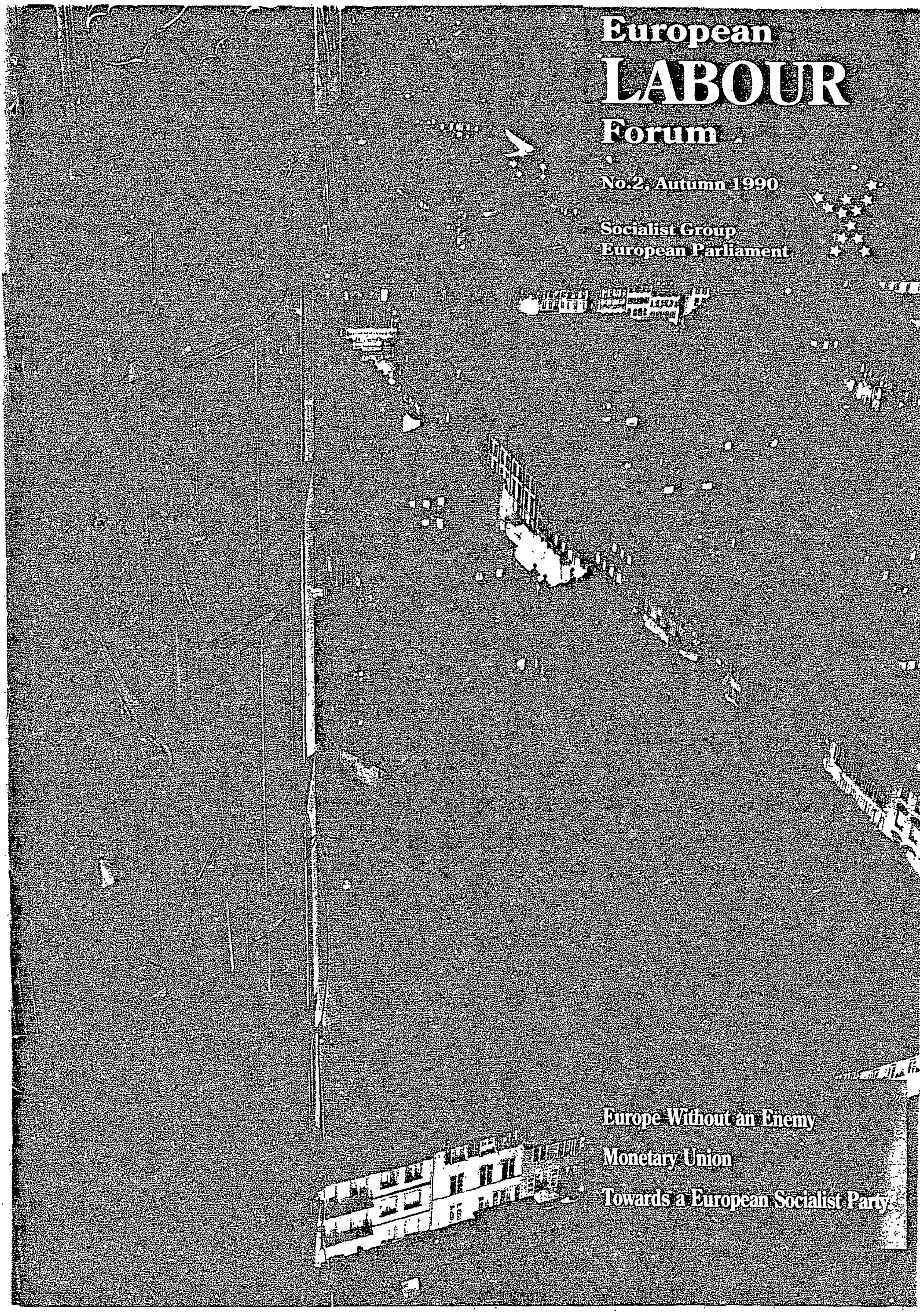

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Multinationals
and Social Control in the 1990s

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What is capital's response to the crisis of the era of mass industrial production we now call Fordism? What are transnational firms doing? And what should be the trade union and political responses to them?

