

MULTINATIONAL MANAGERS AND POVERTY IN THE THIRD WORLD

Address by

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Let me say first of all, I am very happy to be with you. This is a conference that I have looked forward to for a long time and I only regret that my being with you is so short lived as this luncheon. A university is a terribly busy place. Yesterday it was science and technology for development. We had a meeting that was commemorative of one of our priests who discovered the basic formula for synthetic rubber, so I had to address that group. Just a few moments before coming down here there was another group on corporate decision-making upstairs. At 2:30 p.m. I have to take part in a national television program on "The American Family, Does It Have Any Future?". Naturally I think it does but I am sure there are a few who think it does not. Then tomorrow at this time there is another speech on freedom and the university for the American Association of University Professors who are meeting here. I think I have missed a few in between but, as I mentioned upstairs, the problem of speaking so often on so many different subjects certainly exposes one to saying a lot of nothing about everything. So, I begin today with some apology of coming to you with a few thoughts, although I am perfectly willing to say that I am not coming to you as an expert on this particular field you are studying.

To begin, Leo (Dean Leo V. Ryan, C.S.V., College of Business Administration) spoke of priesthood. If you follow the normal theological approach to that word, it means that a priest is a mediator. He stands between the two greatest extremes that exist--the finite and the infinite, or between man and God specifically--and somehow he has to have a foot in both worlds, bringing the prayers of men to God and the blessings of God to men. Somehow,

he has to make peace between the two extremes and promote understanding and love.

I think a university is a priestly kind of place because it too is involved always in a work of mediation--mediation most fundamentally between ignorance and knowledge. Certainly, mediation between all of the things that separate men and women in the world today. Even when I say men and women, there is another kind of mediation that needs to take place--a mediation between young and old, between rich and poor and black and white, between developed and underdeveloped. So many of the realities of life today are in tension because they are somewhat at odds, and the university's great function is to bring together, hopefully in a pleasant, peaceful atmosphere, people who think otherwise. In fact, even on our own faculty, which is the permanent cadre of the university, faculty have been described by some wag as those who think otherwise since there is always an enormous disagreement among ourselves.

I have cherished living in a university and if I were to be reincarnated, I would just as soon live in another one for another life. We have something here that one does not find in too many societies, certainly not in a socialist society or in a dictatorial society and even little enough in a strident society such as the U.S.A. with all its adversary action. In a university society we can disagree quite thoroughly and completely with one another, as many of us do, and still be very good friends. We believe that in universities truth emerges from the attrition of ideas, the interplay of opinions and thoughts that may go in quite opposite directions. If people are willing to listen and willing to engage in dialogue, we think that normally, at least this is the hope on which universities are based, truth will emerge. And so,

having you here is a very university kind of activity, something that is completely at home here because, given the subject matter of this conference, I would be very surprised if there were not a great deal of disagreement on the part of the people making up this seminar.

All I am saying to you is that if this seminar is going to be successful even in the first of its many modes, it will be successful to the extent that all of you are honest with each other. Honest in the sense that you speak your mind and do so freely and with the understanding that you will be respected for doing it. I intend to speak my mind here today and I do not expect that many will agree with me. Many will call me a traitor, some will say that I am naive. All I will say is that I have heard all that before and that does not bother me very much. You are in an atmosphere where everybody is free to disagree and if you want to disagree, do so.

But, the disagreement is not what is important; what is important is that something emerges from the disagreement. Perhaps a little broader understanding of the difficulty of making a clear judgment in this particular matter. Perhaps, some sense of the thought that there are no unequivocal, simple answers to very complicated questions. What really bothers me in a university is when I find a professor giving simple, uncomplicated answers to very complicated, very complex questions. That is the best way of spreading error, I think.

The area of multinational managers and poverty in the Third World is surely a complex issue. As Professor Lee Tavis brings out in his paper when he quotes two of our other professors, Chuck Wilber and Ken Jameson, there is no simple way of defining even so simple a term as development, or even poverty, because a poor man in this society might be considered a millionaire

in parts of Asia or Africa or even Latin America. Moreover, there is no simple way of passing judgment on what multinationals are doing. There are hundreds of multinationals and they all do something different and they often do it differently, depending on what part of the world they are operating in, depending on what kind of activities they are involved in, depending on the kind of managers or policies they have, enlightened or unenlightened.

