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THE MULTILOCALS: TRANSNATIONALS AND COMMUNICATIONS TECHNOLOGY

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Transnational corporations (TNCs) appear to be either loved or hated. It seems, for example, that you either love the McDonald's fast food 'experience' or despise McDonald's for their sugar content, their environmental impact, their 'have a nice day' Americanness, their labour relations and their relentless advertising. But few of us are unaffected by their impact. Probably most TNCs are not as high profile in our daily lives as McDonald's, but they are a conspicuous and increasing presence, not least in the field of technology.

This essay seeks to establish where TNCs fit into economic and social processes, their growth, and in particular, their relationship to new communications technology. It will be argued that TNCs play a critical role in the advancement of international capitalism. They are prominent as both the developers of new technology and as its users. Indeed, the operation of their global networks is often contingent upon the facilities provided by recent advances in telecommunications.

But while TNCs have been targets for much criticism, and even abuse regarding their exercise of power, both economic and political, much of this criticism is misplaced. There are real concerns about some of the things done by TNCs—such as in relation to communications technology—and their ability, individually and collectively, to transform circumstances to their advantage. But the question must be asked whether this is the 'fault' of TNCs, or is attributable to a lack of government regulation, or to the broader international capitalist system of which TNCs are but 'representative'. There exists long-standing debate on these matters. But before determining what TNCs can and cannot do, there is need to clarify what they are.

What are TNCs?

The definition of TNCs is by no means clear—even the United Nations Centre on Transnational Corporations cannot settle on a definition (United Nations 1978). In some sense, it is a matter of knowing one when you see it—as with McDonald's; but this serves to give undue emphasis to the conspicuous, newsworthy TNCs. Their role is more extensive and diverse than this.

A number of attributes are critical. The key characteristic of a TNC is that an enterprise controls assets, such as factories, mines, and sales offices, in two or more countries. Somewhat more narrowly, TNCs are usually defined as firms that control production in more than one country. A couple of ambiguous points should be noted here:

- The emphasis is on control, not just ownership of assets. Control means the exercise of management, and sometimes who is actively managing is difficult to know.[1]
- a firm does not have to be big to meet this criterion. Particularly in a world which now has hardly any national restrictions on the international movement of assets (more on that soon), owning assets in more than one country is not logistically difficult. For those of us in the island country of Australia, other nations are some distance away; producing in more than one country is logistically difficult. But this is much less true of countries which share a border, with populations mingling internationally.[2] But the term TNC has by convention been applied only to big companies, for which production in more than one country is a deliberate strategy rather than an accident of location.

On this basis, the United Nations estimates that in 1990 there were 35 000 TNCs with 150 000 foreign affiliates, and foreign-held assets of $US1.7 trillion (United Nations 1992).

TNCs and communications technology

Communications technology relates to our understanding of TNCs in two ways: communications technology is central to the internal organisation of TNCs; and the companies which produce communications technology are themselves often TNCs.

Companies producing in multiple countries and selling in many locations require mechanisms of internal communication, for accounting purposes and for managerial decision-making. One of the decisions a TNC must make is whether to run the corporation in a centralised way, with production decisions made from head office, or whether international plants (subsidiaries) should be administered autonomously. Another decision is whether the output produced by the company should be generalised (producing the same item in a number of countries, such as hamburgers) or specialised (different production plants produce different items—either components for a globally-produced item,[3] or specialist lines[4]). These decisions will be made differently in different companies and in different industries, but if there has been a general tendency in the last decade, it has been towards centralised control by head-office (at least regional centres) and globally integrated production.[5] This trend depends directly on complex intra-corporate coordination. This would not be possible in the absence of advances in communications technology, where efficient couriers, telephone, fax and computer links now make detailed international coordination feasible, and competitively necessary.

There are clear reasons why companies operating in communications technology are conspicuous among TNCs. While the invention of new technology is often undertaken by smaller, specialist firms, the commercial development of such technology requires that it be applied on as large a scale as possible. Over the past 100 years, and particularly over the past 20 years, the nature of technological development within the area of communications has made physically possible an increasing variety of forms of cross-national communication. For the companies which own the technology, it is often rational to become transnational.