First has been the substitution of capital for labour. In some instances this has increased the size of plant economies of scale, leading to longer runs and the need for wider markets. But, in many cases, minimum plant size has got smaller (the chemical industry, for example, or electric arc furnaces in the steel industry) which has allowed production to become more dispersed. This has been linked to an increased flexibility in machinery, cutting down times between one batch and another, further reducing the size of the economic length of run for any particular product.

Second, and building on the first, there has been a discontinuous cut in stocks through the adoption of 'just in time' techniques. Flexible machinery and closer ties with markets (particularly retailers) has allowed more producers to make to order rather than to produce for stock, and this has applied to final producers and right back to input suppliers. One implication is the need for producers to be close to their markets, so that some sectors have seen the growth of tighter geographical clusters of firms in developed countries. The new wave retailers like Next, Burtons, and Richard Shops have, like Marks and Spencers, brought production back home. Burtons, for example, have moved from 50 per cent to 80 per cent UK sourcing over the past three years.

Thirdly, the last 15 years has seen a switch from the extensive to the intensive use of energy and materials. New materials have cut down on raw materials requirements. So has design and improved systems of lay out and cutting (using Computer Assisted Design). There have also been major savings in energy; thus electricity consumption in the UK has only now grown back to its pre-1973 level. One consequence is a decline in demand for Third World materials, and the slump in prices. Another is a decline in foreign investment in primary products, as the primary and extractive multinationals have restructured themselves around First World synthetics, and providing services to what are now commonly Third World controlled industries. There has been a retreat from land.

Fourth, competitivity has come to turn less on manufacturing costs, and more on innovation and marketing. Innovation in many sectors does not depend on scale. Whether in software, cultural industries, or clothing, small firms have often developed new products, while in those areas where research and development (R&D) scale is important, there has been a growth of cross-licensing and joint ventures as a way of spreading the risk of new product development. What has been central, however, is that when a successful product has been developed, the producer has the means to globalise its sales. This requires a marketing infrastructure of representatives, advertisers, after-sales networks, and specialised outlets. Access to the market is primary. Economies of scope, of transactions and of advertising have been superseding economies of production scale across a range of industrial sectors.

The pattern of transnationalisation

One implication for transnational firms is that new international service industries have grown up around these needs — advertising, market research, legal services, trade, and management consulting. Services now constitute 40 per cent of the world's stock of foreign investments and 50 per cent of the flow. Another is the rise to sectoral power of retailers — the new gatekeepers of the economy — who have substituted international sourcing for international investment, and have now begun to internationalise themselves. Recently we have seen a spate of takeovers inspired by the control of brand names, or, in the brewing or broadcasting industries, control of distribution outlets. The commanding heights are changing. Manufacturers are becoming sub-contractors, whether to innovators or sales networks.

The pattern of transnationalisation is therefore becoming more complex. On the one hand some sectors have seen a growth of a transnational intra-firm division of labour in industrial production. This has been primarily on a regional rather than a global scale. On the other hand there are quite contrary movements, with a demultinationalisation in raw materials and primary products, as well as in those manufactured sectors where labour has been substituted by capital, or where 'just in time' production has brought suppliers 'back home'.

What we can see is a transnationalisation of productive systems, where nominally independent enterprises are consciously integrated into an international system. The exemplary case is Benetton, the largest clothing firm in Europe, which franchises its outlets, sub-contracts the bulk of its production to small factories in the neighbourhood of its head office in Treviso, yet dominates this network through control of internal information, design, corporate marketing and an automatic warehouse and dyeing plant. These points of control are primary services. But they are services whose control gives power over a combined system of product development, manufacture and sales. It represents what might be called a post-Fordist transnational.

