub-process of capitalist development. As such, these organizations are subject to the same social construction/reconstruction processes discussed in the previous chapter. The development of capitalist firms emerges as organizational structure in process. The morphology of a firm is the structural expression at a particular time of the organizational dimensions of centralization and complexity. Capitalism develops through the extension and intensification of peripheralization. Peripheralization in turn can be conceived as occurring as firms become increasingly centralized and complex.

Recalling Mandel's (1978:322) conceptualization presented in chapter two, centralization implies a central command capacity or concentrated control over capital. In Mandel's (1978:592) terms,

centralization refers to ". . . the fusion of different capitals under a single command." In the sense that the term is used here, the "commanding unit" is the corporation. Centralization, therefore, is a process whereby a corporation extends and/or intensifies its control capacity over capital through the formation of ties with other organizations (firms), by expanding markets, or by establishing a position in several markets through the differentiation of processes and product lines. One aspect of centralization refers to the degree of oligopoly in the "marketplace," where degree of oligopoly is a function of the proportion of corporate interests engaged in capitalist competition. If the proportion of interests controlling capital decreases, then this would indicate an increase in oligopoly and hence an increase in the degree of centralization. The concept of centralization in this context refers to an inter-organizational level phenomenon; the relationship of a firm to its environment (e.g. with other firms).

Complexity, on the other hand, as it is conceptualized by Hall (1977), refers to the intra-organizational characteristics or structural elements of an organization. Generally, Hall (1977:132) observes that, ". . . the concept (of complexity) conveys . . . a meaning in organizational literature: complex organizations contain many subparts requiring coordination and control . . . ."

The concept of complexity consists of three interrelated elements: horizontal differentiation, vertical differentiation, and spatial distribution. (Hall, 1977:132). These are conceptualized by Hall (1977:132-137) as follows.

1. Horizontal differentiation, within an organization, refers to the manner in which tasks are subdivided among members of the organization and parts of the organization. Horizontal differentiation increases as single tasks are divided into specialized sub-processes. Expanding on Hall's work, horizontal differentiation is seen here to increase as organizations perform a wider range of tasks (for example, increases in product differentiation).

2. Vertical differentiation, also known as hierarchical differentiation (Hall, 1977:132), is conceptualized as the ". . .proliferation of supervisory levels . . ." where ". . . authority is distributed in accordance with the level of the hierarchy; that is the higher the level, the greater the authority" (Hall, 1977:136). These two, horizontal and vertical differentiation, produce within organization problems of ". . . control, communication, and coordination" (Hall, 1977:136).

3. Spatial distribution or dispersion is conceptualized by Hall (1977) as one form of horizontal or vertical differentiation. ". . . Activities and personnel can be dispersed in space, according to either horizontal or vertical functions, by the separation of power centers or tasks" (Hall, 1977:137). Primarily through the works of Hymer (1975) and Preshus (1978), it can be shown that peripheralization occurs as firms become increasingly centralized, vertically differentiated, and spatially dispersed.

Our discussion of the emergence of capitalist firms is one aspect of the history of capitalism. Our intention is to discuss these firms as part of the historical process, but it is not comprehensive because: 1) the development of business firms is only

one aspect of capitalism. Capitalism is an array of institutions--business, political, religious, etc.; 2) the study is not concerned with the development of all representative capitalist firms. It is concerned primarily with the emergence of firms most directly associated with the emergence of multinational corporations--those of the industrial period. For example, the study does not address the emergence and role of the old capitalist mercantilist companies of the pre-industrial period. Through the ensuing discussion of the development of capitalist firms, it will be possible to observe how these organizations emerged along the dimensions of increased centralization and complexity.

#### Capitalist Firm Development

According to Hymer (1975:41), what distinguished capitalism from feudalism<sup>1</sup> was

. . . the market and the factory representing two different methods of coordinating the division of labor. In the factory, entrepreneurs consciously plan and organize cooperation, and the relationships are hierarchical and authoritarian; in the market coordination is achieved<sup>2</sup> through a decentralized, unconscious, competitive process.

This hierarchical, authoritative structuring of production processes initiated a trend which continues in the present era (i.e. qualitative and quantitative growth of organizational forms).

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<sup>1</sup>Randall Collins (1980:927) points out that Weber claimed that capitalism is an analytical concept which "can be found as parts of many historical economies, as far back as ancient Babylon." It became the dominant form of economic relations in the nineteenth century. Barnett (1980:267) states that capitalism as an economy marked by the selling of "free" labor became dominant in the 18th century.

<sup>2</sup>At least according to the model of the "perfect market" which becomes less and less applicable as competition becomes increasingly oligopolistic.



Quantitatively, growth has been in the direction of expanding the "zone of control" of economic organizations. Qualitatively, it has been toward a concomitant proliferation of hierarchically arrayed authority and control as well as increasingly differentiated task processes. Firms have been developing increasingly complex organizational structures. Hymer (1975:37) believes that these representative organizational forms have developed from the workshop, factory, national corporation, multidivisional corporation, and, currently, that of the multinational corporation. Hymer (1975:37-38) states that,

With each step, business enterprises acquired a more complex administrative structure to coordinate its activities and a larger brain to plan for its survival and growth. (My emphasis.)

Each of these representative firms embodies a stage in the development of increasingly complex and concomitantly increasingly centralized form of economic organization.

Through their analysis, Barnet and Muller (1974:34 and 76) point out that accumulation of capital and profits depends essentially on the ability of corporations to continually expand spatially beyond the ties of territory. Organizationally, the corporations achieve this growth by overcoming constraints associated with 1) the need for corporations to survive and flourish by continually increasing accumulation of capital, and, 2) the simultaneous need to increase the productive efficiency of the division of labor, i.e. through the continual development of horizontal and vertical organizational structures. In the emergence of industrial capitalism, and in what Hymer calls the small workshop, the organizational

"ancestor" to the multinational corporation is found. Its growth, and that which it holds in common with modern economic enterprises, was its ". . . ability to reap the benefits of cooperation and division of labor" (Hymer, 1975:40) in the organization of industrial production.

Hymer and Presthus (1978), agree on the point that the most clear cut examples of the development of corporations are to be found in the history of American Capitalism, where it is at its apex (Hymer, 1975:43 and Presthus, 1978:44). The formation of capitalism in America took place roughly from the year 1865 to the beginning of the twentieth century. Enterprises consisted largely of geographically dispersed, "single-function" firms which tended to be operated and controlled by single-owner or small family group capitalist entrepreneurs (Hymer, 1975:43 and Presthus, 1978:46). By virtue of the "localism" of these firms and their relatively small size, these individuals were quite able to wield close control over their operations.

The outcome of the first Technological Revolution was the proliferation of steam power and the increased capacity of machines to produce other machines (capital) (Mandel, 1978:185). The result was an intensification of production, capital accumulation, and competition between firms. Intensification also meant that capital requirements for entrance into the market competition increased. By 1897, it became necessary for firms to consolidate in order to acquire and hold market positions and stave off the effects of intensified competition (Presthus, 1978:47). This period is characterized by the emergence of the national corporation--a function

of the consolidation of small firms. In comparison to the small family organization, the national corporation represents the emergence of a more centrally administrated organization. Hymer (1975:43-44) states:

By the early twentieth century, the rapid growth of the economy and the great merger movement had consolidated many small enterprises into large national corporations engaged in many functions over many regions. To meet this new strategy of continent-wide, vertically integrated production and marketing, a new administrative structure evolved. The family firm. . . gave way to the administrative pyramid of the corporation. The domain of conscious coordination widened and that of market-directed division of labor contracted. ( My emphasis.)

This initial phase in the development of an increased vertical division of labor is illustrated by the railroad industry which provided the organizational model for the newly emergent national corporations. Because of the relatively greater geographical (spatial) dispersal of the railroad companies' operations, the need arose to develop new administrative techniques (Hymer, 1975:44). Corporations distributed authority vertically by developing a system of field offices which controlled local concerns. These field offices were in turn supervised by head offices. The development of field and head offices implied for the first time that ". . . an executive responsible for a firm's affairs had . . . to supervise the work of other executives" (Hymer, 1975:44). Corporations distributed task roles horizontally by adopting an "organ system of administration." Corporate functions were separated into departments and coordinated by a vertical system of control over departmental operations. This had two important effects. First, new advances in social (organization methods) and physical science could more easily be

brought to bear on the concerns of the firm. Hymer (1975:44)

states,

By the end of the nineteenth century, scientists and engineers had developed most of the inventions needed for mass producing nearly all the items of basic consumption. In the language of systems analysis, the problem became one of putting together the available components in an organized fashion.

Second, and more importantly, ". . . the organization became conscious of itself as an organization and gained a certain measure of control over its own . . . development" (Hymer, 1975:44).

This observation by Hymer can be interpreted as expressing the intentionalistic nature of social process.

This period was marked by a further intensification of capital accumulation, an increase of the size of individual concentrations of capital, and a concomitant progression toward vertical integration of the division of labor (Hymer, 1975:44). The outcome was a progressive and continual drift away from the pure market ideal toward oligopolistic competition. That is, competition took place between fewer, increasingly centralized interests. The "new" corporation, with its "raised consciousness," had largely solved the "production problem." Through the application of science to production needs, relatively low cost methods were found for mass production of ". . . nearly all the items of basic consumption" (Hymer, 1975:44). The Second Technological Revolution, marked by the development of the electric motor, created accelerated rates of capital accumulation and the orientation toward the mass production of durable consumer goods (Mandel, 1978:188-189).

Two potential directions now existed by which capitalist growth could proceed. One was to focus energy toward the broad mass

production of consumer goods, which would make basic items available on a world-wide basis. This direction, however, was not pursued by capitalist industrial interests. Instead, scientific and research knowledge was utilized by corporations to emphasize innovation. Businesses could concentrate on production of consumer goods for a relatively small number of people. Through continuous innovation they could introduce new products before the complete penetration of previous ones.<sup>3</sup> "This path was associated with a choice of capital-deepening instead of capital-widening in the productive sector of the economy." (Hymer, 1975:45-46). According to Hymer (1975:45-46), the effects of this choice are five-fold.

First, the ratio of capital per worker increased because of the need in the sector of producer's goods to continuously innovate and extend labor-saving technology. This need arose from the intensified capital accumulation initiated in the period, causing an increase in capital output.

Second, if firms stayed committed to one product, their growth rate tended to slow, or to decline.<sup>4</sup> This also intensified the need for innovation.

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<sup>3</sup>According to Hymer (1975:45), "We now have the paradox that 500 million people can receive a live TV broadcast from the moon while there is still a shortage of telephones in many advanced countries, to say nothing of the fact that so many people suffer from inadequate food and lack of simple medical help." In a footnote on the same page, Hymer suggests that the choice to "deepen capital" was ". . . due in part to the increased tensions in the labour market accompanying accumulation of capital and growth of large firms." Fred Block (1978:27-37) would probably argue that this course was taken in response to these tensions which occasioned a lack of "business confidence."

<sup>4</sup>Hymer (1975:45) states, "According to Engel's Law, people do not generally consume proportionately more of the same things as they get richer, but rather reallocate their consumption away from old goods and towards new ones."

Third, as a compound result of the above, firms placed greater emphasis on marketing and product development and less on production; production was no longer the major problem in capital accumulation.

Fourth, corporate development now more than ever became a function of vertical and horizontal integration and differentiation.

Fifth, by the late 1930's, competition between economic enterprises had become increasingly oligopolistic. This limited chances for self-employment, as vast amounts of capital and technological requirements for penetration into the competition was required. It became increasingly necessary to maintain a competitively advantageous position. Specialization of labor and new technologies, which in effect progressively separated the laborer from the means of production, allowed increased dependence and compounded the need for centralized authority and control (Presthus, 1978:49). Power progressively came to be wielded by those equipped to conduct enterprises in a "rational" manner. Oligopoly and centralization also had the effect of making the behavior of such firms more visible to public scrutiny. Presthus, (1978:50) states:

It was price "leadership," excess-profits taxation, and consumer protection legislation that brought the research laboratory and the advertising agency into existence. The new "environmental protection" rationale of industry punctuated the need for yet another skilled functionary, namely the public relations expert.

The extent of this movement toward centralization is illustrated by the fact that for the first half of the twentieth century, the 200 largest financial firms came to hold nearly half of the nation's industrial wealth. Over the same period, less than one percent of nonfinancial corporations (approximately 300,000 total)

wielded control over almost half the aggregate corporate wealth (Presthus, 1978:58). Presthus also points to a statement by Berle and Means (1933:46) concerning this period:

A society in which production (was) governed by blind economic forces (was) being replaced by one in which production (was) carried on under the ultimate control of a handful of individuals.

The increasing concentration of American industry was carried through primarily by the strategy of corporate mergers. Presthus points out that mergers tend to take place in "good times," when conservative public opinion softens negative attitudes about monopoly and even encourages enterprises to merge and thus "protect their gains" or "spread their riches" (Presthus, 1978:51).<sup>5</sup> The overall success of firms depends to a large extent on their ability to find new areas to enter and dominate (resulting in diversified risks). This occurs not only spatially, but horizontally--for example, through the establishment and cooptation of new product lines or processes. Mergers then increase overall concentration by incorporating previously autonomous units under a central administrative structure, promoting increased organizational size and proliferation of bureaucracy (Presthus, 1978:52 and 54). Mergers which increase concentration of enterprises also increase the degree to which competition takes place oligopolistically. Once again, increasing the minimum capital and technology needed for entry and

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<sup>5</sup>Survival in competition is facilitated by increasing size and consolidation for "sheer growth" and presents itself as a strong motive. Firms always look for areas in which to penetrate so they can diversify risk through horizontal expansion into new realms of accumulation (Presthus, 1978:52). They are most likely to do this, however, in an aura of good "business confidence" when interpretations of feedback from the environment connote favorable public opinion.

survival in the market tends to force smaller operations out of competition. They are either forced to "shut down" or forced into a position where they merge with other units.

### The Rise of the Multinational Corporation

The proliferation of the multidivisional corporation (by virtue of its expanded capacity for accumulation of capital and the incorporation of research and development in the accumulation process) gave rise to the Third Technological Revolution. Multinational corporations developed within this framework. Characterized by new expansion of capital, it is the period where all aspects of the economy reach full industrialization. As noted earlier, this revolution is marked by a certain technology, i.e., automated processes for the production of raw materials as well as foodstuffs (Mandel, 1978:191). Because of pressures toward expansion, this technological revolution occasioned the horizontal infusion of capital from the industrial sector to the agricultural sector. Industrialization of agriculture represented the final horizontal expansion of capital, leading to the closing of the domestic market. The allocation of technology and capital necessary for the automation of commercial farming had similar impacts on the agricultural sector as capital and technology had on the industrial sector, namely concentration--agricultural production became more centralized (Presthus, 1978:60).

Presthus observes that:

In 1949 . . . 484,000 farms, less than 10 percent of the total, produced over 50 percent of all farm products, and 9 percent of the nation's farms earned more than the remaining 91 percent. By 1976, 81 percent of all farms earned less than \$20,000 per year, while 1.9 percent earned \$100,000 and over.



Subsequently, as soon as integration of the domestic market was completed by the multidivisional corporations, enterprises began to expand their operations across political boundaries (Hymer, 1975:46). Hymer (1975:47) cites three factors regarding the multinationalization of corporations. First, multidivisional arrangement of corporations ". . . gave them wider horizons and a global outlook." In the experience of integrating the continent, corporations "learned" how to be multinational. Second, development in technology created new means and opportunities for competition. Third, capital migration became a means to counter the rapid expansion of Japanese and European industry following the Second World War. Also, a vast area of the world, potential export markets, was lost with the consolidation of Soviet and Chinese State Communism following World War Two (Barnet and Muller, 1974:67). The response by corporations to increased competition and limited export opportunities was to become multinational.

#### Technology, Technique and the Rise of Multinational Corporations

One impact of the Third Technological Revolution was not only the automation and concentration of agricultural production but technological advances in communications, containerization, and transportation which increased multinationalization (Barnet and Muller, 1974:28; Hymer, 1975:47; Adam, 1975:98; and Barnet, 1980:245). These technological advances aided in overcoming the limitations of distance and resulted in such things as ". . . containerized shipping, jet air-cargo carriers, telecommunications, etc." (Barnet, 1980:245), which promoted further spatial dispersion and a global division of labor.