The economic role of TNCs

Economic activity (trade, money lending and production) has been international since before there were nations (if that's possible!). In particular, trade has been attributed a central role in providing the wealth on which European capitalism developed. Critical here were companies like the giant English East India and Dutch East India Companies which amassed fortunes trading in exotic products such as tea and spices,[6] in the period prior to the rise of industrial capitalism in Europe. But these were not, at least initially, TNCs as defined above. These companies did not enter the new markets as bearers of capitalist industrial processes, but as traders—buying cheap and selling dear, and using their size and might to acquire local trading revenues, subordinating local political structures in the process.

Control over foreign production first emerged in tandem with colonial rule, with companies of imperial countries investing in assets in the colonies. But even this is not the activity of what we now understand as TNCs, for colonial investment remained under the aegis of the 'home' imperial state and thus, in a political sense even if not in a geographical sense, domestic.

TNCs as we know them are a late nineteenth and particularly twentieth-century phenomenon, where investment is not restricted to within the colony, but occurs between sovereign states. Their development is to be understood as a direct reflection of the development of capitalism from the late nineteenth century. A few factors stand out:

- The development of production technology, particularly mass production, meant that firms which possessed a technological advantage (either a superior technique of production or superior quality product) could sell their products profitably throughout the world. If transport costs are high, or prospective foreign markets are protected by import restrictions, it would be cheaper to produce in other countries than to export to those countries.

- Successful firms with access to finance could set up production or purchase productive assets in other countries as a form of corporate expansion. The development of public companies (companies which raise funds by selling off ownership through the stock market) in the late nineteenth century, and the concurrent growth of commercial banking, both provided companies with access to assets to fund growth.
- Two questions immediately follow: first, why would companies want to expand internationally rather than diversify within their country of origin; and second, what does this say about the broader nature of capitalist development. In the answer to the first question lies the terrain of the critique of TNCs; in the second, their justification.

For the first question, monopoly power, or, more generally, control over the market, is central.

Monopoly power of TNCs

Companies with sole ownership of some technology want to exploit the benefit that accrues from it as far and wide as possible. International production gives them a bigger market to dominate.

There are a couple of aspects here. First is the fact that any company with more advanced technology than its competitors is likely to be more profitable. It may be because its technology permits it to produce more cheaply; or, in the particular case of communications technology, because access to faster or better flows of information confers a competitive advantage. For example, the early use of mobile telephones at racetracks permitted gamblers to profit from the difference between on-course and off-course odds,[7] and the development of satellite geological surveys has given the larger mining companies which can afford them enormous advantage over companies relying on on-the-ground prospectors.

Another aspect is associated with the benefits of being big. Communication within a technological system, be it a telephone system or a computer system, invariably gravitates towards an international scale for two reasons. First, the technology is often very costly to set up. The development of computer systems or the launching of satellites is too expensive if it is for communication between a handful of agencies. The high start-up costs must be spread over as many users as possible. Companies in these industries spread internationally because it is cost-effective. Second, the more agents a communications system can communicate with, the more agents will want to join it. For example, a telephone system or a computer system which only permits domestic communication will have fewer subscribers than one which permits international communication. Thus there are clear technological reasons for some parts of the communications industry to operate on an international scale.

Companies with access to finance, irrespective of technological advantage, *may be able to buy out rivals in other countries*, and establish a monopoly position in their markets.

Within communications industries this most applies to the media, and most conspicuously, to newspapers. Not only do companies want to own newspapers in multiple countries because they 'know the business', but communications technology itself enables companies to 'network' copy, reducing their costs significantly compared with independent newspapers.

Companies using imported inputs may wish to control their supply of those inputs. For example a steel works may wish to own foreign iron ore mines, or a food processing company foreign farms. Within communications, the same tendency arises, although to a lesser extent than is found in relations between primary and secondary industry.[8]

Each of these rationales for internationalisation could be expected to be more profitable than to diversify into other industries in the home economy. What makes this profitability likely is that the rationales are associated with some form of market domination. This is compatible with the image of TNCs as power brokers and market manipulators. Whether that is a fair and universal depiction we will see shortly.