With Fordist and post-Fordist transnationalisation, the pressure is to integrate markets internationally, to reduce national barriers, and standardise and harmonise the formally separated national markets. In part the transnationals have achieved this by circumventing national restrictions. With such a myriad of intra-firm or associated firm transactions — whether of traded goods, of intangibles like know-how and management advice, of design and accounting systems, or the cats-cradle of short- and long-term capital flows — it has proved increasingly difficult to insulate and guide the economy using the conventional tools of macro-management, or to control location and investment within this new transnationalism. This is even more the case when we take account of the financial industry, itself transnationalised, not only in banking, but in insurance and financial services. The financial system has been the spearhead for deregulation and the attack on the fortress walls.

A new international economy

The result has been a new system of international economy. First it is a system with much weaker forms of macro-regulation. As national regulatory frameworks have been weakened, the new system has attempted to get international agreements on monetary and exchange rate policies, and on financial regulations. Much has depended on the United States policy of increasing the budgetary deficit, effectively providing a Keynesian stimulus to the world economy, as private financial flows did in the 1970s. The problem arises, however, when there is international conflict, as there now is over the policy towards the American double deficit. There is the growing fear that the fragility of the present system will be exposed, as the decentralised financial system in the United States had been prior to 1934.

Second, the mobility of capital introduces a new form of competition between states. Instead of competing through the exchange of products on the market, countries are competing both for new multinational investment and for the declaration of profit, through a mixture of incentives and concessions. Since the mid-1960s the net tax rate (tax minus grants and concessions) has been bid down, not least by Britain which one tax adviser recently described as the best tax haven in the world for multinational companies. In 1981, for example, of 17 leading industrial companies who, between them, declared profits of £9.8 billion, only three paid any tax at all, totalling £416 million. Since 1965 the Government has granted more reliefs than it has taken in corporation tax.

With firms, prices do not, in the long-run, fall below the industry's costs. In the case of countries, this is not the case. The basic costs to exchequers vary widely. The smaller the country, the lower the overall level of public expenditure, and the greater the potential incentive that can be offered to international capital to declare its profits there. Large countries cannot easily follow the small ones as net tax rates are bid down. Hence the fact that tax havens are islands or other small countries. They have contributed to this overall lowering of tax on multinational companies.

During the 1980s the inter-state competition has gone further. Mrs Thatcher has sought to undercut continental countries in order to attract European accumulation to the UK. The cut in the higher rates of personal income tax was explicitly aimed at international executives. The deregulation of telecommunications and British Telecoms' tariff policy has had the declared aim of making the UK the telecommunications hub of the EC. Oftel — which is a formerly national regulatory body of the telecommunications system — is, in fact, primarily concerned with supporting BT in the bid to undercut its European rivals. In the field of pharmaceuticals the lightness of the regulations on animal testing has been a factor in attracting international drug research. Similarly the Government's policies in the 1980s to weaken trade unions, dilute employment protection and abolish wage councils and the minimum wage, all serve to undermine the social 'floor' within the EC.

The result of this policy has been a concentration of European-oriented growth in the South East of England. Not only has there been an increase in European headquarters located in the region, but an important part of the region's business service and manufacturing industry has been focused on Europe.

The third feature of the new system is that it is consolidating into three regional blocs: the Americas, the Far East and Europe. Of these the most striking developments are in Europe. The pressure for 1992 has come from the Round Table of 28 major multinational industrialists — driven by Philips and Volvo, and including the UK firms, GEC, ICI and the Anglo-Dutch Unilever. Their first goal has been the standardisation and harmonisation of markets subject to preferential treatment for European firms over foreign multinationals. The next issues will be the establishment of a more centralised European monetary system, and the inclusion of a social dimension into 1992 — a policy supported by the Round Table, but resisted by the British Government. The key point is, however, that during the 1990s the EC is likely to become as integrated an economy as the German and Italian economies became a century ago — within twenty years of their unification in the 1860s.

