

MULTINATIONAL FIRMS’ PRACTICES: AN ATTEMPT AT A MARXIST THEORIZATION

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ABSTRACT

This chapter presents a critical analysis of the wealth current practices of multinational firms as wealth predators; and relevant references from the theory of multinational corporations and globalization from a Marxist perspective. The Marxist approach has also contributed to a theory of the self-expansion of capital (internationalization of the circuits of capital) on a global scale, within an analysis of the differentiation and of inequality.

Keywords: Multinational firms; oligopolies; international trade; organization; industry; theory

INTRODUCTION

Multinational firms (MNFs), a major actor of capitalism today, (or, better said, multinational groups), prove to be a predator of wealth fueling the disorders of the capitalist economy on the global and national levels. Many of the dysfunctions that the current COVID-19 pandemic has accentuated can be attributed to the MNFs: the leveling off of GDP growth in advanced countries; the marked slowdown in GDP growth in emerging countries; the sharp contraction in foreign direct investment; the slowdown in world trade; the slowdown in productivity growth; the threats of financial crisis (or crises) like the one in 2008; growing distribution inequalities, etc.

We propose the following:

- a presentation and initial critical analysis of the current practices of multinational firms,¹ which are predators of wealth,

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- a presentation of the contributions of the theory of multinational firms according to a Marxist approach.

MULTINATIONAL FIRMS' PRACTICES: PREDATORS OF WEALTH

The new practices of multinational firms over the period 1990–2022: the disconnection brought about by the supply chains between, on the one hand, the flows of manufactured goods' values and use values and, on the other, the flows of commodities' valorization in prices.

During the period beginning in the early 1990s through to the present, it is possible to identify three successive new institutional and organizational configurations of multinational firms, referred to as institutional and organizational arrangements,² in the agri-food and chemical industries:³

- a first arrangement that consisted of the separation of MNFs' profit centers (holdings and commercial subsidiaries) from their cost centers (industrial subsidiaries) with what is called a "rake" organization;
- a second arrangement, which emerged in the early 2000s, where the organizational arrangement takes precedence over the institutional arrangement through the rise of "supply chains" (not to be confused with "global value chains"), notably in Europe, and which operates a disconnection between, on the one hand, the flows of value and use of manufactured products and, on the other, the flows of these products' valorization in price terms, leading to a significant transfer of the wealth created (by labor) from the MNFs to tax havens (under the guise of a "profit split");
- a third arrangement, which started in the early 2010s, once again in the context of a disconnection of flows operated by "supply chains," where the intangible asset called a "brand" is the keystone of a new institutional and organizational arrangement that is even more predatory regarding the riches created and their massive transfers to tax havens.

Over the course of these three institutional and organizational mutations, the multinational firm (more multinational group than multinational firm,⁴ in fact) will more than reinforce:

- a "market power,"
- a "productive power," and
- a "financial/rentier power,"

which it can deploy all over the world as its presence expands through a succession of subsidiaries.

- The first “arrangement” of the 1990s–2000s with the separation of operating companies (commercial and support functions) from industrial companies (see Fig. 1):

The 1990s are marked by the strong expansion of multinational firms (and which, of course, will continue well beyond). The expansion of these MNFs is based both on their internal growth and on their external growth thanks to the acquisition here and there of a number of national/regional/local companies, which are then integrated into the regional/global holding company.⁵ Thus, for instance, in the 1990s–2000s, the Unilever Group would acquire the companies Fralib (teas, chocolate drinks), Miko (ice cream), Bestfoods (soups), Amora Maille (mustard, condiments), and Puget (oil) in France, drastically restructuring these acquisitions (with a number of site closures). The same is true for the large multinational groups operating in Europe at that time.

During the years 1990–2000, we observe a first institutional/organizational arrangement of MNFs with, on the one hand, (global/regional) “holding” companies, profit centers that collect the dividends, and, on the other, subsidiary companies (restructured as soon as they are acquired), grouped by country and split into two:

- an operating company (OC), which comprises the head office activities (with their support functions) and the commercial activity,⁶ that heads the various industrial companies; and

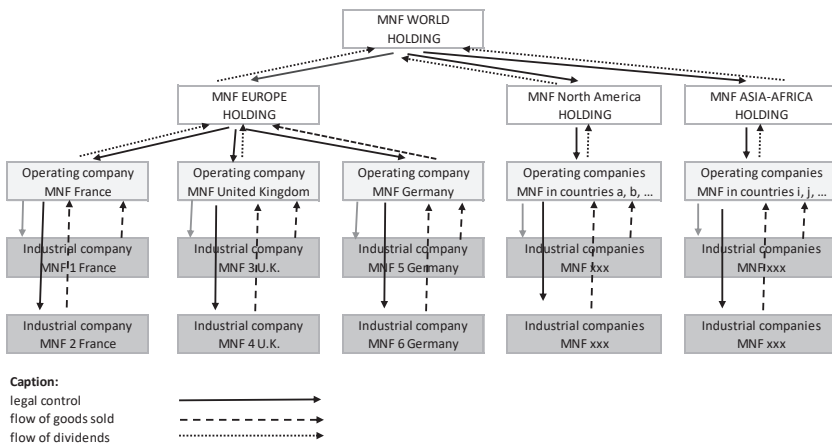


Fig. 1 First Institutional and Organizational Arrangement of the MNF: The “Cost” Factories (Separation of the Operating Company and the Industrial Company).

- industrial companies (ICs) that group together the production activities (the IC may have several establishments), but are *stripped* of their former support functions and their commercial activity.

The industrial companies are reduced to “cost” factories that transfer their production to the operating company at “cost plus,”⁷ with a remuneration based on a margin rate (residual “mark-up”) so as to perhaps grant employees a profit-sharing incentive.

The creation of value appears solely at the level of the OC, which is a profit center, the IC now being only a cost center.

The (commercial) operating companies deliver dividends to the regional holdings, which pass them on the world holding. The assets are still massively physical (tangible assets), while contributing to the rise of intangible assets (brands, patents, licenses, etc.).

- The second “arrangement” of the years 2000–2010 with the irruption of supply chains in a regime of price transfers (cost plus, profit split): the disconnection between, on the one hand, the flows of manufactured goods’ values and use values and, on the other, the valorization flows of these goods as commodities in prices (see Fig. 2):

Domiciled in a tax haven, the holding company operates a separation between:

- on the one hand, the process of manufacturing the products from the raw materials through to the finished product leaving the factories, and which is where the creation of values comes about, with a flow of use-values that goes via the industrial companies to the warehouses (more often than not out-sourced) and supplies the mass-market retail sector (hyper-/super-markets),

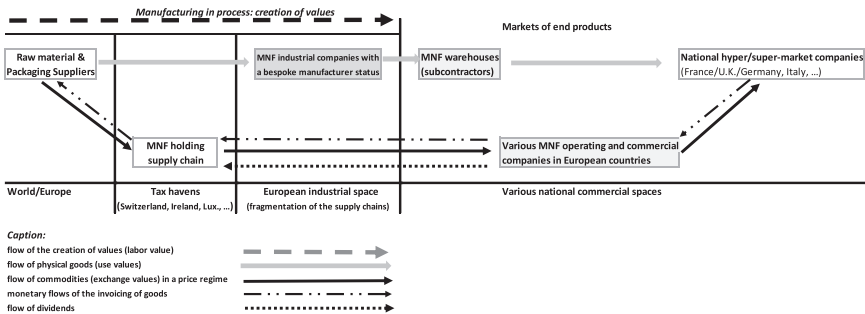


Fig. 2. Second Institutional and Organizational Arrangement – The Irruption of Supply Chains in a Cost Plus/Profit Split Regime.

