GLOBAL POLITICAL ECONOMY AND THE ELUSIVE PROMISE OF DEVELOPMENT
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Description:
This stream will trace the ways in which global political economy produces new forms of poverty and inhibits national and global development strategy.

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# Global Political Economy and the Elusive Promise of Development

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>PAGES</th>
</tr>
</thead>
</table>
# Global Political Economy and the Elusive Promise of Development

**Table of Contents**

<table>
<thead>
<tr>
<th>Source</th>
<th>Page</th>
</tr>
</thead>
</table>
Formality and Informality in the Law of Work

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1 INTRODUCTION

[T]hat paradigm of employment which underpinned much post
war labor legislation in advanced economies became increas-
ingly anachronistic ... No longer, therefore, could public policy
platforms, legal entitlements or union strategies be usefully con-
structed on the old paradigm. True, the nature of the new para-
digm is even now not yet clear ... Which vision of social justice,
whose aspirations, whose interests should labor scholarship be
concerned to protect? We know only that the old paradigm is
likely gone forever, not what will take its place.¹

If the emerging paradigm of work remains shrouded in mist and
still hidden from view, one thing seems reasonably certain: informal
work is sure to form a constituent part of this paradigm, making its
mark on labour law at the same time.

2 LOCATING INFORMAL WORK WITHIN LABOUR LAW

Informality at work might be described as the new frontier of labour
law. Enormous numbers of workers around the world labour in con-
ditions of informality,² and anyone who attempts to grapple with
the field at the global or transnational level is now compelled to
recognize the significance, both normative and practical, of informal-
ity to the project and problems of workplace governance. Informal
markets are, for many workers, not simply the normal site of work;
informality is a condition that is associated with economic disadvan-
tage and insecurity at work. Relative to work in the formal sector,
work in the informal sector remains, in general, characterized by
poor working conditions, low pay, economic insecurity, and limited
options for mobility and advancement. Informality, moreover, often
overlaps significantly with the conditions of social exclusion and
political disadvantage.

4 INFORMALITY AND PRECARIOUS WORK

Informality has become a heavily normative rather than merely
descriptive term: it typically serves as a proxy for forms and condi-
tions of work that we think of as warranting change or improvement.
At this point, to speak of informality is somehow already to invite
intervention of one form or another. The term might refer to work at
the bottom of value and supply chains, to domestic work, to agricul-
tural or other forms of subsistence work, or to work performed
within grey or illegal markets. Informality might also refer to work
that has become worse, in terms of working conditions and economic
rewards, due to changes in the legal framework of the labour market,
the capacity of the broader economy to support or generate jobs, the
manner in which production and service delivery is organized (think
of the move from vertically integrated to networked production), or
some combination of the above events.

Yet rather than being unique, many of these features and processes
are now directly associated with formal work as well. There is a huge,
and growing, class of workers in the industrialized world with
marginal status at, and marginal attachment to, work.³ As is the
case with informal workers, the minimal income and benefits such
workers typically derive from participating in the labour market
arise from a combination of structural and socio-political factors,
including insufficient demand for labour, lack of “capital” (human
and social), labour market stratification, and outright discrimination
on ascriptive grounds. The poor bargaining power these workers
experience as a result is then exacerbated by inadequacies of the legal
framework in which they operate. So, if informality is a convenient
mode of pointing to problems at work, informality also overlaps sub-
tantially with what is often identified as precarious work: work in
which workers lack standard protections and workplace entitle-
ments, voice or control over the conditions of work, and economic
mobility and security. Informality is sometimes described as the product of "deregulation" or the rise of subcontracting; indeed, processes of deregulation may themselves be called "informalization" or "de-formalization." But so, very often, is precarious work.

Using informality either to identify or to diagnose problems at work turns out to be difficult as well. Informality is a heterogeneous socio-legal condition encompassing immensely varied forms of work, embedded in equally varied formal and informal institutional settings, and resulting from myriad social, political, and economic processes. There are no consistent markers or measures of informality: it has been identified by enterprise, by job, and by activity. Nor is there any sharp dichotomy between the formal and informal sectors. Instead, they are better mapped as points on a continuum, or even as fluid and intermingled spheres. Informality is also a highly uneven condition. Workers may be part of the formal economy for one purpose, but informal for others. Or they may be informal at one moment and formal at another. One result, as Ravi Kanbur has observed, is that informality "has the dubious distinction of combining maximum policy import and political salience with minimal conceptual clarity and coherence in the analytical literature." Rather than simply noting a complicating feature, Kanbur's observation reveals an unavoidable conundrum at the heart of debates about informal markets. There is no way to make all the different work situations that travel under the name "informal" commensurable in any fundamental sense; nor is there any way to distinguish them usefully from the many types of formal work. The attempt to do so, moreover, risks conflating—and confusing—distinct issues and concerns that may be better identified and examined in themselves. It also separates some forms of work from other labor and economic processes to which they are deeply connected.

5 INFORMALITY AS A LEGAL CATEGORY

This conceptual confusion is mirrored in the legal analysis of informality; far from providing useful analytic traction, as a legal category, informality turns out to be distracting, even confusing. The problems of informality are often attributed to the absence of legal rules, sometimes the rule of law toons court. Underpinning these claims is the idea that the "informal" is a zone in which state authority is either absent or imperfect in its reach. Laws do not apply or, if they apply in theory, are not actually enforced. Or the reach of law is uneven: some laws apply while others do not. Yet, rather than being exceptional, the uneven reach of rules and regulations and the highly variable enforcement of the law are all standard-issue problems of work in the formal sector too.

The fact that informal work is untouched by a particular law tells us little or nothing about its general relation to law in any event. Like formal markets, informal markets are crosscut with myriad freedoms, permissions, prohibitions, and constraints which both endow the actors within them with powers and immunities, and subject them to duties and obligations. Some can be located in customary norms or social practices, others owe their force to formal law, and still others are effectively an indissoluble amalgam of both. The inescapable conclusion is that, far from being unregulated, informal work is regulated, and it may be regulated as much by formal law as by informal norms.

The attribution of informality to "deregulation" raises similar problems. Whatever the truth of the observation that it commonly results in a deterioration of the legal protections for workers and/or an increase in the number of workers outside the protective reach of labour and employment law, it is unsafe, even mistaken, to imagine that workers lie beyond the law as a result. For one, the potential for direct, formal regulation of informal work is, in theory, omnipresent. Numerous laws are destined to touch on informal markets in any event, and these may be as important—or more so—as those that are missing. For example, informal workers typically remain subject to police harassment and the threat of prosecution under the criminal law even where they do not receive the benefit of labour and employment law protections.

Municipal zoning laws—or their lack—may affect where informal workers set up shop and ply their trade. Housing regulations, landlord/tenant laws, land titling, and property rights may render them vulnerable to eviction or otherwise place them at risk of losing access to resources and opportunities crucial to their economic well-being. And, as these possibilities indicate, informal workers' decisions and activities will inevitably be structured by the legal entitlements of those with whom they transact and interact. In short, far from being absent, the imprint of the law can be detected all over informal markets. More importantly, the exclusion or "exceptionalizing" of informal workers from particular classes of rules, a condition often identified with informality, may itself be the consequence of some political, bureaucratic, or administrative decision. Why, however, should we think of workers such as domestic and agricultural workers who lack access to collective bargaining or other rights at work as "outside" the law, when such disabilities are embedded in—and may be directly a product of—legal rules themselves?

This brings us to the second observation. Formalization is conceptually and functionally open. Different actors and institutions mean different things by formalization, and they expect to advance different—and sometimes incompatible—objectives from formalization.
Formality and Informality in the Law of Work

Entrepreneurs may want to eliminate the economic advantages enjoyed by competitors who profit by avoiding regulatory fees, licences, and income and payroll taxes; they may also seek to capture a greater share of the profits through entitlements and regulations that deliver them low costs and high levels of control over their workforces. States may pursue formalization to expand their tax base, especially where the growing capacity of capital to escape taxation makes other avenues to raise revenue seem unpromising. Workers and their advocates, for their part, typically see formalization as a means of gaining higher workplace standards as well as a recognition of their associations and a measure of voice at work. Formalization itself, however, tells us nothing about which of these objectives will prevail. Nor does it dispose of the crucial matter of how any new legal powers and entitlements that are formalized will be designed and institutionalized. Instead, it merely poses the central question: What powers, for whom, and to what ends?

