Multinationals and the Crisis
L. Carmichael

Fortune magazine (May 1975) in its yearly review of the 500 top U.S. Corporations said: "Oil, inflation and recession, had - not surprisingly - a lot to do with the record turned in by the 500 largest industrials in 1974. The combination of enormously higher prices and only slightly lower consumptions gave a fantastic lift to the sales, profits and rankings of the oil companies." Median profits for oil rose 39.6 per cent for the year.

Exxon breezed past G.M., finishing first in assets, net income and stockholders equity, and it won by plenty. With more than $42 billion of sales, it had an edge of more than $10 billion on G.M. Its $3.1 billion of profits were some 70 per cent greater than I.B.M., No. 2 in profits.

Combined sales of the 500 rose 25 per cent - a record. However, most of the gain was illusory. In real terms it was 5.7 per cent and for the non-oil companies among the 500 it actually declined 4.7 per cent. 471 companies rang up sales increases. Mining with a median increase of 60 per cent. Chemicals 31.0 per cent, metal manufacturing 27.9 per cent. Mining profits leaped by 100.8 per cent, Metal manufacturing 78.6 per cent, Chemicals 40.5 per cent. Fortune reported that: "Texas Gulf boasted the highest single actual profit margin - 25.9 per cent for the year - mainly because of its ability to capitalise on a world wide shortage of phosphate fertilisers."

CURRENCY MANIPULATION

These multinational corporations don't confine themselves purely to the exploitation of their respective industries, but by wielding the privileges that flow from being able to conduct their operations on a global scale, with impunity, they indulged themselves in currency manipulations that carried their plunder by massive inflation to social and international levels.

On July 17th, 1975 The Australian reporting the U.S. Senate "Multi-National Corporations Sub-Committee" said: "Multi-national corporations contributed to and were a partial cause of the 20% inflation in the U.S. in 1973-74." "By moving from U.S. Dollars to other currencies, multi-national corporations contributed to the U.S. dollars weakness at a critical period" the report said. The report

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comes from a Senate Committee survey of 56 select top U.S. Companies.

It is a matter of history that very quickly following the “attack” on the U.S. dollar, “runs” were made on other currencies and massive inflation enveloped the capitalist world.

**ANARCHY IN THE ECONOMY**

The 1972 UN inquiry into multi-national corporations clearly described how “they increasingly exercise more and more control over national governments whilst being less and less answerable to them” thus “laissez faire” reasserted, but on a grand global scale proved too much for formulas that had been used by capitalist governments for 25 years. Herein lies the root cause of the crisis now besetting the capitalist system.

Anarchy of unrelated decision making in multi-national corporations board rooms involving tens (even hundreds) of billions of dollars manipulated on a global scale beyond the influence of national governments reduced to a shambles the previous Keynesian formulas for limiting the effects of the capitalist business cycle.

*Fortune* puts it this way. “Those higher oil prices were helping to reduce sales in other industrial companies. G.M. sales fell by more than $4 Billion, Chrysler’s by $800 Million.” “After 2 years of median increases across the board 6 industries showed median declines in profits.” “Shipbuilding, railroad equipment, and mobile homes declined 46.2%” “21 of the 500 lost money.”

Thus imbalances and instability gave rise to large scale relative over-production. The boom gave way to crisis. In 1975 even the oil giants who made so much in the boom have now experienced a huge reduction in turnover. The *Australian Financial Review* (August 8) repeated that almost all major oil companies announced precipitous drops in second quarter net income, making the last 3 months and the first half of 1975 the worst year to year decline in the industry’s post war history. Profit drop is 41% from the earlier year level. It said that “A combination of high prices and recession, drastically reduced demand, especially in Western Europe.

Even so, their profits are still 10 per cent above 1973 and two companies - Exxon and Texaco have made more money in the U.S. from the sale of oil and gas so far this year than in 1974.

The oil, energy and resources crisis are not the cause of the economic and currency crisis, but are the catalysts that sparked off the matured accumulated effects of Trans National Corporation board room anarchy. A situation over which capitalism itself cannot exercise control.

**NO QUICK RECOVERY**

The economic crisis with 15 millions unemployed and varying levels of inflation between 10 and 25 per cent in the 26 advanced capitalist countries belonging to the Organisation for Economic Cooperation and Development, is proving more persistent than earlier predictions expected. Recovery has not only been uneven but the crisis has actually deepened in some countries like Britain and Italy and continues to do so. The *Financial Review* (July 23) reported that the O.E.C.D. Secretariat (Paris headquarters) were dispensing gloom in its latest *Economic Outlook*. The report said “there would be relatively little rapid recovery in growth and no substantial respite from inflationary pressures.”

