

Jan 28, 30

## US Power and Multinational Corporations

Examines America's foreign economic objectives, assesses the role and depth of corporate influence in the policy-making process, and examines US concerns, attitudes, and policies as the world's largest host of inward FDI.

### Readings

Robert Gilpin (1975) "The American Strategy of Direct Investment," chapters 5 and 6 from *US Power and The Multinational Corporation*.

🔗 Jonathan Crystal (1998) "A New Kind of Competition: How American Producers Respond to Incoming FDI," *International Studies Quarterly* 42: 513-54 ([Crystal PDF](#))

📖 Stephen Brooks (2007) chapter 2, "Understanding the Globalization of Production," from *Producing Security*, Princeton: Princeton University Press.

🔗 Parag Khanna, "These 25 Companies Are More Powerful Than Many Countries? Going stateless to maximize profits, multinational companies are vying with governments for global power. Who is winning? Foreign Policy, March/April 2016 ([Khanna PDF](#))

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# Objectives

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- ❖ examine the role and depth of corporate influence in American foreign economic policy
- ❖ explore the distinction between national and corporate interest
- ❖ outline the different possible sources and settings for American foreign economic policy
- ❖ assess the role of ideologies in preferring one view of policy formation over others

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## Gilpin's title: US Power *and* the Multinational Corporation –some clarity

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- ❖ an interest in how American based MNCs advance US power
- ❖ but Gilpin also raises concern that US MNCs could export jobs and hollow out industry
- ❖ their domestic and international operations may need to be rebalanced through changes in U.S. tax, trade and investment policy



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# This view in extreme form

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- ❖ for nearly 30 years Lou Dobbs attacked MNCs for “outsourcing” American jobs (especially to China)
- ❖ best known for his views on illegal immigration and border security
- ❖ popular with political right but an increasingly marginal figure
- ❖ dismissed by many as a “blue collar blow hard”



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# The mainstream economic view

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- ❖ US MNCs enhance the nation's economy by capital investment, R & D, and well-paying American jobs
- ❖ their benefit to US enhanced, not reduced, by global engagement
- ❖ foreign-affiliate activity tends to complement, not substitute for, parent activities in the US
- ❖ global engagement of US MNCs supports American jobs and economic growth



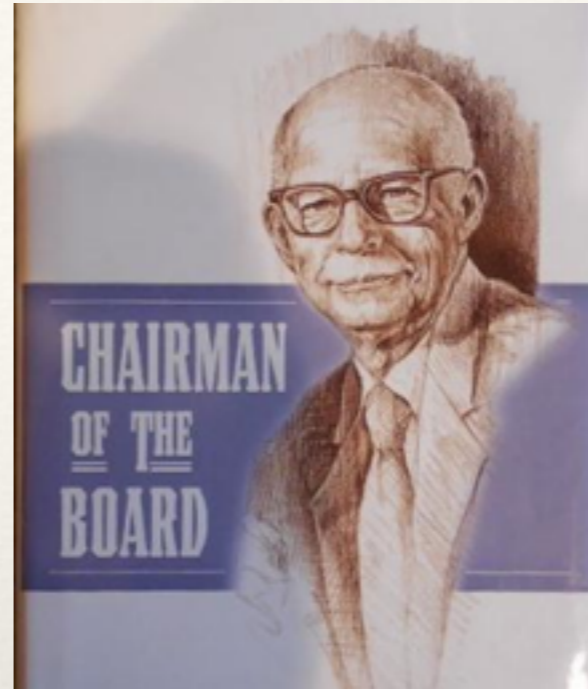
# Baseball, hot dogs, apple pie, and Chevrolet

The MNC as “an institutional expression of the American  
way of life” David Korten

1950s, GM President Charles Wilson: “What was good for  
our country was good for General Motors, and vice versa”

# This view under attack

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MNCs out of control (Carl Gerstacker's dream come true?)

"I have long dreamed of buying an island...." in Gilpin, p. 136

but today, "the severing of state lifelines has become business as usual" Khanna, Foreign Policy (rise of "metanationals")

"Corporate deserters" (Obama) or instruments of American foreign policy?





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*An increasingly  
pervasive image...*

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Bechtel Corp: example of how links between big business and government work? Evidence that corporations control America, and dictate not only its foreign policy but also its domestic one?



Caspar Weinberger: January 21, 1981 – November 23, 1987  
Secretary of Defence  
VP of Bechtel



George Schultz: July 16, 1982 – January 20, 1989 Secretary of State  
President of Bechtel



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## Is it even possible to distinguish between a national and corporate (multinational) interest?

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- ❖ not for some critics
- ❖ this distinction collapses “when corporations rule the world”
- ❖ “the US... we now see as almost synonymous with the transnational corporation” David Korten
- ❖ this is the spirit of the “Occupy Wall Street” movement: perception of undue corporate influence on government
- ❖ Santa Clara County vs. Southern Pacific Railroad 1886 an alleged watershed (US Supreme Court ruling that a corporation is a legal person)



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# Bringing the state back in (again...)

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- ❖ the enhanced and impressive power of MNCs cannot be disputed
- ❖ but this power has been exaggerated in the past (especially 1970s)
- ❖ is it exaggerated now?

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# When America rules the world *through* its corporations

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- ❖ Gilpin: “The government of the United States and its foreign policy are **not** the **instruments** of these powerful corporations: rather, political and corporate leaders in the United States *tend* to share overlapping interests and perspectives”
- ❖ state remains autonomous: national security and prosperity can be reconciled by political leadership



- ❖ In *certain cases* the power of the corporations to influence decisions in a direction which favors their interest has prevailed.... But in general the role of the MNC has been viewed by political leaders in the mercantilist terms of maintaining America's share of world markets, of securing a strong position in foreign economies, and of controlling access to raw materials. Even more important, the MNC is judged to be a major generator of the foreign earnings required to ensure national prosperity and to finance military and political commitments overseas (Gilpin, "The Political Economy of the Multinational Corporation," *The American Political Science Review*, (Mar., 1976), p. 189)

## Visualizing Gilpin

national interest

corporate interest

It would be wrong, however, to suggest that corporate expansionism abroad was **planned** or that the consequences of this expansion were consciously **intended** by American officials. Rather, officials gradually realized that growing overseas empires of American corporations could be made to serve the larger interests of the United States.

In general...corporate interest and the “national interest,” as the latter has been defined by succeeding American administrations, have coincided. Corporate and political elites have *shared the American vision* of a liberal world economic order (Gilpin p. 142)



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# MNCs & US Policy: a matter of ideological perspective

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Source and setting of US foreign economic policy



governmental setting: statism

- national interest
- core ideology (e.g. Lockean liberalism)
- MNC influence low

1982, US Government clashes with MNCs over Trans Siberian pipeline deal in the name of national interest

**The Export Administration Act** (EAA) of 1979: provided legal authority to the President to control U.S. **exports** for reasons of national security, foreign policy, and/or short supply....

Extra-territoriality

The **Exon-Florio Amendment** 1988 to review FDI within the United States



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# MNCs & US Policy: a matter of ideological perspective

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Source and  
setting  
of US foreign  
economic  
policy



- **civil society setting: individuals & groups**
- pluralism (neopluralism)
- state as a referee MNC influential variable to high



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# MNCs & US Policy: a matter of ideological perspective

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Source and  
setting  
of US foreign  
economic  
policy



**civil society setting: class**

- Marxist approaches
- MNC influence high

“The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie...”  
Marx, *Manifesto*....