Thus, my only caveat to all of you as you begin this discussion is not simply to be honest with each other and to respect each others differences, but on top of that to realize that there are no simple answers. There are no great broad generalizations whether you are speaking about development or about poverty or about multinationals or about how they should interact.

Now, having said all that, let me take a stand with which you can agree or disagree. I do it primarily for the sake of promoting this discussion, as I have admonished you to promote it, in a frank, open and blunt way. I have spent some time on development, mainly connected with the Overseas Development Council, and I have been pushing our staff in Washington for years to get into this very question. While they have had several individual scholars looking at it, I must say, at least in my judgment, they have not done very much in this field and it is one of the most crucial fields for development, as I will discuss in a moment.

Secondly, those of us working on the U.N. Conference on Science and Technology for Development, to be held in Vienna next August and part of September, are under great pressure to propose to the world a U.S. paper on transfer of technology among other things. Sy (Simon Bourgin) can tell you

about these activities since he is with our office in Washington. Now there is no way on earth one can approach transfer of technology in this country without looking at multinationals. They, not governments, are the greatest transferers of technology in the world.

Also, we are faced with a very complicated problem when we talk about science and technology for development from the U.S. standpoint. There are two kinds of science. There is the kind that generally speaks to basic human needs like hunger, health delivery, education, housing and other basic concerns. This technology is public. Everybody knows what it is. There is no secret about the strains of rice coming out of the International Rice Research Institute in Los Baños in the Philippines, and there is no secret about the kind of wheat and corn strains that are coming out of the International Corn and Wheat Improvement Center in Mexico City. But, when you get to very complicated points of industrial development, you are coming up against a proprietary technology which the U. S. government does not control. It may put a lot of fences around it but it does not control this kind of technology. It belongs to the people that developed it, whether it be I.B.M. or Caterpillar, or anybody else. There is no way on earth we can go into a conference and say we are going to just hand over proprietary technology. That situation, in a sense, is reflective of our kind of society, and therefore we must come to grips with it when we talk about development.

With that background, let me spend a moment on why I am concerned about development. From where I sit in this concern, I have been quite put out on occasions when I see the particular subject of your conference, multinationals, being persecuted in what I call a quite naive and sententious way,

with little thought or few facts and done quite out of hand by people who obviously have some axe to grind, whether it be moralistic, nationalistic, political, or social. I see this in the U.N. study on multinationals and it comes through in some aspects of the studies on codes of conduct. I see it in some of the church activities regarding multinationals, some of which I have become entangled with--mostly as an adversary. I have seen it in some of our Senate proceedings on multinationals. Having said that I find some of these statements repulsive, let me say that I do not find the concern repulsive. You have to be concerned about development because willy-nilly multinationals are going to be an enormous engine for development or an enormous obstacle to development, and I revert to what I said earlier--that there is no easy solution to this. If you want to say something definite, you may state that there are some multinationals doing great work in development and there are some that are great obstacles to development. But, you cannot generalize about all of them.

A conference like this, I think, cannot do very much more than set down some general principles that would help us to understand what the role of multinationals might be, as an engine of development, in a world that is characterized by great poverty. In light of the dissatisfaction with multinationals and what I would call almost the war against them, evident in many quarters, some of which I belong to, I would like to have in my own mind a theoretical framework or matrix within which I could see the multinationals in a clearer light.

I have studied in depth poverty throughout the world. Just last summer I was out looking at it up close where you get your hands and feet

dirty and you catch a few diseases. The reason for my involvement is the upcoming U.N. conference in Vienna. If that meeting is going to do anything, it should at least lay down an agenda of action to do something about the poverty that is a disgrace in a world as beautiful as this one can be. Having some concept of the spread of the worst aspects of poverty in 40 countries of the Fourth World, I believe we need everything we can find to help us get rid of the worst aspects of poverty by the year 2000.

If you understand that poverty and if you understand the potency and capabilities of multinationals that can bear upon that situation, at least in theory, you can draw up a list of conditions or a list of possibilities that would establish for multinationals a significant role in development, which I think they should indeed have. Given these criteria, you can honestly look at multinationals one-by-one, or each one of you can look at your own if you belong to one, and see to what extent they fit this pattern or go against it.

When I look at the world entities, I generally think in terms of nations--there are about 150 of them now. Yet, over 40 of the largest entities in the world are multinational corporations, not countries. This gives you some idea of their importance in the total field and some idea of how important they might be in this field of development.