Third, it seems unavoidably clear that formalization may bring disadvantages as well as benefits to workers. Here, it turns out that the history of labour and employment law is instructive. Although formalization is now routinely advanced as the route to decent or “better” work, such claims should induce caution, if not immediately create flashing lights, for anyone in the field of labour. The (more) visible presence of law and the state and the recognition of formal rights have never tracked improvements in working conditions or bargaining power for workers in any simple or unidirectional way. Even in industrialized states, the rule of law and the institutionalization of workers’ rights have proven to be decidedly mixed blessings, sometimes entailing disabilities for workers that are as significant as any advantages. It has long been recognized that rights that hold transformative promise may become, through interpretive strictures, devices either to uphold the status quo or to entrench further the rights of capital. Formalization under norms of greater labour market flexibility — a distinct possibility given conventional political and technocratic wisdom about the nature of good labour market governance — poses still further risks; for some workers, the outcome may even be a net loss. For example, prior informal understandings that worked to workers’ advantage, including flexibility to manage competing household obligations, may be disrupted. New private law rights may become legally entrenched that place significant constraints on the pursuit of traditional activities and/or impose additional economic risks and costs on workers. Regulation and bureaucratic oversight may provide new opportunities for both public and private actors to exact rents or subject workers to obligations and constraints, with little in the way of countervailing power or benefits. The possibilities — in both directions — are legion. Greater economic security and enhanced voice and control over the terms and conditions of work are, then, a highly contingent, rather than an inevitable, outcome of formalization.

What is at stake within debates over the regulation of informal markets is typically a struggle over the content and purposes of the law rather than simply its presence; whether workers are imagined as formal or informal, what is typically at issue are burdens and benefits. At the same time, work now designated “informal” can be improved by policy or regulatory changes that either directly target particular groups or extend to excluded workers some of the benefits available to labour-market “insiders.” Domestic workers, for example, may gain access to social protection, even vacation pay and limits on working time, through legislative interventions. Low-income households whose members are engaged in subsistence or other forms of informal work may have access to subsidies, such as Brazil’s Bolsa Família, provided by the state. Workers in subcontracting situations who are effectively without legal remedies may gain new options for redress in the case of contract disputes over non-payment of wages or money owed them for services rendered, as a result of legislation that enables collective bargaining or extends liability for the debts of subcontractors to those higher up in the production chain. Given the many avenues to improve their situation through law and policy, for what reasons does it make sense either to think of informal workers as outside the law and beyond the reach of the state, or to differentiate them from other workers?

6 THE ENDURING PUZZLE: THE PLACE OF LAW IN WORK

Buried within these questions is a series of nested conceptual problems of immense significance to the regulation of work in all its forms. Although they cannot be explored in any depth or detail here, it is worth at least noting their presence.

There is now a wide range of theories — normative, sociological, economic, and behavioural — purporting to explain law’s relation to informality, both actual and proper; from these theories flow, inevitably, different assessments of the purposes, effects, and wisdom of regulatory interventions designed to remedy informality. Although they differ in many other respects, virtually all such theories proceed on the assumption that it makes sense to think of law and informal markets as functionally and analytically distinct. However, this has long been a suspect starting-point. Law is endogenous rather than external to informal markets, as it is to other markets. All references to informal markets must, therefore, imply something about what is missing and what must be added in the way of legal rules or institutions in order to reach a state of formality; put simply, they imply
Formality and Informality in the Law of Work

some idea of a legally “normal” market. This brings us immediately to the baseline problem: just as there is no agreement about the indicia of informality, there is no consensus on the legal structure and content of formal labour markets. Instead, their form and substance are contingent, reflecting competing normative and political visions as well as the accreted institutional forms of capitalist development in different locales and during different historical periods. Nor is any merely technical, rather than ideological or political, determination of the formal legal structure of a “normal” market available for use as a benchmark or standard, whether in debates about informality or discussions of the regulation of work in general. Rather, the opposite is true: the effects of legal rules and institutions on the bargaining power and resources of informal-sector workers make any such standard inherently contentious. In addition to affecting the distribution of economic gains and political power among market participants, each will encode some – perhaps several – normative visions of a just future of work as well. It is this internal, deeply constitutive relationship between law, work, and power that must be cracked open to build the new paradigm – and this is true whether we are talking about formal or informal work, or whether we even recognize the difference between them at all.

7 TOWARD A (MORE) COMPLETE LAW OF WORK?

We might draw some interlinked observations at this point. First, the space – conceptual and practical – between formal and informal work is badly eroded if not entirely collapsed. Informality may well serve as a placeholder for people and predicaments that warrant our attention. But at the level of law and policy, informal markets are difficult, if not impossible, to distinguish in any analytically robust way from formal markets. Second, once it is recognized that formalization involves “bringing the law” to those who are already subject to law in a variety of ways, we can cease to rely so heavily on the prevailing strategy of exceptionalism. Moving informal work more directly into the frameworks and heuristics applied to other markets and other forms of work, we can then consider how legal rules may help create the very problems that we seek to solve through formalization.

Nothing inevitable, of course, flows from these observations. Categorical distinctions set aside, however, it becomes easier to see, on the one hand, how the legal and practical issues facing formal workers – impaired bargaining power and lack of control over processes of production or service delivery – might resemble if not mirror those faced by workers in informal labour markets and, on the other, why concerns long understood to be relevant to informal workers – access to capital, credit, and broader markets – might affect those in the formal sector too. Reframed in terms of the normative concerns of labour law, debates about informality should, of course, seem entirely familiar to labour lawyers, especially those grappling with the legal predicaments around non-standard and precarious work. But the inclusion of informality should be expected to change labour law too: the limits of its characteristic preoccupations, its preferred strategies, and its familiar reference points may seem both more evident and more problematic once informal work becomes fully integrated into the field. Like those needed to address precarious work, interventions to address informality will involve competing values and policy considerations: questions of equity and efficiency, administrative capacity, and normative commitments to fundamental rights will all be part of the mix. But working conditions, for example, may seem less important than access to property or social protection. Security within contracting chains may prevail over concerns about the bilateral contract relationship in the political calculus. Indeed, the agenda of both informal and precarious work might be transformed, especially if, as Harry Arthurs has suggested, they were to be placed within a larger conversation around the “law of economic subordination and resistance.” Relocated, a broad range of rules that go well beyond labour law to include economic life in general will then seem pertinent, not only to informal work, but also to formal work, and not merely to its “regulation” but to its design, construction, and conditions of possibility as well.
The ideas that form the basis for this Symposium have emerged through an ongoing discussion among critical legal scholars, sociologists, geographers and political economists that began in 2014 under the auspices of the Institute for Global Law and Policy (IGLP) at Harvard Law School. From diverse disciplinary locations and substantive research interests, we were all engaging with the concept of global value chains (GVCs)—that is, functionally integrated but geographically dispersed networks through which many goods and services are produced. While we agreed that studying GVCs was integral for understanding the nature of the global political economy, our collaboration, which we named the IGLP Law and Global Production Working Group, was inspired by our shared sense that the role of law in the organization, operation and effects of Global Value Chains (GVCs) was little understood and significantly undertheorized in the burgeoning social science and policy literatures on GVCs. Moreover, legal scholars had barely begun to consider the rich body of scholarship tracking GVCs in numerous industries and geographic contexts, nor had they appreciated the degree to which the study of GVCs was shedding empirical and theoretical light on the governance structures and distributional dynamics of the dominant form of doing business in the global economy. Finally, we shared a deep skepticism of what seemed an emerging consensus among mainstream GVC scholars and policymakers that the most promising (and perhaps only) path to development today is via participating in, and ideally moving up the value chain by capturing additional rents through innovation-based upgrading. Our intuition was that diverse legal arrangements were enabling and sustaining the current asymmetrical distributions of resources, rents, and power in GVCs and that developing richer maps of these key legal drivers would make more legible the geographies of value and vulnerability in particular chain configurations, and perhaps suggest new strategies for resistance, solidarity and distributive intervention.

These shared ideas and intuitions led us to the core research question that remains at the heart of our work, even as we explore different aspects of it in diverse sectors and contexts: how does law shape the structure and organization of production and distribution globally, and how do structures of production and distribution in turn reconfigure what law is and how it works in this dynamic process?

Our preliminary thoughts and methods for exploring this question were first articulated in a piece entitled “The Role of Law in Global Value Chains: A Research Manifesto” (the “Manifesto”), which was published in the London Review of International Law. In our introductory essay to this Symposium, we share some of the insights from the Manifesto and our ongoing work in order to frame the interventions to follow.

GVCs and Why they Matter

While many scholars argue that capitalism has long been global, the contemporary world economy has undergone a significant transformation over the past half century in the way goods and services are conceived, produced, and delivered. At the heart of this transformation is the global value

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1 According to UNCTAD’s 2013 World Investment Report, GVCs account for 80% of world trade, while a more recent OECD estimate puts the number at 70%.
chain. For much of the twentieth century, global industries were organized around vertically-integrated transnational corporations that orchestrated supply, production and distribution (especially, but not only, of manufactures) via ownership of subsidiaries that served mostly geographically proximate markets. In contrast, under GVC capitalism the production process is organizationally fragmented and geographically dispersed, with transactions between different links in the chain coordinated primarily via contract rather than ownership.\(^2\)

From the perspective of transaction cost economics, the rise of GVCs might be interpreted as a shift from hierarchy to network. Yet one of the key insights to emerge from careful study of industries as diverse as electronics, horticulture, animation, and apparel is that this is a false dichotomy: economic actors can use GVCs to exert control without ownership. In fact, one significant effect of the rise of GVCs is an increasing concentration of power over the coordination, or governance, of supply chains by large retailers and other client firms that, via their ability to determine product standards and set commercial terms and conditions for suppliers, shape the distribution of rents across the chain.

