

The Social Impact of Multinational Corporations' Profit-Driven Strategies in Competitive Versus Monopolistic Markets

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Abstract. Multinational corporations (MNCs) have significant social impacts through their profit-driven strategies, which vary based on market structure. In competitive markets, MNCs promote innovation and consumer welfare, while in monopolistic environments, they often harm societal well-being by limiting choice and efficiency. This study examines the social impact of MNCs' profit-driven strategies, distinguishing between outcomes in competitive versus monopolistic markets. It explores how MNCs generate and spend money, and evaluates whether their activities contribute positively or negatively to society under different market conditions. The paper adopts a qualitative case analysis approach, drawing on examples from industries such as retail opticians, artificial intelligence, and technology. The findings indicate that in competitive markets, MNCs generally enhance societal welfare through innovation and efficiency. However, in monopolistic settings, their profit-seeking behavior often leads to consumer harm, reduced competition, and inefficient resource allocation. While philanthropic efforts by MNCs are noted, they are insufficient to offset structural harms. The study concludes that robust regulatory frameworks are essential to align corporate profit motives with broader social welfare.

Keywords: multinational corporations, competitive markets, monopolistic practices, anti-competitive behavior, social impact

1. Introduction

Multinational corporations (MNCs) play a pivotal role in the global economy, with their profit-driven strategies exerting profound impacts on society. The social consequences of these strategies, however, vary significantly depending on market structure. In competitive markets, MNCs are often seen as engines of innovation, efficiency, and consumer welfare. In contrast, in monopolistic or highly concentrated environments, their pursuit of profit may lead to reduced consumer choice, higher prices, and anti-competitive behaviors. Understanding this dichotomy is essential for assessing the broader societal implications of MNCs' operational and strategic decisions. This paper seeks to address the following question: How do the profit-making and spending activities of MNCs differ in their social impact when operating in competitive versus monopolistic markets? Specifically, it examines whether MNCs contribute positively to society through innovation and efficiency in competitive settings, or whether they primarily extract value at the expense of societal welfare in monopolistic contexts. To explore this issue, the study adopts a conceptual framework

that distinguishes between revenue-generating (“making money”) and cost-incurring (“spending money”) activities. Through qualitative case analysis—including examples from the retail opticians, artificial intelligence, and technology sectors—the paper evaluates the societal effects of MNCs’ profit-driven strategies under varying market conditions. This research contributes to the literature by clarifying the link between market structure and the social impact of MNCs. It highlights the importance of robust regulatory frameworks in mitigating anti-competitive practices and offers insights for policymakers and corporate leaders seeking to align profit motives with broader societal welfare.

2. Conceptual framework: making money and spending money in MNCs

In this essay, for the sake of analytical consistency, any activity that generates revenue is defined as “making money,” whereas any activity that incurs a cost is categorized as “spending money.” Given the focus on multinational corporations (MNCs), it is assumed that revenue consistently exceeds expenditures. It is important to note that making and spending activities are inherently linked, as expenditures are often undertaken to generate future revenue. The distinction introduced here serves to clarify the operational interpretation of these terms within the analysis.

It is contended that in a competitive environment, MNCs generate societal benefits when making money, as they are incentivized to utilize resources efficiently and outperform competitors through innovation. This argument aligns with the ideas of Adam Smith, who posited that competitive market mechanisms promote the efficient allocation of resources [1]. In contrast, in highly concentrated or monopolistic environments, MNCs may extract profits at the expense of societal welfare. Adam Smith explicitly criticized the “wretched spirit of monopoly,” noting that firms often seek to eliminate competition to secure higher profits [2]. These considerations suggest that MNCs primarily generate substantial profits for two reasons: (i) through product or process innovations in competitive markets, or (ii) by leveraging strong market or monopoly power to suppress competition. It is argued that only in the first scenario do third parties benefit from MNCs’ profit-making activities, whereas in the second, they suffer from reduced choice and higher prices. The subsequent discussion will address the benefits of competition and the drawbacks associated with weakened competition in turn.