- on the other, a flow of valorization of the products delivered by the circuit above in the form of goods invoiced in a price system (at cost plus/profit split⁸) to the operating companies, which in turn invoice the mass-market retail sector, with the flows of payment in return associated to this valorization flow.

The “supply chain”⁹ owns both the “inputs” (raw materials, packaging, etc.) made available to the IC and its “outputs” (the goods produced). The ICs are reduced to a status of “*façonnier*” or bespoke manufacturer, a service of supplying custom-made goods (only their turnover¹⁰ is attributed to them) that produce material use-values, which are made available to the “supply chain” that owns them. In *accounting terms*, the ICs no longer appear as the place where “wealth” is created (and that is, precisely, the aim of the new organization). Furthermore, their spatial inscription appears deterritorialized – except for the use of the labor force!

The “supply chain” (SC) sells the goods (produced by the ICs) to the MNF’s different commercial companies (CCs) in each European national space at “cost plus” (full costs = raw material and other costs + supply costs + ICs’ controllable costs¹¹).

The commercial company, which markets the goods coming from the “supply chain,” pays back to it a part of its operating profit (EBIT) made with the mass-market retail sector: profit split at x% of this (25/50%), its legitimization being the coverage of risks. In appearance, it is the “market” that creates the “value,” and this, too, is one of the new organization’s objectives, independently of the transfer of a large part of the creation of wealth to a tax haven.

To do this, the MNF mobilizes two different types of accounting for the creation of wealth:

- traditional social accounting (tax returns) to pay the corresponding tax and where the creation of wealth has already partly disappeared,¹² and
- confidential accounting called P&L,¹³ which traces the creation of value (it does have to be measured) so as to share it in a “profit split.”

And the model is spreading to both the so-called developed countries and to emerging countries.

This supply chain, according to the Marxist theory of value and prices,¹⁴ is structured as follows according to the differentiation of its main vectors:

- the production process under the regime of labor-value (creation of wealth);
- the course of production and circulation under the regime of use-value;
- the course of the commodities’ materialization (overall process) under the regime of market prices.

In the liberal economic theory, the supply chain, as an institution and an organization, borrows its rationale and ideological foundations from both the value chain of Michael Porter (1999) and the theory of agency of Michael Jensen

and William Meckling (1976)¹⁵; in accordance with the agency theory, the supply chain is referred to as the “principal” that

- ensures the governance of the “agents” (i.e., the industrial and commercial firms in both France and Europe with a contractual link to the “supply chain”), and
- bears the “risks” (?) (legitimization of the “profit split”).

Moreover, the focus on “global value chains” (GVCs) – a different concept to that of “supply chain” – has the merit of targeting the fragmentation of the world production of goods, especially regarding intermediate goods, a fragmentation that, on the contrary, encourage the various international institutions (IMF, OECD, World Bank, WTO) to further liberalize the world economy, the anticipated weight of the GVCs in world exports standing at 60% in 2030 according to WTO forecasts.

- The third “arrangement” of the years 2010–2020 when the “brand” asset and the “supply chain” mutually reinforce each other in the levying of wealth: the model called “limited risk distributor” (LRD) (see Fig. 3):

Here, the operating and commercial company (OC) is limited to the function of a distributor with limited liability. This means that the remuneration of the work of commercializing and marketing the “branded” products will be done through the payment of a margin fixed at x% (between 2% and 5%) of the turnover (triple net) realized by the OC’s “brands.” If the OC thus remunerates the “brands” it distributes, brands that are “housed” in a tax haven, the IC is also often asked to pay a fee linked to the brands’ maintenance (there is no stopping the MNFs’ unbridled imagination to pay their shareholders and boost their share price).

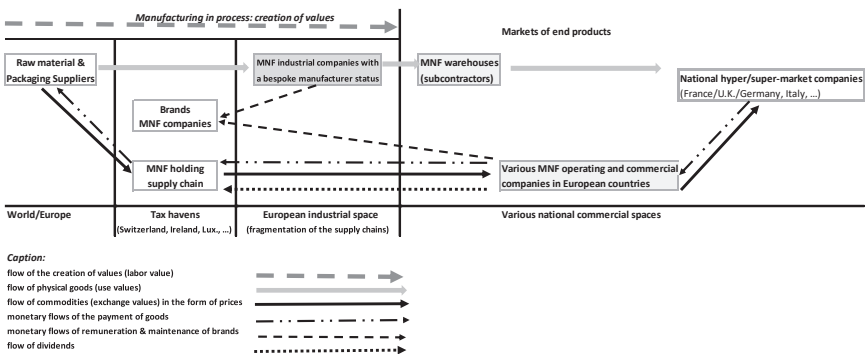


Fig. 3. Third Institutional and Organizational Arrangement – The Rise of the Intangible Assets “Brands.”

On the one hand, the new LRD model does not change anything in the upstream supply chain at “cost plus,” but it does change the downstream wealth creation chain, where the operating company is emptied of its previous apparent creation of wealth (profit split) by the “market”: it is the “brand” that takes precedence over the other institutions, and that creates wealth! And the “brand” is obviously domiciled in a tax haven, where it is paid for the creation of the wealth that is supposedly associated with it.

The MNFs’ assets are now focused on intangible assets (brands, patents, licenses, etc.) which are at the center of the MNFs’ preoccupation with governance in view of the “goodwill” or “badwill” that affects the valuation of these intangible assets on their balance sheets, in particular due to the evolution of their share prices on stock markets.

Within the supply chain, the disconnection between, on the one hand, the materiality of the flow of physical goods as use values resulting from the manufacturing processes within the ICs and, on the other hand, the flow of commodities invoiced in market-price and transfer-price systems becomes more pronounced.

- Over the course of arrangements 2 and 3, the MNFs delocalize and break up the operating companies’ support functions (accounts receivable and payable, human resources, supplies, IT, etc.) to low-wage countries, as well as the industrial companies (see Fig. 4):

Once the industrial companies have been stripped of their support functions, it is the turn of operating companies to be partially stripped of their support functions, relocated to Eastern European countries (accounts receivable and accounts payable, payroll and other human resource services, supply chain management, etc.) or to Asia (information technology, etc.). Similarly, the MNFs delocalize the industrial companies of their supply chain to low-wage countries. For example, Unilever Group, which had more than 10 industrial companies in France in the 2000s, has only three left today, after relocating massively to

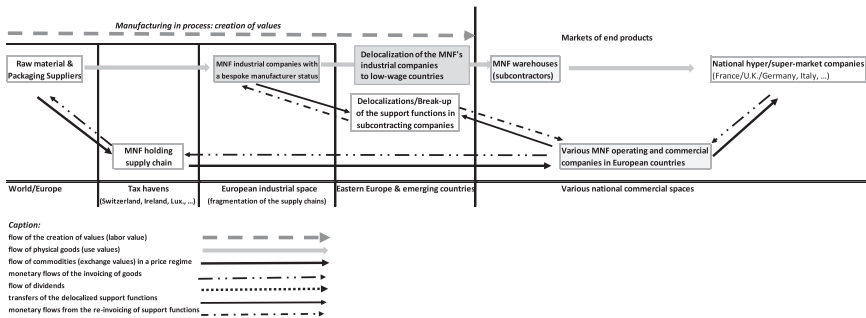


Fig. 4. Delocalization of Support Functions and of Industrial Companies in the Context of Arrangements 2 and 3.

Eastern European countries. And the same is true for a number of multinational firms in the agri-food and chemical industries.

In terms of jobs, the importance of the support functions' delocalizations is just as great as that of the industrial delocalizations.

Multinational Firms' Increasingly Important Place in World Economic Activity

Based on the ratio between the combined turnover of the multinational firms' sales and world GDP, which fell from 35.6% in 2010 to 34.8% in 2015, the internationalization of production has since tended to increase, reaching 35.8% in 2019 (no UNCTAD data are available for 2020 and 2021). At the same time, there is a slight slowdown in GDP growth, from 3.3% per year over the period 2010–2015 to an average of 3.2% in the years 2015–2020.

