The Politics of Multinational Enterprises
Political Science UN3961

Fall 2023

Tuesday, 2:10 - 4:00pm, International Affairs Building Room 1302

Professor: Calvin Thrall (he/him)	Office hours: Tuesdays, 10:15am-12:00pm*
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*or by appointment

Course Description

Virtually all of the world's largest, most productive, and most politically powerful companies have operations in multiple countries. These multinational enterprises (MNEs) are responsible for the majority of global trade, one-third of global GDP, and one quarter of global employment; they also engage in corruption, commit labor rights violations, and generate a large share of global carbon emissions.

In this course, we will study the MNE as a unique type of political actor. Drawing on research from scholars of international relations, economics, and business, we will attempt to answer questions such as: what determines the balance of power between MNEs and the developing countries that host them? How do governments regulate companies that operate in multiple—and sometimes, in dozens—of different national jurisdictions? How and why do MNEs lobby governments in order to achieve their preferred policies? And how can MNEs use their unique global structures to evade rules that they don't want to follow? We will also frequently engage with ongoing, real-world interactions between MNEs and governments through the lens of social science theory.

Learning Goals

After taking this class, students will:

- understand MNEs' structures, activities, and political impact;

- be able to identify and analyze business-government interactions, taking into account the preferences of different actors (e.g. elected officials, regulators, managers, shareholders, stakeholders, etc) as well as the institutions that govern them;

- be able to think critically and theoretically about how MNEs and governments might be able to find mutually beneficial (or at least, mutually *acceptable*) solutions to the problems that face them both.

Assignments and Grading

1. ## Participation [20%]
   As this is a seminar course, my expectation is that all students actively engage with the readings, with me, and with each other. For this course, active engagement means:

   - Attending class each week, having completed the assigned reading(s). I encourage you to take careful notes on each of the week's readings, both as a reference for class discussion and as a way to structure your own thinking.
   - Participating in discussion, contributing careful and critical analysis of the assigned readings and case studies, responding (constructively) to comments made by your colleagues.

2. ## Memos: analyzing MNEs in real time [30%]
   One of the best ways to build knowledge of MNEs and global politics is to read the news. Columbia students have free access to most of the outlets that offer the best specialized coverage of international business—including Financial Times, the Economist, and the Wall Street Journal—through the library. I encourage all students in this class to read the global business news regularly.

   Students will be asked to submit **two short memos** (3-4 pgs, double-spaced) over the course of the semester based on news articles that they discover. For each of these memos, students will:

   (a) Identify a news story about an MNE (or multiple MNEs) in which political factors play a key role. Make sure that the story in question is cited (including a link to an online version) somewhere in the memo.

   (b) Briefly (in no more than 1-2 paragraphs) summarize the content of the news story, centering the primary event/tension/debate of interest.

   (c) Identify each of the relevant *actors* (such as the MNE, the UN, a national government, etc) and hypothesize about what each of their *preferences* might be regarding the situation reported on in the news story. Are preferences aligned, or do they conflict? Did any representatives of the actors provide quotes in the story regarding their preferences, and if so do you suspect that they're being honest?

   (d) Identify the key political *institutions* (international law, domestic regulations, national courts, etc) that play a role in the story, and describe how each one shapes the interaction between the actors. Note that institutions may be relevant even if they do not yet exist; for example, the **threat** that a government might implement a given regulation in the future may be a key factor motivating an MNE's actions.

   ⇒ **Memo 1, worth 15% of the course grade, is due by 12:00pm on October 10.**

   ⇒ **Memo 2, worth 15% of the course grade, is due by 12:00pm on November 14.**

3. **Group project: podcast recording [25%]**
   One of the primary goals of the course is to build students' ability to analyze ongoing interactions between MNEs and governments through the critical lens of social science; as a seminar course, another goal is to foster discussion and *deliberation* among students. What better way to demonstrate both sets of skills than by recording an MNE-related podcast with your colleagues?

   For this assignment, you will play the role of political economy analyst: you will apply insights gained in class to an ongoing real-world interaction between MNEs and governments, and your audience will be the firms and policymakers who are looking for guidance on how to approach the situation. Groups of 3-4 students (randomly assigned by the professor at the beginning of the semester) will record a 45-50 minute podcast—a structured but not scripted discussion between analysts—analyzing an ongoing, real-world situation in which an MNE (or multiple MNEs) has some involvement with a government (or multiple governments). This assignment, worth 25% of the course grade, will require the following steps:

   (a) Meet with your group and decide on a topic. I will provide a few sample topics to choose from, or groups can choose their own topic (provided that it meets the basic criteria outlined above).