Consequences of transnationalisation

My argument is that the process of transnationalisation over the last twenty years has led to a sharp disjunction between the social and public institutions which were formed during the era of national capitalism, and the geographical range of the leading units of private capital. There is a territorial non-coincidence between both state and capital, and labour and capital. It was the recognition of this disjunction which led to the growth of concern with multinationals in the late '60s and '70s. At that time there was some dispute as to whether, in the words of the American economist Charles Kindleberger, "the nation state is about through as an economic unit". It is now clear that he was substantially correct as far as the independent management of the national economy was concerned. The Keynesian state of the period of national Fordism has been irrevocably weakened. Instead its focus has been redirected towards the labour market, industrial strategy and infrastructure.

What is striking, however, is that although the process of transnationalisation has so decisively advanced, the central concern with multinationals has correspondingly weakened. The journals and the study centres are still there. But the fire has gone out of the issue in economic and broadstream political circles. Partly this reflects the dominance of the New Right, in the UK at least, partly the feeling of powerlessness within the labour movement, when faced with such insistent trends and powerful giants, a feeling only strengthened by the experience of social democratic governments which have tried to resist the trends — as in the early '80s of Mitterrand's France.

One line of argument — and it is to be heard in the Third World as well as the First — is that multinationals are best left alone. The New Right view is that their erosion of the powers of national states and national unions is a good thing, for it overcomes imperfections in the international economy, and brings nearer the goal of an unregulated world market. So, too, do the advanced information systems which have accompanied, indeed, permitted, this growth, since the adequate working of the market requires such 'perfect' information. A more dynamic version of this general approach is that, markets aside, the multinationals are the most effective agencies for the innovation and restructuring on which economic growth depends. States, communities and unions interfere at their peril, and should instead act together to repair what damage is left behind. This approach suggests a sharp distinction between the social and the economic. In the economic sphere the multinationals should be allowed their head; it was the primary role of the state to operate as an agent of redistribution in the sphere of the social.

I register the case, for it exists — even in some parts of the labour movement. My view is quite the contrary. The trends to transnationalisation have severely weakened the trade unions — not only those in multinational companies, but also those subject to undercutting from the free mobility of capital. It has shifted the balance of taxation from the large firms to the small, and from capital to labour. It has sharpened spatial and income inequalities, particularly in former industrial areas which have been increasingly abandoned. And, in its Fordist form, it has acted to standardise and limit the diversity of the commodities we use, dissolving the distinct cultures which have been so important a part of European social and economic life. Above all it has served to further concentrate economic and political power in the hands of a small number of firms. Consider only that by the early 1980s the top 10 European firms contributed as much to Europe's Gross Domestic Product (GDP) as the entire agricultural sector. Yet, in spite of such power, the effect of its use on the erosion of the system of national regulation has imparted a greater fragility to the system as a whole, a fragility which stands to be seriously exposed in the event of what is termed the hard landing of the American economy.

In making these points I have restricted myself to these companies as multinationals rather than as capital in general. Commonly multinationals are criticised for actions they take in the course of acting as capital — criticisms which apply equally to national firms and systems of market capitalism. But I have made this limitation simply because that slow historic process of imposing some social control on national economies is in the process of being unravelled.

Policies towards the transnationals

What then can be done? First we must recognise the extent of the disjunction that has developed between the transnational organisation of private capital and our still firmly national institutions.

But I start by re-affirming the point since our culture in Britain remains so deeply insular. We need to develop a whole range of actions to remind ourselves — quite apart from others — that the leading edges of capital are now European, while we still guard the walls of our fallen fortress.

This said, the strategic choices are two — either to rebuild the walls where they once stood, or make a wider circle around capital's new arena. The first of these fits our national mood, and has greater possibilities than I once thought. But, I think to win back both national and local economies from the standardising grip of the transnationals needs a different approach to that which has been customarily followed in the labour movement.