A similar trend can be observed in the weight of the MNFs' added value in world GDP, which declines from 9.0% in 2010 to 8.0% in 2015 and rebounds to 9.2% in 2019 (no UNCTAD data are available for 2020 and 2021) (Fig. 5).

Employment by MNFs rose from 63.0 million people in 2010 to 69.5 million in 2015 (+2.0% per year) and 82.4 million in 2019 (+4.3% per year) (no UNCTAD data are available for 2020 and 2021).

However, during the pandemic, we note a sharp contraction of foreign direct investment (FDI) inflows from USD 1,480 billion in 2019 to USD 963 billion in 2020 (−34.9%), and this especially in developed economies, where it fell from USD 764 billion to USD 319 billion (−58.2%), while the amount of FDI to developing economies remained relatively unchanged at USD 645 billion (−9.9%), i.e., an amount higher than that of the developed economies (increasing FDI to Asia).

According to consulting company Trendeo, the drop in world investments in 2020 and 2021 stood at around 43% (Fig. 6).¹⁶

The MNFs' cross-border merger and acquisition operations do not slow down during the COVID-19 health crisis, their amount declining only slightly, from USD 491 billions in 2019 to USD 475 billions in 2020 (−3.3%), while the amount corresponding to new (greenfield) investments in 2020 and 2021 is not available (Fig. 7).

Multinational Firms and the Predation of Wealth: The Growing Revenues of Multinationals via Tax Havens¹⁷

G rard De Bernis (1978) conducted a critical analysis of the impact of transnational firms on economic activity that remains highly relevant to this day, including:

- “the unification of techniques within branches,” which replaces old techniques (and technologies) with new ones, leads to a dislocation of the national inter-industry matrix;

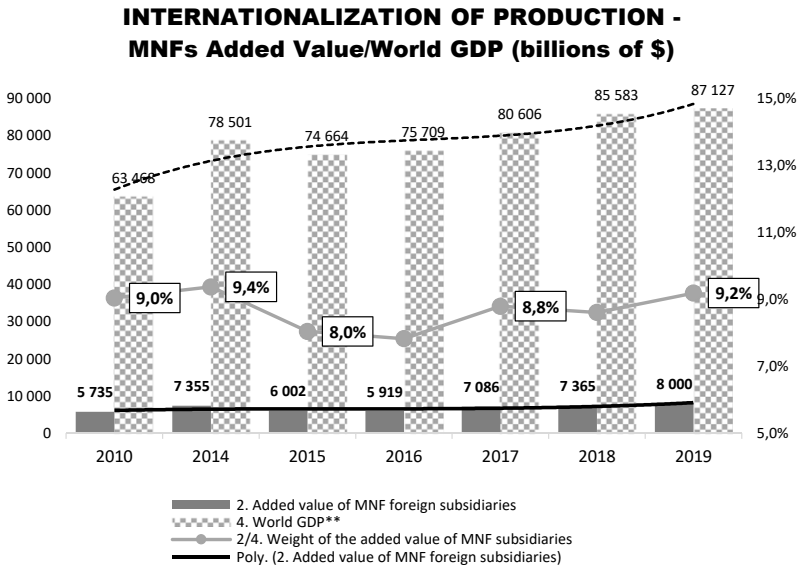
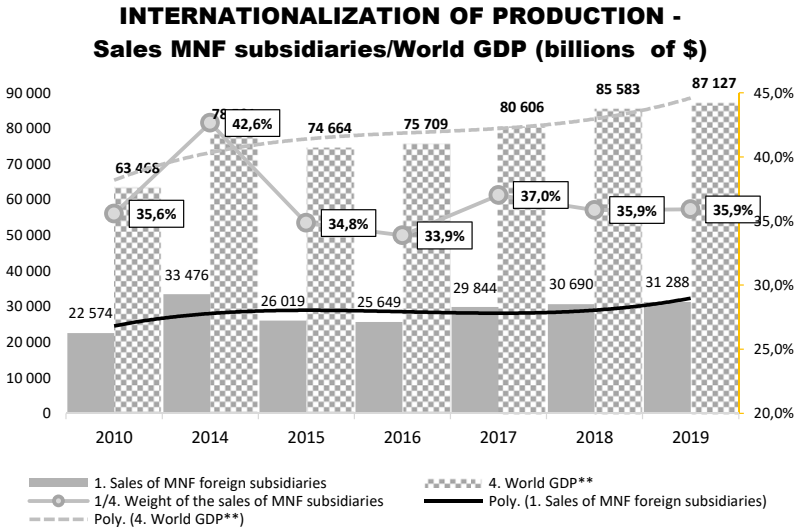


Fig. 5. Internationalization of Production. Source: UNCTAD (various years).

- “the branches’ internationalization” calls into question the autonomy of the autonomous national accumulation, with cumulative international inequalities of development;

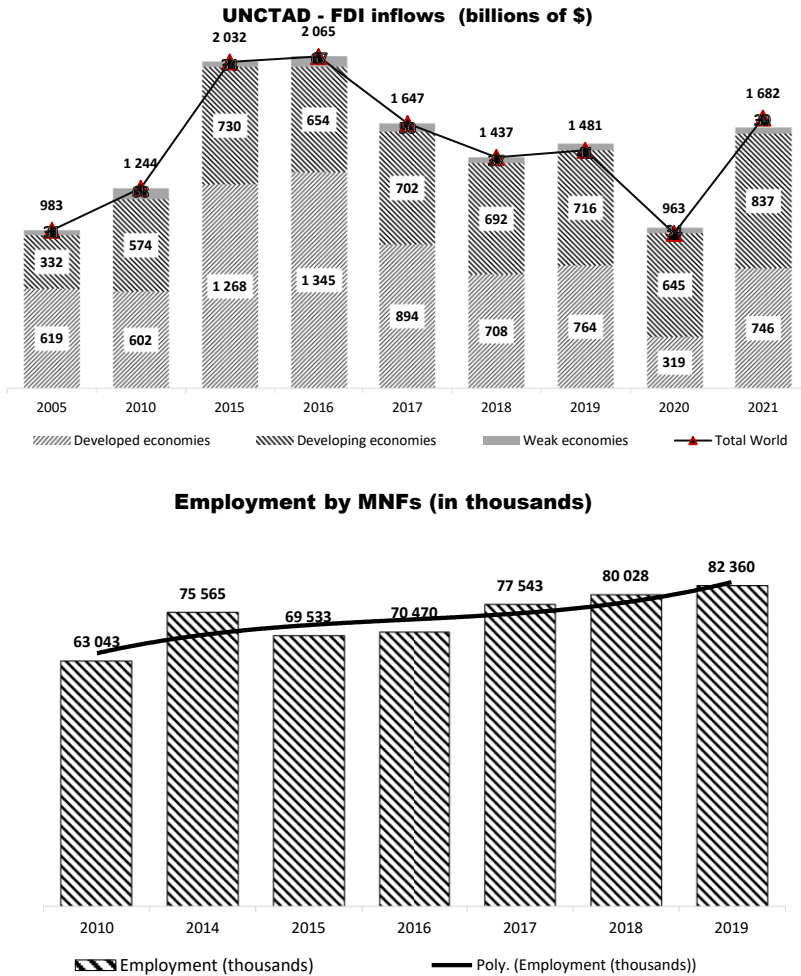


Fig. 6. Inflows of FDI & Employment by MNFs. Source: UNCTAD (various years).

- “the transnationalization of capital” modifies here and there the conditions of income distribution, and allows us to denounce the practice of price transfer that introduces a break between the place where the surplus value is created and the place where the profits are paid out;
- the intervention of the MNFs in the various national spaces modifies the usual economic rules and behaviors within the framework of national economic processes,
- all of which leads to rising unemployment.