International expansion by TNCs

For the second question, the inherent tendency of capitalism to expand is central. This tendency rests on the proposition that unlike all previous epochs of history, capitalism is based on the competitive pursuit of profit. Competition creates the inducement for technological change and the growing size of firms. Technologically backward firms go out of business, and smaller firms are generally either less profitable or restricted to certain industries. This makes capitalism a growth-oriented system. That doesn't mean that it is in fact always growing, but periods without growth are also periods of economic crisis.

One dimension of the competitive, growth-oriented nature of capitalism is the spatial (international) extension of markets (trade) and finance (credit and investment) and, associated with them both, the international relocation of investment. TNCs participate in this process, and by controlling production in multiple countries, they are important in determining global patterns of investment and trade. But there is more to the process of the international extension of economic activity than TNCs.

The last twenty years have seen significant developments in this internationalisation, including in TNCs. Since the 1970s, the movement of money and commodities internationally has accelerated at an historically unprecedented rate. On a global scale, trade grew rapidly in the 1970s, at twice the rate of the 1950s and 1960s. But the international movement of money grew even more rapidly, for while trade increases levelled off in the 1980s, international money movement kept growing.[9] This was associated with the rise of debt-financing of investment, and the growth of international banking. It was facilitated by many countries lifting their restrictions on international money movement and floating their exchange rates. Economists now talk of a single, global money market which knows few or no national barriers.

This has been an environment in which TNCs expanded as the bearers of this internationalisation. Between 1985 and 1990 on a global scale, foreign investment by TNCs grew at an annual rate of 34 per cent, compared with international trade at 13 per cent and global production at 12 per cent (United Nations 1992). Large, and even middle-sized, companies were advanced by the international banks' long lines of credit to invest where they thought most profitable—in whichever industry and whichever country.

Australia is a clear and dramatic illustration of this trend. In the 1960s, there were but a handful of TNCs of Australian origin. But by the mid-1980s, virtually all large (even by Australian standards) Australian companies held international assets and engaged in production outside Australia.[10]

So TNCs are no longer the exception as a form of organisation of large corporations, but nor are they path-breakers in creating an internationally integrated economy. The critical change is in the underlying ordering of the international economy. The integration of global capital markets means that when we go to our local bank for a loan the bank sources that loan from an international financial system, whether it is itself a large international bank or not. The growth of trade means that we have greater access to the products of other countries—we both import and export more. This in turn means that it cannot be assumed that local markets will be supplied by local producers: they will be supplied from the cheapest international source.

This is where TNCs come in. They use their access to international credit to undertake production in the place (nation) where it is most profitable, and then export to markets where it is less profitable to produce. To a great extent, this adjustment would occur in the absence of TNCs: if it is profitable, someone will probably do it. But TNCs specialise in knowing where to do it, how to finance it and where to sell it. They are, in this way, just playing out the pursuit of profits, which defines capitalism.

Critiques of TNCs

As just posed, the role of TNCs sounds quite innocent. However, a number of criticisms are levelled at the activity of TNCs, which would suggest that there is more to their role than that.

TNCs exploit cheap labour in poor countries

As part of the international profit agenda of TNCs it is argued that, in the last twenty years, they have been taking industries from high wage countries to low wage countries. They have thereby 'deindustrialised' the richer countries (they have taken industry off-shore), and exploited cheap, non-unionised workers in bad working conditions in the poorer countries.

Poor countries, and the cheap labour they provide, are not high on the agenda of TNC investment strategies. Over 80 per cent of investment by TNCs is in 'rich' countries, and 70 per cent is investment between just three 'countries'—the United States, the European Community and Japan. Of the less than 20 per cent going to poorer countries, two-thirds goes to just ten countries (United Nations 1991).