Thinking about this dynamic entirely in terms of “buyer power” fails to account for the ways in which the governance of GVCs by lead firms has diminished the regulatory and policy autonomy of developing states, and the bargaining power of supplier firms and their workers.\(^3\) When GVCs are the primary infrastructure of global industries, access to the market means integration into the chain. The power to act as de facto gatekeepers to the market gives large buyers extraordinary advantages over both firms and states competing for their favor. Consequently, the business practices of supplier firms and the regulatory policies of their states will be attentive to, if not substantially determined by, the demands of buyer firms across the supply chains with which they deal.

The legal techniques and business practices through which buyer firms exercise their governance power in GVCs are myriad, and include supply contracts, corporate codes of conduct, policies regarding subcontracting by suppliers or intermediaries, punitive commercial measures that punish non-compliant firms, multi-sourcing practices that leverage competitive pressure, strategic use of anti-trust concerns to limit calls for transparency into chain operations by suppliers and workers, limitations on supplier sourcing of production inputs, and many others. In addition, buyer firms shape the policy autonomy and bargaining power of developing states, firms and workers using techniques such as complex ownership and licensing structures to maintain proprietary control over innovation, intellectual property, and brand assets; inventory control and production management systems that minimize technology transfer to suppliers; and complex corporate structuring to distribute business functions and the recognition of revenues and profits geographically for the purpose of minimizing global tax liability. Because of these techniques, local firms and national development policymakers find it more difficult both to influence the terms on which they access supply chain structures and to maximize the returns they receive from participating in them.

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\(^3\) For a more extensive treatment of these points, see, Dan Danielsen, “Trade, Distribution and Development Under Supply Chain Capitalism” in World Trade and Investment Law Reimagined: A Progressive Agenda for an Inclusive Globalization (A. Santos, C. Thomas & D. Trubek, eds.) (Anthem, 2019).
GVCs and Law

In the Manifesto we sought to articulate a conceptual framework and a research agenda for examining the centrality of law and legal orders in the structure, governance and distributional effects of GVCs. Our Working Group saw three central weaknesses in conventional GVC scholarship:

1) that law is often treated as exogenous to the economic forces assumed to be driving the organization of GVCs rather than an integral enabling infrastructure and driver for the structure and dynamics of GVCs and global markets;

2) against an often unstated backdrop assumption that global commerce is mutually beneficial exchange in largely free markets, the function of law is often assumed to be the provision of market-facilitating institutions (such as property, contact, the corporation) and rules to correct informational asymmetries and other serious market failures rather than a terrain of struggle over the recognition and distribution of value and power in the chains; and,

3) that the distribution of rents along the chains is often seen as a reflection and recognition of productivity gains or “value-added” rather than a product of background legal entitlements that enable and reinforce power asymmetries and distributional inequities.

To redress these deficiencies, the Manifesto called for a research program focused on three interrelated areas. First, we proposed attention to the legal geography of GVCs. The objective here is not only to identify the multiple legal regimes and jurisdictions that are relevant for contemporary production systems. We also seek to study GVCs as discrete sites at which multiple legal forms—domestic and international, hard and soft, public and private, formal and informal—overlap, intersect and provisionally determine the geography of each GVC and the distribution of responsibility, authority, and surplus within it.

Second, we argued for the need to center the relationship between, on the one hand, law and legal entitlements, and, on the other, the generation, distribution and appropriation of rents. This line of inquiry may help unpack the key concept of value (and its concomitant construct, value-added), which though central to GVC analysis, has for the most part escaped sustained scrutiny.

Third, we argued for the need to move beyond economic notions of GVC governance driven by market demands for ever-increasing productive efficiency to examine how law facilitates or even drives relations between firms, and/or between firms and other stakeholders, including workers and consumers. In this area of inquiry, we seek to understand the diverse combinations of legal tools and practices through which GVCs are coordinated and managed with a view to exploring how current distributions of power and surplus might be changed through alterations in the legal arrangements that enable them.

In this Symposium (and a forthcoming edited volume), we hope to demonstrate a range of theoretical and methodological approaches to the study of law and GVCs. Our sense is that analyzing the legal conditions enabling GVCs is necessary to understand the constitutive role of law in the making of contemporary capitalism, and thus the promise and limits of legal techniques, tools, and regimes to intervene in its uneven and frequently unjust developmental and human welfare outcomes. Ultimately, then, our aim is to map GVCs as a way of apprehending and challenging the topographies of power constituting the global political economy. Armed with such maps, law and GVC scholars might contribute to myriad efforts, some already underway, by workers and activist to explore GVCs as provisional institutional structures for interest-based solidarity, social movement building, redistributive governance and democratic accountability outside the traditional liberal framework of geographically-bounded national polities. More broadly, insights and methods from law and GVC studies may prove useful and generative for LPE scholars seeking to link local and global patterns of distributional injustice or to identify the legal drivers of injustice in a particular locale.
THE IDEOLOGY OF THE IMPERIAL CORPORATION: "INFORMAL" EMPIRE REVISITED

Philip J. Stern

In 1953, the Oxbridge historians Robinson and Gallagher made what has undoubtedly became one of the most influential interventions in the history of the historiography of European empires. Insisting the subject of imperial studies had been severely hampered by its attention solely to formal, territorial colonies, they conjured up the notion of "the imperialism of free trade": that is, the forceful interposition of Victorian free trade globally created "informal empires" around the globe. This not only broadened the geographical reach of the history of the British empire, but its narrative. Rather than seeing a commercial period giving way to a period of rule, Robinson and Gallagher argued for continuity in a policy that always preferred informal empire and engaged in formal empire only if necessary, determined by circumstances on the "periphery." In paying attention only to the places "coloured red on the map," such as India and Africa, historians had misunderstood both the continuity, impulses, and extent of nineteenth-century empire, which had been, in their evocative and now iconic phrase, "rather like judging the size and character of icebergs from the parts above the water-line" (1953, p. 1).

This paper is an attempt to engage this debate over imperial heuristics from a different angle entirely, by imagining an alternative "continuum" through which we understand and evaluate colonial rule: namely, the nature and degree of corporate rule. Theorists, especially famously since Hobson (1902) and Lenin (1939 [1917]), have understood that corporate interests were at the core of the imperial enterprise, but have tended to see them as "private" interests, often in collusion with the state or militating against public interest, or both. The concept of "informal" empire, in many ways, picks up that mantle, placing the degree or extent of state institutions as the barometer of a schematic of empire. Not mutually exclusive from this, the approach proposed here will be to shift the focus onto both the
The Ideology of the Imperial Corporation

structures but more critically the political ideology behind the employment of various of corporate forms in establishing and sustaining British imperial and colonial expansion.

In so doing, it draws two main conclusions. First, where the formal/informal spectrum tends to assume a unique applicability to modern empire, certain core aspects of corporate colonial rule endured across the traditional boundaries of early modern (or "first") and modern (or "second") empire. Considering the forms of colonial organization rather than its status as a political or an economic enterprise opens up instead a more continuous story about strategies to resolve political and commercial dilemmas inherent in the colonial project from the seventeenth to the twentieth centuries. In turn, these ideas remained a constituent part of strategies for colonial rule because of the self-referential historiography of empire itself. In other words, selective histories and legacies of early uses of the colonial corporation in the seventeenth century shaped thinking about how and why corporations should serve as a foundation for a "new" imperialism in the late nineteenth century. The case examined here looks in particular at the ways memory of the East India Company shaped particular formulations and intellectual defenses of the uses of companies in British colonial Africa.

Second, and more broadly, this argument suggests that the distinction of formal and informal empire unwittingly and often implicitly elides the ideological and organizational diversity of "private" forms of empire, both diachronically and synchronically. The narrative of informal and formal empire is either chronological or geospatial: that is, that informal rule gave way to formal rule "if necessary," or that particular zones or regions determined the degree of need for "formal" or "informal" structures. This perspective, of course, is not without merit but is not the only story one could tell. The controversies over the types and nature of company and corporate involvement in empire raised similar issues, both about the relationship of organizational structure to particular imperial and commercial objectives and their historical relationships: that is, when should corporate rule evolve into state rule, and vice versa? Moreover, from the "peripheries" of British power like Latin America to the Indian jewel in its Crown, the distinction between the formal structures of state power and the informal impulses of commerce can be seen instead as an engagement with rival and multiple corporate structures — from the state to religious enterprises, alternative jurisdictional entities, and of course business firms, many of which erected no less formal efforts to rule, upending local forms of sovereignty, displacing institutions of power, and annexing and governing over people, places,
and goods. "Formal" power was layered and pluralistic, consistently riddled with forces and modes of rule that the state could not control; likewise, what historians have conceptualized as "informal" rarely felt "informal" to those over whom they ruled, or even to those that did the ruling.