   (b) Research the topic to prepare for the podcast. You may wish to divide up the research among group members, such that each member is the top expert on one section of the case.

   (c) Create a basic outline for the conversation. I suggest opening with some kind of summary of the key facts, actors, and institutions at play in the case at hand. After that, you have quite a bit of creative freedom: I find that the best podcasts contain analysis of the *history*, *present*, and predictions for the *future* of a situation. You may decide to divide your conversation into subtopics, or by the chronology of relevant events, or some other way. You should also discuss potential recommendations for either the government actors, the MNE(s), or both.

   (d) Record the podcast. Try to ensure that all group members are contributing to the conversation, and please try not to talk over one another. Please do not read from a script; I am far more interested in hearing naturally-evolving conversations than I am in hearing perfectly-developed thoughts or polished sentences. If a particular question/topic is generating a great conversation, that's great! No need to squash a productive conversation in order to hit every topic on your list. Please do make sure that podcasts at least ∼45 minutes and not longer than 1 hour. Finally, **you do not need to edit the audio**—none of us are audio professionals, and your time is much better spent preparing for the conversation than editing it afterwards.

⇒ **The podcast, worth 25% of the course grade, is due by 12:00pm on December 05.**

4. **Final take-home exam [25%]**
   The final exam will consist of a few short essay questions that require students to apply the key concepts from the course to hypothetical situations regarding MNEs and governments. I will discuss the final exam in greater detail later on in the semester, but know that it is not designed to be an incredibly difficult or time-consuming task.

⇒ I plan to distribute the exam on **Monday, December 11**, and it will be due on **Monday, December 18 by 11:59pm**.

Course Policies

Academic integrity

Please familiarize yourself with Columbia's policies on Academic Integrity and Responsible Conduct of Research, all of which we will adhere to in this class. To highlight two such policies that are especially relevant to this course:

- When you reference somebody else's work, no matter how passingly, you need to cite it. If you do not, you are plagiarizing.

- Recycling text or results from your own past work without attribution, and/or submitting the same paper for multiple classes without express permission from the instructors, is also plagiarism. If you have questions or concerns about this, please note that this is a situation in which asking permission is *vastly* preferable to begging forgiveness.

Violation of my ChatGPT/LLMs policy (see below) will also be considered plagiarism.

Respect and equity in the classroom

I am committed to creating a safe, equitable, and open environment in which all students can feel comfortable participating in discussion.

First: **absolutely no racism, sexism, homophobia, transphobia, xenophobia, religion-based descrimination, or other discriminatory behavior will be tolerated in this class.** None of us are perfect, but my expectation is that we will all try our best and keep learning.

Second: as social scientists, we know that universities are plagued by systemic, *structural* inequities that manifest in a wide variety of settings. One of those settings is classroom discussion. I encourage all of you to be mindful of your own engagement—how often you are speaking, the tone and language that you use when addressing other students, whether you are interrupting others—to ensure that you are not unintentionally perpetuating these inequities.

Accommodations

Students who require academic accommodations must make an official request with Columbia's office of Disability Services. If you believe you will need accommodations at some point during the semester, I would very much appreciate it if you would inform me as soon as possible so that I can plan accordingly.

Absences and late work

If you need to miss class for any reason, please let me know as soon as you are able. You do not have to provide an explanation, but if you'll need to miss multiple consecutive classes please meet with me to discuss accommodations.

If you think you will be unable to turn an assignment in by the deadline, please email me as soon as possible to request an extension; I will leave it up to you to propose a new due date, and I will accept most (reasonable) requests. Work submitted after the due date (or after the extended due date, if an extension was requested) will be marked down by five percentage points each day following the due date.

ChatGPT and other LLMs/AI tools

We live in strange and exciting times! Recent advances in AI, particularly the fine-tuning and broad commercial availability of large language models like ChatGPT, have already changed the world and will continue to do so. Like the rest of your professors, I am still trying to figure out how to adapt in a way that makes use of the new technology without diminishing (or bypassing) student learning. For now, here's my policy:

Don't use ChatGPT as a substitute for critical thinking. Don't use it to reason for you, write text for you, come up with examples for you, etc. A good heuristic is that if it feels like cheating, it probably is.