The most pervasive impact of these technologies is the increasingly intensified and integrated techniques for the organization of production that they imply. These innovations made possible the integration of production on a global scale, since firms could carry out functions with a degree of relative autonomy from geographical limitations (Barnet and Muller, 1974:28). Vital to this process, and as a direct result of advances in communications, was the ". . . internationalization of finance capital," i.e., currency. Barnet and Muller (1974:28) comment, "Dollars, despite the patriotic slogans on the bills, have no nationality." The internationalization of finance capital and these technologies provide the "infrastructure" for the internationalization of production. These technologies allow the horizontally arranged processes of production to be broken down into any combination of spatially dispersed, yet complementary, sub-processes or operations in various places of the world. These sub-processes can then be reintegrated into a "global product" (Barnet, 1980:245). Production is routinized via technologies for processing data, directing communications and transportation (Barnet, 1980:245).

The ability to monitor and to control at a distance has greatly accelerated the process of centralization and specialization that began with the Industrial Revolution.

One of the most distinguishing features of the modern multinational has been the further vertical "re-delegation" of managerial functions. Capitalism has progressed through periods characterized by management and coordination by entrepreneurs, head offices, and general offices. Today, the major coordinating function lies in the world headquarters of the multinational enterprise. The degree

to which this type of enterprise is centralized depends on its ability to monitor, evaluate and coordinate global sources of less expensive raw materials and labor. This becomes a function of the "sophisticated" utilization of communications technology (Barnet and Muller, 1974:42).<sup>6</sup> As competition between firms becomes more oligopolistic, competition between firms takes place by cutting the costs of the production process through utilization of cheap labor and raw materials, and increasing sales through advertising and packaging innovations.<sup>7</sup> So, unlike the model of perfect competition, where firms undercut each others' prices, they compete in less direct and "volatile" ways: by automation; utilization of low-wage labor; and product differentiation, allowable because oligopoly limits the consumer's choice for sources of commodities (Barnet and Muller, 1974:32-33 and 76). This observation by Barnet and Muller could be interpreted to mean that the more oligopolistic the environment, the more likely the tendency for competition between interests to move from the "market" to the "factory."

As stated above, corporations "learned" to be multi-national by integrating the continental national markets. Operating production

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<sup>6</sup>The more decentralized in appearance operations become (via horizontal differentiation), the more these partial functions become dependent on a centralized authority to coordinate specialized functions. Communication in corporations is arranged horizontally in such a way that there is no direct communication between centers of operations. Communications must go through higher levels of authority (Barnet and Muller, 1974:42).

<sup>7</sup>"Oligopolistic competition between giant firms consists of a struggle for take-overs, for monopoly positions in markets, for privileged access to sources of materials, accompanied by rationalization and other forms of cost-cutting. . . ." (Brown, 1974:217).

centers in various regions, firms move components for producing finished goods from a variety of dispersed sources. Some of these sources are owned by the firm itself while others are "independent," fulfilling contractual obligations with larger firms for production and distribution of components and finished goods. In a domestic environment this stage of spatial development is known as "multi-sourcing." Internationally the same process occurs, although necessarily as an increasingly intensified phenomenon (Adam, 1975:94). Globally, corporate organization has developed a system of incorporating material resources and labor into a widely geographic, increasingly dispersed production structure. This structure matches low-wage labor with costly manufacturing processes by utilizing high technology communication and transportation, as well as by developing sets of productive skills and processes which are easily interchanged between world-production sites (Adam, 1978:98). This process of "world-wide sourcing" is a vital and distinguishing feature of modern multinational corporations.<sup>8</sup> It represents an important means by which multinational corporations cut costs and therefore maximize profit by rationalizing productive processes.

#### Development of Firms and Managerial Ideologies

There is one aspect of the development of firms that it is necessary to address, at least briefly at this point. Namely, it is necessary to discuss the development of ideas about organizations.

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<sup>8</sup>This will be considered in greater detail in the next chapter. In the present context, since the nature of development of competition between capitalist firms has been a progression toward oligopoly, world-wide sourcing is most valuable as a means of offsetting almost any other cost consideration by utilizing low-wage labor populations and automated manufacturing tasks and is facilitated by high degrees of corporate mobility (Adam, 1975:101).

This development is important because it accompanies and to an extent propels that of structure. Bendix (1970:187-221) points to the development of what he 'calls "managerial ideologies." These constitute dominant value sets which legitimate firm organization. If organizational structure is here conceptualized as being in process, then the legitimations of that structure can also be thought of as emergent. They undergo change as conditions and firms themselves change, i.e. as they become increasingly centralized and complex. Legitimizing values are as much in process as organizational structure. The initial emergence of industrial capitalism represented to a greater or lesser extent a deep and chronic separation from traditional feudal organization (Bendix, 1970:207). This stage of capitalism, the age of local, single function, single owner/entrepreneur production was characterized by a paternalistic conception of organization. Similar to the manorial world-view, subordinates were perceived as inherently dependent on and beholdng to their "betters" for "governance" and protection (Bendix, 1970:187-188).

As capital accumulation intensified and firms increased in complexity and centralization, paternalism gave way to laissez-faire. The idea of inevitable dependence yielded to a conception of dependence as a "self-imposed fate." As Bendix (1970:188) states,

As it was "demonstrated" that the rich cannot care for the poor without decreasing national wealth, it was also asserted that by abstinence and exertion the poor can better their lot. The same virtues, which in the 18th century were extolled so that the lowly will not aspire above their station, were praised in the middle of the 19th century because they enable a man to raise himself by his own efforts.

The extension of laissez-faire logic was expressed in the next great ideological movement of capitalism, Social Darwinism. "The

militant language of an ethics of the jungle was applied to (organizational relations)" (Bendix, 1970:188). This ideological development encountered increasing problems in extending relevant meaning to organizational existence and action because of the course of development the firm was taking. Bendix (1970:188) clarifies,

This assertion of authority has a clear-cut meaning only as long as most managerial functions are in the hands of one man. The idea becomes ambiguous as the use of expertise in enterprises increases and the managerial function becomes subdivided and specialized.

Eventually, Social Darwinism was replaced by scientific management as firms increasingly developed bureaucratic methods of production and organization. Subsequently, the human relations approach arose, which allowed the "psychological makeup" of organizational members to be taken into account. Productivity maximization occurs through the systematic improvement and allocation of individual skills and resources (Bendix, 1970:188). The work of Bendix (1970) indicates that the morphological development of organizational structure necessitates and is accompanied by the emergence politically legitimating value sets. The development of organizational structure and the emergence of legitimating ideas form in aggregate the total organizational development of firms in their ongoing and processual relationship to their environment.

### Conclusion

The way in which peripheralization occurs through the emergence of firms can be shown by drawing out some concluding statements to the present discussion. Peripheralization (conceptualized as a process where previously external areas come to be included

on the lowest levels of the capitalist system) occurs through the development of firms in the following manner.

1. Each stage in the development of capitalist firms, from small workshop to multinational corporation, represents the emergence of increasingly complex (i.e. vertically differentiated, horizontally differentiated and spacially dispersed) and centralized (i.e. increased capital control capacity) firms.

2. Peripheralization occurs as areas are included within capitalism. Relatedly, Barnet and Muller (1974) contend that corporate growth occurs as firms develop spatially beyond the ties of territory.

3. Firms characterized by refined vertical and horizontal structure emerge as the need to expand spatially poses problems of control and coordination.

4. The emergence of increasingly complex organizational forms accelerates centralization by a) creating an increased capacity to monitor and control vaster areas--extensively expanding the amount of capital controlled by a firm, and b) increasing capital requirements for entrance into corporate competition. This accelerates centralization as competitive conditions become increasingly oligopolistic (competitors are forced out of competition or consolidate with larger units under central administrative structures).

Peripheralization, therefore, occurs through the development of firms as firms emerge via organizational structures characterized by higher levels of complexity and centralization and concomitant capacities to organize production on expanding levels. For example, firms have emergent capacities to integrate production first on the

local level, next on the national/continental level (through "multi-sourcing"), and currently on the multinational level (through "world-wide sourcing").

In this perspective, if the social world is continually emergent, relationships or social arrangements are ultimately temporary and transient. Regarding organizations, their arrangements at any particular time must also give way to others because organizations and institutions are formed within the parameters of a given material context. The actions of organizations ultimately change this environment. For example, the development and application of a particular technology changes the nature of the accumulation process to some degree. The task of the social scientist in studying organizations is to focus attention on the processes of transformation by which a pre-existing set of social arrangements yields to another (Benson, 1974:4). At the organizational level, these contradictions usually grow out of the difficulties of coordinating multiple levels of bureaucratic organization as each level acts in a partially autonomous manner (Benson, 1977:5). This occurs both vertically and horizontally. In brief, contradictions in organizations are the articulation of disjunctures between the "primary purpose" of the entire organization and the "secondary purposes" of these partially autonomous parts. Change may occur in a more conventional Marxian sense where contradictions occasion the complete disjuncture and supercession of one social order by another. However, social change also occurs in the course of the systematic amelioration of contradictions within some social context. In this way, the continual reconstruction of capitalism occurred through continual reorganization



of its firms--through the progression from the family firm to the multinational corporation. A crisis of capitalist accumulation, which at the end of one stage meant the passing of one representative firm type simultaneously sets the stage for their reorganization. Firms continued to develop which were better able to re-establish, expand, and intensify the accumulation of capital. As stated by Douglas Dowd (1978:179 and 181),

The "contradictions" of capitalism have, in their consequences, been the source and stimulus more of its staying power than of its downfall, and have, in practice, prevented its downfall.

Further,

Thus and by way of example, what produces the probability of "overproduction" or of "underconsumption" is, of course, essential for the very possibility of capital accumulation, profitability, and the technological advance of capitalism itself; or on a different level, the forces that bring competition to an end are quite the same as those creating monopoly.

Social reconstruction occurs as contradictions are taken into account by existing power interests who act to ameliorate them and thereby extend the accumulation process. The morphological features of the organization (its ". . . goals, structural arrangements, technology, informal relations, etc.) are extensions of the process of social reconstruction (Benson, 1977:6). The nature of organizational analysis must be to draw attention to the establishment of an organizational form and the means by which it is continually reconstructed (Benson, 1977:6 and 7).

The next chapter is a delineation of the points which constitute the morphology of the multinational corporation. Utilizing Benson's (1977) conceptualization of the morphology of organizations,

the multinational corporation can be understood in terms of its paradigm commitments, structural elements, and interorganizational/environmental linkages. These three elements are derivatively conceptualized as constituting a particular expression of emergent complexity and centralization.

## CHAPTER IV

### THE MORPHOLOGY OF THE MULTINATIONAL CORPORATION: PARADIGM COMMITMENTS, STRUCTURAL ELEMENTS AND ORGANIZATIONAL/ENVIRONMENTAL LINKAGES

#### Introduction

As discussed previously the multinational corporation can be conceptualized within the context of the emergence of capitalist firms. In this chapter we will use Benson's (1977) conceptualization for understanding organizations. Thus the morphology of multinational corporations will include these aspects: 1) the paradigm commitments of the multinational corporation will be included. These refer to such things as ". . . commitments to a domain, a technology, and an ideology . . ." as well as its objectives and ". . . a set of ideas interpreting and justifying the organization's activities" (Benson, 1977:11). 2) The organizational features of the MNC will be discussed. These include, intra-organizationally, the vertical and horizontal structural elements, such as ". . . differentiation . . ." and ". . . bases of participation . . ." in this type of organization (Benson, 1977:11). Interorganizational, organizational and organizational/environmental linkages will also be examined.

These aspects of morphology represent historical parameters along which capitalist firms have developed, as well as "macro" parameters by which multinational corporations can be defined. By this means, a set of analytical dimensions applicable to the

development of organizations (capitalist firms), as well as an analytical construct by which a morphology of a particular organizational "type" (i.e. the multinational corporation), can be described. The multinational corporation can be perceived as the current expression of the organizational process from which it emerges and which it in turn perpetuates.

This description is derived from our conceptualization of social process. Social structure in general, and organizational structure in particular, are not wholly unmalleable. Tom Bottomore (1975:160), in his discussion of history and social structure, points out following Georges Gurvitch's (1962) discussion, that social structure is continually emergent through the process of social construction/reconstruction. For Bottomore (1975:160) this has important implications.

This notion has the advantage that it gets us away from the idea of an abstract impersonal social structure which is fixed and given once for all and makes a place for that aspect of social life which has been strongly emphasized in recent phenomenological sociology, namely, the production and reproduction of society by real human beings living and thinking in a particular milieu. Gurvitch recognized this feature explicitly when he observed, in the course of his analysis, that "social structures are at the same time the producers and the products of cultural activities.

The emergence of organizational structure (centralization and complexity) can be conceived as an outcome (Bottomore, 1975:161) of the social construction/reconstruction process. Each stage in the development of firms, from the small workshop to the multinational corporation, represents an expression of organizational development through centralization and complexity. The morphology of an organization (firm), i.e. the particular way centralization

and complexity are expressed, can be analytically understood through Benson's morphology presented above.

These three elements are further conceptualized as being interrelated. For instance, paradigm commitments emerge within organizations as well as through linkages with the larger environment. Also, structural features are affected by and reflect paradigm commitments and linkages of the organization to the larger environmental context. Finally, perhaps overextending the ~~example, inter-organizational and organizational/environmental linkages~~ are partially dependent on the paradigm commitments of organizations and the ~~intrastructural capacity~~ to form and maintain such linkages. The relationship between structural and non-structural organizational features is explained in the following way by Bottomore (1975:169):

Actual historical events and processes depend not simply upon the unfolding, unconscious logic of a structure but also upon the conscious value preferences, choices, and decisions of (humans), both individually and collectively, in the given historical situations that confront them.

Bottomore's statement can be interpreted in the context of this study as referring to the intentionalistic nature of social and organizational process.

Structurally, corporations have been undergoing an historical process of increasing vertical, horizontal and spatial expansion, as well as showing a tendency to centralizing commanding power over resources. This trend is evidenced by the horizontal tendency to specialize (i.e., the continual separation of organizational processes into "sub-processes" with concomitant creation of new roles) along with the tendency toward "multi-sourcing." Vertically, this trend becomes apparent as development moves from the authoritative entrepreneur

to the delegation of managerial functions to bureaucratic, hierarchically arrayed offices. Specialization and new technologies not only compound the need for centralized authority and control, but also provide the means to accomplish it. For it is through technology and organizing techniques that firms have developed increasing capacities to monitor, coordinate and evaluate human and material resource systems.

As seen through the work of Hymer and Presthus in the previous chapter, the development of capitalist firms has in general been marked by an intensification and extensification of the division of labor vertically and horizontally. Firms have historically engaged in a continual search for low cost operations of production vis-a-vis resources and/or markets. This also implied and necessitated a tendency of firms to expand political power bases. The central "theme" of capital accumulation becomes the intensification and continual complication of the means of production and organization through increasing development of capital intensive productive forces, i.e. technological innovation. Centralization of capital (concentration; trend toward oligopoly) produces within firms a capacity to increasingly intensify and extend organizational direction of social behavior. This is illustrated by the expanding need for firms to widen control which also necessitates the bureaucratic expansion of economic organizations (e.g. the bureaucratization of managerial functions).

In relating to other organizations and to the environment in general, the trend has been toward increasing concentration and, relatedly, an increasing capacity of firms to control or determine

their own development. This trend is reflected primarily by the drift toward oligopolistic competition between firms. Mergers promote oligopoly through the creation of centralized administrative structures. Through centralization, firms have developed the ability and tendency to progressively organize production and distribution on larger scales (e.g. from local to national to multinational).