3. The benefits of MNCs in competitive markets

It is frequently argued that strong competition yields numerous benefits for consumers, including a more diverse product landscape, increased innovation, higher product quality, and lower prices [3]. This outcome stems from the fundamental incentive that drives entrepreneurs to establish businesses: the belief that they can fulfill an unmet market need, either by introducing a new product or by producing an existing one more efficiently. In a competitive market, consumers ultimately determine whether businesses fulfill this function by allocating their purchasing power toward the goods and services they value most.

A notable example is the UK’s retail opticians market [3]. Until the early 1980s, this market was heavily regulated. Following an Office of Fair Trading investigation in 1984, however, unregistered retailers were permitted to enter the market for the first time, and advertising restrictions were lifted. This deregulation spurred significant market entry by independent retailers, which responded to heightened competition by differentiating their product offerings.

Another example is the recent surge in innovation within the artificial intelligence sector [4]. Intense competition among industry and university researchers has accelerated the development of

widely accessible software, such as OpenAI's ChatGPT and Microsoft's Copilot.

Of course, it is essential to ensure that competition operates within an appropriate regulatory framework to mitigate potential negative externalities, such as pollution or exploitation. These concerns will be addressed further in the limitations section.

4. The harmful effects of MNCs in monopolistic markets

In contrast, it is detrimental to consumers when the money-making activities of multinational corporations (MNCs) stem from the acquisition of substantial market power. Under such conditions, firms often leverage or exploit their dominant position to maximize profits, rather than passing on efficiency gains or innovations to consumers. A substantial body of research and legislation has focused on the extent to which mergers and acquisitions should be permitted under antitrust regulations, as the adverse effects of high market concentration are well documented [5]. Two recent examples from the technology industry illustrate this dynamic. The first involves Amazon's dominance in the online retail market. Although consumers benefit from the convenience and low prices that Amazon provides, sellers face limited alternatives and are subject to commissions as high as 45% [6]. Yanis Varoufakis, former Minister of Finance of Greece, notably described Amazon's profit-making model as a form of feudalism rather than capitalism [7]. The second example concerns Google's position in the advertising industry. In a landmark case in 2023, the U.S. Department of Justice accused Google of exploiting its monopoly in the advertising technology market [8]. In 2021, advertising generated USD 31.7 billion in revenue for Google, allegedly because the company had deprived publishers and advertisers of viable alternatives [9]. The Department of Justice further asserted that Google's ownership of the platform, the exchange, and the network is akin to "Goldman or Citibank owning the New York Stock Exchange" [8]. These cases demonstrate that in the absence of robust competition, the profit-seeking activities of MNCs often lead to negative outcomes for consumers.

5. Anti-competitive spending practices of MNCs

In the previous section, it was illustrated that whether multinational corporations (MNCs) operate in competitive markets significantly influences whether their profit-making activities benefit or harm others. This section argues that the most significant expenditures by successful MNCs are frequently directed toward preventing competition and securing market dominance, rather than innovating in products or processes, thereby often causing societal harm. Three major anti-competitive practices illustrate this point: defensive patenting, lobbying, and talent misallocation. The focus on these practices is justified for two reasons: first, such expenditures are unique to MNCs, as individual employees do not engage in these activities; second, other spending categories, such as personal consumption, are typically dwarfed by these strategic anti-competitive outlays.

5.1. Defensive patenting

The first major expenditure under consideration is the extensive spending on patents by corporations, which is often aimed at preventing competitors from gaining market power. In recent decades, patenting activity has surged dramatically. For instance, the annual number of patents issued in the United States quadrupled between 1980 and 2010 [10]. However, there appears to be limited evidence that patenting actually stimulates innovation. In a comprehensive study of major changes in patent law over 150 years across all countries, Lerner found that strengthening patent

protection primarily results in higher rates of patenting rather than increased innovative activity [11]. Moreover, the explosion in patenting has not been matched by a corresponding rise in research and development spending or total factor productivity [10]. The strategic importance of patents in many industries has led to the practice of defensive patenting, whereby corporations use patents not to protect the fruits of their innovations but to fortify their market position against rivals. For example, Google acquired Motorola Mobility in 2012 for USD 12.5 billion, citing control over its portfolio of 17,000 patents and protection from litigation as the primary motivations for the takeover [12]. Given the ambiguous effects of such expenditures on innovation and their substantial scale, the spending by MNCs on patents is likely to be detrimental to societal welfare.