Even so, there is TNC investment in poor countries, and there is some pattern of labour-intensive industrial production (for example, textiles production, assembly work) being relocated from advanced capitalist to poor countries, largely in response to the low level of wages in the poor countries.[11] This is indeed more profitable for TNCs in certain industries, but several points should be noted. First, for the workers so involved, the alternative to low-wage work for TNCs is invariably not high-wage work (the TNC would not have relocated if this were the case), but unemployment. Second, it is generally the case that TNCs pay higher wages than do the local employers. The real exploitation occurs in the smaller, 'backyard', locally owned firms. Third, it is argued that it is investment which has historically made the rich countries rich, and if poor countries had received more foreign investment, they would have become richer. If poor countries lack the local funds for investment, they must get them from outside and, despite the fact that profits accrue to foreign owners, they can expand their economies. Indeed, this is precisely the story of Australia: it became one of the wealthiest countries in the world on the basis of foreign investment.[12]

In general, the problem of the poor countries is not that they are exploited by TNCs, but that they lack development; or as it has been put, 'the problem of the poor countries is not that they have been exploited, but they have not been exploited enough'. The problem of poor workers in those countries is not that they are exploited by transnational capitalists, but that they are exploited by all capitalists.

TNCs dominate markets, and exercise monopoly power

The critique here is that the size of TNCs means that they can drive competitors out of national markets and establish monopolies, and so increase their profit at the expense of consumers and smaller producers.

Here, the critique is not of the trans-nationality of capital, but its bigness *per se*. Companies do not have to be transnational to be big. Nonetheless, to the extent that TNCs do exercise such power, it is the responsibility of nation-states to institute anti-monopoly controls; not of TNCs to 'self-regulate'. Perhaps, however, it is argued that TNCs are able to exercise power over national governments, and somehow prevent such anti-monopoly controls. This is a distinct critique, to which we now turn.

TNCs can dominate national governments

It is argued that TNCs are often so large, and have sufficient international influence, to be more powerful than the state institutions of the countries in which they invest. They can thereby extract favours and, at the limit, secure the overthrow of governments.

While such cases are by their nature difficult to prove, it is almost certain that TNCs have at times exerted decisive political impacts. There are well-documented cases of the role of TNCs being active in the overthrow of 'hostile' (usually socialist) governments, especially in Central and South America, and particularly in the 1950s. In part, this is an issue of TNCs as bearers of 'foreign' influence, an aspect looked at shortly.

In part also this critique is about TNCs as representative of capitalist class interests; interests they share with local capitalists, too. Much of the political power they exercise is therefore not just because they are transnational, but because all large property owners exercise significant sway over the state.

Their one distinctive source of power is due to the lack of an effective international system of state regulation. In its absence, TNCs can use the unregulated international environment to their advantage. Most conspicuous here is the capacity to minimise taxation payments by declaring their profits in countries with low tax rates and making no profits in high tax countries. This can be done by an accounting measure called 'transfer pricing'.[13]

The less dramatic, and no doubt more pervasive, issue here is the capacity of TNCs to extract favours such as taxation concessions, non-unionised labour, favoured access to resources etc. Yet here, as above, it is important not to exaggerate the favours acquired by foreign capitalists over the favours acquired by local capitalists. Where favours are acquired by bribery, for example, there is no reason to isolate the activities of TNCs.

Yet some favours, such as tax concessions are exclusively offered to TNCs. Why? Quite simply, they are offered by states desperate for investment, and these states must 'compete' internationally to attract mobile investment. More conspiratorially, it is argued that TNCs can, in concert, threaten to withdraw their investments if local government policies do not meet their interests. This is a form of power, but it does not constitute power over the state. Indeed, the very notion that TNCs can exert power over the state is based on a simplistic conception of power.

TNCs (all companies) have power, and states have power, but it is not the same power; they are not mutually exclusive. State power is required to secure social stability and sustain economic activity. TNCs (and all capitalists) need this power to be exercised. They may, and almost certainly do, seek to influence the way it is exercised, but this is a different matter from usurping state power. It is about recognising the capacity of the capitalist class (TNC and local) to see that the state sustains their interests. This, then, is a question of the role of the state in sustaining the dominance of the capitalist class; it is not one of TNCs over-riding the power of the nation-state. To focus on TNCs implies the false suggestion that, in the absence of TNCs, class divisions in society would not be a matter of concern.