The development of capitalist firms also reflects changes in paradigm commitments. The work of Bendix (1978) indicates that paradigm changes occur with changes in the conditions of production and accumulation. This is illustrated by the major movement of managerial ideological orientations from paternalistic, to laissez-faire, to Social Darwinist, to scientific management, to the human relations approach (Bendix, 1970:187-189). The emergence of capitalism was marked by the development of the market and the factory as the main ideas for the organization of production. The process of production constitutes human manipulation which exerts pressures toward continual redefinition and reorganization of capital. The parameters of productive organization change because of the continual conversion of aspects of the physical and social environment into socially defined "use" values and "exchange" values. Because of these changes in the accumulation context, the ideas concerning production and accumulation change. Each of these ideologies becomes an array of ideas or values which define efficient organizational relationships. Each represents values which guide the planning and organizing of human and material resources in such a way as to maximize the organization's "performance"

in the market. Historically, the redefinition of productive relations has been in the direction of increasing and deepening commitments to rational technology, rational production, and rational organization. This is an increasingly stronger commitment to gain control over production (factory) and realization (market).<sup>1</sup> The development of capital deepening and increasing bureaucratization of capitalist firms illustrates this process.

These also constitute redefinitions of organizational "zones of control" (i.e. areas of legitimate power, spatially/geographically and organizationally). Each step in the ideological movement extends the definition of the level on which capital accumulation, production and distribution are organized (from local to international). Each step can be thought of as expressing an organizationally defined need to develop beyond the "ties" of territory--to develop beyond the local, regional, and national limitations to production and accumulation. Also, each redefines the legitimate distribution of power and authority. For example, the scientific management and human relations movements shift importance solely from the entrepreneur to the technical expert. As bureaucratically organized firms develop (move from single to multiple functions, and expand spatially) it becomes increasingly necessary to redelegate power

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<sup>1</sup>Realization refers to a process where the value of commodities is appropriated in the form of money, i.e. through their sale. "Realization of surplus-value thus involves sale of commodities at such a market price that part or whole of the surplus-value which they contain can be appropriated . . ." (Mandel, 1978:596).



and concomitantly legitimate the authority of managers.<sup>2</sup> Mandel (1978:500-501) writes that the governing belief in early development of capitalism was that of "the omnipotence and beneficence of competition" while that of later development was, and is, "a generalized proclamation of the advantages of organization." These beliefs find expression in the trend where "the 'robustly individualistic industrial pioneer' is replaced by the 'team of experts,' and 'financial giants' by anonymous boards of directors . . . ." (Mandel, 1978:500-501).

Besides these more or less global ideological movements, the firm itself makes a paradigmatic contribution to the ideas governing production and accumulation. To state this another way, the idea of the firm, i.e. the idea of the workshop or 'factory' or national corporation, etc., arises and is perceived within the context of particular historical and material circumstances to provide a model for the optimal organization of production. The idea of the firm acts as a reification from which humans construct and explain (or legitimate) organizational arrangements operationalized in the real expression of the firm. The organization of productive relations (the firm) becomes to a degree the actualization of ideas about such relationships. Thus, the ensuing discussion of the paradigm commitments of multinational corporations is important for two reasons: 1) on one level it is relevant to the intentionalistic

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<sup>2</sup>Bendix (1970b:203) states: "In the course of industrialization employers and their spokesmen develop ideas in order to justify the exercise of authority over the workers and enhance the latter's obedience and efficiency. All ideas which relate to these two issues are called entrepreneurial ideologies in the early phase of industrialization, and managerial ideologies when economic enterprises are fully developed."

nature of social process discussed earlier. Paradigm commitments embody human value preferences within the present historical situation of corporate development, and, 2) paradigm commitments legitimate, effect, and are effected by changes in organizational structure, and interorganizational/environmental relationships.

## I. Paradigm Commitments of Multinational Corporations

### A. Multinational Corporate Worldview

In the preceding chapter, it was implied at one point that centralization and oligopoly increasingly tend to make the existence and behavior of firms visible to public scrutiny. Of the multinational corporation of the present period, Barnet and Muller contend that the corporate need to achieve and maintain political legitimacy has become a pressing problem confronting this organization. They state, "the development of a compelling ideology is its (the MNC's) most important product" (Barnet and Muller, 1974:37-38). Legitimizing paradigms imply some commitment to a reified conception of "ultimate causation," a "postulated origin," (LaPiere, 1954:274-277), i.e. some socially constructed reason ("metaphysique") for being and acting. In the past, for capitalist institutions, this may have found form in conceptions about god, the state, or the "struggle for survival." Today, a perception of capitalism itself provides a constructed concept of ultimate causation for the existence and action of firms.

What distinguishes the multinational corporation from past firm types is not size or international operations per se (Barnet and Muller, 1974:15). For example, there were large, "international"

firms in the earliest capitalist period. Stephen Hymer (1975:40) states eloquently:

Giant organizations are nothing new in international trade. They were a characteristic form of the mercantilist period when large joint-stock companies, e.g. the Hudson Bay Company, the Royal African Company, the East India Company, to name the major English merchant firms, organized long-distance trade with America, Africa, and Asia. . . They were like dinosaurs, large in bulk, but small in brain, feeding on the lush vegetation of the new worlds (They were literally Tyrannosaurus Rex).

That which most clearly and importantly characterized the multinational corporation from others is its "worldview," or "paradigm commitments." The most important would appear to be that the multinational corporation defines itself as existing, or at least desiring to exist, apart from all government interests, even that of the country from which it emerged (Barnet and Muller, 1974:15-16). The multinational, as opposed to the mercantilist firms or even the firms of the classical imperialist period (Barnet and Muller, 1974:18),

. . . no longer view(s) overseas factories and markets as adjuncts to its home operations. Instead, as Maisonrouge puts it, the global corporation views the world as "one economic unit." Basic to this view, he points out, "is a need to plan, organize, and manage on a global scale."

In delineating the morphology of the multinational corporation, it is necessary to explicate further the paradigmatic design of firms and attempt to render a sociological explanation of their importance regarding organizational action and decision making. To aid in this description, the multinational corporate worldview is discussed as it applied to four categories: 1) a continuation and expansion of multinationalism, i.e. its "global outlook"; 2) perceptions of growth and rationality/order; 3) perceptions of human nature; and 4) perceptions of the future.

## 1. Multinationalism

As discussed in the previous chapter, advances in organizational technique (the full development of the multidivisional corporation and hardware advances in technology), in communication and containerization provided infrastructural prerequisites for the development of the multinational corporation. "The communications satellite makes it possible for the top corporate executive to 'think globally'" (Barnet and Muller, 1974:35). It is this global thought" to which the term "multinationalism" refers. This perspective has been generally described by Gyorgy Adam (1975:90) as consisting of these elements (paraphrased):

First, in the multinational or global perspective, the world is defined as one entity, a world-wide market'.

Second, as such, the perspective includes a defined necessity to transcend national boundaries in order to optimally facilitate economic activities without political limitations.<sup>3</sup>

Third, in so doing, decisions need to be made and implemented not on the criteria of what best serves any particular nation or "product group," but rather as to what advances or maintains the global position of the corporation overall.

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<sup>3</sup>Barnet and Muller state somewhat rhetorically, "The world's leading corporate managers now see the nation-state, once the mid-wife of the Industrial Revolution, as the chief obstacle to planetary development . . . The managers of the global corporations are seeking to put into practice a theory of human organization that will profoundly alter the nation-state system around which society has been organized for over 400 years" (Barnet and Muller, 1974:15 and 18).

Fourth, this indicates a defined need for the firm to "organize production, distribution and selling activities with as little regard for national (political) boundaries as possible" (Adam, 1975:90).<sup>4</sup>

Anthony Sampson (1980:21 and 45) comments on the multinational perspective of International Telephone and Telegraph in his history of the firm.

Most companies, even the biggest of them, have corporate characters that have emerged partly from the places on which they were first based--from Detroit, Endicott, or Turin--even though they may long since have outgrown them. But ITT, from the first, had a unique placelessness. Its origins were not so much multinational as anational, in a group of offshore islands. . . . Being so multinational and mobile, his (Behn's) company would be everywhere and nowhere at once; and in a divided world it acquired a natural interest in mendacity.

Of ITT, Sampson (1980:306) also observes:

It could appear and disappear in different parts of the world, adopting a heightened rhetoric to suit the time and place, with breathtaking confidence; first willingly pro-Nazi, then piously anti-Nazi, then fiercely anti-Moscow, sometimes simultaneously adopting opposite attitudes in different parts of the world. This adaptability is defended as being part of a proper neutrality . . .

The success of multinational corporations depends on the extent to which it seems not to be associated with the interests of any national entity in particular (Barnet and Muller, 1974:56-57). This may also be expressed as a belief that through action "natural" to the pursuit of profit, the multinational corporation brings harmony to the world.

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<sup>4</sup>According to Brown (1974:215), "The international companies, perfectly correctly from their own point of view, arrange their investments around the world and manipulate the flow of production from one center to another to suit the requirements of their profitability, not to promote the viability or growth of particular national economies." Relatedly, Adam (1975:90) says that multinational companies are ". . . implementing in a worldwide context a centrally planned business strategy based on a 'global outlook' and availing themselves of their global scanning capacity."

Barnet and Muller (1974:56) find an expressed belief among managers of multinational corporations related to that which defines MNC's as transcendent of the limitations of nationalism. They express confidence in ever increasing corporate growth (expansion) and increasing intensification and extension of rational organization. The MNC is perceived as the major organizational form with the most potential for integrating (bringing order to) the world. "Social and political conflict can be reduced to managerial problems and solved through technology" (Barnet and Muller, 1974:61). Order (rationality) can be imposed on any problem (irrationality) by the extension of corporate organizational capacities in the peaceful pursuit of profit.

Jacques G. Maisonrouge is considered by many students of multinational corporations, including Barnet and Muller (1974), to be one of the most eloquent spokesmen on behalf of multinational enterprise. Maisonrouge (1975), was the chairman and chief executive of IBM World Trade/Europe/Middle East/Africa Corporation and an officer of the International Management Education Foundation (Maisonrouge, 1975:11). He expresses well the current trust, among global corporate managers, in growth and increasing rationality. The following statements by Maisonrouge (1975:14) provide support for the above contention.

It (the international company) is helping to build a new world economic system, one in which the constraints of geography are giving way, sometimes reluctantly, to the logic of efficiency.

## 2. Perceptions of Growth and Rationality/Order

The emergence of multinational corporations has been characterized by beliefs in the essentiality of "bigness," i.e. growth and the "science of centralization." These tenets have often been used in the corporate paradigm, justifying present activities on the basis of past growth and as a means to counter or alleviate "psychological resistance" from the public. This "cult of bigness" has historically served business in an ideological capacity (Barnet and Muller, 1974:37). Through multinational corporations, growth to Maisonrouge (1975:15),

. . . Represents our best hope for the future, not because growth by and of itself is desirable, but because many of its by-products are. Among those by-products are the creation of jobs, new wealth, and higher living standards, which in turn result in closing the various gaps--economic, educational, and technological--that have always fueled human jealousy, hatred, and conflicts. . . . So, even as they themselves grow, such corporations do a great deal of good. . . . As a result, they serve as catalysts of progress.

The growth of his own company, IBM, Maisonrouge (1975:17) believes contributes to the growth of other nations, acts as a catalyst in technology transfer, and acts also as a global provider of employment opportunities.

## 3. Perceptions of Human Nature

Of human nature, beliefs are expressed on two levels. The first is human social nature expressed as an analogy of social organization to the human organism. The second is the "metaphysical" or inherent psycho-emotional concept of the individual human organism.

The former is the expression of the belief as stated by Barnet and Muller (1974:38) that,

Organizations, like human beings, reveal "an ongoing tendency toward a more specialized and refined relation between the center of dominance and the subordinated integrated parts."

The latter embraces the belief that human beings have several intrinsic instincts. These are identified by Maisonrouge (1975:12) as being "self-interest, competitiveness, (and) the need to be part of something bigger than ourselves."

Multinational corporations become organizations by which these human tendencies may best find expression in the world. This belief may be reinforced by the belief that the organization is a "macro-human," i.e. human-like, with tendencies that are at least analogous to those of actual human beings. In Maisonrouge's (1975:12) view, multinational corporations are best equipped to "harness" these human instincts. Firms (organizations consisting of collections of humans with these instincts) possess on a macro-level these same traits. The organization in this sense is an expression of the sum of its parts. In a Hobbesian sense, individuals collectively constitute the organizational "body politic."

#### 4. Perceptions of the Future

Technology has prompted managers of MNC's to "think globally." What then is the paradigmatic conception of the world and its future? Again, we refer to Maisonrouge (1975:12):

. . . To manage this speck of cosmic dust in such a way that its inhabitants can live decently, with dignity and in peace, each with his fair share of what the world has to offer, is extremely challenging work, worthy of our best efforts. It is my contention that no better tool has yet been devised for realizing these goals than the international company.



Some of the catch-phrases or "cliches" produced and used by "globalists" to describe the multinational corporation and its role for the future have been identified in the work of Barnet and Muller (1974:20). These include, "' the instrument of world development,'" "'the only force for peace,'" "' the most powerful agent for the internationalization of human society,'" and the "' prologue to a new world symphony.'"

In the modern era, new life and new expression has been given to a fundamental tenet of capitalist business ethos. We find a business ethos characterized by a reformulation of the "invisible hand" of Adam Smith. The actors, however, are not the individual heroic entrepreneurs of Smith's day whose actions contribute to the general economic and social well-being of a nation. The "entrepreneur" is the corporation, existing in a global context and building a new world economic and social order. The entrepreneur concept exists today as an archetype, a symbolic construct. It is not so much entrepreneurs who act as individuals in the multinational corporate worldview. It is organizations (consisting of individuals) which act "entrepreneurally." Barnet and Muller (1974:55) comment:

The global corporation and the world economy it is working to build are the modern embodiment of Adam Smith's invisible hand. The most reliable instruments of social progress are not the great decisions of politicians isolated from the real world in palaces and bureaucracies but thousands of little decisions made each day by makers, buyers, and sellers of fuel, autos, computers, drugs, and packaged food, all based on nothing more "political" than (sic) healthy human acquisitiveness. "It is in reality the profit motive," says Carl A. Gerstacker, chairman of Dow Chemical, "that makes industry responsive to social needs."

The multinational corporate world-view includes a conception of the international company as, to use a term coined by Jacques Maisonrouge (1975:12), "a prophetic forerunner of a better world."

## B. The Organizational Constitution and the Corporate Paradigm

A discussion of paradigm commitments must include an explanation of the role of the organizational constitution. On the macro-social level, the need to organize diverse groups is pervasive. Organizational (political) legitimacy to a great extent depends on the degree to which value homogeneity (or at least value acquiescence) can be achieved. Legitimacy, therefore, is for the most part a function of the degree to which social (or cultural) definitions (symbols) are shared (Lehman, 1969:458).

La Piere (1954:267) indicates how symbols come to be shared in a way valuable to a discussion of multinational corporations. "The group (in this case, representatives of the corporate interest) provides . . . definitions and by them molds its universe (i.e. internal and external constituents) to its own ends." That is, within a symbolic context they provide a view of the nature of the universe constructed of "culturally standardized ideas;" in other words, "definitions that are varied and supplemented by (an individual's) particular subculture" (La Piere, 1954:257).<sup>5</sup> The symbolic context is reified through the manipulation of language. It serves in a legitimating capacity by being adapted symbolically in such a way as to promote the defined interest of a group (e.g. corporation) (La Piere, 1954:273). La Piere (1954:261) states:

. . . The members of society seldom speak or even write in terms of the culturally designated definitions. They speak and write in some special vernacular which differs

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<sup>5</sup>This should not be confused with class consciousness in an extreme sense of the phrase. Rather, it refers to ideas which, because of more or less common membership in a social group, are shared because of ". . . common location in the social and historical process" (Bottomore, 1975:161).

both quantitatively and qualitatively from the official language--i.e., from the language as embodied among a literate people in dictionaries, manuals of grammar, and the like.

This vernacular, regarding multinational corporations, is expressed in the organizational constitution, the symbolic existence of the organization. Constitutions provide "guides" or "constraints" to the existence and action of the organization in process. "An organization's constitution is its fundamental normative structure" (Zald, 1970:225). The constitution, then, refers to a set of values which may be both formal and non-formal. Zald (1970:225-226) defines the organizational constitution as follows:

The term "constitution" is often used in both a narrower and a broader sense . . . . Narrowly, it refers to a specific, usually written, set of arrangements as to the structure and rights of actors (collective and individual). Yet constitutions need not be written and written constitutions need not be binding. . . . By constitution we will refer to a historic and conceptually defined normative order.