However, feel free to be creative in thinking about how you might make use of ChatGPT/other LLMs in a way that complements critical thinking instead of replacing it. Please get in touch with me about your prospective applications, both so I can confirm that your use is appropriate and so I can learn from all of you about the possibilities of these amazing tools.

Readings and Schedule

Note: readings with blue hyperlinks are freely available online, and all other readings are available through the course website.

Week 1 (Sept. 05): What are MNEs? And why do they exist?

$\rightarrow$ In addition to introductions and going over the syllabus, we'll talk about the legal status, internal structure, and *raison d'etre* of the MNE.

Readings:

- CORE Econ, Chapter 6: The firm: owners, managers, and employees. **Read the intro and Sections 6.1, 6.2, and 6.3**.

- Zingales, Luigi. 2017. "Towards a Political Theory of the Firm." *Journal of Economic Perspectives* 31(3): 113-130. **Read pgs 113-114 and pgs 122-129.**

Week 2 (Sept. 12): Traditional lobbying

→ We'll discuss the basics of the most traditional and straightforward form through which MNEs attempt to influence policy: direct lobbying of elected officials. We'll examine the case of Apple lobbying the Indian government on labor policy.

Readings:

- Hall, Richard L., and Alan V. Deardorff. 2006. "Lobbying as a Legislative Subsidy." *American Political Science Review* 100(1): 69-84. **Read pgs. 69-73 and the Conclusion.**

- Reed, John, and Kathrin Hille. "Apple and Foxconn win labour reforms to advance Indian production plans." *Financial Times*, 09 March 2023.

Week 3 (Sept 19): Nontraditional and shadow lobbying

→ We'll discuss the wide variety of other methods that MNEs use to influence policy outside of traditional lobbying. We'll use the international expansion of rideshare company Uber as a case study.

Readings:

- Hernandez, Raymond, and David W. Chen. "Keeping Lawmakers Happy Through Gifts to Pet Charities." *The New York Times*, 19 October 2008.

- Kirchgaessner, Stephanie, Felicity Lawrence, and Johana Bhuiyan. "The Uber campaign: how ex-Obama aides helped sell firm to world." *The Guardian*, 10 July 2022.

Week 4 (Sept 26): Trade and supply chains

→ We'll discuss the nature of global trade in the modern world, the central role that MNEs play in the trade network, and the political impacts of trade. As a case study, we will consider the effects of the large and geographically-concentrated increase in Chinese imports to the U.S. during the 90s and 00s (the "China Shock").

Readings:

- Autor, David, David Dorn, Gordon Hanson Marianne Bertrand, and Edward Glaeser. "On the persistence of the China shock." *Brookings* 08 September 2021.

- Explore Nike's Manufacturing Map, which provides detailed information on the firm's global production and sourcing network.

Week 5 (Oct. 03): Commercial diplomacy and economic statecraft

→ We'll discuss the ways in which governments of liberal market economies intervene in MNEs' operations to further their own foreign policy goals. As a case study, we'll examine the sanctions implemented by the U.S. and G7 countries against Russian firms in response to the Ukraine War.

Readings:

- Reed, John, and Benjamin Parkin. "Gautam Adani's ties with India's Narendra Modi spur scrutiny of overseas deals." *Financial Times* 22 February 2023.

- Explore the Yale CELI List of Companies Leaving and Staying in Russia, which documents how over 1,500 MNEs have altered their Russian operations (or not) following the invasion of Ukraine.

Week 6 (Oct. 10): Foreign direct investment — Political risk

→ We'll discuss the unique set of political/governmental/regulatory risks that MNEs face when they invest abroad, and the steps that firms take to mitigate those risks. As a case study, we will examine the global system of investor-state dispute settlement (ISDS) and some notable arbitrations.

Reading:

- Hamby, Chris. "The court that rules the world." *Buzzfeed News*, 28 August 2016.

Week 7 (Oct 17): Foreign direct investment — Host state effects

→ We'll discuss an age-old question: do MNEs *improve* or *worsen* conditions in the states that host them, and how are the costs and benefits distributed? As a case study, we will examine the effects of the American Fruit Company's longstanding operations in Costa Rica.