Looking at the ideological debates over corporate rule — and the legacies of the East India Company in those debates particularly — this paper explores the degree to which the very notion of "formal" and "informal" empire might misdirect our attention from a very different sort of continuity across the eighteenth and nineteenth centuries: not the balance between public and private but rather the competition among various different institutional forms of empire, especially corporate and state led visions of colonial expansion. In so doing, it suggests that the concept of "informal" empire obscures distinctions over competing types of colonial venture, and is a particularly misleading way to understand some forms of corporate organization in empire. Corporations offered characteristics — institutional permanence, evolving forms of limited liability, a particular governing structure — that distinguished them from firms, proprietorships, and other forms of colonial "private" enterprise. These differing structural features in turn consistently fueled controversies over what forms such enterprise should take. Such debates intertwined commercial interest with political ideology, questions of economic organization with ideas about proper forms of governance. As such, which form such "private" ventures would take could often be as, if not more, controversial as whether the project would be in state or non-state hands, a question which is often elided by the heuristic of "informal" empire and the notion of an imperialism of "free trade." To put it another way: was the concept of "corporate empire" a form of informal or formal empire? That such a question resists a simple answer is the starting point of this investigation.
INFORMAL CORPORATE EMPIRE IN THE NINETEENTH CENTURY

At its core, the challenge posed by thinking about empires as formal or informal is that each colonial and imperial context was defined by its own unique mixture of state and non-state institutions, within which people’s political loyalties and ideological commitments overlapped promiscuously. Commerce and politics were never separable, and politics was no less the reserve of state institutions than economics was restricted to so-called private enterprise. Even in British “India,” the quintessential example of a formal colony of rule, these categories were deeply problematic and messy. Through its supposed commercial period, from the seventeenth century through to its acquisition of territorial power in the mid-eighteenth century, the Company possessed the institutional characteristics of a government, and generated distinctly political ideologies concerning its rights to rule and sovereign power (Stern, 2011). At the same time, its monopoly on both trade and power was always contested, perhaps even more after the expansion of its territorial dominion. As Webster (2009) has shown, Company India was deeply infiltrated by forms of free and private trade well before the elimination of its monopoly and the removal of political authority in the nineteenth century. The political economy of British rule under both the Company and, after 1858, the Crown was always infused with a hybrid admixture of state, corporate, and firms engaging in various forms of public governance. The absence of formal state structures of rule did not mean the absence of formal structures of rule, particularly in the form of corporate organization; conversely, the theoretical interposition of the state did not obviate — and sometimes enhanced — the institutional and ideological power of non-state bodies politic.

Even during the supposed heyday of the mid-Victorian commitment to liberal free trade, there remained strong and effective voices urging the continued use of formally structured, exclusive corporations in the colonial project. Even more peculiar still, as the Company and its “monopoly” structure was coming under ever greater scrutiny and was eventually dismantled, its legacy became a touchstone for those advocating for a continuing influence of joint-stock corporations in the modern British empire.

Thus, even in an era of free trade liberalism, the example of the East India Company remained a ready one for trying to imagining new imperial enterprises, not simply due to its structure but related directly to a conception of the relationship between corporations and particular spaces of empire. To some, nineteenth-century Africa posed some of the very same
challenges for British commerce and rule as seventeenth-century India. Thus, when James MacQueen imagined a scheme in the 1820s for a chartered West African company, it was to be conceived “after the manner of the East India Company.” Even his self-conscious modifications and improvements on the Company’s constitution were more adverse than he realized; for example, his suggestion that this Company be limited in its charter to fifteen years were in fact the same terms on which the East India Company was possessed of its original charter. He also defended the project in much the same languages as had Company advocates centuries earlier: insisting the enterprise was not a “monopoly,” but an “exclusive privilege in trade ... for a trade yet to be formed” (Lambert, 2013; M’Queen, 1821, pp. 267–268, 269–270). To MacQueen, the question of an exclusive company was one deeply rooted in space (i.e., his understanding of the particular conditions of West Africa) and time: that is, the company as a stage of proper colonial development:

Without a chartered company, Great Britain never could have achieved what she has done in India, nor reared such a noble fabric of commerce and civil government as she has there done .... It may be for the greater advantage of Great Britain and of India, that the trade to the latter should now be thrown open, but it never could have been for the interest of either that this should have taken place at an earlier period. The situation of Africa, however, is totally different. There every thing is to do. Regular commerce is to be created. Society is almost altogether to be formed. Security and civilization, law, order, and religion, are each and all yet to be introduced into and planted in Africa. Unity of action and design, therefore, becomes absolutely necessary to accomplish all these desirable objects. Conflicting interests, amidst such a disjointed population, must, and will, indefinitely retard it.

In such a context, he insisted, mercantile company required political power, much like the East India Company did in India:

A charter is clearly and indispensably necessary, in order to conduct mercantile affairs to a prosperous issue ... to negotiate, as an irresistible and stable power, to punish aggression, to rear up gradually an empire in Africa, such as has been done in India, against which no native power shall be able to raise its head. Then, but not till then, the trade may be thrown open, but the territorial power of the charter may, as in India, remain. (1821, pp. 271–272)

...
In some ways, after its removal from government and effective dismantling after 1858, the longing for such a colonial corporate enterprise only intensified. Even the quintessential voice of mid-century liberalism, John Stuart Mill, quite famously reflected with a bit of nostalgia on the Company. Much like seventeenth-century political economists before him, Mill maintained that colonial enterprise depended on the wisdom of disinterested "philosophical legislators," guided by expertise not politics; in the case of India, this was represented for this former East India Company employee by the bureaucratic system of the Company, not the British state (Bell, 2010, p. 43). Expertise about India, not British public opinion, needed to guide policy in India (The East India Company's Charter, 1990 [1852], pp. 33–34). The worst possible governor for a foreign dependency like India, Mill maintained, would be an "English Cabinet Minister, who is thinking of English not Indian politics," and whose tenure is often truncated and dependent upon public opinion, but not those over which he rules. "A free country which attempts to govern a distant dependency, inhabited by a dissimilar people, by means of a branch of its own executive, will almost inevitably fail," he argued.

The only mode which has any chance of tolerable success, is to govern through a delegated body, of a comparatively permanent character ... Such a body did exist in the case of India; and I fear that both India and England will pay a severe penalty for the shortsighted policy by which this intermediate instrument of government was done away with. (Mill, 1977 [1861], p. 573)

"It has been the destiny of the government of the East India Company," Mill opined, "to suggest the true theory of the government of a semibarbarous dependency by a civilised country, and after having done this to perish" (1977 [1861], p. 577).
"FORMAL" CORPORATE EMPIRE: THE CASE OF GEORGE GOLDIE

Thus, even in the East India Company's waning days, and amid all the criticism of government-by-company, the corporation lingered, and in some cases remained quite alive, in the colonial imagination. In this (admittedly ill-fated) proposal, the joint-stock corporation served a dual purpose: to develop a form of particular representation for a "mature" colony that had outgrown living with its colonial parents while also providing the insulation for the public for the continuing maturation of the "native peasantry" into full economic and political subjects. This was no clearer than in West Africa, as the sorts of schemes proposed by MacQueen evolved in the late century into iconic and pervasive models of the corporation as the form that could combine the stability of commerce with effective government that could lead to colonial empire. Thinking about chartered corporations as a particular constitutional form — rather than simply one subset of larger commercial enterprises — creates complications for the usual categories through which we understand colonial rule. Cain and Hopkins suggest that the reliance on chartered companies in sub-Saharan Africa was a last resort, the result of the absence of a strong interest in investment from the London financial sector — a "dilute form" of gentlemanly capitalism that was unusual in its accommodations with manufacturers, shipping, and missionaries (2002, p. 338).

Yet, chartered companies seem far less "diluted" (and perhaps deluded) as a form of imperial enterprise — which is to say, less exceptional — when one does not assume that state and company officials overlapped in their interest or objectives. While certain political languages and attitudes remained common, again, the modern imperial corporation as a structure of empire defies easy categorization as an "informal" or "formal" structure of colonial rule — one simultaneously in alliance but tension with the state, exerting economic influence yet amidst quite apparent attempts to establish very clear institutions of territorial and infrastructural rule. In many ways, the modern colonial corporation, while enabled by the legal and fiscal transformations of corporate structure in the nineteenth century, was born ideologically of a far longer history of corporate forms of empire.
This becomes a bit clearer if one focuses on the particular example of George Goldie, perhaps the most famous — and arguably successful — in this series of colonial entrepreneurs, who spent great energy and effort defending not only his various African ventures, culminating in the chartered Royal Niger Company in 1886, but also backing other similar enterprises, from Cecil Rhodes’s British South Africa Company to the North Borneo Company. Such companies, Goldie argued, possessed “internal and perennial sources of energy” which were “independent of Parliamentary crises and party necessities” (1978 [1891], p. 66). Commerce could not be distinguished from politics, especially in colonial environments; the United African Company, Goldie reflected in 1911, was designed precisely to make this point, “for it held, as an axiom, that in uncivilised countries there can be no permanence for commerce or industry without political power” (1978 [1911], p. 287). According to their supporters, companies were more consistent and enduring, and less likely to commit the sins of “intermittent or spasmodic policy” (Goldie, 1978 [1891], p. 68). The fact that corporate shareholders and profits, rather than taxpayers, were responsible for the expenditures “tends to encourage self-reliance and energy, just as the hardest children are those who have been allowed to run loose in all weathers” even though some enterprises necessarily fail, especially those funded by private capital when faced with competition from public and state funding (Goldie, 1978 [1894], p. 81).

