Economics from the Ground Up

Social costs and benefits of MNCs

Unethical behaviour and some potential negative social effects of MNCs

- One of the major criticisms of multinational corporations, and of globalisation more generally, is that they promote the spreading of **homogenous products and culture** around the globe. Some local commentators have expressed a concern that the spread of these corporations to corner of the globe has allowed **western values,** promoted through music, movies and television, to replace local cultural mores and values. Along with the promotion of this type of **"cultural" homogeneity**, MNCs are also accused of promoting **product homogeneity** by mass-producing standardised products which are exported to the whole globe, putting in peril the kind of product variety that might be available with a larger number of smaller, local producers. It is almost a truism now that Coca-Cola can be bought in (almost) every country of the world, and the "golden arches" of McDonald's are ubiquitous, and very popular, across much of the globe. But the homogenisation of production extends far beyond fast food and soft drink, to mobile phones, computers, cars, and popular culture.

- The size of MNCs can allow them to **exert influence in the area of government policy making**, particularly in smaller, developing countries. Because of their mobility, MNCs may find they can work around local regulations and policies more easily than firms that are based in only one particular country.

- While it can be hard to find firm statistics on the foreign-ownership (by MNCS) of Australian assets, concerns have been raised over the **foreign ownership of formerly-national brands and companies** in both Australia and other countries. There have been some notable purchases of iconic Australian brands by foreign ownership, such as Arnotts, CSR Sugar, Vegemite and Kraft. The last formal study undertaken by the ABS was for the year 2000-2001, and showed that foreign-owned firms played a significant part in the mining and manufacturing industries, and that USA and UK were the two largest countries of business ownership. A study undertaken in 2011 showed that **the mining industry in Australia is about 83% foreign owned**, reflecting the high foreign ownership of the two major players BHP-Billiton and Rio Tinto. A report on foreign investment in Australia from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) has found that foreign firms accounted for ownership of about half of the nation's dairy, sugar and red meat sectors. (Source: http://www.ausfoodnews.com.au/2012/01/19/almost-half-australias-food-industry-is-owned-by-foreign-investors-report-shows.html)

- Multinational corporations have been accused both of **direct human rights abuses** and of colluding in various ways with repressive states. Human Rights Watch, one of the world's largest independent organisations involved in the monitoring of human rights and their abuse, catalogues the many human rights abuses perpetrated by MNCs around the globe, particularly in developing countries. Some MNCs have been implicated in very serious human rights abuses in developing countries. In 2009, Royal Dutch Shell agreed to settle a human rights claim that the company and its Nigerian subsidiary were complicit in the torture, killing and other abuses of local Nigerian activists against the company's oil operations in the Niger Delta. The protestors had been concerned about human rights and environmental abuses in the area. The settlement was around $15 million.

- MNCs have also been accused of producing **potentially dangerous, sometimes lethal, products**. One of the most famous of these cases in Australia was the James Hardie asbestos case. James Hardie is an industrial building materials company that was founded in Melbourne in the late 1800s. One of the products manufactured by James Hardie was asbestos, used for its fire-retardant properties. Asbestos was found to cause very serious, often fatal health problems, and once these problems began to appear in its workers, James Hardie acknowledged it had known for some time of the dangers of their product. James Hardie ceased production of products containing asbestos in the 1980s. However, the company restructured its operations, including moving its headquarters overseas. One of the results was that there was not enough money available to pay claims against it by the affected workers and members of the community. This