Constitutions are pertinent to four areas of organizational normative concerns. First, organizational constitutions apply to the formal division of labor within organizations, i.e. they specify formal (contractual) relationships between members (individuals) and the larger organization. One example would be a formalized set of job descriptions. The constitution addresses ". . . norms of exchange (concerning) . . . the amount of energy, time, and commitment that the organization can expect from different members" (Zald, 1970:226). Second, the constitution relates norms concerning the distribution of power and authority. As the first describes

organizational norms of task accomplishment, the second describes norms of discretion. According to Zald (1970:226) they,

. . . specify the range of discretion and decision responsibilities of officers, groups and units. Rights and responsibilities are deeply embedded in different kinds of functional, territorial and hierarchical units. . . . Within corporate structures, questions of functional responsibility, autonomy, and levels of centralization may become basic constitutional parameters having great import for the (organization's) operation.

This first area concerns norms of participation; the second area concerns distribution of discretion. Both refer to relationships of individuals to organizations and individuals to each other within organizations. They refer to norms governing what is traditionally known as horizontal and vertical internal organization but what Zald (1970:221-257) terms "economy" and "polity" of organizations.

The third and fourth areas of organizational normative concerns (constitutions) refer to collective norms. The third refers to norms concerning inter-organizational and organizational/environmental relationships. They describe the array of "decision prerogatives between the organization and the outside world--the external power relation" (Zald, 1970:228). The fourth refers to "the collective focus of the organization--what its work shall be," i.e. its ". . . goals, target groups (clientele), and technologies" (Zald, 1970:227 and 228). Again, in Zald's view, the former refers to a political relationship between the organization with other organizations and the organization to society at large. The latter is concerned with organizational external economic relationships.

There is a connection between the overarching corporate world-view discussed earlier and the individual organizational constitutions of multinational corporations. This is illustrated in the work

of Jacques Maisonrouge (1975:11-20). Maisonrouge expresses an overall commitment to the multinational corporate view of the world and the role of the MNC in this process. The constitutions of corporations operationalize the world view. Maisonrouge states (1975:20):

(International companies) are showing the way because from the outset, they have viewed the world as it is: one great system, whose human and material resources have, unfortunately, been distributed unequally. Within that environment they have learned to plan, produce and market globally, allocating those resources irrespective of national frontiers in order to find the most effective pattern of production worldwide.

Of IBM, Maisonrouge (1975:16) relates,

. . . our (IBM's) organizational structure is designed to take advantage of the talents of our international population. Thus, our business outside the United States (constitutional, inter-societal relationships) is conducted by two Group Corporations: IBM World Trade Europe/Middle East/Africa Corporation and IBM World Trade Americas/Far East Corporation with their headquarters in New York. However, IBM World Trade Europe/Middle East/Africa Corporation has its principal management team in Paris. Each headquarters has an international staff. Management not only benefits from the diverse knowledge and crossfertilization of ideas bred in such an environment, but assignees to these headquarters receive valuable training which they take back to their countries, adding to local management strength there. (My emphasis and parentheses.)

The importance of organizational paradigms, and their role in promoting political legitimacy is their usefulness in providing a rhetoric to account for organizational existence and action. Richard Harvey Brown (1978:374) expresses a conception of organizational paradigms similar to La Pierre's "special vernacular":

. . . The structuring of organizational interaction requires members to rely upon shared but largely tacit background knowledge that is embodied in an organizational paradigm. Roles as well as the definition of "problems," "responsible opinion," "leadership," and so on, are afforded by the dominant model.

Formal reason (as defined by the organizational paradigm) is "retrospectively" applied to account for actions. The constitution of the organization, for example, serves as a legitimation "to build constituency, to define the limits of "'responsible opinion,'" and generally "to impose the planners' or managers' definition of reality upon discourse and conduct within and around the organization" (Brown, 1978:369).

The organizational paradigm defines "a structure of attention" as well as one of inattention. In this way, organizations define both appropriate and inappropriate conduct and therefore types of action (individual and collective) to be condoned or not (Brown, 1978:374). The organizational paradigm is a "vocabulary of motives" justifying action that has occurred or is occurring (Brown, 1978:370). Any discussion of complex organizations in general and multinational corporations in particular should recognize that organizational action (individual and collective) does not imply a congruence with the paradigm. That is, the operationalization or "application" of the organizational paradigm does not necessarily imply consistent action. For instance, organizational programs and policy need not be perfect applications of the organizational value set. This can be demonstrated through the work of Elizabeth Schmidt (1980). In her study of U.S. based multinationals, it was observed that while formally adopting a policy of non-apartheid employment practices in their operations in South Africa (i.e. they included this policy as part of an organizational constitution), two and one half years after the adoption of such policy, "Seventy-one percent of the black workers (employed by these firms) still worked in segregated job categories;

nearly one-quarter were employed in the lowest category of work. . ." by October, 1979 (Schmidt, 1980:45). What should be recognized in this perspective is that organizational action comes to be couched in the "director's statements of the organization's nature, purpose, and goals" (Brown, 1978:369). More important than paradigmatic definitions themselves is the way that they are used. This is a more "important factor in the determination of conduct" than the content of the definitions (La Piere, 1954:260). Ideas, because they are defined as "rational" do not imply that action will be organizationally beneficial or that action will be beneficial to its environment and constituents. In Benson's (1975:231) words,

Abstract goal statements then recede into the background of shared assumptions, which are taken for granted, and may be employed primarily to provide continuing ideological legitimation for ongoing activities.

It is not necessary for paradigm commitments to be in the forefront of consciousness at all times. These values are drawn on to explain organizational action implemented through its structure. Paradigm commitments are subject to change consistent to the degree to which action affects the environment. The organizational value set is subject to redefinition so that its perceived consistency with reality (its political legitimacy) is continually re-established.

These paradigm commitments cannot be understood outside the context of organizational structure, since as stated earlier, paradigm commitments emerge through and to an extent propel the emergence of structure. For this reason, the discussion turns from the "non-structural," ideational or value aspects of the multinational corporation to the structural aspects of these firms.

## II. Structural Morphology of the Multinational Corporation: Structural Elements and Organizational/Interorganizational Environment

The remainder of this chapter will deal with structural elements and interorganizational and organizational/environmental linkages. The nature of the multinational corporation, i.e. as a global concern, allows us to view structural elements and political economic characteristics within the same context. The reason is the capacity for the multinational to organize vertical and horizontal elements of production and other activities on an increasingly global scale. So, unlike many other types of organization, its tendency to organize across divergent geographic areas implies a necessity and ability to manipulate its environment in order to construct or impose these particular structural elements. To grasp the nature and characteristics of the multinational corporation it would be limiting merely to discuss structural elements of organization per se. In a discussion of these elements we must take into account that they are, for instance, organized horizontally and vertically across and between geographic areas.

### A. Structural Elements: Export Platforms and the Corporate Division of Labor

In a discussion of structural elements of the multinational corporation, the relationship between the MNC and its host countries must also be taken into account. This is especially the case since one of the main organizational features of the MNC is the establishment of the export platform (and the characteristic structural features) which is organized on this basis. Vertical and horizontal distribution of roles, as well as specialization and role differentiation are closely tied to and center around the export platform.



Export platforms are established through the process of world-wide sourcing, an essential feature of modern oligopolistic competition (Adam, 1975:93). World-wide sourcing, is a process made possible by the global scanning capacity of modern corporations. Its function is to combine high-cost manufacturing processes with low-cost labor, and depends on development of technical specialization of production with a concomitant transferability of skills from one area to another (Adam, 1975:98). This implies an ability and necessity for highly mobile capital. Adam (1975:101) states:

. . . The whole concept of worldwide sourcing is based on wage rates low enough to offset almost any other considerations. . . . The mobility of the global companies makes them able to migrate quickly to other low-wage areas.

The result is the emergence of industries, internationally and vertically integrated into increasingly world-wide structures of production (Adam, 1975:98). By differentiating and routinizing processes of production, a variety of operations can be done across the planet, according to a rational calculation of cost. The "partial-products" of each of these dispersed operations can be ". . . reintegrated into a global product" (Barnet, 1980:245).

Adam (1975:91-92) presents the steps of the development of export platforms (paraphrased).

1. There is a tendency for labor intensive industries in decline to shift production to foreign, lower wage areas.

2. This shift is followed by a shift of industries with "longer product-life cycles" (Adam, 1975:91).

3. There is a shift of "labour intensive portions" of highly technological industries, e.g. electronics (Adam, 1975:91).

4. There is a migration of capital intensive industries oriented toward production of mass consumer items, which still have many labor intensive operations.

5. There is a shift of capital intensive industries confronted by such things as environmental regulations in their "home" countries.

6. There is a trend toward establishing subsidiaries in proximal low-wage areas thereby also offsetting costs of various tariff barriers.

7. "Export points or bases to supply certain regional areas" (Adam, 1975:92) are established.

8. Products reach a point where they no longer prove optimal for production in the original area of development, but may optimally be produced in low-wage areas.

These final two points describe fully developed export platforms.<sup>6</sup>

Corporations "based" in one country actually export products to it from another via the export platform, what Barnet calls "free production zones" (Barnet, 1980:246).<sup>7</sup> Multinational corporations represent organizational types capable of organizing production on an increasingly global scale by "integrating local operations into a worldwide enterprise" (Barnet, 1980:243).

Host countries perceive export platforms as a means to sell their most abundant product which is labor (Barnet, 1980:247). To

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<sup>6</sup>From Barnet (1980:250) we learn: "The rise of the export platform has also given rise to the Third World multinational. Thirty-four of the Fortune 'overseas 500' companies have their headquarters in underdeveloped countries. Some, like Ford do Brasil, 89 percent of which is in the hands of the Ford Motor Company, are really transplanted U.S. organizations. But the Taiwanese steel company building mills in Nigeria, the Filipino beer monopoly that operates breweries in Spain and New Guinea, and the Korean construction companies in the Middle East with more than \$4 billion in contracts, are primarily the creatures of local capitalists and Third World governments. It is a new development that reflects the absorption of transferred technologies and the unique opportunities companies from small countries have to take markets away from the giants. 'We favor investors from small places like Hong Kong,' says the trade minister of Sri Lanka, 'because nobody can talk about a sell-out to imperialism in the case of a country that is as small or smaller than we are.'"

<sup>7</sup>Actually, of the two terms, "export platform" and "free production zone," the former refers to its distributive function, the latter to its productive function.

do so, host governments seek to maintain attractive environments from the point of view of business interests. This is achieved through the establishment of incentives which include duty and tax exemption on productive capital and resources, ". . . five- to ten-year tax 'holidays,'" relaxed restrictions on foreign exchange and other such "supporting services" (Barnet, 1980:246). For example, the Korean Masan Free Export Zone is characterized by an environment where labor strikes are unlawful by government mandate. Barnet (1980:246) further illustrates this through the observation that in Columbia, the "Franca Industrial y Commercial in Palmaseca advertises the following:

The essential aim of free zones is to make available factory space and other facilities to export manufacturers at a low cost and with a minimum of controls and red tape, so that they will be induced to take advantage of the ample supply of low-cost labor. . . . An ample supply is available, with wages ranging from U.S. \$0.13 to U.S. \$0.24 per hour actually worked (including legal benefits for unskilled workers). This compares favorably with rates in most Free Zones throughout the world. . . .

An even more conspicuous example is cited by Barnet (1980:247) who observes:

Not only do they (host governments) advertise their "attractive" wage rates, but governments also market their cultural traditions. Thus, the Office of the Board of Investment of Thailand notes in its 15 Powerful Reasons Why You Should Invest in Thailand that "the Thai people are naturally clever with their hands" and that the relationship between employer and employee resembles that of "guardian and ward."

The existence of export platforms or free production zones imply a "macro-organizational" division of labor. That is, export platforms are areas where a specific type of labor force is provided; i.e., unskilled. An export platform fills a specialized role in production and distribution. The activities in these areas are

coordinated and controlled within the overall corporate organizational scheme through the general organizational distribution of corporate offices.

The export platform also implies a particular type of distribution of horizontal and vertical roles (complexity) within the corporation. It has, in other words, implications for the differentiation and distribution of roles for both management and labor. Stephen Hymer (1975:48-56) analyzes the ". . . spatial dimension of the corporate hierarchy." He identifies three general levels of administration, task, decision making and policy. Level III represents the bottom most level and is applicable to the management of ". . . day-to-day operations of the enterprise. . . ." Level II is an intermediary level ". . . responsible for coordinating the managers at Level III." Level I constitutes the uppermost level, ". . . top management--(whose functions) are goal determination and planning" (Hymer, 1975:49). Using this three level scheme Hymer (1975:49) says of the evolution of corporate structure:

In the Marshallian firm, all three levels are embodied in a single entrepreneur or undertaker. In the national corporation, a partial differentiation is made in which the top two levels are separated from the bottom one. In the multidivisional corporation, the differentiation is far more complete. . . . The development of business enterprise can therefore be viewed as a process of centralizing and perfecting the process of capital accumulation. . . . In the modern multidivisional corporation, a powerful general office consciously plans and organizes the growth of corporate capital. (Emphasis mine.)

The modern multinational corporation not only furthers this process of differentiation between levels by incorporating new office levels, but develops the importance of spatial (geographic) dimensions. The multinational corporation, through export platforms

and foreign subsidiaries, has developed and necessitated an intra-organizational structure that presents important consequences for the corporate division of labor. Because of simultaneous needs of corporations to acclimate within various individual local cultural circumstances as well as coordinate a global production system, the multinational corporation has developed a division of labor based on nationality of constituents (Hymer, 1975:53). Correspondent to the levels of control presented above, daily (Level III) operations tend to be carried on by nationally indigenous people who are more familiar with the local cultural, social, and legal circumstances. Level II activities are undertaken by what Hymer (1975:53) calls "reticulators." The people who make up this level horizontally coordinate activities and relay information between subsidiaries. Vertically, they act as a communicative intermediary between subsidiaries and the general office of Level I (Hymer 1975:53). According to Hymer (1975:53-54),

These people (reticulators) for the most part will be citizens of the country of parent corporation (and will be drawn from a small, culturally homogeneous group within the advanced world), since they will need to have the confidence of their superiors and be able to move easily in the higher management circles. Latin Americans, Asians, and Africans will at best be able to aspire to a management position in the intermediate coordinating centres at the continental level.

Of course, people who occupy Level I tend to be recruited from the country of the parent corporation. As Hymer (1975:54) observes ". . . the closer one gets to the top, the more important is 'a common cultural heritage'."

Consistent with this argument, Barnet and Muller (1974:29) observe that, "top management continues to be recruited from rich

countries; workers increasingly from low-wage areas." Barnet (1980) illustrates this recruitment of labor by pointing to the Mexican export platform. He (1980:249-250) relates the following:

A booming free zone is the Mexican border. More than 450 assembly plants have been located along the 2000-mile frontier. General Electric, RCA, Rockwell, Samsonite, and many others operate twin factories on each side of the border. Complex operations are performed on the U.S. side. The components are then shipped across the river for final assembly by Mexican workers who receive a fifth to a third of the U.S. wage rate. The assembled electrical appliances, calculators, suits, luggage, musical instruments, and furniture are then reshipped to the U.S. for distribution. About 83,000 Mexicans are employed in the border operations; 98 percent are under the direction of a U.S. manager.

Recruitment of management seems correspondent with nationality. There is also a related tendency toward correspondence between recruitment of labor and nationality. The nature of the export platform indicates an overall tendency to recruit skilled labor from parent countries and unskilled from host countries.

In order to shed light on this aspect of multinational corporate structure we now turn to Peter Blau's (1975) theory of forms of differentiation. Of social structure, which in this case also refers to organizational structure, Blau (1975:221) states, "The social positions that govern the social relations among their incumbents define social structure." Also, structure is ". . . delineated by its parameters." These parameters constitute criterial bases of distinctions which humans construct within the context of social interaction.