In a series of lectures called the Ditchfield Lectures on Interdependence I laid out what I thought were a set of conditions under which multinationals could be considered prime engines of development. I put these conditions against nations and pointed out that multinationals could do some things that most governmental entities cannot do. After all when you look at



governmental entities among these 150 developing countries, there are not more than a dozen or a dozen and a half that could in the widest sense be considered helpers in the area of development. Most of the development funds, in fact about twelve and a half million out of a possible fourteen or fifteen million, including ourselves, come out of the Western European community.

What are some of the things that you might see multinationals do in the area of development that would not be done quite so well by nations themselves? The first thing arises from the necessity for profit, without which a company cannot exist. Companies are not in business simply to do good, they are in business to make profit; and if they do not make profit, they go under. The history of business is the history of those who have made profit and those who have ceased to exist. Since they have to take a very hard-nosed look at business situations and this can involve any business, be it service, extraction, manufacturing, or whatever, they are likely to have the capability which governments generally do not have of looking at economic situations in any country and making a judgment as to whether it is possible to support a successful business enterprise. In other words, they are capable, I think, of looking at the economic potential, be it manpower, resources, lumber, iron ore, or whatever, and say, "Yes, this is a market that can really use this product or service" or, "This is a collection of manpower that can do this kind of manufacturing or fabrication" or, "This is a resource worth developing". That is something I think is desperately needed throughout the world--to look at countries that are basket cases today like a Bangladesh or a Niger and say, "What can they do to survive?". You might begin by asking, "What can they do to raise enough food to survive?". And, there are companies that can be helpful in that regard.

The second thing that multinationals can contribute is capital. Assuming that a company decides there is a potential business enterprise in an underdeveloped country, the first requirement is for capital. Governments are not all that flexible in raising or providing capital. In contrast, companies have spent their lives in this activity. As a matter of fact, if you had to answer the question, "What is the greatest threat facing the whole business community in America and throughout the world in the next decade?", it is to raise enough capital to continue to do business in the way they want to do it, including growth.

The third point. Once something is produced, businesses have certainly learned how to market it; that is one of their great capabilities. They can produce something in Bangladesh and market it in New York City, if they have to. It might be a jute bag but they can do it. Not only can they market, but they know the transportation system which most underdeveloped countries do not know. They have access to it; sometimes they provide their own. In any event they have the capabilities of getting something started, cranking it up, making a product and selling it.

Multinationals also have the capability of transferring technology. Most of them do it for a price and most of them have paid a pretty price to get it in the first place. You can argue about what a reasonable price is--that is a legitimate argument--but I do not think there is anybody in the world who says a company can spend a billion dollars creating something and then give it away. At that point they will stop creating things. Companies have to go on. The more research and development companies have, the better hold they have on their future. When the railroads got out of research and

and development, they became very backward modes of transportation for people. Thus, what I am saying is that companies do have a technology to transfer.

Again, there is another side to everything that I am saying. You can claim that multinationals are transferring technology that countries do not need. That is true in some cases. I happen to think it is true in the case of some children's food, but that is too complicated a problem to get into at the moment. You can also say that transferring technology is not an eternal thing; you can begin to train people to be self-capable to produce technology that is more appropriate for this or that given country.

There is a problem in terms of the different technological needs. Developed countries mostly create capital intensive technology; whereas underdeveloped countries need labor-intensive technology. That is a problem we will be addressing in this conference and that is a problem I wish you could think about in terms of what multinationals can do.

Multinationals have also proved themselves to be very high grade educators because they are up against the gun. They have to educate people to do the job or the product will not be made and it will not be sold and then, there would not be any business. It will be the end of the line and companies that want to be rooted in other countries would have to transfer not just the technology, but the means of using the technology, and even in a sense recreating and adapting the technology to the local culture. And, God knows, there is no underdeveloped country that does not need first and foremost jobs because if people do not have any work to do, any money in their pockets, there is going to be no development.

Lastly, I think multinationals have understood interdependence perhaps better than any other entity in the world. They have certainly learned how to transfer funds; sometimes people say they do it too well and avoid all kinds of taxes. They have certainly learned how to transfer people from one culture to another. They have learned how to transfer technology in a meaningful way, sometimes in an unmeaningful way. They have learned how to communicate across a whole world with a multitude of cultures, languages, currencies and conditions. Multinationals, I think one would have to say, are a kind of entity that is going to be needed for the kind of development that one would foresee in the years to come. I guess what I am really saying is that instead of writing multinationals off as monsters, I think one should try to see if somehow we can enlist their help in a task that needs every asset it can have, or every possibility it can have in the way of help.