“Negative inventory movements probably accounted for four fifths of the G.N.P. drop in the first half of this year.” “Unemployment is equivalent to over 5½% of the total civilian labor force. Moreover the labor market has weakened more than indicated by these figures alone and average hours worked have declined markedly.

The O.E.C.D. Secretariat believes that any recovery in the next 12 months is likely to be so weak “that there must be doubt whether it will prove self sustaining.” It further predicts that there will be limitations on the incentive to invest given the levels of capacity utilisation likely to prevail over the coming year. They state “the initial contractionary impact on domestic demand has already reinforced the downward movement of the investment cycle in many countries thus impairing growth potential for a time.”

Professor Wheelwright, assessing current Australian government policies and budget strategy predicts a possible 500,000 unemployed in Australia and an inflation rate of over 20 per cent. Emma Rothschild, author of *Decline of the Auto-Industrial Age* writing in
the *New York Times* on July 27, 1975 said: "The auto industry, some people fear, may never come out of this recession, at least as far as employment is concerned. Unemployment may remain very high, unless some factories are converted to producing something other than cars; mass-transit equipment, for example, Michigan and parts of the Northeast may face a regional crisis of employment, a lasting depression."

Unemployment in the auto industry, in this view, is related to structural changes in the industry and in the national economy. The recession is not simply a cyclical bust of the sort that the industry knows well. The consequences of the energy crisis - high gasoline prices, efforts to conserve energy by restraining the use of cars and trucks, which still consume a third of all oil used in America, the development of public transport - will have

The Australian government's plans for the auto industry (which is critical to capitalism's constant consumer replacement ethos) is to reduce local content to 85 per cent by 1980 unless modified, will mean, not only thousands of jobs in the industry and its component suppliers, but also a major cut back in rolled sheet steel and no less an effect upon BHP investment considerations.

**WAGES ATTACK**

Into this situation, as in all previous capitalist economic crisis every effort is exerted to put the load onto the workers backs. In the absence of a clear alternative, Labor leaders join the corporations to ensure that unemployment and inflation is paid for out of the workers pay envelopes. But no such sacrifices will create investment. No amount of accumulation means greater investment without potential for sales prospects, while on the other hand ready markets would quickly produce investments, higher wages notwithstanding, were such markets available.

BHP, after succeeding with its argument for increased profitability with a 10.5 per cent rise in steel prices announced losses in foreign steel markets and threatened further cut backs in production. But price rises and therefore a wage cut was sent right through the economy with Labor government assistance without any investment prospects, and BHP immediately announced they would ask for more.

Yet Minister of Labor, McLelland asserts that there is no "strike" of capital investment, there is just a shortage of capital. The workers have taken too much he said and BHP must be supported in its task of increasing its profits. We are witnessing attempts by BHP to emulate the massive cash flow, profitability and accumulation of the multi-national corporations. Accumulation that is being deliberately withheld from investments all over the world because of the tortuous crisis brought about by the very system of private enterprise itself.

**CHARACTER OF M-NCs**

National monopolies like BHP don't enjoy the same advantages as trans national monopolies. The multi-national corporation is a particular phase of monopoly development, they are an outgrowth of monopolies of the past and of monopoly foreign investment, but with specific features and characteristics. They stand at the heart of to-day's "Neo imperialism" and "Neo colonialism."

It is clear that the multi-national corporations are inexorably driven forward to continuous super expansion by the same elemental, competitive, driving forces that have operated since capitalism first emerged into human history but they operate on an immensely magnified scale and with enormous advantages. Only the most ruthlessly aggressive monopolies survive the share raiding, bankruptcies and take overs to become the modern multi-national corporations and the process continues.

Investments even in these very early days of the modern scientific and technological revolution must be carried out on a staggering scale. Accumulation for this level of investment must be equally staggering and is accomplished by the degree of concentration that is available in the multi-national corporations.

*Fortune* (May, 1975) shows that the top 500 U.S. companies accounted for 66 per cent of all industrial sales and 72 per cent of profits. While the club of 11 companies with more than $10 billion in sales already accounts for 17.6 per cent of all industrial sales in the U.S.A.