The traditional view is that we restore the national economy — Keynesian style, either soft (capital repatriation incentives, independence from the European Monetary System, some protection) or hard (on the wartime model, with strong central planning, exchange controls and an effective monopoly of foreign trade). Where there is a threat of capital flight, public ownership should be extended to further 'fix' the national economy. The greater the numbers of firms taken over, and the higher and more severe the controls, the more radical the proposals and the proposers. I do not think such an approach is helpful either in solving the problem or as a register of relative progressiveness. Given the degree of transnationalisation already existing, an attempt to build a wall in what Marx called the sphere of circulation, will be swiftly destroyed by the controllers of production and of finance.

Yet there are industrial alternatives whose significance has emerged with the rise of post-Fordism. In many sectors, Fordist producers have found themselves out-competed by decentralised, yet co-ordinated, local systems of production. In the light industries with which the Greater London Enterprise Board was involved, food processing, furniture, clothing and shoes, we repeatedly found that UK and continental mass producers were being severely challenged by Italian industrial districts, basing themselves on strong design, skill, and flexible production systems. Thus, in shoes, the Italians now export more than the total production of the mass producers of Germany, France and the UK put together; in knitwear and clothing Italy has between 10-20 per cent of world exports; in furniture up to 30 per cent; in ceramic tiles 40 per cent. Many of these districts are communist controlled, are strongly unionised, and combine the organisational advantages of the small production unit, with the scale economies of collective marketing, fashion forecasting, joint finance and so on.

In the UK there are many moves to develop alternatives to the mass food products. France is the leading European example of a country which has maintained its local food economies and has built a world trade on the basis of it.

In the cultural industries there are many industrial districts in the UK — from Soho to Oxford (in publishing), or Liverpool and Sheffield (music). In West Germany it is the high skill, networked industrial region of Baden-Württemberg, which has been out-competing the mass producers of Massachussetts in textile machinery. The conventional models of mass production are, in short, not the only way. In this country such a proposition is difficult to accept because of the extent to which the Fordist principles have been burned so deeply into our minds. But on the Continent, where Fordism made less headway, the alternatives are clear.

Such alternatives cannot be breathed into being with the stroke of a new government's pen. They need to be developed as cultures of co-operation, of skill, and creative design. The music of the Beatles cannot be created by law. What is required is a honeycomb of public support organisations, some sectoral, many local. At the same time there needs to be a strict control on the centralisation of retailing. Decentralised retailing has tended to encourage decentralised production, just as hypermarkets and superstores have encouraged mass production.

The point of such economies is not just that they are less transnationalised, and more open to control by public bodies. Equally important is that they are less mobile. A district like Modena, or the area around Stuttgart, does not stand to be suddenly abandoned because of the calculations of an accountant and a head office decision. The districts are subject to the market, and suffer their own crises. But they have tended to emerge from them on the basis of retooling, and product development, rather than rationalisation and the minimisation of costs.

What must unions do in the 1990s?

This is a long-term strategy and does not touch the immediate problem of the 1990s, namely the European transnationals. Here, I think, the main challenge rests with the unions. The matter can be put simply. If capital is European and unions are national, then unions will have to become European. This is what happened in the 19th Century at the national level, when the building of the railways, and the telegraph, allowed national firms to develop and labour eventually had to follow after.

In the current period there is a possible alternative to the unions. The European Commission and its Parliament, or the member states in association, could ensure the wages and conditions, and the wider social regime which might otherwise be the subject of collective bargaining. This, too, happened in 19th Century Britain locally — at least, for those trades in which organisation was weak.