This brings me again to where I began--the importance of this conference. You gentlemen are in a place where you can talk about these things in an open and frank way. You can disagree with the faculty and they can disagree with you. If that disagreement does not happen, my guess would be that we have a bad conference. I am just happy that the process has begun.

For too long people who were seized with the terrible aspects of world poverty have been saying we need all this development so desperately and these monsters, the multinationals, are obstacles to development. On the other side of the coin, you have business saying those do-gooders sit over in the room and talk about doing good but they never do anything except talk and we are out there facing the problems of the day trying to do business in places where it is almost impossible to do business and somehow we

pull it off. Well, it is high time we all got in the same room and exchanged some ideas based, I would hope, on some principles such as I have been trying to enunciate here. I could give you horror stories on both sides of the ledger. I could give you great stories on both sides of the ledger, but if there were not horror stories on both sides and great successes on both sides, there would not be any point to the conversation. A conversation, I take it, is to maximize the one and hopefully to eliminate the other, but that will take time. One good thing about having us all in the room together is that there will not be any difficulties involved in a constructive solution that will be overlooked. One thing we have to say about business people is that they are used to living with difficulties and they have to cope with them day in and day out.

On the other hand I assure you on the point of the view of the university there will be no moral concerns that will not be voiced if some people think there are real moral concerns that are being overlooked. And, I think the beauty of the conference is that instead of coming out with confrontation which is useless, we come out with something constructive. We might even come out with a set of principles against which people can measure their assistance or nonassistance to world development or to approaching the problem of poverty with some solutions. I would hope that we might come out with some kind of new vision of the world. A vision of the world where a billion people do not have to be illiterate because we have all the technology today to eliminate that. Where a billion people do not have to be hungry because we have the technology to grow food, especially if we grow it in places where people are hungry, using all the vast panoply of resources we now have.

In addition, I would hope that if this conference and this vision of society is complete, that somehow we would improve a world where ten million people will die this year needlessly, mostly children, mostly in the Fourth World, mostly under the age of five. That should not go on and we have the technology to stop it from continuing endlessly. I would hope that the endemic unemployment throughout the world would somehow be faced if this conference is successful and that instead of holding back multinationals, we ought to be unleashing them to do more, but to do it perhaps in certain times and certain places in a different context.

I recently had to look over, I suppose you call it, a vision of a company. It was quite well done from a business standpoint. The first five points had completely to do with efforts towards profitability, success, and the economic well-being of this particular big enterprise. The last point faced the moral issue of what it is to be a good citizen, what it is to understand the social and economic context in which one works both here and abroad. And also what should one's responsibility be towards social justice, both internally within the company and externally. I thought I would have some fun, so I said to the chairman, once the president had enunciated this code of six points, "You know it was going through my mind, probably an obscene thought, that you could take the first five points and apply them to the mafia and they would fit perfectly. You get rid of bad businesses like dope and get into better businesses like prostitution or gambling. You really maximize your profitability when Atlantic City opens up or you get out of it if someone else is moving into Nevada. If you take the first five points, you could apply it with great meaning to the mafia or any other kind

of illegitimate activity you can think of. It is only when you come to the sixth point that this company begins to have a character of its own which differentiates it from other organizations that do not have these concerns, do not have this kind of planning, do not have this kind of vision of society in which it lives and to which it contributes, not as one that simply exploits the society but as one that contributes and still makes enough profit to stay alive and to grow."

I think gentlemen, that is what I would like to see us moving towards-- a society that is efficacious and efficient, a society that makes profit on what it does for profit, but can do this and still contribute to the well-being of those who are in desperate need. I honestly believe, because I have seen examples of it, that we can do all these things at once. I honestly believe that there are people doing them today and people who are not doing them. I believe that to have a good discussion we must distinguish between the ones doing something worthwhile and the ones not contributing. And somehow, I think we are rational enough to agree hopefully on a set of general principles--general enough to be applicable across the board to the many, many varieties of multinationals, the many, many varieties of local situations, some very corrupt; and our own ideals for what a good society or, writ large, a good world should be.

The contribution of this conference can go far beyond this place and room and I am simply delighted and I congratulate Lee Tavis and his associates for putting it on, and we are deeply grateful for all of you who have come because without your input it would be a kind of antiseptic, one-sided conversation. With you, we can move forward. Thank you very much.