Unless adversely affected by economic crisis, multi-national corporations aim their investment programs for a decade or more ahead. The "cash flow" plans follow suit. Every
means conceivable is used to "suck in" the 
wealth needed. Net profits and depreciation 
allowances over a period bears little relation to 
the actual wealth accumulated. Corporation 
structures and methods of exploitation vary 
according to the industry concerned. Oil 
corporation structure is quite different to 
auto industry or the amorphous I.T.T. 
conglomerate.

Generating maximum cash flow is a total 
and global process encompassing every 
available means. Taxation concessions, 
depreciation allowances, intra-corporate 
trade and transfer pricing, low wage and wage 
freeze areas, protection against unions, 
currency manipulation, "internal" low interest 
borrowing and high interest "external" 
lending, differential capital gains evaluations, 
monopolistic control of resources and supply 
of product with pricing at the maximum any 
market and political, situation will bear.

Either singly (the biggest of them) or in 
consortium they operate to manipulate 
currencies, create economic dislocation to 
undermine "unfriendly" governments, and to 
promote military coups. They give the

"appearance" of democracy within the 
O.E.C.D. "neo imperialist" 26 nations whilst 
openly wielding fascist military dictatorships 
in the Third World. They have an ideological 
rationale created to "argue" and 
"substantiate" their undemocratic and 
authoritarian privileges and power.

Pressures exerted by the corporations and 
the crisis they have created are straining the 
capitalist system at the seams. Productive 
growth is severely restricted, in some cases 
ceased or even reversed. The O.E.C.D. 
secretariat estimates a total loss in growth as a 
result of the crisis of 10 per cent by June this 
year for the 26 countries covered.

**NO BUDGET ANSWER**

Local, regional (States in Australia) and 
national governments are all in budgetary 
difficulties. In 1975 there has been an increase 
in money printed, declining the value of 
currencies which reflect by inflation the level 
of multi-national corporation plunder during 
the boom and continuing into the crisis. (The 
annualised March quarter increase for

*The end result of the multinationals policy in Chile is the highest inflation rate in the world.*
Australia was 8.2 per cent in cash and 11.2 per cent in cashable securities). Workers are being pressed into wage freeze, pauses or guidelines, social development programs are being limited, in some cases abandoned. Small and medium businesses are badly affected, bankruptcies increase, thinly based financial “empires” collapse with massive “public” losses, savings reduce in real value terms, interest rates increase.

In all capitalist countries a particular attack is being mounted against workers wages in one form or another. In his budget speech, Australian Treasurer, Hayden said “increases in indirect taxation should not be included in indexation calculations” and stated the Government’s intentions to press this point of view.

Pay-as-you-earn taxation (the workers tax) as a percentage of budgetary income is to rise from 39.7 per cent in the 1974 budget to 45.2 per cent in the 1975 budget and this compares to 24.5 percent in 1964.

In monetary terms this should net an extra $1.045 billion more than if the 39.7 per cent of budgetary income had continued into 1975. Addition to this indirect taxes will also net another $1 billion more.

At the same time company tax is decreased 2½ per cent and there are reductions for low wage and large family incomes. Company tax falls from 16.3 per cent of budgetary income in 1964 to 12.3 per cent in 1975.

The total strategy of the budget therefore aims at redistribution at the expense of the average wage earner. To stimulate demand by giving some of this to those who cannot afford to save and who must spend and to give “incentive” to “business” and the wealthy. This is also hoped to blunt the wage demands of the low paid and at the same time save the average wage earner of any relativity argument. The budget’s overall effect will be that the economic crisis will now bring a sharp reduction in the real value of personal savings.

Simultaneously Minister of Labor, McLelland by proposing legislation launched a new initiative to try and strengthen the Arbitration Commission control over agreements, over award payments and collective bargaining. All this comes on top of the conspiracy around the strings attached to indexation where the Australian government, Arbitration Commission and the ACTU combined in a move to bring all wage movements back completely under Arbitration “control”. The employers only stay outside of the “deal” to ensure that “compliance” by all unions is ensured.

**A NEW FORMULA?**

The totality of all this fits into the desperate bid by the O.E.C.D. and other similar bodies spread throughout “the 26” which aims to try and find some new “formula” level to smooth out violent swings in the capitalist business cycle which in the era of multi-national corporations has “got out of control.”

Instead of the classical Keynesian formula of inflation between 3 and 6 per cent and unemployment of 1 to 3 per cent, their aim now is to try a balance of inflation between 10 and 15 per cent and an unemployment rate between 4 and 8 per cent. You can only bring one down at the expense of increasing the other. It is most significant that before the 1975 budget, the Liberal Party leaders were told by their economic advisers and big business “leaders” that there is no immediate way for government to significantly affect inflation and unemployment. Liberal leader Fraser said afterwards “I would be a most unpopular prime minister if I had to take office now.”