Yet, in the present circumstances, such a strategy seems far fetched. And this because of the matter I am seeking to address — namely that European capital is strong, while European labour is fragmented, and weak. Hence progress within the EC has been extraordinarily slow during the 1980s. The Vredeling directive on opening industry's books to the workers, itself a very modest proposal, was successfully stalled. The various successor propositions for more worker participation (from Germany), consultation (from Sweden), access to information (from France), and greater share ownership (from Britain) seem — as things now stand — to have only slim hopes of achieving a consensus. We must trust that the Delors policy of having a social Europe as well as an internal market by 1992 will meet with some success in preventing social dumping. If there were an international economic crisis, the balance of power might become more open, particularly if there was a move to regional protectionism. But, as things now stand, I do not see that the need for European collective bargaining will be substituted by the progress of European public provision.

This brings us back to the unions. There are two possible starting points: either to begin where we wish to end up, or where we now are. Where we end up should be European unions. Their form, and range, and mode of operation will vary: but they must be able to undertake effective collective bargaining with multinationals operating at a European level and, at times, with the European State. I understand that both IG Metall, the German metalworkers' union, and the EETPU, one of the electricians' unions in the UK, are, from different vantage points, actively considering Europeanisation.

Let me return to where we are. At the moment there are various forms of co-operation: the two I will mention are those operating through the international trade union structure; and those that work through associated action at the level of particular firms. I experienced both while at the Greater London Council (GLC), as part of the council's attempt to support the unions in forestalling the run down of Ford-Dagenham, Kodak-Harrow, Philips and Unilever. In the case of Kodak, the initiative came from Kodak Pathé in Paris. A meeting was held between Kodak plants in the UK comprising members of the Transport and General Workers' Union (TGWU) and of the Association of Scientific, Technical and Managerial Staffs (ASTMS - now part of the industry and services union Manufacturing, Science and Finance), and a number of French plants. This meeting pooled its information, which was supplemented by research we had done at the GLC. Within half a day it became apparent that Kodak was involved in major international restructuring, shifting from chemicals to electronics, rationalising transatlantic production, and pulling R&D back to America. A set of seven demands were drawn up, a standing conference formed, and a newspaper produced. Four successive meetings were held. Two at the GLC, one in Paris and a fourth in Italy at which some twenty plants were represented. The demands were raised in the European Parliament; a march was held to present the demands at Kodak's head office in London; an officer of the French regional authority Val de Marne was seconded to the GLC for six months to work further on the background research.

The first conclusion I drew from this, and other similar cases, was the importance of sustained background research on the firm and sector. There were resources neither at the national nor international trade union level to undertake this, not least because the unions were fragmented both nationally and internationally, on the continent along political lines. I would suggest then that the first step for the trade union movement now should be the establishment of 20 sectoral study centres, jointly financed by existing national unions. They should comprise only a small core staff (maximum five — including support staff). They would establish short term working groups on particular firms, which would draw in national trade union researchers, academics, and others from the industry. These groups — which might normally last for three months at a time — should seek to involve local trade unionists through local and national meetings, and they would present their reports both to the research board of the associated unions, and through multilingual newspapers. The annual cost of the 20 centres would be about £8 million.

In each study the aim would be to consider not only the particular firm's strategy of restructuring, but what alternatives there are. The value of each sectoral plan would not be confined to the trade unions in their national and international negotiations. They would also fill a large hole in the work of the European Commission. Over the past 15 years employer pressure has led to a run dow. of sectoral work in the Commmission, so that the few sectoral specialists who remain are now forced to concentrate on establishing the internal market and bringing European businesses together. Those I have talked to are not doing sustained strategic research. The European trade union movement could take the lead in providing such research for, as a number of national unions have pointed out, strategic direction is becoming one of the key elements in capitalist competition. If this is the case for capital, it should be equally so for labour, indeed it may be more important to devote trade union resources to strategic research and to focus collective bargaining on strategic alternatives, than on more immediate conjunctural issues. I have recently been working on a number of public sector industries in this country, and have been dismayed at the lack of such strategic research being done in the trade union movement.