TNCs undermine national sovereignty

The response above is, however, open to a further critique, even if it is recognised that TNCs cannot usurp state power. This is the proposition that TNCs, unlike 'local' corporations, serve foreign interests, and important decisions about the national economy are made in boardrooms in New York and Tokyo, not within the nation concerned. This has a few dimensions: TNCs take profits out of the country; the influence they seek to have in the formation of state policy is to serve their global interest, not the 'national interest'; and their impact breaks down national distinctiveness, economic, social and cultural. These latter two dimensions have been particularly raised in the context of communications technology.

There are many related issues here. For the sake of exposition economic and social aspects will be treated separately. Clearly, wherever there are TNCs, resources flow internationally. TNCs do take profit out of countries, but only when the local operation is profitable. The only way to avoid the outflow is to prevent the investment in the first place. But this involves a loss of economic activity. It may be that the profit outflow is worth the cost.

Beneath this 'profits versus economic activity' dilemma is a broader issue of whether 'foreign' companies should be cast as hostile, and 'local' companies as patriotic—whether decisions made in boardrooms in New York or Tokyo are really any different from decisions made in boardrooms in Sydney or Perth. If there ever was a difference, the issue has changed in the past decade, in two important ways.

First, with the growing number of TNCs, profits flow in many more directions. For example, while foreign TNCs take profits out of Australia,[14] Australian TNCs bring profits into Australia, though invariably to move them out again as new international investment. In this international era, there is no clear pattern of resources being drained from one country to another. It now cannot be easily argued, for example, that Australia is a client of the United States economy when, in 1988, Australian investment in the United States was greater than United States investment in Australia!

Second, with the growth of international money markets and the use of debt-financing by industry, most cross-national income flows are interest payments, not profits. This is significant because the loans which give rise to the interest payments are taken out voluntarily by local firms, predominantly for local investment, though also to fund international investment. So while income leaves the country, it can hardly be argued that it is associated with a loss of national sovereignty.

If this starts to sound confusing, it is because the relationship between nations and companies is becoming more complex: there is no clear 'us' and 'them' delineation of companies, and the wealth accumulated by companies does not directly flow to their nation of origin.

This points to the general issue of the notion of sovereignty. In an economic dimension, if investment, credit and commodities move freely in and out of countries, in what sense can we still talk of a discrete 'national economy'? The nation is no longer a clearly delineated economic unit. Ownership structures of industry are now too complex to have a clear differentiation of foreign and local ownership, and even when ownership is local, it could be by a local TNC, or be funded by foreign credit. Moreover, in a globalised economy, nation-states policies (despite what political leaders would like us to believe) are increasingly less able to affect national differences in economic activity. Sovereignty, at least in an economic sense, is (at best) an anachronism.

It follows that we must also think critically about the concept of a 'national interest'. If we cannot clearly distinguish a national economy, and the companies which run industries are increasingly international (not just 'foreign'), then whose interest is the national interest? It is argued, for example, that it is in the 'national interest' that industry should be locally owned. But when the share equity which denotes ownership is funded by international credit, or where 'locally owned' companies are doing a substantial portion of their investing internationally, there is not a clear difference between local and foreign ownership. Local ownership is not obviously intrinsically preferred. Certainly, there can be presumed no national 'loyalty' by locally owned companies: they invest where it is profitable. Of course, politicians and governments would have us believe that collective effort yields collective reward, but it is far from clear that there is a systematic process which ensures that the rewards are nationally distributed.

Perhaps, however, the issues of sovereignty and national interest become clearer outside the directly economic sphere. Here, the argument is that the loss of national sovereignty is more subtle and pervasive than is captured by economic analysis. This will be looked at specifically in relation to the impact of communications technology and TNCs.

The critical issue is that control over communications technology means control over information, and control of information is a precondition of political power. This has two dimensions: control over popular consumption and culture and control of national centres of security and intelligence.