Blau (1975:222-225) delineates two types of parameters which he labels nominal and graduated. The former describes the criterion on which a social group is divided into various subgroups. These

subgroups have "explicit boundaries" and include such things as "sex, religion, racial identification, occupation, and neighborhood" (Blau, 1975:222-223). Nominal parameters do not inherently imply hierarchical status differences, but nominal distinctions may be made between hierarchical levels. For example, the difference between members of different levels on an organizational hierarchy, say between Level I and Level III, would imply a status difference and a nominal distinction vis-a-vis their specialized occupations. The latter, graduated parameters, describe the differentiation of people by status position. The graduated distribution of roles in a hierarchy may ". . . reveal discontinuities that reflect hierarchical boundaries. Education, age, income, prestige, and power are examples of graduated parameters" (Blau, 1975:223). So, within organizational contexts generally and corporate contexts in particular, nominal differentiation would reflect, and be defined by, the degree of horizontal differentiation. Likewise, graduated parameters would reflect and be defined by the degree of vertical differentiation.

The distinction is that between heterogeneity, which is non-hierarchical, and status inequality, which is hierarchical (Blau, 1975:224). "Nominal parameters produce horizontal differentiation or heterogeneity, and graduated parameters produce vertical differentiation or inequality" (Blau, 1975:224). What seems to be occurring in multinational corporations is this:

Multinationals create an intra-organizational structure or network that cuts across many "nominal" barriers at once; e.g., political, geographic, cultural, etc. Increasingly, on a global basis

one's nominal status within the corporation; i.e., what type of job one occupies, and one's graduated status; i.e., one's position in an organizational hierarchy, becomes coterminous with one's extra-organizational nominal position; e.g., nationality. This tendency is illustrated by Hymer (1975:55) who observes:

The subsidiaries of multinational corporations are typically amongst the largest corporations in the country of operations, and their top executives play an influential role in the political, social and cultural life of the host country. Yet these people, whatever their title, occupy at best a medium position in the corporate structure and are restricted in authority and horizons to a lower level of decision making. (My emphasis.)

One's horizontal and vertical (discretionary) position within the global corporate organization is associated with one's nominal and graduated social positions. For instance, one's graduated position in a corporate subsidiary is associated with nominal status in the host country. At the same time, one's graduated status (e.g., managerial level) within the total international organization is associated with one's nominal status (e.g., nationality).<sup>8</sup>

#### B. Organizational Construction of Environment: Resources and Interaction Networks

The concern in analyzing organizational/environmental linkages is the way in which organizations socially construct their

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<sup>8</sup>Dugger (1980:402-403) states: "Human relations within the corporate bureaucracy are not rationally impersonal and universalistic. The specialized expert does not necessarily rise to higher levels of decision making where his knowledge can be brought to bear effectively. Instead, the socially acceptable candidate for promotion often takes his place. Kanter coins a new phrase for this bureaucratic phenomenon: "'homosocial reproduction'--selection of incumbents on the basis of social similarity." Multinational corporations seem to have expanded this bureaucratic phenomenon internationally.



environment. Organizational construction of social context describes the emergent process of establishing organizational/environmental linkages. There exists a ". . . propensity for some organizations to socially construct their own environments" (Zeitzi, 1980:72).

The existence and maintenance of organizations is associated to the degree to which environmental factors can be manipulated in such a way as to be amenable to their existence and maintenance. The maintenance of organizations, in this sense, depends on the degree to which organizations can determine their context. This is certainly true of multinational corporations. As global capital accumulating organizations, multinational corporations "seek" to manipulate their environment in such a way as to reproduce the conditions within which accumulation may be realized.<sup>9</sup> The research of Goodman (1976:66) indicates that such an environment consists generally of two elements: 1) a context conducive to the realization of profit; and, 2) a context in which corporate discretion is promoted. These are two interrelated aspects of centralization. The first refers generally to the organizational control and manipulation of capital. The second refers to the position of the corporation within an oligopolistic interaction network.

#### 1. Corporate Power and the Control of Capital

Hammid Mowlana (1975:78) defines technology as "the application of knowledge in a systematic fashion with a view of achieving control over nature and human processes." First, this definition

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<sup>9</sup> Again, see Mandel (1978:596).

has a political implication in so far as it is a control process. Second, this definition not only includes an idea of the importance of "hardware" technology (e.g., communications and transportation technology discussed earlier), but also indicates, vis-a-vis, "control over . . . human processes," the importance of techniques of organization. Commenting on the power of multinational corporations through techniques of organization, Stephen Hymer (1975:52) states:

. . . It is organization that imposes a ritual judicial assymetry on the use of intrinsically symmetrical means of communications and arbitrarily creates unequal capacities to initiate and terminate exchange, to store and retrieve information, and to determine the extent of the exchange and terms of discussion . . . Multinational corporations centralize control by imposing a hierarchical system.

Technology and technical capacity is a resource. It is also a means whereby other productive resources, material and human, are centrally organized. "Resources . . . include raw materials, technologies, land, and financial resources, as well as administrative linkages, laws, personnel, communication networks, legitimacy and language" (Zeititz, 1980:74).

Technology is utilized to manipulate several resource bases, among which are finance capital and labor. It is through modern cash management systems that a world currency system is arising. Barnett and Muller (1974:28) point out that finance capital is increasingly developing an international character. This may have impacts, within the capitalist system, which are at least as important as the increasing development of international productive capital. Multinationals possess a surveillance capacity allowing increased control over finance capital through speculation in money

markets.<sup>9</sup> Because of their size and capacity, multinationals tend to attract and control local capital from less developed areas as well (Barnet and Muller, 1974:29). Also, we have seen how technology and organizing techniques are important for the control of labor via the organization of the export platform.<sup>10</sup>

There is also a general impact of the Third Technological Revolution which has important implications for the way multinational corporations relate to their environment. Full industrialization of productive processes and capital (industrial) infusion-into agriculture creates a permanent pressure for technological innovation (Mandel, 1978:192). Mowlana (1975:79) explains,

. . . American corporations have increasingly accepted the idea of technological innovation as the key to their expansion and growth. Planned innovation is an essential concept of this acceptance.

The increased necessity for technological innovation tends to reduce turnover time in consumer goods as well as of productive material technology (Mandel, 1978:193).

Pressures toward technological innovation have prompted corporations to seek increased control capacity over the environment in two important respects, through control over pre-productive and post-productive processes. The multinational corporation is not only the organizational (bureaucratic) form of administering production,

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<sup>9</sup>" . . . Global corporations are in a unique position to play the world capital and currency markets, arranging where possible to 'lead' their Accounts Payable (i.e. make early payment) where currencies are on the rise and 'lag' their Accounts Receivable (i.e. delay payment) where currency is likely to weaken" (Barnet and Muller, 1974:29).

<sup>10</sup>Also, higher degrees of corporate mobility, and the development of increasingly capital intensive productive technologies and techniques have enhanced the capacity of multinational corporations to control labor.

but attempts to promote environmental stability by organizing pre-productive and post-productive processes. This is sought through the organization of research and development (R and D) and sales (e.g. marketing and advertising) respectively.<sup>11</sup>

However, reduced turnover time and acceleration of technological innovation involve risks to expansion, because large capital investments are increasingly necessary. Therefore, optimal output and sales (realization) also become prerequisites to corporate expansion (Mandel, 1978:320-321). Accelerated obsolescence induces accelerated consumption (both of productive technology and of consumer items). Large investment of productive resources and finance capital induces a need for predictability in all phases of production. Pre-productively, research and development is the organizational attempt to guarantee innovation and diversification in products and markets. Post-productively, marketing techniques are the organizational attempt to guarantee sales (realization) or consumption of the products produced via the innovation process. This necessitates planning and, therefore, rationalization along with ". . . advertisements and customer manipulation, and planned obsolescence of commodities" (Mandel, 1978:228-229). Corporations attempt to guarantee profits (i.e. control and construct an environment) by implementing ". . . continuous (horizontal) differentiation of products, projects, and markets" (Mandel, 1978:229-230) through the organization of research and development and marketing.

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<sup>11</sup>According to Hall (1977:131), "Intraorganizational variations in complexity can also be seen in manufacturing firms with research and development departments." (My emphasis.)

## 2. Interorganizational Networks and the Construction of Environment

The attempt to create stability in the environment also occurs interorganizationally. For example, the need for predictability in production and consumption creates pressure on the nation-state (especially in the core) to guarantee profits to corporations by maintaining a stable economy. This is implemented by the establishment of corporate-government contracts (especially in military and defense spending) as well as government subsidization of corporate research and development projects.<sup>12</sup> What we find is the emergence

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<sup>12</sup>One of the implications of present economic development is that production of consumer goods cannot proceed optimally because of restrictions on purchasing power of consumers, such as during inflation or depression. The necessity of the State to guarantee profits to conglomerates is done at the cost of permanent inflation. One of the primary sources of guaranteed profits to corporate interests derives from arms production. Permanent inflation is an implication of what Mandel calls the use of the printing press to create more money to pay for State spending deficits in arms (Mandel, 1978:413). Another source of finance for State purchase of arms is taxation. However over-taxation further restricts popular purchasing power and curtails or limits purchase of consumer goods. In order for restrictions on purchasing power to be counteracted, productive resources must increasingly be utilized for production of the "means of destruction" (Mandel, 1978:301). This process is legitimated and regulated by fluctuations in degree along a continuum of "active" Cold War and detente, which limits or encourages a pre-supposition of possible war and allows the war economy to develop at various regulated rates depending on impending economic needs. Full industrialization, the necessity to invest large amounts of capital via technological innovation and reduction of turnover time, and restrictions on popular purchasing power presents problems connected with over-capitalization. Through permanent arms production, capital can be absorbed, "burned off," or "stockpiled" without the need to enhance non-military output in either producer or consumer goods industries and also without any need to improve social purchasing power (Mandel, 1978:302). This last idea is also expressed by Szymanski, who claims that the permanent arms economy allows ". . . the capital accumulation process . . . to proceed even though . . . consumers have inadequate purchasing power" (Szymanski, 1977:388).

of an interorganizational (interaction) network, of which Benson (1975:230) states:

The basic unit of analysis is the network of organizations. Such a unit consists of a number of distinguishable organizations having a significant amount of interaction with each other. Such interaction may at one extreme include extensive, reciprocal exchanges of resources or intense hostility and conflict at the other. The organizations in a network may be linked directly or indirectly. Some networks, for example, may consist of a series of organizations linked by multiple, direct ties to each other. Others may be characterized by a clustering or centering of linkages around one or a few mediating or controlling organizations.

The ways in which corporations interact with other corporations and organizations is highly variable and circumstance specific. What we will attempt to do in this section is specify some of the major means by which organizations seek to manipulate their environment interorganizationally. That is, we will attempt to determine some of the major instances of organizational interaction in which organizations seek ". . . active control . . . over their environments" (Zeitzi, 1980:77). Specifically, these instances are those in which sets of various organizational establishments are represented on single corporate boards of directors.

Thus, the discussion turns to cooptive organizational networks of which we will identify four types. These include organizational intersections, indirect interlocking, direct interlocking, and mergers. These are arrayed in an order which reflects the degree of centrality of one organization in relation to others. That is, they are ordered according to the amount of power (centralization) one organization has in relation to others in its immediate network. The first, organizational intersections, is not actually a cooptive strategy because no organization existing in such a relationship is coopted.

However, it deserves mention because it is an instance of organizational cooperation. These include situationally specific instances when two or more organizations intersect on a short-term basis to deal with some perceived "problem" in the environment. For example, Sampson (1980:267-283) describes the rather "clandestine" intersection of ITT and the CIA to cooperatively enter into a conflict relationship with the Chilean government of Allende.<sup>13</sup> The perceived environmental problem was the potential implications of the outcome of Chilean presidential elections.

Indirect interlocks (Burt, 1980:565) refer to cooptive strategies where corporations establish control or enter problematic sectors through intentional or unintentional coincidence. No representatives of the indirectly coopted organization would appear on the board of directors of the "central" firm. However, the central firm could establish some level of control over another by a direct interlock with an intermediate firm. These intermediate firms in corporate interactions of this type tend to be financial firms because high rates of interlocking are apparent between financial and non-financial firms.<sup>14</sup> So, for example, firm "X" can establish a certain capacity to influence activities of firm "Z" by forming a direct interlock with a financial firm "Y", with which "Z" would already be interlocked. Burt (1980:565-566) emphasizes that there is a certain lack of "systematic evidence" to support the importance of financial

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<sup>13</sup>For an account of this, see Sampson (1980:267-283).

<sup>14</sup>See also Richard E. Ratcliff (1980:553-570).

corporations in this type of cooptation but, nevertheless, provides the following example:

Firestone interlocks with Western Airlines and Cleveland Trust. Cleveland Trust then interlocks with two additional firms owning establishments in the transportation and warehousing sectors--American Airlines and Pan American Airlines. It could be coincidence, but by interlocking with Cleveland Trust, Firestone has tripled the number of establishments with which it has an "inside" connection in the transportation and warehousing sector, a sector for which 53 percent of its total manufacturing purchases are provided by those in which Firestone owns an establishment.

Direct interlocks are created when representatives of various firms sit on common boards of directors. This provides direct information input-output channels between several firms and the environment. This type of interlock provides ". . . a conduit for information on each firm's environment. . . ." with the potential to provide involved interests ". . . an 'inside' connection to those establishments reachable via the interlock" (Burt, 1980:565).

Merger is the most direct cooptation strategy. Merger occurs when a central firm directly takes over ownership of a "peripheral" firm. So that, where interlocks imply some sort of horizontal relationship between firms, mergers imply the cooptation of "lesser" firms into a centrally controlled corporate hierarchy. Thus, the board of directors of such a firm would consist of representatives of various establishments directly owned and controlled by a single corporation (Burt, 1980:563). Because establishments are in a vertical, hierarchical relationship with the corporation, merger provides the optimal type of cooptive strategy. That is, the advantages of merger are the advantages of hierarchy; e.g., control of the environment is optimized by more direct communication within and between



establishments, and ". . . perfect audit information on other establishments in the hierarchy" (Burt, 1980:563).

Mergers also provide corporations with a means of intensifying control over the external environment. When one firm merges with several others, provided they are profitable, it creates a more stable and secure environment by allowing diversification of products and markets, from which it would directly benefit without the risk and expenditure of establishing diversified product lines and markets from "scratch." ITT is a case in point. Sampson (1980:66-94) relates that ITT, under perceived environmental pressures to diversify, pursued a vast merger program with smaller, but profitable (basically) single-function firms. This example is interesting because ITT carried out this program through an interlock with Lazards, a financial firm which had representatives on some sixty corporate boards, including Fiat and RCA (Sampson, 1980:74-76). Through Lazards, ITT was first able to purchase Avis Rent-a-Car, and in five years mergers were completed with a host of other establishments. Sampson states (1980:81-82):

. . . They included Bramwell Business College . . . and the Nancy Taylor Secretarial Finishing School of Chicago. (ITT) bought insurance companies, mutual funds, pump companies, lampmakers; and as the ITT empire grew, so the interests of the different provinces began to overlap so that one could help another. In 1966 (ITT) bought Apcoa, the car-parking company . . . which fitted well with Avis; and the next year (ITT) bought Cleveland Motels; . . . in 1968 (ITT) bought Transportation Displays . . . (ITT) bought business colleges and secretarial schools, and also bought Speedwriting, the shorthand system, which could be used in other ITT companies. ITT bought a sizeable publishing company, Howard Sams, which with its subsidiary Bobbs-Merrill brought ITT into publishing textbooks.

Of all types of cooptive techniques for gaining control over the environment it should be pointed out that the capacity to utilize

any one strategy is also limited by environmental conditions. For example, limitations are imposed by such things as a firm's available resources and government imposed limitations to the establishment of such relationships (Burt, 1980:564). Of course, environmental limitations that multinational corporations themselves create are also part of this social phenomena.

### Summary and Conclusion

The development of capitalist firms is a process of emergent morphology. Generally, capitalist organizational development has been a process of structuration characterized by increasing expansion and intensification of vertical and horizontal differentiation as well as wider spatial development. Capitalist firms have interactively expressed an emergent tendency toward centralization of commanding power over resources. The relationship of firms to each other is becoming increasingly oligopolistic.

The morphology of firms can analytically be understood by identifying the paradigm commitments, structural elements, and inter-organizational/environmental linkages of firms. These were applied in a delineation of the morphology of the multinational corporation, the current expression of firm development.