Goldie’s United African Company self-consciously imitated a somewhat perverted idea of the East India Company’s history, one which sought to extend “political influence over the tribes and states bordering the whole Lower Niger” to the point that the British state would be compelled to offer a royal charter (1978 [1897a], p. 96). Towards the end of its life, as had happened gradually to the East India Company up to 1833 — as well as a variety of other African companies which primarily engaged in land development rather than trade — Goldie imagined his Royal Niger Company abandoning its trading functions and acting as a government alone; failing that, echoing the words of Josiah Child from two centuries earlier, he suggested Nigeria should continue to be administered as heretofore by a permanent council, untrammelled by bureaucratic formulae, experienced in African questions, corresponding somewhat with the Council of the Governor-General of India, controlled, as are both Chartered Companies and Governors of Crown Colonies, by a Secretary of State, but no more subject than British India is to constant Parliamentary interference, and above all administering, not locally, like Crown Colonies, but from home, as the Council of the Niger Company has always done. (1978 [1897b], p. 109)
A corporate—colonial ideology did not, therefore, see companies as an “informal” solution but rather a formal and deeply institutional resolution to the financial, geographical, and political conditions inherent in particular forms of empire. What differentiated companies were their singularity of purpose (and thus not liable to be distracted or interposed upon by “extraneous” trade-offs in policy or changes in government), their “rough-and-ready” form of rule (as opposed to more ossified forms of imperial administration), and an administrative apparatus that did not shift or promote officials around from place-to-place, as was quite common in the British empire (Goldie, 1892, p. 10). As Goldie suggested in 1888, well into the supposedly formal phase of late Victorian empire, the “British colonial system” was ill-equipped to open the interior of Africa. There was a “radical vice in the system of government,” namely its reliance on force rather than the investment of the “commerce-loving majority” that such government was in their own best interests.

They yield a ready obedience to those who, like a commercial and industrial company, bring them material prosperity as an equivalent for the surrender of their previous tribal independence; but many years must elapse before they become sufficiently civilized to understand the advantages, or even the justification, of an Administration which does nothing but govern. (Goldie, 1888, p. 14)

Thus, a company was not only key to profit and efficiency; it was more likely to earn the tacit or explicit consent from the governed. Sir James Fergusson, the undersecretary of state for foreign affairs, defended the bill for chartering the Niger Company by noting that the natives of Africa had engaged in 237 treaties, many granting exclusive rights and privileges to the Company and its predecessors (Hansard, 1887a, 1887b).

Here one sees perhaps the core of a corporate philosophy of governance: that in certain circumstances — ones premised primarily on the assumptions of the civilizational immaturity of colonial populations, that is in “undeveloped and barbarous regions” — the modern, liberal notion that governments only governed was imagined to be counterproductive to effective colonial rule (Goldie, 1892, p. 10). Defending the Niger Company’s interest in extending their jurisdiction to the Oil Rivers district, Goldie argued:

The peaceful settlement of the interior of Africa at the back of these rivers, corresponding to that which has, so far, been successfully carried on in the company’s territories, would have a most beneficial political effect on the latter. These now have contiguous to their long and straggling frontier barbarous countries given over to incessant intertribal wars, slave raids, and cannibalism, as were formerly, and still are, to some extent, the tribes in the company’s territories. With the introduction of commerce, and, later on, of agriculture, those neighbouring regions would gradually become peaceful and cease to be source of danger to the territories. Moreover, the council of the company have — incredible as it may seem to les esprits forts — a strong and disinterested ambition, as they had when they founded the company, to see these regions, with which they are so closely connected, grow under their auspices from barbarism to civilization, from anarchy to order, from slavery to freedom, and from universal poverty to a source of wealth both to the natives of the country and to the overcrowded working classes of Great Britain. (1889, p. 4)
As Goldie put it elsewhere,

The important principle that a chartered flag does not involve the national flag is, I admit, somewhat illogical; but nations are largely governed by sentiment. Great empires of the past have owed much of their extension to vicarious wars, while themselves remaining at peace. Even in more modern days in Europe England and Spain were often able to avert hostilities in Europe while their adventurers were contending for empire in the Spanish Main. A chartered company has no national dignity to humiliate, no national flag to avenge. It can stoop to conquer and can redeem defeat by diplomacy and money where the prestige of great Power would compel a crushing display of force. In the early days of the Niger Company its small army suffered defeat, its flag was trodden under foot by an infuriated Muslim Prince, its officials were detained in captivity without arousing any serious emotion at home. Such incidents must be expected to occur at times in the slow and laborious development of a barbarous continent; but, were they to happen under a direct Imperial administration, no Government could resist the outcry to avenge the national honour. (1892, p. 10)

Again, company rule was opposed to Crown rule as a legitimately preferable option; if there was a transition imagined from one to the other, it was a matter not of the state's intervention on the "turbulent frontier" but rather — at least in theory — about the progression of colonial rulers from a commercial to a political orientation. Goldie and others, like Cecil Rhodes and William Mackinnon, at least in part, considered (or maintained they considered) their projects not as free and private enterprise — acting in an unrestricted and unrestrained market "beyond the borders of the empire" — but rather as extending the British empire beyond the borders of "Greater Britain," through an entirely independent and self-governing corporate agent (Goldie, 1902, p. 6).

**CONCLUSION: CORPORATE EMPIRES**

Of course, in other corners of the empire, the joint-stock model served different purposes. If for African projectors, from MacQueen to Goldie, the corporation was the ideal incubator for colonial projects in the "immature" and "barbarous" parts of the world, for some it served as the ultimate stage in colonial development. Thus to the Livingstone's holy trinity — Christ, commerce, and civilization — one had to add one more: the corporation. In some cases, it quite literally and explicitly served the project of "civilization," as in the Mandingo Association, incorporated in New York in 1917 to organize missionary work in the western Sudan. The Mandingo Association was explicitly paired with a Mandingo Development Corporation — all the common stock of which were owned by the Association — to afford "a suitable [economic] foundation for the social, medical, educational, and religious activities of this Association" (The Mandingo Association, Inc., 1917, p. 41).
It is near impossible, nor particularly worthwhile, to try to figure out whether the ultimate power for colonial rule lay in the corporation or the state. The examples of companies exerting determinative influence on policy are of course legion. Despite his own reservations and doubts, Lord Salisbury, the British Prime Minister, admitted privately that the British state had only exerted diplomatic pressure on Germany to maintain power in Uganda at the urging of the Imperial British East Africa Company (Darwin, 1997, pp. 635–638). Yet, the state certainly capitalized and even colonized companies, from the demands from the Ordnance in the seventeenth and eighteenth century for below-cost saltpeter from the East India Company to the contractual obligations P&O steamships had to maintain below-cost berths for military officers and government officials in the nineteenth (Harcourt, 2006, p. 70).

Adam Smith, and other eighteenth-century critics, contended that the joint-stock company was inherently inefficient and untrustworthy — managers of other people’s money, not of their own, they would inherently tend towards unnecessary risk and corruption. Through the eighteenth and nineteenth centuries, however, the defenders of the incorporated company maintained it was a far more reliable and “public” form of organization, in every sense of the word. More transparent, by design and law, than the partnership and more insulated from extraneous influences than politicians, the corporation was to its advocates the ideal way to govern capital and in many cases people (Freeman et al., 2012, pp. 211–212).

Thinking of empire in this way — not solely as a spectrum of private to public but as a more composite and corporate enterprise, of which “Britain” (in the sense of the national state) was one among a number of aspiring participants for sovereignty and power — reveals a more continuous and uneasy alliance between business and politics, company and state, corporation and empire. It also resists the conflation of distinct sorts of both formal and informal economic and political structures. Rule by company or rule by state was a deliberate and ideological choice, and one that proceeded in stages of development that sometimes proceeded from formal to informal, and sometimes followed the reverse trajectory. Moreover, not all forms of “private” enterprise were the same: corporations engaged in overseas rule often had far more affinity with the “public” state than they did with other forms of economic enterprise, such as firms and partnerships. The collective choice to operate as one sort of body as opposed to another abroad was often deliberate, ideological, and politically fraught. When operating in the extra-European world, such decisions determined the sorts of empires and in some cases postcolonial nations that emerged as a consequence. Taking seriously imperial corporations and companies as principals rather than products of empire also recasts the very chronologies and narratives of empire, linking the very first stirrings of colonial expansion with its more modern manifestations. It also inevitably forces us to revisit the idea of a transition from
informal to formal empire not as a continuous enterprise but as indicative of the struggle and tension between various forms of aggregate power in the colonial world, including the British state. Although practical limitations have rendered the subject beyond the scope of this particular paper, a history of empire that focuses on its varied and competing forms of institutional organization as well as the specific histories of their ideological development offers fruitful avenues to complicate our understanding of the nature of state and empire, such as “the relationship between multiple forms of authority ... that exist in any one field of power” represented in the dynamic between bureaucratic forms and patrimonial power (Charrad & Adams, 2011, p. 10).

