

Multinational enterprise structures the economy

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A major player in the international political economy is the multinational corporation or multinational enterprise as these structures of economy are commonly referred to. These are business or firms that hold offices and/or major production facilities in two or more different countries. The multinational corporation therefore is any business whether private or public that extends its production facilities or embarks in huge investments in capital across national boundaries.

Since the end of World War II, the dominate western countries of Europe and the United States have long been the main headquarters of these multinational corporations, while the lesser developed nations of the world have been the sites for these corporations subsidiary markets and production facilities. On the subject matter of these multinational corporations, there exist two preeminent sources for the politicalsciencestudent in international political economics.

The first is Richard Caves, whose article " The Multinational Enterprise as an Economic Organization" explains the creation and existence of the multinational corporations as a facility to more easily transport capital across international borders. The other source Osvaldo Sunkel, in his article " Big Business and Dependencia: A Latin American View" believes the multinational corporations have been a major political, economic and social boundary to pure economic growth in Latin America and has put a strangle hold on their own attempts to enter the global market.

Richard Caves" viewpoint is that multinational corporations act as a facilitator to the movement and trade of the hard to price assets of a

multinational firm. Specifically in terms of business and trade, there are manufactured goods, which are easy to move across international boundaries essentially. Yet, within the market there are many circumstances where transactions are hard to impossible to complete due to the markets ability to establish a fair price on certain assets.

The reason for this inability is not due to the nature of the economy mind you, it is that these assets are non-physical. Assets such as patents and copyrights, the new technologies that arise from them and managerial expertise are all assets that cross international boundaries. According to Caves, the multinational corporation is in existence to move these assets across international borders. The multinational corporation in this process takes on three different models according to Caves.

The first is a multi-plant firm that produces the same goods in several geographically different locations. This is the static model of " horizontal multi-plant enterprise" as Caves refers to it. It is the most thoroughly basic kind of Multinational Corporation. The factories abroad are controlled under common management, and are run and operated in the most cost effective locations of production. In most cases of the horizontal multi-plant enterprise, the products or their effects are mobile between national markets.

This horizontal enterprise will produce goods that may deprecate but will not have a short life p of productivity. The second model is the " vertically integrated multinational enterprise"; this is a corporation wherein the outputs of the corporation" s plants serve as inputs to another of the

corporation" s plants. This is used in most cases to reduce the cost of production of certain goods. Semiconductors for example are made by the advanced technicians in highly industrialized countries, while the process of soldering the wires and boards of the conductors can be done in a lower-wage country.

The third type of multinational firm is the " diversified company", which is a company whose plants inputs and outputs are neither horizontally nor vertically related. The reason for the creation of this firm is the multinational corporations bid to increase the diversification of the corporation" s interests abroad. This is done to increase the viability of a company, whether it is to inflate stock prices or some other arbitrary goal of the corporation.

This view is quite different than the view of Osvaldo Sunkel, in his article " Big Business and Dependencia: A Latin American View" Sunkel brings to light the idea of Dependencia: Which is the control of Latin American markets by United States and European multinational corporations. This control of Latin American industry for well over 200 years by the US and Europe has radically altered the socio-economic development of this region. And has added to the dispensation of their current markets since the 1930" s, which has led to an economic stagnation for many Latin American countries.

Sunkel brings to light several points that show how the multinational corporations, be them Horizontal or Vertical. How these corporations do not benefit the country that houses the subsidiary, moreover the corporations home country benefits many times over than the exploited country. Sunkel" s argument is very clear; the very infrastructure of the Latin American

economy is based on a hierarchy, whereas the core nations of the world's economy use their strong positions to exploit the weaker economies.

Robert Gilpin refers to this as Structuralism; it is a major school of thought in international political economy. This theory of "Dependencia" causes many socio-political, and socio-economical problems in the Latin American countries. Sunkel states that when the more powerful United States placed increasingly manufacturing complexes in Latin America the local centers of production were either swallowed by the larger company or put out of business by the lower prices of giant conglomerate. This led to the eventual decrease in exporting that benefited the local market.

Sunkel, makes this point very clear: that the trade between the core nations and Latin American never left exploitation not unlike the colonialism of 200 years ago. Whereas Europe used to subvert the local population and exploit the natural resources, the core nations now use the large corporations to do this instead. A bulk of Latin American trade has been replaced with this intra-firm/corporation transfer of products. It benefits the core nation even more, because not only does a bulk of the product or material go to the corporation's home country, but also the majority of the profit follows the same line.

This lack of real trade and a concentration of wealth in the core nations have made the Latin countries even more tied to the elite through huge loans and aid from the IMF and World Bank. Caves and Sunkel share very different mindsets, while Caves believes that the multinational corporation extends the scope of the world economy. Sunkel believes that it exploits the Latin

American market, by reducing the capital in the working class and middle class the corporations take capital from the local economy that could be used to improve the social condition.