Changes in material conditions of production and accumulation account for changes in the paradigm commitments of firms. These are expressed through commitments to a general "economic ethic" and organizational normative constitutions.

Multinational corporate structural (intraorganizational) elements are expressed through: 1) the spatial dimension of world-wide sourcing and the organization of the export platform; 2) the redelegation

of administrative functions vertically and horizontally; and, 3) the nominal and graduated relationship between spatial and vertical/horizontal dimensions. Through the organization of the export platform a linkage between the organization (structural elements of the MNC) and the larger environment is seen because the export platform is the primary channel through which multinationals relate to host countries.

The interorganizational construction of environment was discussed via the primary means by which interorganizational relationships are constructed. These include organizational intersections, indirect interlocks, direct interlocks, and mergers. Each differs in the degree to which centralized relationships between firms are formed (where mergers place previously autonomous firms under the most centralized administrative structure).

The morphology delineated here presents an overall picture of how these general developmental trends are expressed in the present era. The morphological features describe several of the important dimensions which constitute the multinational corporation (the most influential form of capitalist business organization in the present "stage" of capitalism.) This has been a general description of the reality which multinationals create. In the next chapter we will attempt to expand the concept of morphology by examining the constraints to corporate development; i.e., the socially produced contextual constraints to the development of the multinational corporation.

## CHAPTER V

### MULTINATIONAL CORPORATIONS AND THE PROCESS OF PERIPHERALIZATION: AN ASSESSMENT OF "SOVEREIGNTY-AT-BAY" AND "DEPENDENCIA"

#### Introduction

The discussion in Chapter III indicates the way in which peripheralization occurs through the development of capitalist firms. Peripheralization is extended and intensified as organizations increase in level of complexity and level of centralization. The morphology of the multinational corporation presented in the previous chapter is understood to be the present stage in corporate development. As such, its paradigm commitments, structural elements, and interorganizational/environmental linkages are conceptualized as the present expression of emergent organizational complexity and centralization. The task of the present chapter then, is to discuss the contemporary occurrence of peripheralization through the multinational corporation and to examine the extent to which the MNC, like its organizational predecessors, reconstructs peripheralization. It is necessary to assess the implications of the existence of this type of organization on its environment. This assessment will be pursued by using literature that describes and reflects two prominent models of the role of the multinational enterprise in the process of socio-economic development.

The first, sovereignty-at-bay, is a view of the multinational as a diffusion medium--an organizational form through which the means

of economic development are diffused from relatively developed areas (core) to relatively underdeveloped areas (periphery). The dependencia perception, on the other hand, is a view of the multinational as an accumulation medium--an organizational form through which capital is accumulated from the relatively underdeveloped areas to the relatively developed areas.

In the sovereignty-at-bay conception, development and underdevelopment are perceived as conditions historically intrinsic to certain areas. Whether or not an area may be described as developed or underdeveloped is a function of its own historical performance in implementing processes of development. This view of development is that it is something of a ". . . race which started somewhere before the industrial revolution and in which some countries reached advanced stages while others stagnated" (Sunkel, 1979:217). Related to this idea is a perception that these "stagnated" areas eventually enhance their developmental position via benefits which accrue to them from the developmental process of more advanced areas. On the other hand, the historical perception of development/underdevelopment in the dependencia conception is that these conditions are not intrinsic. This perception is characterized by a view of an emergent single capitalist economy. In this model, development/underdevelopment are ". . . simultaneous processes: the two faces of the historical evolution of the capitalist system" (Sunkel, 1979:217).

The former (sovereignty-at-bay) then, is a general perception of the impacts of multinational corporations as positive or beneficial to social development. The latter, of course, is a generally negative perception of the impacts of multinational corporations,

that they are detrimental to social development. A more extensive account of the general content of each is presented below.

I. Two Perceptions of the Developmental Consequences of Multinational Corporations

A. "Sovereignty-at-Bay"

The sovereignty-at-bay conception of multinational corporations is based on three interrelated perceptions. First, advances in the technology of conquering space have thrust human society into a world characterized by increasing "shrinkage." Raymond Vernon (1976:42) expounds:

Let me begin with the self-evident. In recent decades, space has shrunk; in economic terms, the cost of overcoming the obstacles imposed by space has declined in relation to the cost of most other things. The shrinkage, however, has not been uniform for all kinds of space. In the hearts of old cities, we do not travel end (sic) communicate faster or more easily than we did some decades ago. Our speed and ease of travel and communication inside the developed countries have increased only moderately. It is in the open spaces, and especially in the international spaces, that the spectacular shrinkages have occurred.

Second, this shrinkage of global space has forced the nations of the world into a state of economic interdependence. Third, as a consequence, the nation-state is becoming increasingly anachronistic (Gilpin, 1979:354). In national affairs, economic goals of full employment, development, and economic welfare have superceded more traditionally political goals concerning such things as national autonomy. These pursuits are attainable only through participation of nations in the developing world economy (Gilpin, 1979:355).

Herein lies the importance of multinational corporations in this perspective. Because of economic welfare and world efficiency

criteria, nation-states must increasingly give way to 1) organizations of international production, 2) international finance currency (e.g., the Eurodollar market), and 3) ". . . other economic institutions better suited to the economic needs of mankind" (Gilpin, 1979:354). In this conception, the multinational corporation as an organizational form is ". . . the embodiment par excellence of the liberal ideal of an interdependent world economy" (Gilpin, 1979:355). As such, it possesses a perceived global ability to organize production, finance, and marketing. At the same time, it is a system capable of making decisions in the organization of these factors without regard to national interests (Gilpin, 1979:355). Gilpin (1979:355-356) states:

The multinational corporation . . . is now believed to be sufficiently strong to stand and survive on its own. The flexibility, mobility, and vast resources of the corporation give them an advantage in confrontations with the nation state. A corporation always has the option of moving its production facilities elsewhere. If it does, the nation state is the loser in terms of employment, corporate resources, and access to world markets. Thus, the multinationals are escaping the control of nation states, including that of their home (source) governments. They are emerging as sufficient powers in their own right to survive the changing context of international political relations . . . In response to growing economic demands of its citizens, the nation state must adjust to the forces of economic rationality and efficiency.

The sovereignty-at-bay perception goes on to describe multinational corporations as changing the relationships between developed and underdeveloped societies. Developed areas are presently undergoing a two-fold process. First, they are progressively becoming more service oriented. Second, they are facing increasingly high labor costs in their "source" areas. This emerging trend is leading production interests to migrate to more "profitable" geographic

locations.<sup>1</sup> "Manufacturing, particularly of components and semi-processed goods, will migrate to lesser-developed countries" (Gilpin, 1979:357).

In so doing, multinational corporations are mediums through which the benefits of the more advanced areas are passed to underdeveloped areas through something of a "trickle-down" effect. In this view, internationally integrated computer information and communications systems invariably lead to the diffusion of ". . . skills, technologies, and industries" (Gilpin, 1979:357). The development of multinational corporations promotes the development of a world economic system in which the furtherance of the general economic welfare through growth is facilitated. The development of underdeveloped nations becomes possible by the transmission of capital, technology, and knowledge from the advanced nations through the multinational corporation (Gilpin, 1979:357). Andre Gunder Frank (1967:27) summarizes this diffusionist position:

. . . The underdeveloped countries lack investment capital and therefore find it difficult or impossible to develop and thereby escape from their poverty. Therefore, the richer developed countries can and should, and do diffuse capital to the underdeveloped ones, thereby promoting their economic development.

#### B. "Dependencia"

In the sovereignty-at-bay perception, multinational corporations are viewed as promoting and establishing a system of relative benevolence. The diffusion of wealth from developed areas acts as

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<sup>1</sup>For example, "The technological backwardness of the U.S. steel industry has opened the door to a major shift of world steel production" (Barnet, 1980:274).



a catalyst in the growth of areas of lesser development. On the other hand, in the dependencia perspective, multinational corporations are portrayed as imposing a hierarchical, exploitive system of organizing world economic activities. As such, multinationals act as a medium through which wealth and benefits of lesser developed areas are appropriated to areas of greater development. The major impact of such a system has been the increasing establishment of relations of dependence of underdeveloped areas (the majority of the global population) on the developed areas of the core (Gilpin, 1979:357).

The infusion of foreign firms into underdeveloped nations has promoted growth, i.e., increased rates of growth, according to a spokesman for the dependencia perspective, Osvaldo Sunkel (1979:216). However, in so doing, it has also increased and enhanced uneven development by initiating in underdeveloped areas processes of modernization. Multinational corporations have built up in these areas production activities which are highly capital-intensive and concomitantly initiated the ". . . disruption, contraction, and disorganization of traditional labor-intensive activities" (Sunkel, 1979:216).

The gap between more affluent nations and relatively less affluent ones is intensified by a world division of labor between ". . . higher and lower economic functions" (Gilpin, 1979:358). Consequently, the outcome of multinational corporate behavior is two-fold: it does create wealth, but it does so at the expense of a comparable increase in poverty. Wealth is "created" through the appropriation of surplus-value from lesser developed areas. The result is the creation of dependence, explained by Gilpin (1979:358).

By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or negative effect on their immediate development.

The ability of multinational corporations to impose control and therefore create dependency is reflected in their stages of foreign encroachment. Sunkel (1979) points out that these follow a general pattern.

1. Corporations export to lesser developed areas finished products.
2. Corporations organize marketing and sales in foreign areas.
3. They grant to foreign producers the right to produce manufactured products by allowing them legal access to patents and licenses.
4. They buy out local producers in order to establish full or partially owned subsidiaries (Sunkel, 1979:218).
5. "In the process a new structure of international economic relations is emerging, where trade between national firm Z of country A and national firm Y vanished from the picture" (Sunkel, 1979:218).

The difference between the two outlooks is centered on their differing conceptions of development. The sovereignty-at-bay viewpoint of multinational corporations equates development with absolute economic growth. The growth of corporations and their expansion inherently implies that the "means of development" will spread to those areas in which it grows. Multinational corporations bring to underdeveloped areas the propensities of development, propensities which lesser developed areas inherently lack.

The dependencia conception of development does not equate growth with development. Growth is only possible, in this view, when the

"means of growth" are appropriated from certain areas. Certain regions of the world are not inherently underdeveloped. The affluent development of other regions of the world is accomplished by the underdevelopment of others. Underdeveloped areas find themselves in this condition because they are the "victims" of this process.

In the next section we will examine some of the effects of multinational corporations. Keeping these two models in mind, we will assess the effects of multinational corporations and discuss them as they relate to the process of peripheralization.

## II. The Model of Multinational Corporate Development and Morphology

Whatever disagreements exist between the two perspectives presented above, they agree on at least two points. First, they agree that multinational corporations have become the dominant organizers of world resources--energy, minerals, food, and labor. Second, they both agree on the point that increasingly underdeveloped areas are becoming the centers of production of manufactured goods and that they are increasingly coming under the auspices of the world headquarters of multinational corporations--corporations are expanding beyond national limitations (Barnet, 1980:239, 289-290). A closer examination of the organization of the export platform may yield some insights into the effects of multinationals as organizers of capital, technology, and labor.

The major claims of the spokespeople on behalf of the multinational corporations (Sovereignty-at-Bay) are that these organizations are valuable as instruments in the transfer of technology, promoting much needed finance and production capital, and providing

employment in underdeveloped regions. These claims, however, may not reflect accurately the reality of corporate impact.

Implications of Multinational Corporate Existence:  
Centralization and the Export Platform.

There is evidence that suggests that the role of multinational corporations as transferers of technology and infusers of finance is not as extensive as may be believed. The reasons lie in the organization of the export platform. First, there is very little transfer of technology since control over technology is centered firmly in the corporation (centralization). Rights to utilize this technology is licensed in developing nations according to criteria which are much less favorable than in any developed areas (Barnet, 1980:264). Ronald Muller (1979:246) points out that the distribution of patents on productive capital and techniques supports this conclusion. Of the largest 500 industrial corporations he observes,

The top 30 own 40.7 percent of the patents in their respective industries. The mirror-image of this concentration of technology-control in the advanced nations is found to even a greater extent in the underdeveloped areas. For instance, in Columbia, in the pharmaceutical, synthetic fiber, and chemical industries, 10 percent of all patent-holders own 60 percent of all patents, and these 10 percent are all foreign MNC's.

The implication of this control over technology is that profits, resulting from the use of patents in research and development, and production in underdeveloped areas, concomitantly flow to the foreign firms (Muller, 1979:246-247).

Control of patents by foreign firms constitutes a general method by which multinational corporations control technology. "MNC's, more specifically, actually inhibit the transfer of technology via three control mechanisms: franchising, 'conventional technology,'

and 'high technology'" (Mowlana, 1975:81). These three mechanisms are means through which multinationals extend centralized control over capital. Franchising involves the control by a supplier of a trademark-protected product or service. Technology is marketed by the "selling," or rather renting, of the associated trademark. The supplier maintains the rights or control of the technology. "Conventional technologies" are standardized, centralized, and capital intensive production processes through which the supplier maintains control over the vital knowledge of implementing the process. Conventional technologies operate much the same way as franchises in that the rights to use these processes are rented. High technologies are very capital intensive and sophisticated. Mowlana comments (1975:81) that high technologies are

. . . accompanied by large research and development expenditure. . . . Here the bargaining position is such that the host country is in a rather weak position because the supplier of technology has almost a monopoly over the know-how and is in a very strong position.

With these three types of technological organizations, the establishment of production facilities in foreign areas does not necessarily constitute a transfer of technology. In this instance, location has little to do with control. The maintenance of the position of multinational corporations in the economic process often depends on the extent to which they control some exclusive technology. The maintenance of an advantageous position in the world economy does not warrant their transferring that technology to potential competitors (Barnet and Muller, 1974:162).

The centralized control of technology by foreign based firms thus becomes something of an obstacle to the development of less

affluent areas. This system of technological rents as opposed to technological transfer refers also to a means whereby MNC's control scientific or technical knowledge. Another outcome of the control of technology from abroad is a particular type of labor migration termed the "brain drain." There is, in underdeveloped areas, significant shortages of knowledgeable professionals. An effect of foreign controlled technology is that it prompts these few professionals to work for foreign firms because of necessity (access to facilities), or because of the beneficial personal advantages rather than working directly toward the development of their own nations (Barnet and Muller, 1974:163 and Barnet, 1980:257).

There are other effects of multinational corporate control of technology. Because of the central commanding power that multinational corporations have over technology, and because of a need perceived by host governments to have that technology established in their nations, there are environmentally detrimental impacts to the establishment of export platforms.<sup>2</sup> One of the factors which motivates world-wide sourcing in general and the search by corporations for export platforms, is the political constraints they may come to face in their home areas. One such constraint is increasing costs of labor. Another constraint is environmental; the costs of renovating old production facilities to meet environmental standards may outweigh the potential profitability of establishing production facilities in free production zones. Consequently, one of the ways that developing

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<sup>2</sup>To clarify this perceived need, I cite the following, ". . . the voluntary or involuntary institutionalization of Western consumption values as the goal of economic growth has, in turn, brought about the need for a technology that can satisfy this pattern of consumption" (Barnet, 1975:57) (my emphasis).

nations seek to attract corporations is through the establishment of lenient environmental protection policies. Like host country labor situations, there is a tendency to advertise national environmental standards. Barnet and Muller (1974:345) refer to these as "pollution havens" and cite the following example,

In Mexico City's English-Language newspaper the State of Mexico advertises . . . 'RELAX. WE'VE ALREADY PREPARED THE GROUND FOR YOU. If you are thinking of fleeing from the capital because the new laws for the prevention and control of environmental pollution affect your plant, you can count on us.' The use of 'pollution havens' is . . . well advanced. There are dozens of refineries along the 1,700 mile Caribbean coast. One petrochemical complex on the south coast of Puerto Rico belches smoke clouds as far as 90 miles away.

The technological innovation process itself has produced negative environmental impacts by imposing a substitution of synthetics for natural materials. This is apparent, to name one instance, in agribusiness. The technologization and centralization of agricultural production increases the need for high yield per acre of land ratios. An important means of achieving this is through the utilization of synthetic fertilizers. Nitrogen-based synthetic fertilizers are incapable of being completely absorbed. The impact is over-nitrogenization of the environment, especially nitrogen run-off into waterways (Barnet and Muller, 1974:338-339 and 341).