Reading:

- Moran, Theodore M. 1978. "Multinational Corporations and Dependency." *International Organization* 32(1): 79-100.

Week 8 (Oct 24): Environmental politics

→ MNEs are some of the world's largest carbon emitters. We will discuss their preferences regarding a potential "green transition," how governments have attempted to regulate corporate emissions (or not), and the political dynamics that emerge.

Readings:

- Riley, Tess. "Just 100 companies responsible for 71% of global emissions, study says." *The Guardian*, 10 July 2017.

- Wilson, Tom, and Derek Brower. "What Big Oil's bumper profits mean for the energy transition." *Financial Times*, 10 February 2023.

Week 9 (Oct. 31): Corporate social responsibility

→ It has become increasingly common for MNEs to regulate themselves, setting internal standards that are more stringent than what the law requires. We will discuss the dynamics of this private governance, often called corporate social responsibility, in both utilitarian (does it *work*?) and normative (*should* MNEs do this?) terms.

Readings:

- Friedman, Milton. "The Social Responsibility of Business Is to Increase Its Profits (the 'Friedman Doctrine')." *New York Times Magazine*, 13 September 1970.

- Merrick, Amy. "Is the Friedman Doctrine Still Relevant in the 21st Century?" *Chicago Booth Review*, 24 May 2021.

Week 10 (Nov. 7): Taxation

$\rightarrow$ Taxation is one of the most important and controversial aspects of business-government relations. It is often noted that MNEs do not pay much tax at all; we will discuss the nature of corporate (non-)taxation, focusing on one of its lesser-known political dimensions. As a case study, we will examine a tax incentive program known as the Texas Enterprise Fund.

Readings:

- Jensen, Nathan, and Edmund J. Malesky. 2018. *Incentives to Pander: How Politicians Use Corporate Welfare for Political Gain.* Cambridge: Cambridge University Press. **Chapter 1, pp 1-17**.

- Jensen, Nathan, and Calvin Thrall. "Amazon HQ2: Texas experience shows why New Yorkers were right to be skeptical." *The Conversation*, 7 February 2019.

Week 11 (Nov. 14): Shell companies and the offshore economy

$\rightarrow$ Creative lawyers, accountants, and consultants have created an entire "offshore" world comprised of tax havens, shell companies, and legal loopholes. MNEs are active participants in the offshore economy, as we will discuss. As a case study, we'll examine the claims made against Indian MNE Adani Group.

Readings:

- Reed, John, and Benjamin Parkin. "The Adani affair: the fallout for Modi's India." *Financial Times*, 03 February 2023.

    - For more detail on the fraud allegations themselves, see:

      Lockett, Hudson. "Hindenburg vs Adani: claim and counterclaim." *Financial Times*, 31 January 2023.

- Zucman, Gabriel. "How Corporations and the Wealthy Avoid Taxes (and How to Stop Them)." *The New York Times*, 10 November 2017.

Week 12 (Nov. 21): No Class ....

$\rightarrow$ Use the free time to work on your podcasts :$\sim$)

Week 13 (Nov. 28): State-owned enterprises

→ In certain sectors (and countries), a large proportion of MNEs are owned by the national government. What happens when MNE and government are one and the same? We'll discuss the anatomy, performance, and political aims of the state-owned enterprise. As a case study, we'll examine Polish state-owned MNE PKN Orlen.

Readings:

- International Monetary Fund Fiscal Monitor. 2020. "Chapter 3: State-owned enterprises: the other government." **Focus on the graphs, not the text.**

- Minder, Raphael. "Orlen: is Poland's energy giant a tool of the government?" *Financial Times*, 04 June 2023.

Week 14 (Dec. 05): Weaponized interdependence?

→ In the final class meeting, we'll take on one of the oldest and thorniest problems in political economy: how does the global economy shape national security? Does globalization make the world safer, or can states exploit economic interconnectedness? As a case study, we'll examine the controversy surrounding the international expansion of ByteDance, maker of everybody's favorite app: TikTok.

Readings:

- Farrell, Henry, and Abraham L. Newman. "Introducing a new paper on 'Weaponized Interdependence.'" *Lawfare*, 31 July 2019.

- Hussein, Fatima, and Sally Ho. "How a little-known agency holds power over TikTok's future." *Associated Press*, 31 March 2023.