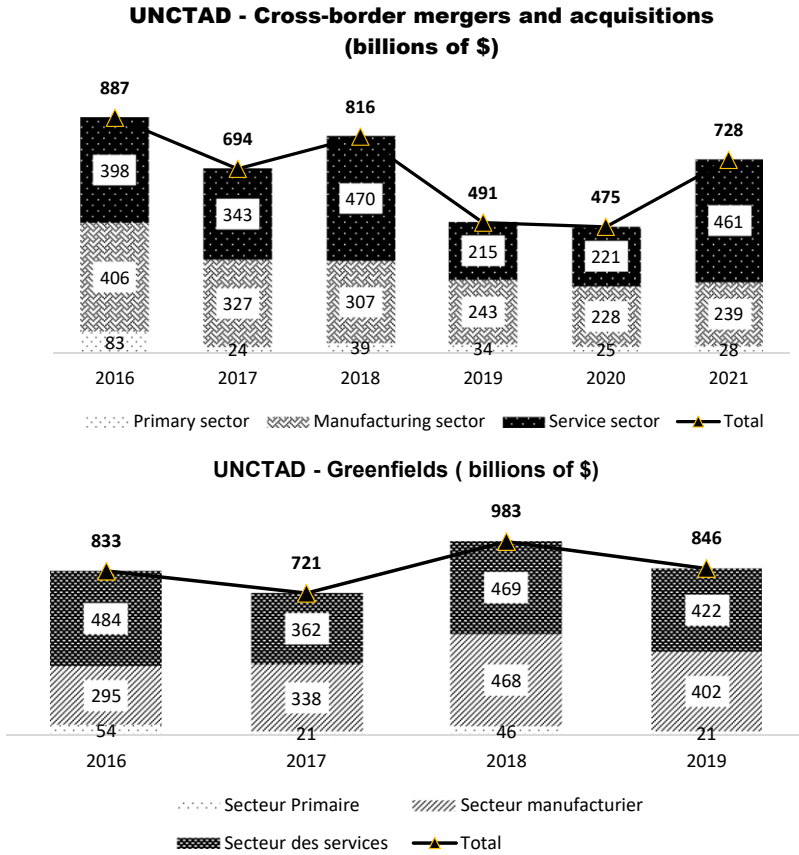


Fig. 7. Cross-Border Mergers and Acquisitions and New Investment Projects. *Source: UNCTAD (various years).*

Today, FDI revenues via tax havens tend to be on the rise. A NBER study on profit transfers¹⁸ estimates that 40% of multinationals' profits are transferred to tax havens each year, i.e., USD 900 billion (or € 765 billion), resulting in a loss of USD 200 billion (or € 170 billion) in corporate tax revenues in 2018, or 10% of their income; and this with two characteristics:

- profits are for the greater part generated by the intangible rather than the tangible assets;
- the US is the main winner and the EU the main loser.

According to the example cited for Spain, this country loses 13% of its corporate tax revenues, i.e., USD 3.72 billion of tax revenues on USD 14.9 billion of profits transferred to tax havens.

In the case of France, the undeclared profits of USD 46.7 billion (€ 39.7 billion) represent a shortfall of USD 15.4 billion (€ 13.1 billion) in corporate taxes per year.¹⁹

Moreover, the profits of MNFs differ between tax havens and non-tax havens:

- in tax havens, foreign companies are distinctly more profitable than local firms;
- in the other countries, foreign firms are less profitable than local companies.

Admittedly, in July 2021, 132 countries agreed to a minimum tax rate of at least 15% on the profits of their MNFs – in the face of a 25% tax requested by NGOs –; however, in the light of the transfer prices according to the supply chains, there is still a long way to go to obtain these multinationals' P&L sheets before profit transfers.

We should also note that, during the current slowdown of world GDP growth, and especially of emerging countries' GDP, during the current development of income inequalities, shareholders' incomes are doing well given that world dividends should exceed USD 2,000 billion in 2022,²⁰ a sum above their pre-COVID-19 pandemic crisis level.

A Specific Reinforced Organization of the MNF During the 2020–2021 Public Health Crisis

In France, the public health crisis provided MNFs with opportunities to improve their EBIT rate. Far from reviewing their organizational model, MNFs further strengthened it by generalizing the supply chains and the “brands” model in accordance with the three vectors designated in the previous point, and this with announcements of site closures or restructuring to improve the course of the valuation of their balance-sheet assets.

A first way is to manipulate the first vector of the upstream supply chain by closing down or selling the industrial companies whose production costs are deemed too high compared to the expected performance of the “principal:”

- the Unilever Group sold the Saint-Vulbas site (cleaning products) to the Spanish group Persán in 2020, and announced in 2021 the closure of its site at Duppigheim (dehydrated soup and liquid soup)²¹;
- the Dutch group Refresco (fruit juices) announced the closure of the Château-Thébaud site in 2021²²;
- the German group HeidelbergCement (with its French subsidiary Ciments Calcia) shut down the cement plant at Cruas and restructured that of Gargenville in France in 2021²³;
- the Cargill group stopped the upstream activity (wet-starch plant) of the Haubourdin site in 2020 (over 150 layoffs). . .²⁴

A second way is to manipulate all or some of the vectors of retroceding profit to the “principal” of both the “brands” and the “supply chain:”

- the General Mills group sold back to the French dairy cooperative Sodiaal Union its stake in Yoplait France in 2021, due to a profitability considered insufficient;
- the Heineken group, in 2021, laid off a number of employees of its Food-Away-From-Home sales force (cafés/restaurants/hotels) and its headquarter support functions;
- the Danone group, after the ousting of its chairman and CEO Emmanuel Faber in 2021, is questioned by its shareholders about the profitability of its “water” and “ultra-fresh” assets.

At the same time, after the decline observed in 2020 to € 28.6 billion (−42%), the amount distributed as dividends by the French CAC 40 companies recovered sharply in 2021: the amount to be distributed was announced as standing at € 41 billion (+44%),²⁵ thus expunging the decline observed in 2020 as a result of the public health crisis.

The focus on GVCs during the public health crisis²⁶ highlights the supply risks associated with them, namely breakdowns, and in particular regarding pharmaceutical and medical goods. Can we talk then of de-globalization?

In brief, during the public health crisis, MNFs appear to be little affected in their activities by relying on the organization of their supply chains (well beyond the “Global Value Chains”). On the contrary, they seize the opportunities that the difficulties of globalization offer them – which, in their view, justify their site closures, restructuring and divestments/acquisitions – to increase their profitability, distribute more dividends and improve the course of the valuation of their assets.

Multinational Firms and the Surge in Share Prices on Financial Markets

The graph below (Fig. 8), taken from R.J. Shiller (2000), with updated data on his website through to 2013, regarding the parallel evolutions of the share price of large firms on the US financial markets and of the price of dividends distributed by large firms on these same stock markets underlines their disconnection with the surge in share prices: it is the share price (in relation to the intangible assets of “brands”) that matters and which soars. It is clear that updated data through to 2021 would further accentuate the disconnection, with a strong progression of both share prices and dividends, in a context of growing social inequality.

The issuance of credit money by the central banks, and which is followed by the banking systems here and there, no longer contributes to financing the expansion of tangible assets and the creation of wealth but, rather, feeds the MNFs' speculative practices by supporting the price of shares pledged on fictitious assets, the “brands.” The financial activity is in turn disconnected from the productive economy, with the risks of crises that ensue.

To conclude this first part: are multinational groups' “national” subsidiaries still “companies” in the traditional sense of the term, i.e., with an entrepreneurial capacity?