Consigning figures from Josiah Child to Cecil Rhodes or George Goldie, as they so often have been, to positions as “sub-imperialist” may fundamentally misread their relationship to the imperial enterprise, even as we recognize those figures and their corporate power as fundamentally “in tension” with metropolitan and state “officials” (Darwin, 1997, p. 629). But more importantly, falling back on the heroic or anti-heroic (like Goldie and Rhodes) in our models of business and financial history may miss the fundamental and critical role of the corporation as a morally ambiguous institution in shaping the history of empire. Echoing a critique of corporations that dated back centuries, the Rev. Washington Gladden noted in 1895 that “The corporation has no soul. That is to say it has no conscience ....Men are constantly performing acts, or consenting to acts, as members of corporations, that they would not do or allow if they stood alone. Thus their moral perceptions are dulled, and their moral stamina weakened. This schooling in corporation morality prepares them for doubtful practices in individual transactions” (1895, pp. 613–614). In this sense, it could be argued — if only polemically and halfheartedly — that the critical technology developed in the modern world that made empire possible was not the steamship, the machine gun, or quinine. It was instead the legal fiction of the corporation. The particular and peculiar nature of an artificial person, possessed of an individual’s rights but unencumbered by its mortal limitations, created both a fiscal and moral potential that was conducive to colonial plantation and both suborned but also exceeded the capacity of the national state to foment something as contradictory to its nature as a polyglot, multiethnic, and legally pluralistic venture such as empire. In the historiography of empire, then, it is perhaps not only the less-visible economic and political pressures of free trade that represent the great mass below the waterline, but also those institutions and intermediaries that colored the map red while pursuing their own distinct and particular strategies of rule. It is only by tending to these multiple permutations of structures of power that can truly get us beyond the tip of the imperial iceberg.
Multinationals as global institution: Power, authority and relative autonomy

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1. Introduction

According to a leading handbook, the “phenomenal rise” of corporate social responsibility (CSR) reflects a journey “that is almost unique in the pantheon of ideas in the management literature” (Crane et al. 2008, p. 3). Precise definitional issues are still debated if not contested. But in a lengthy etymological and philosophical discussion Sheehy (2015, p. 625) concludes that CSR is best understood as “international private business self-regulation,” where private may include a role for non-governmental organizations (NGOs). In short, Sheehy affirms, CSR falls onto the voluntary side of the regulatory scale.

There is also broad consensus that “global CSR” differs from its counterpart at national levels. As Scherer and Palazzo note, national-level CSR is “based on the assumption that responsible firms operate within a more or less properly working political framework of rules and regulations which are defined by governmental authorities” (2008, p. 414). This condition, however, does not hold globally: “The global framework of rules is fragile and incomplete” (Scherer & Palazzo 2008, p. 414). Globally, there is no central regulator and national laws where multinationals operate may be weak, poorly enforced, or simply do not exist. Therefore, they propose a new paradigm, one in which the firm is drawn into greater political roles, performing tasks that we traditionally associate with the state. These include elements of regulatory functions and the production of public goods (also Scherer & Palazzo 2011; Scherer et al. 2016).

However, with the belief that voluntary CSR measures, especially at the global level, are an inadequate regulatory response to the adverse social and environmental externalities multinational enterprises generate, advocacy for legally binding rules together with official attempts to create such rules have accompanied the “CSR journey” at every step. Critics claim that CSR creates “white-washing” opportunities for companies, or blue-washing where it involves the United Nations (UN) Global Compact, the world’s largest corporate citizenship initiative with more than 8,000 participating firms (www.corpwatch.org). CSR represents tactical moves by business to avoid or undermine the prospects of robust public regulations (Deva 2006), carries the risk of “subverting” public purpose altogether (Nolan 2005), poses threats to prosperity in poor and rich countries alike (Henderson 2001), helps sustain corporate impunity (Treaty Alliance 2014), and simply that it is unable to move the needle sufficiently (Vogel 2006, 2008).
2. The multinational enterprise

Surprisingly, there is no legally precise and universally accepted definition of the multinational enterprise. The Organisation for Economic Co-operation (OECD) Guidelines for Multinational Enterprises, the oldest such international instrument dating back to 1976, even now employ only a minimalist conception:

They [MEs] usually comprise companies or other entities established in more than one country and so linked that they may coordinate their operations in various ways. While one or more of these entities may be able to exercise a significant influence over the activities of others, their degree of autonomy within the enterprise may vary widely from one multinational enterprise to another.” (Organisation for Economic Co-operation [OECD] 2011, p. 17)

As a first step before delving more deeply into the status of the multinational enterprise as a global institution, I briefly describe it first as an economic and then as a legal entity.

The multinational as economic entity broadly speaking takes one of two forms: one is actor-based, the other network-based. To illustrate the actor-based view, consider Total, the French oil and gas company whose global headquarters is just a short taxi ride from the OECD in Paris, and whose organization illustrates the conventional integrated multinational. By market capitalization, Total ranks as the fourth largest publicly traded integrated oil and gas company in the world (Total 2016). It operates in 130 countries and has 100,000 direct employees. Its business segments cover every aspect of the oil and gas industry, from exploration, development, production, refining, and petrochemicals to marketing, trading, and shipping. It is also active in specialty chemicals and aims to become a global leader in new energies.

The Total "group" comprises nearly 900 subsidiaries and equity affiliates. But the reach of the enterprise doesn’t stop there. As part of its marketing business, Total’s service station network includes more than 16,000 outlets in 110 countries, all carrying the Total brand. Reflecting local circumstances and sometimes requirements, they fall into three categories: owned and operated by an in-country subsidiary, owned by a subsidiary but operated by independent dealers, and dealer owned and operated. Beyond that set of relationships are countless suppliers of products and services, as well as distributors other than service stations that are contractually connected to individual corporate entities within the Total group.

Things become more complex when we look at multinationals through the lens of the contractual ecosystems they continue to generate. These are variously called transnational production networks, supply chains, or global value chains. Take Starbucks as an example of a buyer-led supply chain. It lies at the simple end of that spectrum.

[Starbucks] directly employs 150,000 people; sources coffee from thousands of traders, agents and contract farmers across the developing world; manufactures coffee in over 30 countries, mostly in alliance with partner firms, usually close to final market; distributes coffee to retail outlets through over 50 major central and regional warehouses and distribution centres; and operates some 17,000 retail stores in over 50 countries across the globe. (United Nations Conference on Trade and Development [UNCTAD] 2013, p. 142)

The Apple iPhone 6 illustrates a producer-led production network. As of 2014, its components were produced by 785 suppliers in 31 countries (comparecamp.com 2014). The product is designed in the United States (US) and assembled in China, which also had the largest number of suppliers in 2014 at 349, nearly half the total. Some 60 suppliers were US-based, several themselves multinationals, some headquartered in other countries. Many US suppliers also outsourced fabrication of components to companies in Japan, South Korea, and Taiwan, which in turn are sourced from yet other (and lower cost) locations in South East Asia.
Elites’ Perceptions of Inequality: Who supports redistribution? When and how? Evidence from Brazil and South Africa

Brazil and South Africa are mid-income countries with histories of European colonization and slavery that left a strong mark on current patterns of inequality (Marx 1998). For most of the second half of 20th century, these two countries held the highest GINI coefficient in the world: an average of 0.6 between 1993 and 1998. In the late-1980s and early-1990s, democratization brought to power new political elites historically committed to political projects of equality in Brazil and South Africa. In both countries, economic elites supported (or at least tolerated) these projects not only out of good will or ideological agreement, but also because they acknowledged that such severe levels of inequality were a source of urban violence, rebellion, and other negative consequences that jeopardized their own well-being and possibilities of economic growth (Reis and Moore 2005). Nevertheless, today, more than two decades after democratization, Brazil and South Africa still make headlines for corruption scandals, economic crises, urban violence and persistent inequality. According to the World Bank, their Gini coefficient remains among the highest in the world, 0.51 in Brazil (2015) and 0.63 in South Africa (2014). Redistribution also remains a widely shared consensus in the current political agenda in both countries, but understandings about when, why, and how it should be done are largely contested.

Current explanations of the shortcomings of Brazilian and South African redistribution policies range from commodities cycles and macroeconomic policies (Carbonnier et al. 2017; Campello 2011), and neoliberalism and globalization effects to roadblocks to redistribution placed by elites themselves (e.g. Albertus and Menaldo 2018; Seekings and Nattrass 2015). Although the importance of macro-level and institutional explanations are undeniable, these theories tend to assume that elites’ preferences are irrelevant or that they always prefer more inequality. In contrast, in this paper, we understand elites’ perceptions about inequality and preferences about redistribution, as a necessary, even if insufficient, condition for redistribution under democratic regimes. As suggested by de Swaan (1988), negative externalities of poverty and inequality may have been important drivers of welfare state formation in Europe and the United States.