Overall, the concentration and control of technology is an important factor in the corporate accumulation process. Muller (1975:57) observes:

Concentrated control of technology is one of the most effective means to establish oligopoly power over the marketplace, restricting the development of local competition and permitting an astounding rate of profits, the greater majority of which leaves the country. (For instance, leaves the country through "technological rents.") What must be emphasized here is that once such a process is

underway, it becomes cumulative and self-perpetuating.  
(My emphasis and parentheses.)

Another claim for the beneficence of multinational corporations is that they promote the accumulation of capital in less developed countries. This accumulation is supposed to occur through three processes. First, capital accumulates in less developed areas through the transfer of technology. This leads to an extraction of finance capital from less developed areas in the form of profits acquired through technological rents. Second, capital accumulates in these areas because multinational corporations invest finance capital in underdeveloped areas to establish foreign facilities. Third, capital accumulates in less developed areas by increasing these areas' exports.

Rather than infusing finance capital into underdeveloped areas, multinational corporations utilize local sources of finance. MNC's borrow finance capital from local banking institutions. They bring with them a ". . . credit rating and financial resource backing of the entire global network of the parent MNC of which they are a part" (Muller, 1975:58). Muller (1975:58 and 1979:248) observes that consequently, these local finance institutions (like any other enterprise) desire security and minimal risk situations. So, they tend to favor loans to the powerful multinational corporations rather than to local host country enterprises. Muller (1975:58) states,

This conclusion is even more obvious when the local financial institution is, in fact, a branch or subsidiary of a so-called private multinational bank such as Bank of America, First National City Bank of New York, etc. These banks are playing a powerful role in the financial structures of the Third World where in many instances they control close to 50% of the private deposits of a country.



Muller's (1975 and 1979) observation provides support for the contention that multinational corporations extend the process of peripheralization via the ability of these firms to attract and control local (host country/peripheral area) finance capital. The foreign subsidiary of a global bank may use the same risk minimization and security criteria of local financial operations in determining loans to multinational corporations. However, another factor must be taken into account when observing the lending behavior of multinational banks to multinational corporations. These organizations are in a situation which reflects ". . . a worldwide client-customer relationship between multinational bank and corporation" (Muller, 1979:248).<sup>3</sup>

The relatively greater bargaining power of multinational corporations has implications similar to those which result from their control of technology. Their ability to attract local finance capital enhances their oligopoly position by limiting competition from local sources. This control over finance capital establishes in foreign corporations a capacity for ". . . absorbing or buying into local

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<sup>3</sup>In observing relationships between the subsidiaries of multinational banks and corporations, and the nature of lending behavior in Latin America, Muller (1975:58) states: "There is first the well-established fact that the worldwide parent networks of, respectively, banks and corporations are not two distinct entities, separated by a competitive market in which one is a seller and the other a buyer. Instead there are interlocking interests of common ownership, management, and technical personnel in the groups that control banks and corporations. Furthermore, whatever the consequences of these interlocking interests may be, there is a second well-established fact of a near-perfect correlation between the worldwide expansion of MNCs and the commensurate expansion by multinational banks. Whether the banks or the corporations led in this expansion is not the point. The point is a mutual process of interdependent expansion characterized by common familiarity, experience, and objectives.

firms" (Muller, 1975:59). Barnet (1980:265) observes further that,

The export platform model of development requires poor countries to go heavily into debt. The external financing requirements for all developing countries in 1985 will be \$276 billion in current prices, four times what it was in 1975:

The alleviation of this debt is not fully achievable through the export platform by virtue of the "exporting" practices of multinational corporations. "Exports" are not truly exports, but are rather transfers. The transfer of goods between geographic areas takes place as "intraorganizational exports" between the subsidiary of one multinational corporation to the subsidiary of the same corporation in a different area. This gives the corporation an ability to control transfer prices in such a way as to be compatible with the maximization of profits. The ". . . artificial price charged on export minimizes total taxes for the world corporation and increases its global profits" (Barnet and Muller, 1974:157). The result is that host countries do not receive maximum revenue achievable in foreign exchange. Muller (1979:253) observes,

In the manufacturing sector, for each dollar of net profit earned by an MNC subsidiary, 52 cents will leave the country even though 78 percent of the investment funds used to generate that dollar of profit came from local sources. . . . Each dollar of net profit is based on an investment that was 83 percent financed from local savings; yet only 21 percent of the profit remains in the local economy.

Furthermore, Muller (1979:257) finds, for example, that,

In looking at the export pricing in Latin America . . . 75 percent of . . . firms sold exports only to other subsidiaries of the same parent, and on the average, underpriced their exports by some 40-50 percent relative to the prices received by local firms.

These prices can be controlled in this way because of the fact that the company has the capacity to organize trade intraorganizationally (Barnet and Muller, 1974:158). Thus, transfers occur between spatially dispersed subsidiaries of an MNC, controlled and coordinated via horizontal and vertical intraorganizational relationships of export platform to parent organization.

Perhaps the most pervasive impacts of multinational corporations are those which are related to employment since they affect the majority of people most directly. These impacts again, are related to the utilization and organization of technology by multinational corporations. Barnet (1980) has discussed extensively the impending world employment crisis. This crisis is developing because of the nature of the export platform. The major impacts regarding employment result from the organization of the export platform, the purpose of which is to cut overall production costs by utilizing low-wage labor and automation; i.e., increasingly capital intensive production processes (Barnet, 1980:259).

The world community and the multinational corporations face this dilemma: approximately 85 percent of unemployed people who are seeking employment will be from the undeveloped world. "To employ them in the Global Factory, the remaining farms, and the growing service economy will have to come up with 120,000 new jobs a day" (Barnet, 1980:258). This trend is in some ways caused and compounded by a tendency for industrialization to be job destroying rather than job creating. The result has been, according to Barnet's (1980:259) observation,

The industrialization of the Third World has destroyed jobs in the countryside without creating anything approaching

equivalent opportunities inside the factory. The reason is that modern technology of production is job displacing.<sup>4</sup>

Barnet (1980:260-261) further claims that multinational corporations increasingly develop and utilize capital intensive and specialized production processes in order to increase the possibilities of attaining efficient and predictable levels of production. Multinational corporations seek cost-cutting by utilizing low wage labor. They also seek long term stability and predictability in their productive environments through progressive reliance on capital intensive techniques (Barnet, 1980:260-261). Increasing capital intensiveness has had several major impacts.<sup>5</sup>

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<sup>4</sup>An example of this point (though somewhat extreme) is the following: Barnet (1980:262) relates an exchange between E.F. Schumacher and the manager of a textile factory: "I was in a developing country not so long ago and was shown around a textile factory--the manager was a European, a very courteous man, and he said he was proud to show me this factory because it was one of the most modern in the world. I said, 'Before you go on, can you tell me what's happening outside, because as I came through here there were armed guards there, and you are beleaguered by hundreds and hundreds of Africans.' 'Oh," he said, 'take no notice of that. These are unemployed chaps and they hope that I might sack somebody and give them the job.' I said, 'Well, as you were saying, you have one of the most modern factories in the world.' 'Oh, yes,' he said, 'you couldn't find anything better,' 'how many people do you employ?' 'Five hundred. But it's not running perfectly yet; I am going to get it down to three hundred and fifty.' I said, 'So there's no hope for those chaps outside?' He replied, 'The people demand perfect products and these machines don't make mistakes. My job is to eliminate the human factor.' I then asked, 'If you make such a perfect product, why are you here in this wretched provincial town and not in the capital city?' He said, 'It was that stupid government that forced me to come here.' I said, 'I wonder why?' He replied, 'Because of the unemployment in the provinces.'"

<sup>5</sup>Barnet (1980:279) comments further that, ". . . the new technological developments are particularly threatening from an employment standpoint. In the past two generations new technologies displaced workers in agriculture and industry, but at the same time they created a new service economy. Now, however, with factory production lines already heavily automated, the microprocessor threatens to revolutionize the service economy as well. This new technology is eliminating not only thousands of clerks, secretaries, and paper pushers but also highly skilled office positions."

First, high rates of unemployment through capital intensive-ness have kept labor costs down for those aspects of production which still require the use of human labor (Barnet, 1980:261).<sup>6</sup>

Second, the technological innovation process and the standardization of productive processes through increasing reliance on technology has increased the general mobility of capital. It has increased the multinational corporate capacity to control and manipulate labor--MNC's substitute labor forces by migrating their standardized processes (which do not require high levels of labor skills) to low wage areas. This has also enhanced corporate control of parent country labor because labor in core countries has lost a significant degree of bargaining power.<sup>7</sup> Barnet (1980:293) illustrates:

Production of components can be switched from factory to factory, a strategy for controlling labor costs and weakening labor's power. The threat of leaving the country is sufficient on occasion to induce unions to take what amounts to wage cuts.

Third, not only has this process had an impact on the quantity of available employment opportunities in industry, but is also associated with the growth of the number of people in developing areas engaged in marginal service-type employment. Industrialization of the Third World, the growth of factories, and the development of

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<sup>6</sup>Philip Slater (1976:90) conceptualizes this process in the following manner: "In order to ensure a steady output of energy we must create some sort of artificial scarcity (e.g. of employment opportunities), for only through such scarcity can an abiding flow of energy be assured" (my parenthesis).

<sup>7</sup>Nat Weinberg (1975:91-107) points out in his article that this has been leading to a general decrease of the political power of labor abroad and at home. See also Barnet and Muller (1974:213-253 and 303-333), "The Latin Americanization of the United States" and "The Obsolescence of American Labor."

capital intensive agriculture, ". . . destroys self provisioning agriculture and leaves millions of farmers with neither land nor job" (Barnet, 1980:265). Consequently, employment opportunities in the industrial sector are far outstripped by ever increasing population pressures. Since neither the industrial, nor the agricultural sectors can approach absorbing these surpluses of people seeking employment, many are absorbed by the service sector of Third World economies (Evans and Timberlake, 1980:531-552). Migration of displaced agricultural workers to industrial areas results in a labor surplus because of the incapacity of the industrial sector to provide enough jobs. Some of this surplus provides labor for a service economy. This service economy consists of and creates, for the most part, a mass of ". . . poorly paid, underemployed workers" (Evans and Timberlake, 1980:534). The greater the proportion of the developing area labor force employed in such a way, ". . . the weaker the bargaining position of those workers fortunate enough to secure jobs in the secondary (industrial) sector" (Evans and Timberlake, 1980:534, my parentheses).

In light of these observations concerning the centralized control of capital there is, in general, little to suggest that multinational corporations are instruments of development as the perception of their role as diffusor of developmental benefits would have it.<sup>8</sup> There is little transfer of technology, little transfer of

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<sup>8</sup>Barnet (1980:290) relates: "The World Bank released a mass of figures that showed that the poor were getting relatively poorer, not richer, in the countries where the multinationals were most active. Price gouging, manipulation of transfer pricing, interference in local politics as evidenced by ITT's celebrated efforts against Allende, bribery of local officials, and growing awareness of the inappropriateness of expensive and complex technology in poor countries--all contributed to the image of the imperial corporation serving its own interests at the expense of every country it touched."

finance capital or structural opportunities to accumulate such capital. The spiraling technological innovation process has not created greater opportunities for employment, but rather, each unit of development in developing areas requires proportionately less and less human labor (Barnet, 1980:263). The prospect of multinational corporations significantly alleviating the growing world employment crisis is not encouraging. Frank (1980:19) points this out:

It has been estimated that between now and the year 2000, more than a thousand million jobs will have to be created in the developing countries alone if an end is to be put to unemployment and poverty. The contribution which multinational enterprises can make to this immense task would not appear to be decisive, since at present they employ only an estimated two million people--0.3% of the working population of these countries.

#### Conclusion: Dependencia and Peripheralization

This discussion of the implications of multinational corporate existence lends support to the dependencia argument of the role of the MNC in socio-economic development. Given this model's description of the direction in which capital flows, it can be concluded that the multinational corporation is, in the present era, the organizational form through which core-periphery capitalist relations are reconstructed or emergent. Consistent with our discussion of peripheralization and the emergence of capitalist firms, the multinational enterprise is the organizational form through which peripheralization occurs contemporarily. Peripheralization is possible through an increased level of organizational complexity and centralization. This is presently expressed in the organizational arrangements of the MNC where:

1. Vertical and horizontal organizational relationships are imposed in peripheral areas via the level of spatial dispersion

characteristic of world-wide sourcing. Further, the establishment and organization of the export platform exists within the inter-geographic/intra-organizational coordination and control of tasks and processes.

2. Peripheralization occurs via the centralized control capacity of capital achieved through technological rents, technological innovation, centralized control of finance capital by multinational banks and control through intraorganizational transfers of capital between spatially dispersed units of the multinational firm.

Both the sovereignty-at-bay and dependencia models of development imply that the multinational company is a "mechanism" for expanding production beyond the ties of territory because both recognize the trend of corporate expansion to underdeveloped areas. Frank Tannenbaum (1979:182) a spokesperson for the sovereignty-at-bay model, calls the multinational corporation an "extra-national" body. This view implies that the multinational corporation is circumventing the nation-state in both form and function. However, as the dependencia model demonstrates, the multinational corporation may be changing the face of the nation-state as we know it. It has not, however, signaled an end to ideology or to political organization. Osvaldo Sunkel (1979:224-225) observes:

What is opening up is a new era of hard bargaining and negotiations, of pragmatic and detailed considerations of specific cases, of weighing and the conditions offered by Japan, Europe, the socialist countries and the United States, of building up alliances with countries with similar interests (the Andean Pact, the Special Co-ordination Commission of Latin America, the Organization of the Petroleum Exporting Countries), etc. In short, what we are seeing is the assertion of the national interest of our countries in their international economic relations.

Often, however, dependencia perceptions of economic relations portray the peripheral areas of the globe as totally dependent and passive in their relations with core units (Gilpin, 1975:365). This perspective warrants qualification. First, Sunkel's comments on the growth of international political organization of peripheral



areas demonstrates the opposite tendency. Second, Barnett's (1980:250) observations concerning the rise of the "Third World multinational corporation" indicate that there is at least limited transfer of the "means of development" from core to periphery whether intentional or not.

Power in any social relationship can neither be totally controlled by one unit, nor can it be perfectly balanced between units (Emerson, 1962:31-41 and Blau, 1964:336-338). While centralized control of multinational corporations can promote a general relationship of dependence of peripheral areas via the core, it cannot do so absolutely. This is recognized on the societal level by the world-system analysts who observe the tendency for the competitive situation to equalize over time. There is a shift from "unicentric" to "multicentric" distribution of "competitive advantages" (Chase-Dunn, 1978:162). On the organizational level, this is recognized as firms develop beyond territorial limitations to production and accumulation in order to maintain the periphery-to-core flow of capital accumulation as such leveling occurs. Thus, multinational corporations may be conceptualized as the organizational arrangements by which the expression of the core-periphery accumulation process is intensively and extensively carried out on an international basis.

Further, the sovereignty-at-bay model is limited in its utility because capital cannot be effectively accumulated through its broad diffusion. Capital accumulation does not occur when technology, capital, and participation (employment) are exceedingly diffused--decentralized. However, the capital accumulation process does not take place without at least some, albeit very limited, diffusion.

CHAPTER VI  
SUMMARY AND CONCLUSIONS

Summary

Through the concept of process and the derived conceptualization of social structure in process, an explanation of the multinational corporation has been delineated.

In brief, a general conceptual framework for understanding the concepts of structure and process was constructed. Utilizing the concepts of intentionalistic social construction/reconstruction producing morphology, social structure was conceptualized as emergent through human (social) interaction which produces social arrangements. The result of intentionalistic social process is the emergence of morphology which simultaneously leads to the creation or recreation of social structures. This morphology constrains further development. The social environment constructed through the emergence of morphology eventually comes to necessitate reconstruction because its expression leads to changes in the conditions from which it arose.

This conceptual framework was applied to an understanding of capitalism, a substantive instance of the dynamics of social process on the societal level of analysis. Capitalism could thus be conceived as the processual structural relationships of core-periphery. These structural features are socially constructed and reconstructed through the process of peripheralization.