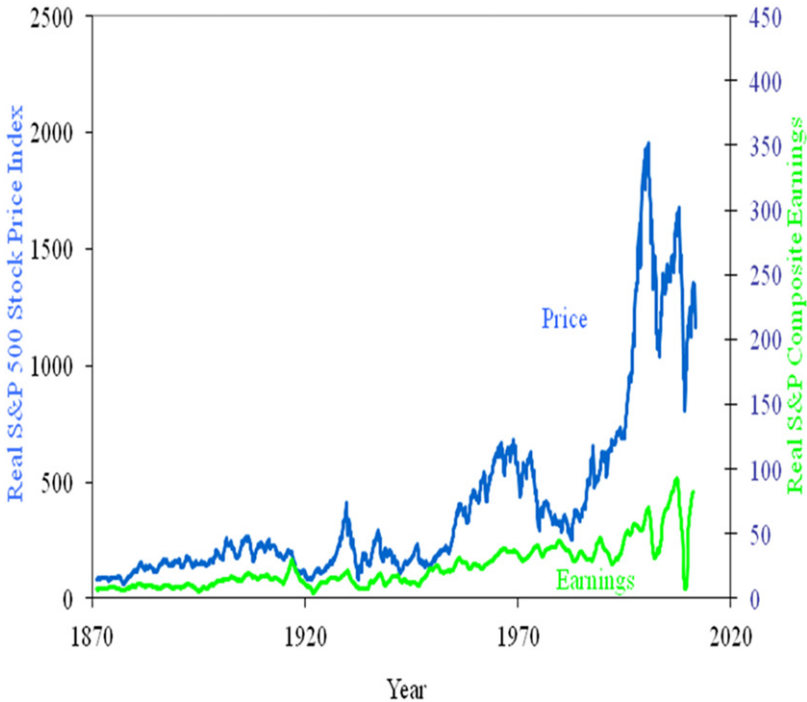


Fig. 8. Evolution of the Deflated Index of Stock Price and Dividend Present Value on US Stock Markets (1870–2013). *Source:* Shiller (2000). Updated data on his website through to 2013.

Apparently not, because these subsidiaries do nothing more than apply the strategies (sales and marketing, industrial, financial) defined by the multinational group. For instance, a US group, which had acquired a French sub-group producing ultra-fresh dairy products as a joint-venture, resold this stake despite the sub-group’s turnaround over recent financial years, the grounds being that the brand of its ultra-fresh dairy products did not have an audience that the US group could develop at a global level. Yet it is the second largest group worldwide in ultra-fresh dairy products in terms of turnover.

And even for liberal authors, these multinational groups are no longer firms in the sense of oligopolistic competition itself: for [Teppar and Hearn \(2019\)](#), duly referring to the fundamentals of liberal economics, these groups have dispensed with the obligation of “competition” seen as being at the heart of the functioning of capitalism; in the case of the United States, the authors indicate that, in terms of market share in different branches, the four largest firms have a concentration rate ranging between 70% and 95%.²⁷

Even more: in view of the disconnection within the supply chain between, on the one hand, the flow of invoiced goods associated with the remuneration of

assets including “brands” (transfer prices) and, on the other, the flow of production both in labor-value and in use-value, in view also of the disconnection between the share prices on the stock markets and the course of the distribution of dividends (which reflects more or less the evolution of the so-called real economy), *the MNFs disconnect the economy's price from its reality*, with the risks of crises that accompany this global disconnection.

THE CONTRIBUTIONS OF THE THEORY OF MULTINATIONAL FIRMS ACCORDING TO THE MARXIST APPROACH

- A recent theory of multinational firms confined to mainstream economics?

Rainelli (2003) maintains that multinational firms have long been a blind spot in international trade theory, for a number of reasons related to the hypotheses of mainstream economics concerning the construction of an international equilibrium linked to the non-mobility of the factors of production²⁸: thus immobility of factors, no MNFs possible. It was not until the 1970s and 1980s that some hypotheses of mainstream economics (monopolistic competition, internalization of transaction costs, etc.) were lifted and, as a result, an efflorescence of theoretical analyses of international firms appeared, which, to a lesser or greater extent, strayed away from mainstream economics.

These remarks by Rainelli disregard the contributions of the Marxist theory, a lack all the more glaring since the latter preceded them with a number of superbly ignored contributions, and especially since this theory comprises a critical dimension that is absent from the mainstream theory and the other renewed approaches.

- Avowedly renewed approaches to the multinational firm (within both mainstream and heterodox economics)

Among the other approaches marking the course of the theory of MNFs, the theorization moves away somewhat from mainstream economics, notably in the cases of Stephen Hymer (1960, 1968, 1970) and Charles-Albert Michalet (1976, 2002, 2007), in our eyes the two most rigorous and innovative proponents of the renewed approach to the multinational firm who draw on the contributions outlined above by Rainelli: contributions inherited from J.S. Bain's theory of “barriers” (1956), from E.H. Chamberlin's theory of “monopolistic competition” (1933) and that of J. Robinson (1933), from R.H. Coase's theory of transaction costs (1937)... except that many of these contributions are found in Marxist theory long before those of the authors mentioned.

- Contributions toward a Marxist theory of multinational firms

Rudolf Hilferding (1910) would be the first to approach in a new way – unfortunately all too often ignored – the analysis of monopolies, and hence of multinational firms and imperialism.

It is worth recalling that the 1960s and 1970s brought about a renewal of Marxist theory centered on globalization (Samir Amin, Andre Gunder Frank, Giovanni Arrighi, Christian Palloix, etc.), and hence on multinational firms in terms of the internationalization of capital, based on Marx's cycle of capital and on a number of R. Hilferding's contributions.

Furthermore, it should be noted that the previous presentation of MNFs' practices was based on the fundamentals of Marxism in terms of labor-value, use-value, and market price.

*Hilferding's Surprising and Little-Known Contributions to a Theory of Monopolies and by Extension of Multinational Firms*²⁹

Hilferding (1910) developed a theory of monopolies – and hence of multinational firms – based on an analysis of the restrictions/barriers to entry (long before J.S. Bain, 1956) and oligopolistic competition (well before Chamberlin, 1933; & Robinson, 1933), these famous contributions that supposedly allowed the approaches' renewal that Rainelli talks about (including Hymer and the Reading School with J. Dunning).

Admittedly, it should be said that a number of the Marxist foundations of Hilferding's analysis (value, price, money, capital...) ³⁰ in his 1910 book diverge noticeably from Marx's analysis in the form of a depleting legacy based more on Books 1 and 2 of *Capital* and with an almost absolute lack of references to Book 3, and whose main weaknesses are:

- the return to a Ricardian conception of labor-value, reduced to a quantum of social labor that is self-declared and incorporated into the commodity,
- a seamless crossing from labor-value to price of production, while at the same time referring to the three laws of capitalism (tendency toward the maximization of the rate of profit, tendency toward an equalization of the rate of profit, tendency of the rate of profit to fall),
- a curtailment of the theory of prices to that of prices of production by ignoring the formation of market prices,
- a reductive use of the capital cycle, of its functional forms and of the fractions of capital, by giving priority to the cycle of money capital M-C-M'.

And yet Hilferding innovates by showcasing the irresistible march of monopolies, for which he delivers new foundations of analysis by introducing new analytical tools: barriers to entry, oligopolistic competition, tendency to a differentiation of the rates of profit, credit money as a money specific to capitalism.

Hilferding's contributions are as follows:

- (1) The monopolies' irresistible march forward: an (erroneous?) history of the economic facts on the concentration and centralization of capital:

The core of Hilferding's book is full of empirical observations and statistical data on the concentration and centralization of bank capital and industrial capital. The movement of the monopolies' formation, of their generalization and of their power appears as a tidal wave of great magnitude emanating from the European nations and the United States, to which nothing resists and which is self-evident, without any critical reading.