Secondly, Kodak raised the problem of language. Is there not a case for drawing on the funds promised by the Commission under the Lingua translation programme to fund language teaching for trade unionists? This could be taken a stage further by the establishment of a European Trade Union Education College, on the lines of the Northern College or Ruskin, to be supplemented by exchange plans at existing trade union colleges within the EC. For any successful *sustained* European trade unionism, there must develop a wide group of people able to speak the community languages, and be part of the wider European culture. There are already European colleges which have these aims on behalf of civil servants and professionals. There are commercial courses to service international capital. Should not the trade union movement do likewise?

Thirdly, there is the question of training. In the UK there is grossly inadequate training, in many fields, at the national level. Some unions have responded to this by developing their own training schools. With the free movement of labour, and the Channel Tunnel in prospect, the French have begun training workers to meet English certification standards. Is the provision of training and support for skilled workers wishing to find work in the many parts of the EC labour market an area in which an early initiative could be taken?

These are three indicative ideas. The further steps of consolidating a structure capable of collective bargaining at a European level may be best left until more modest steps are achieved. Certainly the GLC/Val de Marne experience suggested a little full-time support went a long way.

What should be the aim of the collective bargaining? In the case of Kodak it was the meeting of the seven demands. In the case of Ford, the report of the GLC's public enquiry suggested that the company should be made to accept an agreed production code. Such a code would not only specify employment levels, it would cover wages, working hours, health and safety, the intensity of work, and equal opportunities. Side by side with it should be a code of use which would include provisions for lead-free petrol, minimum safety standards, and noise control. The report suggested a public sector purchasing code and an information code as well. No car would be allowed to be produced or sold in Britain which did not conform to these four responsibility codes.

A coalition of interests?

These examples suggest a further point: that in building a means for exerting social control over the transnationals, a coalition of interests is necessary. There should be a pluralism of countervailing power. This is the importance of a strategic plan, for the process of planning as well as its final form has proved to be an excellent means for building coalitions. Such coalitions should include — in addition to trade unions — local authorities, user groups, community organisations, as well as national and EC government to support policies which cannot be realised in other ways. Worked at in this way, information about companies is not a major problem. The more broadly based the planning, the wider the sources of information, often from quite unexpected sources. Indeed this suggests that the battle of Vredeling may have had greater symbolic than substantive importance. Far more important would be to get the Commission to part-fund the 20 sectoral research centres.

I have argued that it will need a more powerful and consolidated European labour movement to shift the Commission towards a more adequate approach to the transnationals. It will also need a strengthened European Parliament. At that point it would become relevant to consider measures which would require national and European state support: a European Enterprise Board, able to intervene in support of sector strategies; sectoral development banks which would take a public stake in companies that received R&D and other aid from the EC; a new code for European enterprise plans to strengthen the collective bargaining procedures we have mentioned above; and provisions to end state-to-state competition, by putting a floor on wages and social provisions, and limits on the extent to which firms can be attracted through fiscal and other financial incentives. As with firms themselves, the aim should be to shift competition away from the financial and the regulatory to the promotion of innovation and quality. These issues require the preconditions of a strengthened Parliament and a consolidated trade union movement.

National governments should give their support to these directions. They should minimally open their books — so that Vredeling might, in part, be achieved through particular national windows. They should use their powers of public purchasing (in spite of the EC's codes), of grant aid, of trade and competition policy, and of publicity to add to the weight of the trade unions in the course of their bargaining. They should strengthen their monitoring units of the multinational's flows of trade and finances — the units, both in Customs and the Inland Revenue, were weak at the end of the 1970s, and certainly much less effective than those in the US Treasury Department. They should also consider imposing a closure tax on any firm closing a branch plant, the proceeds of which would be used to provide new investment and employment in the locality affected. Finally national anti-trust policy should be undertaken within the framework of the international and not merely national economy. There are frequent anomalies in the way the EC continues to treat competition as though it were ring-fenced within national boundaries.

The problem, however, with all such national initiatives is that — if sustained — they are likely to be countered by transnationals shifting out. This is why international action is so central which, for the UK in the 1990s, means first and foremost Europe.