In presenting our survey results, our goal is not to explain the reasons for similarities and differences of elite preferences in Brazil and South Africa, but to explore the ways elites interpret the dilemmas of inequality and redistribution in these two countries. Our focus is on convergences and divergences across nations and sectors, which may create possibilities for redistribution or, instead, obstacles to it.

Data and Methods

Between 2013 and early 2015, we administered 362 questionnaires in randomized samples of political, bureaucratic, and business elites in Brazil and South Africa, with at least 60 respondents per sector in each country. Following the same strategy as Reis (2000), which relates to Hoffman-Lange’s (2007) position method, elites were sampled based on their institutional positions.

For the Brazilian survey we stratified our sample into three groups: (i) elected officials at the federal level from each of Brazil’s four main parties (PMDB, PT, PSDB and PSD), (ii) top-tier civil servants within the federal government, and (iii) business persons (CEOs, CFOs or chairpersons of boards of the country’s top 300 companies). Civil servants were sampled from among those holding DAS 5 and 6 (which is the top status for civil servants in the country) positions in ministries related to economics, development, and social policy in the federal government.

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2 By main parties we mean those with more seats in congress.

3 The list of the top 300 companies comes from a business publication in Brazil, Revista Exame, which is a Forbes type of publication widely used in the corporate world.
In South Africa, we sampled members of the National Assembly from the ruling African National Congress (ANC) and the official opposition party, the Democratic Alliance (DA). We sampled in proportion to each party’s representation in the National Assembly, such that two-thirds of our respondents in the sector were from the ANC and one-third from the DA. In constructing our sample of civil servants, we strategically chose 20 government departments and sampled randomly from top-tier civil servants (Director Generals, Deputy Director Generals, Chief Operating Officers and Chief Directors). To construct our sample of business elites, we triangulated a list of the top 300 companies (by market capitalisation) listed on the Johannesburg Stock Exchange with the ‘Africa Report Top 500 Companies in Africa’ (which was identified as a widely used list by a senior contact at the Competitions Commission). We randomly sampled companies from this list, allowing for respondents holding the following positions: CEO, CFO or Chairperson of the Board.

Questions came mostly from a previous survey conducted with Brazilian elites (Reis 2000), from items in larger surveys which tapped perceptions about inequality and poverty among a broader population (World Value Survey, ISSP), and from a survey conducted by the Interdisciplinary Research Network on Inequality (NIED) on the relationship between civil society and the State. We also added new questions, in particular regarding the role of social policies like BEE in South Africa and Bolsa Familia in Brazil.

Although, as argued by Cousin et al. (2018), survey research has not been a particular effective tool in guaranteeing elite access, we believe part of the problem is the broad and imprecise definition, largely based on income, as discussed above. In our survey, the overall response rate was above average when compared to other elite surveys (Hoffman-Lange 2007): 32.3 percent for Brazil and 41 percent for South Africa. The surveys were administered through face-to-face interviews, except for a handful conducted over the phone. We did not allow potential participants to nominate others to participate in their place. In the remaining of this paper, we present the descriptive statistics of this survey.

### Seeing inequality from the top

Previous studies have already indicated that elites in Brazil and South Africa are aware of inequality as a problem (Reis 2000; Kalati and Manor 2005). Similarly, our results show that nearly all interviewees (BR: 98.3 percent and SA: 99.5 percent in South Africa) see inequality as a problem. Most interviewees in both countries, however, believe it is less so than twenty years ago (BR: 83.9 percent and SA: 70 percent).

Again echoing previous studies, crime and violence were the most cited consequences of poverty and inequality in both countries (Br: 56 percent and SA: 65.2 percent). In Brazil, political patronage came in a close second place – cited by nearly 50 percent of interviewees (versus 13.6 percent in South Africa). Violence and patronage as consequences of inequality indicate that many elites see the poor as a threat (potential criminals) or a burden (easily manipulated voters) and suggest that these elites draw strong symbolic boundaries between themselves and the poor, as discussed elsewhere (Moraes Silva and López 2014; López et al., under review). In South Africa, the second most common cited consequence of inequality was lack of skilled labour force (BR: 32 percent and SA: 35.9 percent). The lack of a solid domestic consumer market was also mentioned by 22.7 percent of Brazilian and 16.8 percent of South African respondents. These latter views indicate a more instrumental perception of the wasted economic potential of the poor. Class conflict was also cited by 20 percent of Brazilian and 30 percent of South African interviewees, showing the persistence of a class narrative in societies largely based on informal labour markets.

As shown by Figure 1, in South Africa, “violence and crime” are perceived by far as the most important consequence of poverty and inequality across all sectors. The lack of a qualified work force comes in as a close second only among the political elite. In Brazil, political patronage appears in a close second place among the political elite, and as the most cited by Business elites. In spite of this difference, elite sectors in both countries seem to largely converge in their perceptions of poverty and inequality as problems, and largely due to the threat of individual violence or political manipulation.
Figure 1: What are the most important consequences of poverty and inequality in [your country] (up to two choices per interviewee) by elite sector, Brazil and South Africa

Source: Survey Elites and Perceptions of Inequality (NIED/UFRJ 2014), own compilation.

But is inequality always perceived as a problem by these elites? And is it among the most important problems of the country? When asked if moderate levels inequality can be beneficial to the economy (versus always being a problem), a small majority of South African interviewees said yes (51.6 percent) and nearly one-third of Brazilians (32.6 percent) agreed. Here again, despite the stronger rejection of inequality, even if in moderate levels in Brazil, political and business elites occupy the two extremes. While 80 percent of those in the political sector in Brazil and 77.8 percent of those in South Africa stated inequality is always bad for economy, 40 percent of Brazilian and 73.8 percent of the South African business elite believe inequality at moderate levels can be beneficial to the economy.

When asked about the most important goal of the country in the medium term “prioritize continued economic growth” is the most frequent choice for 34.4 percent of Brazilian elites and 38.6 percent of South African elites. “Eradicate poverty and decrease inequality” appears as the second choice with 25.6 percent among Brazilian elites and 26.6 percent among South African elites. “Reduce the state interference in economy” comes third in Brazil, largely driven by the preferences of Brazilian business elites (25 percent) and “encourage greater citizen participation in political decisions” comes third in South Africa, here driven by political elites choice (23.8 percent). As shown in figure 2, there are also differences across nations, but economic growth appears as the most important goal for all, with the exception of civil servants in Brazil.

Figure 2: What should be the most important goal of the country in the medium term (single choice) by sector, Brazil and South Africa

Source: Survey Elites and Perceptions of Inequality (NIED/UFRJ 2014), own compilation.

4 The other options were "maintain the order in the country" (Brazil: 1.1 percent, S. Africa 2.2 percent); "integrate with the world market" (Brazil 6.1 percent, S. Africa 1.6 percent), "build stronger relationships with countries of the region" (Brazil 0 percent, S. Africa 1.6 percent), "protect the environment" (Brazil: 0 percent, S. Africa 0.5 percent). It is probably worth of notice the lack of relevance of the environment issue in both countries.
Consistently with the previous results, when directly asked if the government should prioritize economic growth or redistribution, most interviewees choose economic growth. South African elites converge towards economic growth (Politicians 85.7 percent, Bureaucrats 76.7 percent and Business 93.4 percent). In contrast, while Brazilian business elites move in the same direction, with 83.3 percent choosing economic growth, Brazilian Politicians and Bureaucrats are more divided between stating the government should prioritize economic growth (46.7 percent and 40 percent, respectively) or redistribution (45 percent and 50 percent, respectively). In short, important percentages of Brazilian and South African elites, particularly in the Business sector, seem to adopt a version of trickle-down economics, i.e. even if they agree that inequality is a problem, they seem to believe economic growth would also solve (or at least work as a necessary condition to solve) poverty and inequality.

Nevertheless, redistributive policies are seen as necessary by most. When asked directly, strong majorities in both countries believe “redistribution policies are necessary” (BR: 95.5 percent and SA: 65.8 percent) rather than “should be avoided” (BR: 4.5 percent and SA: 30.4 percent) – the lower support in South Africa is driven by business elite preferences, who are split. This raises the question of how redistribution should be done and what policies are more desirable or viable.

How to solve inequality: the role of the State and redistribution policies

Across sectors, elite interviewees in Brazil and South Africa largely agree that government has the main responsibility for combating poverty and inequality (BR: 78.9 percent and SA: 72.8 percent). Elites also agree with the need of more government investment in areas like infrastructure (BR: 93.3 percent and SA: 91.8 percent), education (BR: 92.8 percent and SA: 81.5 percent) and health (BR: 93.3 percent and SA: 71.7 percent). Nevertheless, once again, there are important sector differences. On average, the support of business elites to more government expenditures is weaker. In addition, they also more strongly support less regulation over private business (BR: 81.6 percent and SA: 80.4 percent) and the speeding up of privatization programs (BR: 93.3 percent and SA: 73.8 percent). Respondents from other elite sectors are more evenly split in supporting those initiatives. In fact, as shown in Figure 3, when asked about what should be the most important initiative for reducing inequality, more than one third of Business elites in Brazil and nearly half of the Business elites in South Africa point to “less economic regulation.” This is in contrast with less than 20 percent across Bureaucrats and Politicians in both countries, who choose more often better public services. In short, business elites in both countries are very consistent in their support to a smaller State and a free market but, as also shown in Figure 3, the claim for a more efficient state seems to be widespread across elite sectors.