The excess of Hilferding's thesis, which is somewhat disputed by historians of economic facts, is nonetheless the lever of a new representation of capitalism.

- (2) Toward an analysis of monopolistic competition (before J. Robinson and E.H. Chamberlin):

The joint-stock company brings about a separation between the capital's ownership and the use of this capital (valorization, accumulation) and develops a superior institutional and organizational form in terms of the "assets" efficiency. We encounter here the forerunners of both:

- the distinction between the power of shareholders and the power of managers, as developed much later by A.D. Chandler (1977);
- the analysis of property rights by the "New Institutional School."

The analysis developed by Hilferding on cartels and trusts essentially focuses on highlighting a very strong increase of the value of the assets invested in the form of productive capital, of the extent of the invested capital's mobilization, which necessarily refers to an increase in the organic composition of capital with its risks in view of the tendency of the rate of profit to fall (TRPF).³¹

The probing of the organization of cartels and leads our author to make them the new instruments of a capitalist planning, which supplants the unconscious regulation by the market:

The whole of capitalist production would then be consciously regulated by a single body [the cartelization, C.P.] which would determine the volume of production in all branches of industry. Price determination would become a purely nominal matter, involving only the distribution of the total product (...) Money would have no role. In fact, it could well disappear completely, since the task to be accomplished would be the allocation of things, not the distribution of values.³²

- (3) A new approach to credit money as a new mode of financing productive capital due to the scale of capital mobilization

Hilferding abandons the limited viewpoint previously reserved to credit money to make of it the new generalized mode of financing capitalist production:

We have seen earlier how credit money originates in circulation. (...) As capitalist credit, however, it puts money [whether cash or credit money, C.P.] into circulation only in order to withdraw more money. It puts money into circulation as money capital in order to convert it into productive capital. Thus it expands the scale of production, and this expansion

presupposes the expansion of circulation (. . .). Capital (investment) credit (. . .) transfers money and converts it from idle into active money capital.³³

The transformations deriving from a credit money hitherto tagging behind the dynamics of capitalism are now ripe to bring forth a credit money that ensures, leads the dynamics of capitalism, but it is necessary to go through a new law in the making, the tendency to a differentiation of the rates of profit (TDRP).

- (4) The new dynamics of capitalism: the tendency to a differentiation of the rates of profit³⁴ between the monopoly sector and the competitive sector, due to industrial barriers:

Hilferding turns here to the behaviors of the monopolies' private agents, in search of maximum profit rate (MPR) in the context of an irreducible fixation of an ever-increasing invested fixed capital, i.e., in the context of the TRPF:

Thus we see how, for entirely different reasons, the rate of profit tends to be depressed below the average at both poles [monopolies and competition, C.P.] of capitalist development. Where capital is sufficiently powerful a counter tendency emerges in order to overcome this trend. The final outcome is the abolition of free competition, and a trend towards the maintenance of a lasting inequality of rates of profit. . . .³⁵

with some stylistic precautions about the return to the tendency toward equality of profit (TTEP).

This new law of TDRP is based on the existence of *barriers* to the mobility of capital – a theory of barriers developed before that of [Bain \(1956\)](#). The industrial system is therefore divided into branches, with (commercial and technical) barriers³⁶ that appear as obstacles to the TTEP:

In place of the old legal restrictions imposed by medieval tutelage, new economic restrictions have emerged (. . .). A second limitation consists in the fact that technical progress expands the scale of production, and that the increasing volume of constant capital, especially fixed capital, requires an ever-greater absolute sum of capital in order to expand production itself on a corresponding scale or to establish new enterprises.³⁷

but barriers that are immediately reintroduced as a means of returning to the TTEP as a stylistic precaution:

Since the tendency toward equality of profit is identical with the striving of the individual capitalist to maximize his profit, the removal of this limitation must also begin with the individual. This occurs through the mobilization of capital.³⁸

The way is open for credit money to be the one to ensure both the maintenance of technical and commercial barriers and the removal of these barriers, while producing new ones, i.e.: financial barriers.

Hilferding persists and signs about the TDRP, which also stems from the way that the cartel firms set prices:

Cartelization involves a change in the average rate of profit. The rate of profit rises in the cartelized industries and falls in the non-cartelized ones (. . .). For those industries which remain non-cartelized the rate of profit continues to fall. The cartel price will rise by the same amount above the price of production as it has fallen below the price of production in the non-cartelized

industries (...). Thus the increase in the cartel price is limited by the extent to which it is possible to reduce the rate of profit in the non-cartelized industries.³⁹

always with this viewpoint, which is theoretically fixed on the transfers of profit (here in the form of excess profit of some to the detriment of the others) in the context of the fixing of the production prices within the industrial system's branches, with a mode of setting prices by the cartel's industries (companies).

Lastly, we believe it is needful to recognize Hilferding's authorship of the theory of barriers in industrial economics.

- (5) Credit money as a dynamic of the new regime of accumulation based on the TDRP:

A new derivation of credit money emerges as the money supply of finance capital (and not only of bank capital) that ensures, on the one hand, the financing of the monopoly sector on the basis of a regime of accumulation that rests on the TDRP and, on the other one, the export of capital as a return to the TTEP.

Credit money therefore acquires a new status, as the money – and the supply of money (De Brunhoff, 1971, 1973, 1979) – peculiar to capitalism for the financing of the monopoly sector, while simultaneously subjecting the monopolistic industrial sector to... finance capital:

...present-day industry is carried on with an amount of capital far exceeding that which is owned by the industrial capitalists. With the development of capitalism there is also a continual increase in the amount of money which the non-productive classes place at the disposal of the banks, who in turn convey it to the industrialists. ... [W]ith the development of capitalism and of the machinery of credit, the dependence of industry upon the banks increases.⁴⁰

It is up to credit money to ensure an exit from the impasse in which the competitive sector with a lower rate of profit finds itself, by financing the export of capital⁴¹: removal of the exit barriers for the competitive sector's capital.

- (6) Finance capital,⁴² a new fraction of capital?

Let us leave to Hilferding the responsibility of defining it (repeated in an even more linear way by Lenin, 1916):

I call bank capital, that is, capital in money form which is actually transformed in this way into industrial capital, finance capital (...). An ever-increasing proportion of the capital used in industry is finance capital, capital at the disposition of the banks which is used by the industrialists.⁴³

Finance capital is the *moment* when bank capital also becomes industrial capital during the functional cycle of capital, which throughout the conceptual chain is only notional capital. Can we make of it, in Hilferding's mind, a new fraction of capital,⁴⁴ which sits alongside and dominates the other fractions of capital (bank, commercial, industrial) as Lenin would later do?

A Theory of the Multinational Firm Correlated to the Analysis of Marx's Cycle of Social Capital and to Globalization

The Marxist analysis of the multinational firm in the 1960s–1980s was carried out jointly to the analysis of the worldwide expansions of capitalism and imperialism.⁴⁵

In the 1970s, along with a number of other authors (e.g., Aglietta, 1974; Poulantzas, 1973. . .), I used Marx's cycle of social capital to describe a process of internationalization – corresponding to successive phases of market globalization, industrial globalization, and financial globalization – out of which emerged the fractions of capital that the MNFs represent during industrial globalization first and then during financial globalization (Palloix, 1973, 1975) (Fig. 9).

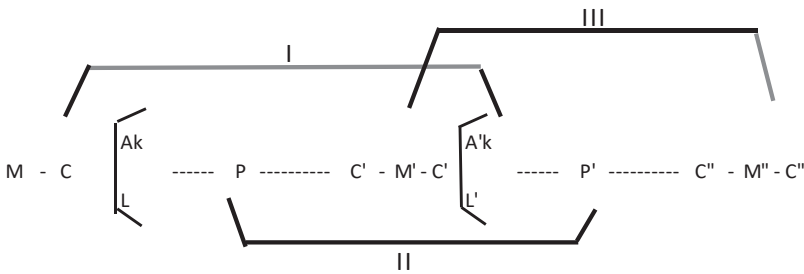


Fig. 9. The Cycle of Social Capital and the Phases of Globalization.

