16.2I: Corporations and Corporate Power

Corporations have powerful legal rights, and some have revenues that exceed the revenues of sovereign nations.

LEARNING OBJECTIVES

Analyze the structure and function of corporations within society

KEY TAKEAWAYS

Key Points

- Despite being unlike natural persons, corporations are recognized by the law to have rights and responsibilities like natural persons. For example, corporations can exercise or be responsible for human rights. They can even be convicted of criminal offenses, such as fraud and manslaughter.

- Multinational corporations are important factors in the processes of globalization. A Transnational Corporation (TNC) differs from a traditional MNC in that it does not identify itself with one national home.

- The rapid rise of multinational corporations has been a topic of concern among intellectuals, activists, and the public who perceive them as threatening basic civil rights like privacy.

- Methods for attracting foreign investment have be criticized as a race to the bottom. They have also been described as a push, by corporations, for greater autonomy.

- Because of their size, multinationals can have a significant impact on government policy, primarily through the threat of market withdrawal.
Key Terms

- **corporation**: A group of individuals, created by law or under authority of law, having a continuous existence independent of the existences of its members, and powers and liabilities distinct from those of its members.

- **globalization**: A common term for processes of international integration arising from increasing human connectivity and interchange of worldviews, products, ideas, and other cultural phenomena. In particular, advances in transportation and telecommunications infrastructure, including the rise of the Internet, represent major driving factors in globalization and precipitate the further interdependence of economic and cultural activities.

- **Multinational corporations**: A multinational corporation (MNC) is a corporate enterprise that manages production or delivers services in more than one country.

Corporations

The word corporation is widely used to describe incorporated entities, especially those that have a large number of shareholders. Despite not being natural persons, the law recognizes corporations as having rights and responsibilities like natural persons. Corporations can exercise human rights against real individuals and the state, they can be responsible for human rights violations, and they can even be convicted of criminal offenses, such as fraud and manslaughter. Once incorporated, a corporation has artificial personhood everywhere it operates, until the corporation is dissolved. Often, a corporation is legally a citizen of the state (or other jurisdiction) in which it is incorporated.

Multinational and Transnational Corporations

A multinational corporation (MNC) is a corporation that either manages production or delivers services in more than one country. Some multinational corporations are very large, with revenues that exceed some nation’s national revenues. Multinational corporations can have a powerful influence on both local economies and the world economy. They play an important role in international relations and globalization. A transnational corporation (TNC) differs from a traditional MNC in that it does not identify itself with a single national home. While traditional MNCs are national companies with foreign subsidiaries, TNCs spread out their operations in many countries. This allows them to sustain high levels of local responsiveness.

The rapid rise of multinational corporations has been a topic of concern among intellectuals, activists and laymen, who perceive it as a threat to basic civil rights like privacy. Scholars have pointed out that multinationals have had a long history of interference in the policies of sovereign nation states. Anti-corporate advocates express the commonly held view that corporations answer only to shareholders, and give little consideration to human rights, environmental concerns, or other cultural issues.

Corporations and Governments

Multinational corporations are important factors in the processes of globalization. National and local governments often compete against one another to attract MNC facilities, with the expectation of increased tax revenue, employment, and economic activity. To compete, political entities may offer MNCs incentives such as tax breaks, governmental assistance, subsidies, or lax environmental and labor regulations. Because of their size, multinationals can have a
significant impact on government policy, primarily through the threat of market withdrawal. Confrontations between corporations and governments have occurred when governments have tried to force MNCs to make their intellectual property public. This is a state effort to transfer technology to local entrepreneurs.