The first relates to the capacity of TNCs to create a social environment which is receptive to the products of TNCs. This means, in the first instance, creating a demand for the mass consumer goods produced by the TNCs. Associated with this is the construction of a social environment in which such demand appears 'natural'. It is argued, for example, that foreign controlled media—from current affairs to sport to soap-operas—give societies, particularly outside the United States, a foreign-constructed image of politics and social relations. This is generally associated with broader explanations of United States dominance of the world economy. Local culture and values become subordinated to foreign culture and values. The world takes on American values of consumption and individualism. For example:

> The corporate takeover of (popular) culture for marketing and ideological control is not a patented American practice . . . [but] . . . is carried to its fullest development in the United States. Cultural–recreational activity is now the very active site for spreading the transnational message, especially in professional sports . . .
>
> Major sports are now transmitted by satellite to global audiences. The commercial messages accompanying the broadcast . . . and often worn on the uniforms of the athletes constitute a concerted assault of corporate marketing values on global consciousness (Schiller 1991, pp. 23–4).

The issue of cultural imperialism is discussed by Lelia Green in chapter 12. Let us here concentrate on its relationship with TNCs and sovereignty. It is clear that the trend towards global information systems and global media is a reality. But the unique role of TNCs in this process should not be exaggerated. It is limited to a couple of factors. One is that the involvement of TNCs often means that foreign sources control the flow of information. This issue cuts two ways. The negative side is the possibility of news being converted into international propaganda, as found in the United States media's coverage of the invasion of Iraq in 1991. The positive side is found in overcoming domestic propaganda and censorship of information, as seen dramatically in the capacity of satellite-linked media to transmit to the world pictures of the massacre in China's Tiananmen Square in 1989.

The other factor is that the creation of globalised communications occurs under the control of a relatively small number of large companies, often because the cost structure of the industries concerned means that only large producers can operate profitably. That is far more restricted a criticism than is commonly found, as in Schiller above, where TNCs are attributed the role of creating cultural hegemony, 'Americanising' the world.

Let us leave to one side the moral critique that American values are intrinsically bad for non-Americans. (It is a judgment that should not be presumed.) TNCs themselves are not to be held responsible for the fact that the world's television and cinema screens are dominated by American content. Indeed, this phenomenon has little to do with undertaking production in multiple countries (which, it will be recalled, is a characteristic of TNCs). These programs are exported as commodities, just like wheat or shoes, and they are imported into other countries because their buyers believe it will be profitable to transmit them locally.

The concern which follows from the moral critique, therefore, is not just that the supply of foreign goods and information is a threat to national political and cultural sovereignty, but that there exists a real local demand for these items; a demand which cannot be dismissed by the somewhat patronising proposition that TNCs can make people want things they don't really want.

The second sovereignty issue relates to the way in which centralised, internationalised communications technology can be used for foreign control over national security. Foreign TNC control of satellite and other telecommunications technology provides the means for elaborate external surveillance, which has profound political and military implications. There is ample scope for this, both in the illicit form of spying by means of extra-territorial surveillance, and by the control over the information systems on which national security is operated. Indeed, it is argued that much satellite technology does not just have military application, it was developed for military purposes (see, for example, Matellart 1979). The use of satellites for weather forecasting and geological surveying was first developed by military-funded research. Much of the recent development of satellite communications technology is attributable to the United States' 'Star Wars' military program.

This issue of the link between TNCs and military applications is perhaps the most disturbing of all. It has been a growing concern since President Eisenhower warned of the emerging 'military industrial complex' in the 1950s. But the concern must be clearly targeted. The production of defence technology is only profitable because governments heavily subsidise it. The fact that the companies which produce the technology are invariably TNCs does not mean that loss of national sovereignty by the application of such technology is the responsibility of the TNCs, though they may well find the whole exercise highly profitable. The problem comes back not to the subversion of nation-states by TNCs, but the primacy given by all nation-states to the needs of all capital.

Conclusion

TNCs have played a significant role in the recent expansion of the communications industry internationally. They have been central in developing communications technology, and, by use of the technology itself, have spread rapidly the application of technological innovation. The effect has been to break down national barriers, both economically and culturally, though not, it must be emphasised, so as to eradicate national differences.

A consideration of whether domestic commodities, companies and culture are inherently preferred to foreign ones is beyond the scope of the current analysis. But a number of issues have been discussed above which reflect directly on that broader question. There is a widespread tendency to focus much blame for negative experiences of the international economy on TNCs. They are often seen as manipulating economic and political processes to their own advantage, and constructing the world in their own image. They are in some sense immoral.