Figure 3: Most important initiative in reducing inequality (single choice) by sector, Brazil and South Africa

Source: Survey Elites and Perceptions of Inequality (NIED/UFRJ 2014), own compilation.

5 In Brazil, “organized civil society” comes second, with 26.7 percent of business elites pointing to this actor as the main responsible. In contrast, in South Africa, “people like you” comes in second place, mentioned by 18.3 percent of bureaucratic elites and 11.5 percent of business elites.
Nevertheless, the desire for more or less investment in different social policies is not necessarily a consequence of preferences for more or less state, but may be an assessment of their viability. In Brazil, in particular, the claim for more efficient social services appears by far as the most important initiative to reduce poverty and inequality. This perception of inefficiency of social services may explain why across elite sectors greater public expenditures on social programs is not a popular option to combat poverty and inequality, cited by only 11 percent of Brazilian and 8.2 percent in South Africa. When asked directly if government should spend more or less on social grants (such as direct cash transfers), business elites once again stand out as the sector in which the majority believes there should be less resources invested in social grants (BR: 52.5 percent and SA 54.10 percent), with the remaining 40 percent largely believing there should be the same quantity. The other two elite sectors tend to align more along national patterns. The majority of Brazilian bureaucratic and political elites support the same (Bureaucratic: 52.5 percent and Political: 43.3 percent) or more (Bureaucratic: 28.8 percent and Political: 38.3 percent) investment in social grants. In contrast, in South Africa, the majority of bureaucratic and political elites support the same (Bureaucratic: 56.7 percent and Political: 38.10 percent) or less (Bureaucratic: 35 percent and Political: 33.3 percent) investment, with 28.6 percent of South African political elites also supporting more.

When we ask respondents about the desirability and viability of a number of social policies – targeted and universal – we found that some were perceived as both desirable and viable by nearly all (e.g. policies to give poor students access to universities) while others were perceived as undesirable and unviable (e.g. basic income grant for everyone over 25). A few policies, however, were perceived as desirable but unviable (e.g. free universal access to health service) and, finally, a few policies were perceived as undesirable but viable (e.g. food distribution program for the poor or preferential admissions in the universities or racial quotas in Brazil).

Across nearly all proposed policies, Brazilian elites tended to believe policies as more desirable than South African elites. But it is perceptions about viability that are the most different. For example, while Brazilian (93.3 percent) and South African (90.8 percent) elites believe free universal access to health care is desirable, 70.6 percent of Brazilian interviewees believe that it is viable, while 47.8 percent of South African elites think likewise. Regarding the differences across elite sectors, on average, political elites tend to see policies as more desirable and viable than business elites and, to a lesser extent, than bureaucratic elites. For example, nearly two thirds of political elites in Brazil (64.4 percent) and nearly half in South Africa (49.2 percent) believe a basic income for all those older than 25 years old is a desirable policy. In contrast, only 23.7 percent of the business elite in Brazil and 18 percent in South Africa think likewise. When it comes to viability, half of the Brazilian political elites and nearly one-third (31.7 percent) of South African elites believe a basic income would be viable. In Brazil, the views of bureaucratic elites fall somewhere between those of their political and business counterparts and are close to those of the South African political elites we interviewed. While the South African reality of strong unemployment and the Brazilian history of informality may be shaping the perceptions of viability, it is clear that, with the exception of political elites, most South African and Brazilian elites do not believe basic income is a desirable (or viable) policy.

The reasons for desirability (or undesirability) of social policies may also be related to respondents’ views on the inability of these policies to deliver redistribution or to a perception of their unintended consequences. In the questionnaire we explored participants’ perceptions about social grants in a series of statements about potential benefits and possible negative consequences of these policies. Overall, Brazilian elites were much more optimistic than South African elites about the potential of social grants to decrease inequality (BR: 83.3 percent vs SA: 51.1 percent), stimulate the economy (BR: 81.1 percent vs SA: 48.9 percent) and encourage families to keep their children in school (BR: 76.7 percent vs SA: 63.1 percent). South African elites were more prone to agree with statements about the negative consequences of social grants than Brazilian elites, such as that they generate disincentives to work (70.1 percent vs 58.3 percent), encourage families to have more children (57.6 percent vs 34.6 percent), and lead

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6 In the question of the consequences of social grants, we asked in particular about Bolsa Familia in Brazil, while in South Africa we framed the question more generally on social grants, due to the lack of a comparable program.
to political patronage (78.9 percent vs 67.2 percent). In the latter dimension, the distance between Brazil and South African elites is not larger because 91.7 percent of Brazilian business elites agreed with the statement, as opposed to only 50 percent of political and 60 percent of bureaucratic Brazilian elites. 7

Taking stock and moving forward

In this paper, we have presented a few results from our elite survey in Brazil and South Africa. In so doing, we have highlighted three important dimensions to elite studies missing from the bulk of recent work in the field. First, we have found and analysed important differences across elite sectors. Second, we have found cross-national differences not only in perceptions about causes and consequences of inequality, but also in preferences towards redistribution policies. Finally, we have explored the justifications for why elites in both countries seem to be unsupportive of redistributive policies and how they may find them more desirable and viable, but a better understanding requires new research directions, proposed towards the end of this section.

Elites’ redistribution preferences in Brazil and South Africa are much more heterogeneous than usually assumed in previous studies about elites. Part of the reason for this perception of homogeneity may be in the focus of the recent literature on economic elites. In fact, our survey results show a striking homogeneity of the preferences of business elites when compared to political and bureaucratic elites. Across countries, business elites consistently chose more economically liberal options in their goals for government priorities and proposed solutions for poverty and inequality. In this sector, the so-called trickle-down growth strategy seems to have a stronghold. The attachment to market-oriented solutions is not, however, an indicator that business elites are insensitive to inequality. Business elite interviewees were also the ones that more cohesively related inequality to externalities such as crime and patronage, which also point to a stronger view of the poor as a threat or a burden.

In contrast, political elites are as the most diverse sector. This may partly be a result of our sampling strategy, based on party membership, but it also points to the diverse opinions present in the legislative branches of both countries. While their widespread perception of redistribution policies as desirable and viable, in particular their stronger support for radical policies like universal income, may be perceived as part of electoral strategies, they also show what politicians perceive as the socially desirable outcomes in their societies. In addition, the fact that political elites seem distant from business elites raises the question of how this distance is playing out in actual legislative power – are political elites in Brazil and South Africa able to maintain independence or are they limited by institutional or funding hurdles, as have been argued for the case of political elites in the developed world (Gilens 2012)?

In the case of bureaucratic elites, it is interesting how they positioned themselves very differently in the two countries. While in Brazil, bureaucratic elites tend to place themselves closer to political elites, in South Africa they were closer to business elites (surprisingly, in the opposite direction that the socioeconomic profile of the two groups would have predicted). Since both bureaucracies were shaped by left wing governments, this raises the old question of different relationships between politicians and bureaucrats and their actual influence in the implementation of social policies in the two countries (Aberbach et al. 1981).

Overall, the results show that inequality is perceived as a problem in these two societies (even if there is also a strong perception of improvement) but how inequality ranks in relation to other

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7 The perception of political patronage as the most negative consequence of social grants is consistent with the perception that there are still important obstacles to the consolidation of democracy in these two countries. While in 2013 and 2014, when fieldwork for this research was conducted, this perception was stronger in South Africa (83.2 percent) than in Brazil (62.8 percent), this is likely to have changed after the impeachment of Brazilian president Dilma Rousseff and the judicial instability of the 2018 political elections. Nevertheless, in both countries poverty and inequality were mentioned among the most important obstacles to democratization.
problems, and what are the perceived solutions to it, vary across countries. On average, South African elites hold a more economically liberal understanding of inequalities, and seem to be more cynical towards the role (and viability) of social policies. Brazilian elites, in contrast, were more open to redistributive policies and their potential in redressing inequalities. It is beyond the scope of this paper to analyse how different regimes of welfare state (e.g. the fact that South Africa invests already 3 percent of its GDP in redistributive policies and inequality is still growing or that Brazil has experienced a decline in inequality in the past decades) may drive national differences, but they are likely to shape the perceived possibilities of distribution – as illustrated by the perceptions of desirability and viability of redistribution.

As a next step we hope to follow up with the understanding on these preferences, and better explore the questions raised in the last paragraphs, through in-depth interviews. Building on the idea of elite diversity, we want to explore whether and how elites’ support for redistribution in contexts of high inequality is also explained by how they perceive institutions and actors defending and implementing redistribution. By focusing on their understandings of inequality and of how and by whom redistribution should be done, we want to unpack elite narratives about economic growth, efficiency, state regulation and corruption in order to understand how these narratives are mobilized to generate suspicion or trust across elite groups. As countries with long histories of inequalities but also with relevant elite diversity, Brazil and South Africa provide interesting cases to explore these issues.