The multi-national corporations have their open spokesman in Milton Friedman and his uninhibited “laissez faire” school. He was recently brought to Australia after advocating and putting his policies into practice in Chile where inflation based on the first 3 months of 1975 reached an annualised rate of 282 per cent. Friedman said in Chile - “oppose all social action of a statist nature, social service schemes, social medicine, state education, housing etc; and indict at the same time creeping statism as the promoter of inflation.”

Chile stands as the direct answer to those who blame the trade unions as the cause of inflation. The trade unions simply don’t exist.

**NEO-IMPERIALISM**

A major step in the “Neo-imperialist” practices directly generated by multi-national corporations in conjunction with the CIA was taken by the 1973 coup in Chile. It was a lesson spelt out to all countries attempting social change. It is clear from statements made in
terms of diplomacy that the U.S. State Department conveyed the lesson to Canberra and that the lesson was heeded in the sharp turn taken to the right by the Whitlam government. Ex Minister of Labor, Minister of Science in June, 1975, Clyde Cameron said “Multi-national corporations will unhesitatingly destroy the very fabric of the earth itself, if that will result in greater profit.” (They) “are in pursuit of profit, that’s all! Their prime objective, first and foremost is to obtain maximum return on their investments.” He said “If it is more profitable to produce narcotics, poison gas, napalm or weapons of war they will shift their investment...... to activities that destroy life and cause suffering.”

Previously, colonial empires, now the province of economic neo-imperialism of the multi-national corporation era, are carrying their political struggles for independence into a struggle for a new economic order. This represents a major threat to “the 26.” It portends a major structural crisis of a multi-lateral character. It is magnified by the effect of the socialist world in the situation and only modified by the divisions which exist in the socialist world. It directly involves the most sinister operations of the multi-national corporations in pressing forward with the arms race and all that means in this highly scientific and technological age.

NUCLEAR POWER

It is an extremely serious matter indeed to contemplate the effect of U.S. President Ford proposing in June 1975 new legislation to hand over more control and production of nuclear energy in the U.S.A. to “private enterprise” - viz the multi-national corporations. Already 39 Westinghouse nuclear stations operate across the U.S.A. from New Jersey to California. Gulf general atomic have 2 plants. Babcock & Wilcox have 14 plants in the U.S. and Combustion Engineering 12.

Based on its massive accumulation to meet investment in the level of technology involved, penetration of nuclear power production is aimed at by the oil and petrol chemical corporations who are already responsible for 70 per cent of the world’s pollution, and this must be seen alongside of the Whitlam government’s reversal to allow export of enriched uranium.

Multi-national corporations so far deeply involved in nuclear energy hardware include-Westinghouse Electric, General Electric, North American Rockwell, Gulf Oil, Babcox & Wilcox, Combustion Engineering. Through licence arrangements and technology agreements these participate in nuclear enterprises in other countries operated by Hitachi, Furrekawa, Hoh, Mitsubishi, Canadian G.E., International Siemens, Fiat, Breda, Rolls Royce, English Electric and Reyrolle Parsens. Fuel cycle stages also involve, Allied Chemical, Atlantic Richfield-Numec, Keir McGee and W.R. Grace. There are other multi-national corporations which at this stage only play a minor role in nuclear activities but whose participation is growing.

WHICH WAY OUT OF THE CRISIS?

It is a notorious lesson of history that out of every capitalist economic crisis the most ruthless of the ruling class emerge from the intensified competition with higher levels of exploitation, with dehumanising attacks upon social development, with fewer workers for greater production. With having promoted the vilest authoritarian and fascist terror. With having attempted the worst possible adventures aimed at war and decimation of humanity. On the other hand it is a period of instability for the system in which the exploited, given the maturity of preparation and capacity can make new vital breaks in the chain of imperialism.

The struggle and victory of the Vietnamese people stands as a most recent reminder of how the ordinary people, uniting around them the world’s most progressive forces, can break out of the control of the multi-national corporations and their world of chaos and misery. The task of doing this in vastly different circumstances however, is extremely complex, requiring a great deal of careful thought and investigation as well as struggle. It also requires discussion with the world’s anti-imperialist forces.

We must get to know in more intimate detail, the nature of the multi-national corporation, its capacities, vulnerabilities and ally this to uniting and organising the available class forces on practical but effective concrete programs to challenge their power, with nationalisation, workers’ control and self-management.