But perhaps they are just good capitalists. With the use of communications technology applied globally, they know where and how to raise funds; they know where it is best to produce; they know how to produce profitably; and they know where and how to market their output. Most of all, they know that to be big is to survive.

The evaluations are not incompatible, but they lead to quite different consequences. The moral critique suggests that the world will be improved by the restriction or even eradication of TNCs. Should this happen, it would be argued, nations will be sovereign, and the will of the people will be heard. The 'good capitalist' critique says not. TNCs are a reflection of globalised accumulation, and in the absence of TNCs something approximating the current system would be created by means of trade and national replication of foreign technology and foreign products. Production under the control of local capitalists is no more the 'will of the people' or an expression of 'the national interest' than is production by TNCs. It is done with the same objective, though probably less skill, and with similar outcomes.

If there is a concern with the current world impact of communications technology, and the exclusivity of its control, the underlying issue is not so much that it is controlled by TNCs, but that it is controlled internationally and within nations by a minority, property-owning class. While there may be conflicts within that class between TNCs and local capitalists, these are trifling compared with the combined power of this class to determine the lives of ordinary people throughout the world.

Endnotes

1 In the 1991 takeover battle for Fairfax newspapers, the question of who would be managing depended upon interpretation of just how much influence Kerry Packer would exercise. But influence is hard to measure.
2 In Europe, for example, someone could run two cake shops in adjoining towns, but one could be in Germany, the other in Austria; hence a 'transnational corporation'.
3 For example, IBM undertakes its research and development in multiple countries, relying on intimate coordination between its world-wide laboratories (McCann 1986).
4 An example here is a food company producing its global supply of canned tomatoes in Italy and its global supply of frozen peas in Australia.
5 The decision of how to organise a TNC on an international scale is an important regional question. In particular, countries and cities vie to become regional centres for transnational industries—for example, Sydney's attempt to be recognised as financial centre of the South-East Asian region. On the significance of these issues, see, for example, Langdale 1989.
6 Notice that for all their wealth and power, these trading companies do not automatically fit the criteria of TNCs, for trading *per se* does not require control of assets in other countries.
7 It will be recalled that in Frank Hardy's *Power without glory*, a fictionalised biography of Melbourne businessman John Wren, the leading character made his start in business as an SP bookie, using homing pigeons to secure race results before they arrived at radio stations by telegraph. He was thereby able to adjust his book before the results became 'public'. There is a long history of those having superior communications technology being able to exercise it for market advantage (see Carey 1986).
8 Nonetheless, there is an observable trend for producers to want to control distributors, and for distributors to want to control retailers. For example, the conspicuous link in ownership between film distributors and cinemas means that the distributors determine the films shown to the public.
9 Between 1972 and 1985 funds raised in international money markets increased at 23 per cent per annum, while trade grew at 13 per cent

per annum, itself a significant increase over the 1950s and 1960s (United Nations 1989, p. 64).

10 By 1989 fourteen of Australia's fifteen largest companies held more than 25 per cent of their assets outside Australia; four of them held more than 50 per cent. Of Australia's largest 100 companies, only fifteen have fewer than ten per cent of their assets held overseas (Thomas 1989).

11 It is important not to assume that wages are the sole nor always the primary criterion of where to produce. If that were the case, all production would occur in the Horn of Africa. Other factors are the productivity of labour, the infrastructure provided in a country, proximity to markets, as well as the 'deals' which can be struck with individual national governments.

12 Clearly there is some debate as to whether that was a desirable path—indigenous people make a case that it was not. The point here is not to insist that capitalist development is good, but that poor countries are judged poor by the standards of developed capitalist countries.

13 Transfer pricing arises because TNCs continually shift funds and assets internationally within the company. The prices they put on these funds and assets are only for internal book-keeping purposes; they do not necessarily reflect market prices. Companies can construct these (internal) prices to shift income and so make branches of their operations look more or less profitable than they 'really' are, and thereby minimise global taxation payment.

14 It should be noted that not all profits of foreign companies are repatriated. Some portion stays to fund new investment. It is important not to have the image that TNCs invest and then withdraw. They tend to keep on investing for the same reason that they started investing—because it is profitable.

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