5.2. Lobbying

A second major area of expenditure in large corporations is lobbying, which seeks to secure competitive advantages through favorable legislation. This practice undermines public trust in government and can lead to a range of economic and social issues, including inequality and the erosion of democratic processes [13]. In the United States, corporate lobbying has become a central feature of the business landscape, particularly following the 1978 Supreme Court decision that equated corporate financial contributions with free speech [14]. Today, corporations make substantial political donations, which have been shown to confer competitive advantages [15]. Dworkin contends that large campaign contributors effectively purchase access to, or even influence over, politicians [16]. Furthermore, over 50% of former U.S. senators register as lobbyists after leaving office [17]. As Noam Chomsky has noted, the U.S. political system increasingly resembles a plutocracy rather than a democracy [18]. A similar dynamic is observed in South Korea, where chaebols—large industrial conglomerates—have long dominated economic and political spheres [19]. The close ties between chaebols and the government have been linked to corruption, tax evasion, and the necessity of large-scale bailouts during financial crises [20]. These examples demonstrate that spending by successful MNCs in concentrated markets can also harm society by undermining democratic principles.

5.3. Talent misallocation

Finally, it is argued that the financial power of large corporations contributes to a misallocation of talent, which is sometimes strategically deployed to maintain market dominance. For instance, technology companies such as Google and Meta have been accused of hiring employees primarily to prevent competitors from doing so [21]. Former employees, often earning six- or seven-figure salaries, have revealed that many colleagues engage in minimal work—sometimes just three to four hours per day—while waiting for their stock options to vest, a practice known as “rest and vest.” While these firms emphasize innovation, their revenues are often heavily reliant on advertising ([22,23]). Graeber expands on this point, suggesting that concentrated market power incentivizes talented individuals to enter high-paying industries—such as technology, corporate law, banking, and strategy consulting—that indirectly reinforce corporate dominance. If this holds true, the spending patterns of MNCs may also harm society on a broader economic level by distorting labor market efficiency.

6. Limitations and counterarguments

Several limitations and counterarguments to the foregoing analysis warrant consideration. First, it is essential to recognize that competition, while generally portrayed positively in this discussion, may also yield adverse side effects, such as environmental pollution, misleading advertising, or excessive resource consumption. However, these issues are not inherent flaws of competition itself but rather reflect the absence of an appropriate regulatory framework within which competition occurs. Such negative outcomes could be mitigated through well-designed regulation. Second, it is also true that successful corporations often donate substantial sums to philanthropic causes. Many large firms operate charitable foundations, sometimes with endowments in the tens of billions of dollars. While the positive impacts of such spending are difficult to quantify and compare directly with the negative effects discussed earlier, these contributions should not be overlooked and merit acknowledgment in any comprehensive assessment.

7. Conclusion

This paper has examined the social impact of multinational corporations' (MNCs) profit-driven strategies in competitive versus monopolistic markets. It argues that in competitive environments, MNCs tend to generate societal benefits through innovation, efficiency, and consumer choice, whereas in monopolistic settings, their profit-seeking activities often lead to consumer harm through reduced choice, higher prices, and anti-competitive behavior. Key anti-competitive practices—defensive patenting, lobbying, and talent misallocation—illustrate how MNCs may strategically spend to maintain dominance rather than foster innovation. While philanthropic efforts by large corporations are noted, their positive impacts are often less tangible compared to the structural harms caused by weakened competition.

This study has several limitations. First, it primarily relies on qualitative case analysis, which may limit the generalizability of findings across different industries and institutional contexts. Second, the paper does not empirically quantify the net social impact of MNCs' profit-making versus anti-competitive spending, which would enhance the robustness of the conclusions. Future research should incorporate econometric modeling to assess the trade-offs between competitive and monopolistic behaviors more precisely. Additionally, cross-country comparative studies could explore how regulatory environments shape MNCs' strategic choices and social outcomes. Finally, further investigation into the effectiveness of antitrust policies in curbing anti-competitive practices would provide valuable policy insights.

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