The symbols used are:

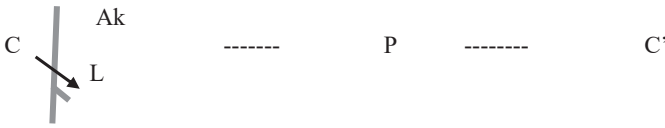
- M: money, where $M' > M$;
- C: commodity, where $C' > C$;
- Ak: capital advance, where $A'k > Ak$;
- L: work advance (labor power), where $L' > L$;
- P: production process, where $P' > P$.

Therefore, we can distinguish three cycles of social capital that combine in the course of these globalizations:

- I. – the cycle of commodity-capital – trade globalization
- II. – the cycle of productive capital – industrial globalization
- III. – the cycle of money-capital – financial globalization.

As an example, we can inscribe as follows the Smithian and Ricardian theories of foreign trade in the world cycle of commodity-capital (Palloix, 1973), recalling Ricardo's oft-ignored statement (Fig. 10):

Foreign trade, then, (...) has no tendency to raise the profits of stock, unless the commodities imported be of that description on which the wages of labour are expended [English original].⁴⁶



Imports of commodities C (wage goods) from the world market so as to lower the relative price of labor power in Great Britain: David Ricardo (1817).

Exports of commodities C' from Great Britain to the world market so as to overcome a domestic market that is too narrow to ensure the expansion of the division of in industry: Adam Smith (1776).

Fig. 10. Inserting the Smithian and Ricardian Theories of Foreign Trade in the World Cycle of Commodity-Capital.

Each type of globalization – furthermore differentiated in the world space – does not erase the previous one: industrial globalization feeds on market globalization; financial globalization today relies on trade globalization and industrial globalization, which are renewed by it.

New Elements for a Marxist Analysis of the Multinational Firm

In spite of the underestimation in terms of barriers (technological, industrial, commercial, etc.) or of oligopolistic competition at the time of Hilferding’s contributions, later Marxist research in industrial economics used the elements available to advance an analysis of the firms’ engagement in terms of producer competition and capital competition (Borrely, 1975; Palloix, 1977, p. 51, 1978).

The capital advances Ak engaged in cycles I, II and III represent the segmented fractions of individual capital ventures – which is what the multinational firms are – during their process of valorization and accumulation according to both the different branches and the different countries in which they are involved.

The engagement of the MNFs’ capital Ak, at market prices, is carried out:

- in the form of intangible assets (brands, patents, licenses, goodwill, etc.);
- in the form of tangible assets (factory, supply chain, etc.);
- in the form of financial assets.

This engagement of Ak is carried out in relation to the establishment of commercial and marketing barriers (differentiation and innovations of products, brands, patents, and licenses), of industrial barriers (differentiation of required technologies and according to the innovations in progress), of financial barriers within each internationalized branch (producer competition) and from internationalized branch to internationalized branch (capital competition), that is to say, an inscription of the international firm in an international industrial economy.⁴⁷

The multinational firms present any product innovation as a unique product inserted in a new protected branch (with its new barriers), as can be seen below

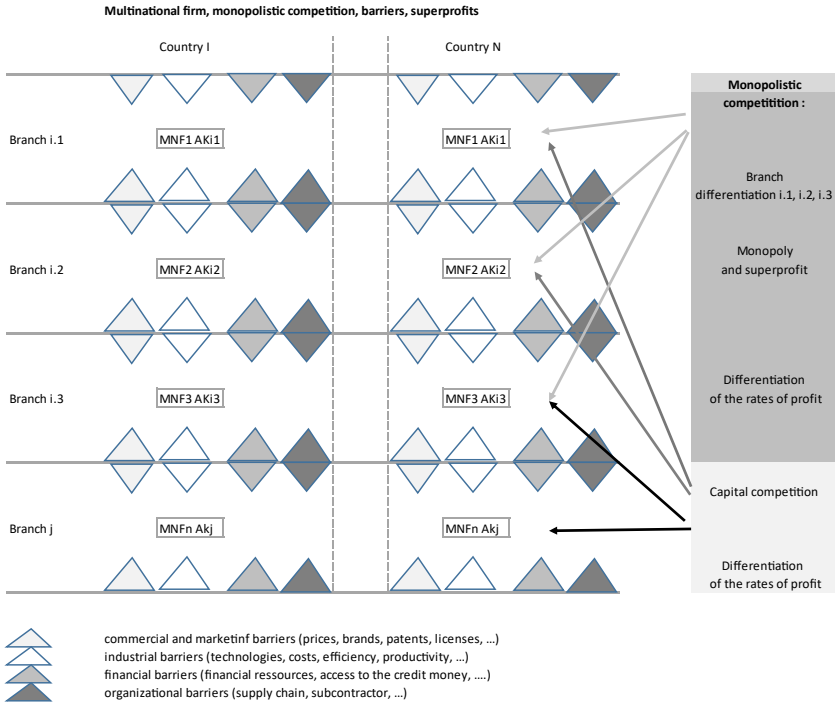


Fig. 11. Multinational Firm and International Industrial Economy.

(Fig. 11): a monopoly price allowing it to escape price competition, and thus increase the rate of profit. Each MNF of the branch i will present its product as a product both unique and different from all the others of branch i , contributing to build barriers between the sub-branches $i1, i2, \dots, in$.

The forms of intra-branch competition, called producer competition, are to some extent limited to the competition of national producers in their so-called national branches, provided these have escaped the grip of MNFs.

Besides, in monopolistic competition and the competition among the different kinds of capital, this engagement of AK is linked according to the branches and the country to a labor force L , whose price and skills differ from country to country.

CONCLUSION

The contributions of the Marxist theory on the multinational firm have nothing to hide from the contributions of the authors claiming to adhere to those of Bain, Coase, and the theory of monopolistic competition with imperfect information;

quite the contrary, especially since the Marxist contributions are accompanied by a critical reflection on multinational firms' negative impacts on economic activity.

This paper has presented: a critical analysis of the wealth current practices of multinational firms as wealth predators; and relevant references from the theory of multinational corporations and globalization from a Marxist perspective.

The practices of multinational corporations show an evolution of their "supply chain" arrangements (not to be confused with "global value chain") with new features that have been developing over the period 1990–2022, with a particular a disconnection between, on the one hand, the value of manufactured goods and, on the other hand, the valorization of commodities, which has led to massive transfers of wealth through the supply chain, ending up in tax havens. This new model changes the downstream wealth creation chain, where the nationally operating company (subsidiary company) is emptied of its previous apparent creation of wealth (profit split) by the "market:" it is the "brand" that takes precedence over the other actors, and it is the "brand" that creates wealth! And the "brand" appears to be domiciled in a tax haven, where it is paid for the creation of the wealth that it is supposedly associated with. The multinational corporations' assets are now focused on intangible assets (brands, patents, licenses, etc.) which are at the center of the multinational corporations' governance concerns with the "goodwill" or "badwill" that affects the valuation of these intangible assets on their balance sheets.

Among the approaches marking the course of the theory of multinational corporations, the theorization moves away somewhat from mainstream economics, notably in the cases of Hymer and Michalek, who draw on the contributions inherited from Bain's theory of "barriers", from Chamberlin's theory of "monopolistic competition" and that of Robinson, from Coase's theory of transaction costs – except that many of these contributions are found in Marxist theory long before those of the authors mentioned. Hilferding was the first to approach in a new way (unfortunately all too often ignored) the analysis of monopolies, and hence of multinational corporations and imperialism.