The expression of core-periphery as a morphology at a particular time eventually comes to limit the maximization of capital accumulation because peripheralization eventually leads to equalization of competitive conditions across the core and spreads these to parts of the periphery. This necessitates the reconstruction of core-periphery accumulation structures through further peripheralization. In reconstructing core-periphery, peripheralization occurs intensively and extensively through economic activities, which increasingly include areas previously not included in the capitalist core-periphery structure (at the lowest levels of the capitalist division of labor). Core-periphery relationships are thus reconstructed through peripheralization which extends and intensifies the conditions of unequal exchange and uneven development.

The morphology of capitalism, the expression of core-periphery relationships, is established and expressed through organizational arrangements. Economic activities, such as international trade, take place on the organizational level primarily through capitalist business firms. Peripheralization occurs and the morphology of capitalism is reconstructed through the transformation of multinational corporate organizational arrangements. This is demonstrated by Barnet and Muller's (1974) four phase Product-Life Cycle theory illustrating the emergence and development of the television industry:

Phase One: Core unit(s) control a national market through mass-production and marketing practices. This advantage is eventually lost through competition in the core where competitors (without heavy investment costs) are able to replicate production techniques of previously hegemonic units.

Phase Two: In order to re-establish an advantageous position, there is the establishment of export markets. The advantage gained is again lost when competitors replicate production and foreign marketing techniques, and enterprises in the export market begin competing directly with foreign producers.

Phase Three: Export costs are cut by establishing production directly in foreign markets. Production and competitive conditions again equalize as more foreign competitors gain entrance into the market.

Phase Four: The establishment of "export platforms" develops as competitive advantage is sought through the "re-assault" of what was originally the domestic market.

The occurrence of peripheralization was seen to be emergent through economic activities which take place within capitalist business firms. The development of capitalist firms, a subprocess of the emergence of capitalism, provided an explanation of organizational structure in process emergent through increasing complexity and centralization. The morphology of a firm is the structural expression at a particular point in time of the organizational dimensions of centralization and complexity. Capitalism is reconstructed through the extension and intensification of peripheralization. Peripheralization can be conceived as occurring as firms become increasingly centralized and complex.

Hymer (1975) identifies the stages in corporate development as a progression from the small workshop, to the factory, national corporation, multidivisional corporation, and in the present era the emergence of the multinational corporation. Hymer and Presthus (1978)

agree that each stage in the development of these firms represents the emergence of increasingly complex organizations; each represents a more spatially dispersed and vertically and horizontally differentiated type of firm. Each also represents a firm with increased centralization in terms of the organizational ability to control and manipulate capital. Peripheralization, conceptualized as a process where previously external areas come to be included on the lowest levels of the capitalist system, can be seen to occur through the development of firms--as they emerge through increasing complexity and centralization because:

1. Corporate growth occurs as firms develop spatially, and in so doing, overcome territorial constraints to production, distribution, and accumulation.
2. Firms become increasingly vertically and horizontally differentiated as spatial expansion places control and coordination demands on the firm.
3. The emergence of progressively complex firms accelerates centralization by creating more refined organizational capacities to monitor and control vaster areas and because increasing capital requirements (of complexity) proliferates oligopoly.

The development of firms indicates a tendency for these organizations to emerge with increasing capacities to integrate production on expanding levels. Firms have shown emergent capacities to organize production first on the local level, the national and continental levels (via "multi-sourcing"), and the multinational level (via "world-wide sourcing").

A description of the structural morphology of the multinational corporation has been delineated where the expression of this type of firm is one particular stage in the emergence of capitalist firms. Utilizing Benson's (1977) conceptualization of organizational morphology, the expression of centralization and complexity characteristic of

the multinational corporation has been described through the concepts of paradigm commitments, structural elements and interorganizational, organizational/environmental linkages. Through the application of these concepts to the multinational corporation it was observed that these organizations express paradigmatic commitments in general, to organizational growth and a belief in the beneficence of "efficient," "rational" organization of production on a global scale. The multinational corporation is politically legitimized as a global instrument of social and economic welfare. These beliefs are applied and expressed in the legitimation of the organizational normative constitution. As firms increase in their levels of complexity and centralization, political legitimacy increases in importance as these organizations become more subject to public scrutiny.

Intraorganizational structural elements were observed to be expressed through the spatial dimension of world-wide sourcing and the export platform. Vertically and horizontally a redelegation of administrative functions was observed as well as nominal and graduated relationships between spatial and vertical/horizontal dimensions. Multinational corporations are characterized by the vertical and horizontal intraorganizational administration and coordination of inter-geographically dispersed sub-units.

Through the organization of the export platform a linkage to the larger environment is seen because the export platform is the primary means through which the organization relates to host countries. Multinational corporations construct an interorganizational environment through intersections, indirect interlocks, direct interlocks and mergers. Each means of establishing interorganizational relationships differs in the degree to which centralization is increased.

Mergers, which place previously autonomous units under a centralized administrative structure result in the highest level of the concentration of capital.

In a discussion of the implications of the existence of multinational corporations, carried out through the application of the conceptual model to literature reflecting two "roles" of MNC's in socio-economic development (sovereignty-at-bay and dependencia), it appears that peripheralization does occur through the contemporary expression of multinational corporate structure. Peripheralization occurs through the organizational arrangements of the multinational enterprise. Multinational corporations impose vertical and horizontal relationships in peripheral areas through the spatial dispersion characteristic of world-wide sourcing and the establishment of the export platform which facilitates the inter-geographical and intra-organizational administration of production. The flow of capital from periphery to core occurs through the centralization of capital, operationally through the imposition of technological rents, centralized control of finance capital by multinational banks, and the intraorganizational control of capital transfers. This peripheralization occurs in a manner consistent but not synonymous with the dependencia model of development. There is at least limited transfer of capital from core to periphery. This is illustrated in one instance by Barnett (1980) who cites the rise of the "Third World" multinational corporation.

Utilizing this explanation, several conclusions can be drawn about the existence of the multinational corporation. These conclusions are primarily related to the present expression of the multinational enterprise and the future development of corporations.

## Multinational Corporations and the Perpetuation of Corporate Development

Utilizing this understanding of the multinational corporation, predictions concerning corporate development can be made. In the short-term, given the present level of organizational complexity and centralization, peripheralization will continue to be reconstructed through the continued development of multinational corporations. However, several trends are emerging which, in the longer term, may come to curtail these organizations' capacity to continue such development.

One aspect of the nature of social construction/reconstruction is that the emergence of morphologies simultaneously constrains development. In the discussion presented in Chapter V, it was concluded that peripheralization is not reconstructed perfectly--that there is a limited transfer of capital to the periphery. While in the immediate future gaps between core and periphery will continue to widen, the development of capitalism in the long term will be characterized by the continued emergence of the Third World multinational corporations. The primary reasons are the multinational's incapacity to completely control peripheralization vis-a-vis the transfer of technology and capital to underdeveloped areas. There will also be intensified competition between multinational corporations of the United States, Japan, and Western Europe. The multinational corporate response to this situation will take the form of intensified competition for markets in the Third World. Also, to the extent that State Communist ideology becomes "relativized" and to the extent that multinational corporations can continue the paradigmatic political legitimation through which they present



themselves as "anational," multinational corporations may intensify competition to establish subsidiaries in these potential markets and in so doing maintain desirable levels of spatial dispersion. In general, the response of multinational corporations will be a continued growth through complexity and centralization. Summarized by Stephen Hymer (1975:38), we find:

If present trends continue, multinationalization is likely to increase greatly . . . as giants from both sides of the Atlantic (though still mainly from the U.S.) strive to penetrate each other's markets and to establish bases in underdeveloped countries, where there are few indigenous concentrations of capital sufficiently large to operate on a world scale.

Another trend which may limit or constrain the ability of multinational corporations to reconstruct peripheralization in the long term is the growth of international political organizations. As firms become increasingly complex and centralized, they become more subject to public scrutiny. In the present era this has increased the emergence of the cooperation of national interests in asserting control over international economic relations. Political organizations, especially in the underdeveloped areas of the globe, are increasingly taking multinational corporations to task on their paradigmatic (ideological) claims of beneficence.

A similar process was observed to have occurred in the past development of corporations. For example, the paradigmatic commitment to Social Darwinism is such a case. "The militant language of an ethics of the jungle was applied to (organizational relations)" (Bendix, 1970:188, parenthesis mine). As the expression of the organizational morphology progressed to more differentiated vertical and horizontal arrangements (the subdivision of managerial functions),

Social Darwinism lost its capacity to be relevantly applied to material conditions of the firm. The legitimation of Social Darwinism has relevance only when managerial functions are vested in a single authority figure, the entrepreneur. Given the increased perceptions of the implications of peripheralization in host countries, the paradigmatic commitment to growth and rational organizational efficiency may be losing relevant meaning (at least as these are defined presently) in light of a growing unemployment problem, environmental impacts, transfers of capital, etc. currently characterizing these areas.

An ideological crisis may be developing in the paradigm commitments of multinationals as they become increasingly hard pressed to legitimate their position via the following issues identified by Hymer (1975:59, paraphrased):

1. constraints to foreign exchange imposed through technological rents;
2. underdeveloped countries seeking to import resources through which capital formation and modernization can progress;
3. the finance of expanded programs of training for labor, and support services; and
4. a solution to the food problem created by urban growth.

Organizations are emerging which attempt to "check" the powers of MNC's. These would include the Special Co-ordination Commission of Latin America and the Organization of Petroleum Exporting Countries, as cited in chapter five by Osvaldo Sunkel (1979:224-225). One particular international political organization which merits attention is the Andean Group whose control policy is summarized by Vicuna (1979:301) as follows:

The restrictive policy aimed at securing (strengthened competitive potential) is expressed by a common tariff,

which regulates imports from outside the region, and . . . covers investments within the region. As is known, that decision not only regulates the situation in different sectors and in both existing and foreign investments; it establishes related measures for the gradual transfer of property rights and for the elimination of restrictive practices as well as measures for strict control in matters of patents and technology transfer . . . . There is no doubt that the system has been well designed and . . . it is reasonable to expect that to the extent to which the member countries consistently follow the rules, it will have results.

It is apparent that through the emergence of the Third World multinational corporation and the emergence of international political organizations, multinational corporations will be confronted with limitations to reconstruction of peripheralization as competing organizations themselves become increasingly complex and centralized. Multinational corporations must face limitations imposed by the increasing ability of corporations of the underdeveloped areas to organize production beyond the limitations of their own national territorial ties. Also, political organizations are becoming more centralized (in their ability to administer greater areas) and complex (in the emergence of more sophisticated political structures).

Multinational corporations have so far shown themselves capable of superceding national limitations to production and accumulation--or organizing production on a multinational level and thereby extending peripheralization. However, if present trends continue (i.e., the emergence of international political organization of national interests seeking to curtail the effects of peripheralization vis-a-vis the expropriation of capital from underdeveloped regions) capitalist firm development will be faced with the need to organize production beyond inter-territorial limitations. The emergence and sharing of counter multinational corporate paradigm commitments by cooperating

nations as well as the establishment of more complex and centralized political structures could effectively come to control the process of peripheralization presently occurring.

As Third World multinationals increase their ability to accumulate capital and as international political organizations continue to develop, it is likely that competitive conditions will equalize and at least several presently peripheral areas will come to be included in the core. International government organizations will be able to make political demands on core units subjecting corporations to increasing occurrences of possible nationalization. In the process of equalization of competitive conditions (the development from a "unicentric" to "multicentric" competitive environment) the core units may come to rely on the increasing use of mechanisms of social control. This could take the form of corporate and parent country cooperation. An illustration of this in recent times would be the cooperation of ITT and the CIA in a collective attempt to counter the potential imposition of Chilean government policies detrimental to the interests of this multinational corporation as well as politico-economic interests of the United States. Multinational corporations might well seek to utilize the political power bases of its parent country to circumvent the expanding political power bases of its constituent market areas in the international community.

Through the conceptualization of social process utilized in this study, the expression of structural morphology is conceptualized as also constraining further social construction/reconstruction. This conceptualization of process provides the basis from which several

predictive statements concerning the future of organizational (corporate) development can be presented. These are summarized below:

1. The morphology of the multinational enterprises (the expression of complexity and centralization which characterizes these organizations) cannot perfectly reconstruct peripheralization.

2. As centralization and complexity continue to be expressed through the activities of the multinational corporation, constraints intensify in the environment which eventually come to affect the:

- a) paradigm commitments of these organizations via the growth of counter-multinational corporate criticism of the implications of corporate action carried on by the processual emergence of international political organizations;
- b) intraorganizational structural elements of these corporations as competition for markets intensifies and organizational pressures are created for spatial dispersion and growth of vertical and horizontal capacities to administer and coordinate market growth; and,
- c) the interorganizational and organizational/environmental linkages of these corporations through the emergence of the Third World multinational corporation and the changing nature of the export platform as governmental organizations increasingly impose legal restrictions to their operation. Interorganizational cooperation of corporations will become necessary in the attempt to circumvent the effects of equalization of competitive conditions in the competitive environment.

Concluding this section, the phenomenological concepts of social construction/reconstruction, morphology and intentional movement were utilized in a conceptualization of social process and social structure in process. Through the application of this conceptual framework on the societal level an understanding of capitalism was proposed. The concepts of core-periphery structure and peripheralization were identified as a particular substantive instance of social construction/reconstruction and the processual emergence of morphology. By utilizing this understanding of capitalism, the emergence of capitalist firms was described as a sub-process of the emergence of capitalist relations. It was suggested that peripheralization is emergent through the development and expression of the morphology

of capitalist firms. The concepts of social construction/reconstruction usefully describe the organizational level variables and point to complexity and centralization as important features in the emergence of the organizational structure of capitalist firms. Finally, the multinational corporation was described as being a particular stage in this organizational process. The morphology of these firms is analytically conceived as consisting of paradigm commitments, intra-organizational structural elements, and interorganizational, organizational/environmental linkages. These elements constitute the particular expression of complexity and centralization of the organizations. The concepts acquire a more specific meaning and utility in understanding a particular social phenomenon, in this case through their application to the study of multinational corporations.

#### Suggestions for Future Research on Multinational Corporations

In this thesis, I used the concepts of complexity and centralization to explain organizational level phenomena because I believe they offer the greatest explanatory power. These concepts were theoretically discussed within a larger conceptual framework of social process. Future research utilizing this model should be directed toward the empirical operationalization of these concepts through a variety of techniques and to the study of particular multinational corporations regardless of national origin.

Future research should also demonstrate the usefulness of other theoretical concepts from the organizational literature. Such concepts might include power, organizational size, leadership, and communication. The usefulness of these concepts might be examined through an approach similar to that used in this study. To the extent that

these are demonstrated to be useful, future research can also be directed at discovering means through which they can be operationalized and empirically applied.

The study of multinational corporations might be furthered through an interdisciplinary approach, such as the integration of sociology and economic history or sociology and political economy. For example, political economy is the study of the distribution of power in social arrangements as it relates to economic aspects. The political economy perspective can be used on the macro- or societal level as well as on the more micro- or organizational level of analysis. Its utility on the micro level of analysis has been demonstrated by Zald (1970:221) who comments,

Starting from analogies to the nation-state and national-economies, the political-economy framework focuses on the intersection of the polity structure and political life of organizations with the economy and economic life within organizations.

The political economic framework seeks to understand the concurrence between power and status distribution (vertical arrangements) and task accomplishment (horizontal arrangements). The model presented in this study could integrate development with political economy through sociology, more specifically phenomenological sociology (social constructionist perspectives).

If anything is gained by the study of capitalism, it is the realization that social life is becoming increasingly complex. Any understanding of capitalism cannot merely include the study of business organizations. Capitalism exists as an institutional network. A close inspection of other capitalist institutions is imperative for future study.

Lastly, the model developed in this thesis might well be applied to the examination of the rise of other organizational arrangements which are coming to play increasingly important roles in capitalist development (such as OPEC, NATO, the Tri-lateral Commission, and a variety of Third World international governing bodies). Just as the impacts of multinational corporations constrain their own development, we must determine the extent to which intra-institutional impacts constrain development and social change across institutions. In conclusion, future research must become increasingly international, interdisciplinary, and interorganization in its approach.



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