The Marxist approach has also contributed to a theory of the self-expansion of capital (internationalization of the circuits of capital) on a global scale, within an analysis of the differentiation and of inequality.

NOTES

1. See also the joint research on multinational firms carried out with my colleague Lyazid Kichou: [Kichou and Palloix \(2003, 2016\)](#).

2. For the sake of convenience, we adopt here an institutionalist approach to designate the practices of multinational firms based on [North's \(1990\)](#) distinction between the rules of the game that define the institutions and the players that represent the organizations. The institutional arrangement defines the rules of the firm, of the MNF (property rights, wage rules, commercial rules. . .), whereas the organizational arrangement defines the "government" (commercial, industrial, financial. . .) of the firm, of the MNF.

3. These arrangements are found at General Mills/Yoplait, Unilever, Kraft/Mondelez, Continental Foods, Cargill, Carlsberg. . . and copy, in their own ways, the arrangements developed in a more sophisticated way (no factories of their own, but instead

subcontracting factories) by Apple, Nike, and others. But the same is true, for example, albeit in less sophisticated forms, in the automobile industry (Renault and other operators).

4. Today, the multinational firm often takes on the form of a conglomerate group – holder of a basket of so-called “global brands” – therefore encompassing several sectors of activity (ranging, for instance, from chemicals to the agri-food industry), and also covering several branches within a sector (for example, within the agri-food industry, branches such as water, ice cream, chocolate, etc.).

5. The multinational firm’s global space is divided into regions (also called “clusters”): North America, Latin America, Europe, Asia, Africa, sometimes with groupings of the type “Europe-Asia,” etc.

6. The operating company will gradually lose its support functions during the subsequent arrangements, from then on being reduced to a commercial company.

7. Cost plus: full costs (raw material costs + controllable costs + supply costs) + residual rate of remuneration (as a percentage of full costs).

8. It was left to the OECD to draw up a manual on the proper conduct of cost plus and split profit transfer pricing.

9. The “supply chain” is a distinct concept from the “global value chain” found in the analyses of UNCTAD, the OECD, the IMF and others.

10. A turnover that essentially concerns the payment of the cost of the employees, and also the costs of energy, site maintenance, etc., and which covers the cost of supplying the bespoke manufacturing services (in the form of what, in analytical accounting, are called controllable costs), a cost guaranteed and taken over by the supply chain in the calculation of its costs.

11. The conversion costs (CC) or controllable costs are the industrial company’s own internal costs (excluding the costs of raw materials, packaging, etc.) with: CC = variable costs (operating personnel + energy + other variable costs) + fixed costs (maintenance personnel + maintenance + other fixed costs) + depreciation costs.

12. The concept of value loses all meaning as regards the creation of wealth, firstly since the latter, as far as the ICs are concerned, has flown to the CC (the pseudo added value, here, only depends on the mark-up rate allocated as a percentage of the IC’s “costs plus” between 2% and 5% in order to best achieve the legal obligations toward employees in terms of participation and profit sharing), and secondly as far as the OC is concerned since the added value has been levied via the transfer prices to the supply chain’s holding company.

13. P&L: acronym of Profit and Loss. This Anglo-Saxon accounting internal to the firm, which is spreading rapidly, distinguishes on a consolidated basis (IC + CC + others costs) by brand, by sector of activity, and globally: the margin on variable costs, the margin on fixed costs, the margin after marketing and advertising costs, and EBITDA.

14. Benetti (1974) and Dostaler (1978a, 1978b).

15. The starting point of the agency theory: any exchange between agents, any relationship of any kind, can be analyzed as an exchange of property rights (C.P.). Moreover, the nature of the firm depends on a node of contracts (C.P.). Definition of the agency relationship by Jensen and Meckling (1976):

We define an agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent (p. 5).

16. See: *Usine Nouvelle* (French weekly business magazine), December 8, 2021.

17. On multinationals’ income in tax havens, see: Nyman and Vicard (2018).

18. Tørslov, Wier, and Zucman (2020).

19. ATTAC (Association for the Taxation of financial Transactions and Citizen’s Action), October 2, 2021.

20. See: *Les Echos* (French financial daily), January 12, 2022.

21. *Les Echos*, April 14, 2021. The site of Saint-Vulbas is located near Lyon, France; and that of Duppigheim near Strasbourg, France.

22. *Usine Nouvelle*, April 6, 2021. The site of Château-Thébaud is located near Nantes, France.

23. *Usine Nouvelle*, November 28, 2020. The site of Cruas is located between Montélimar and Valence in France, and that of Gargenville near Paris.

24. *Le Monde* (French daily newspaper), August 18, 2020. The site of Haubourdin is located near Lille, France.

25. *Le Revenu* (French weekly business magazine), March 19, 2021.

26. OECD (2021).

27. Teppar and Hearn (2019, p. 33).

28. Rainelli (2003, p. 17).

29. Palloix (2006).

30. On the Marxist value-price discussion, renewed in the 1970s and 1980s: Benetti (1974) and Dostaler (1978a, 1978b). On the Marxist discussion about money: De Brunhoff (1967, 1971, 1979).

31. Hilferding (1970/1910, p. 265) *et seq.*

32. *Idem*, p. 329. The author anticipates here the notion of fictitious price that would be used in the USSR's planning with the "objectively determined valuations" (ODV) of price determination by Kantorovitch.

33. Hilferding (1970/1910, p. 136).

34. We find the thesis of the TDRP in the writings of the SIFI group (Andreff, Deleplace, Gillard, Lespès, Sardais...) (1974), but in relation to the emergence of a sector of dual-purpose goods (capital goods and wage goods) that is juxtaposed to the traditional sectors of capital goods on the one hand and wage goods on the other.

35. Hilferding (1970/1910, p. 270).

36. Industrial economics tends to attribute the authorship of the theory of barriers (to entry, to exit) in both "producer competition" and "capital competition" to J.S. Bain (1956). *Cf.*, for instance, Borrelly (1975) and Arena et al. (1988).

37. Hilferding (1970/1910, p. 265).

38. *Idem*, p. 266.

39. *Idem*, pp. 324–325.

40. *Idem*, p. 317.

41. *Idem*, p. 328.

42. As De Brunhoff (1979, p. 41) points out, the concept of "finance capital is formulated by Hilferding, who uses the expression *Finanzkapital* there where K. Marx uses that of *Geldhandlungskapital* or money-trade capital".

43. Hilferding (1970/1910, p. 318).

44. *Cf.* the critique developed by De Brunhoff (1973), who contrasts the concept of financial capital in Marx and Hilferding:

In *Capital*, Marx considers finance capital as a particular branch, distinct from industrial capital. The entire function of finance capital is located in the relation M-M', i.e. in the management of the means of financing, without involving transformations that include the movement of commodities and the means of production according to the formula M-C-C'-M'. The place of finance capital is determined, then, at the intersection of two different relations, on the one hand, the technical dependence of this capital on industrial capital, and, on the other, its relative autonomy, which means that, despite its functional character, finance capital remains out of step with industrial capital. The two relations intersect, but do not merge. (...) Whatever the subsequent historical modifications of the relations between the two types of capital, one should not confound their articulation in the mode of production in general, where one can distinguish production structures and financing structures, with the particular forms taken by this articulation at any particular stage of capitalism. Unfortunately, the synthetic notion of finance capital financier used by Hilferding comprises one such confusion. It confers a structural reach to what is only of transitory importance. It commingles different realms,

that of the organization of the different structures within capitalism with that of the concrete, historically dated modalities of this organization. (Hilferding, 1970/1910, pp. 91–92)

45. Read here the analyses conducted at that time by Samir Amin, Giovanni Arrighi, Andre Gunder Frank, Christian Palloix. . . .

46. Ricardo (2001/1817, p. 89).

47. Dearly wished by Rainelli (1991).

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