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THE ROLE OF MULTINATIONAL CORPORATIONS

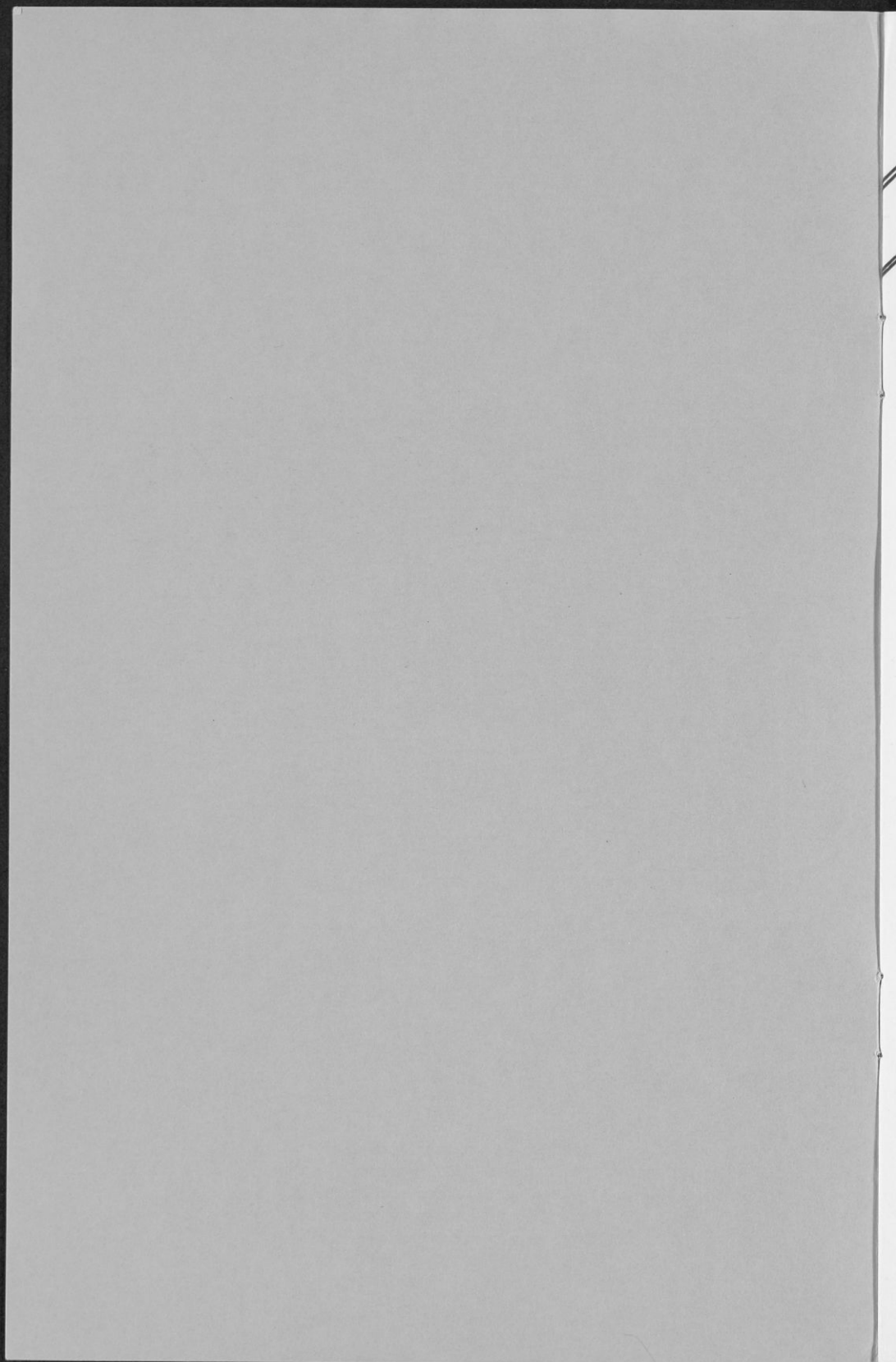
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DEPARTMENT OF SOCIAL DEVELOPMENT AND WORLD PEACE
UNITED STATES CATHOLIC CONFERENCE

AUGUST 1974



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DEVELOPMENT- DEPENDENCY:

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PREFACE

Pope Paul VI in his encyclical *Populorum Progressio* praised the process of industrialization as a necessity for economic growth and human development. But he also said that, unfortunately, in industrialized society:

A system has been constructed which considers profit as the key motive for economic progress, competition as the supreme law of economics and private ownership of the means of production as an absolute right that has no limits and carries no corresponding social obligations. This unchecked liberalism leads to dictatorship rightly denounced by Pius XI as producing "the international imperialism of money." One cannot condemn such abuses too strongly, solemnly recalling once again that the economy is at the service of man.

U.S. citizens may be unaware either of the encyclical or of the response of the *Wall Street Journal* and other similar interests in the United States who rejected the encyclical as "warmed-over Marxism." And yet, the concern for human dignity and justice reflected in the encyclical is only one link in the chain of the Church's traditional regard for social justice.

It is also relevant to note that, in his Apostolic Letter *A Call to Action*, Pope Paul VI treated a number of new currents of thought concerning socio-economic ideologies and systems. His treatment of "liberal ideology," prompted Msgr. George Higgins, in his Commentary on the Apostolic Letter, to note that many conservative Americans "will be disappointed to learn that the Holy Father takes a dim view of (unbridled economic individualism) and goes out of his way to warn Christians that, like the ideology of Marxism, the liberal ideology likewise calls for

careful discernment on their part." Similarly, in its document *Justice in the World*, the 1971 Roman Synod treated world conditions from two rather different diagnoses. As Rev. Philip Land of the Pontifical Commission Justice and Peace noted, these two analyses have distinctly different perspectives. The first view emphasizes the need to harness modern technology, while the latter, "in origin, Marxist, is widely endorsed in the Third World and receives healthy, if qualified, support from a wide spectrum of non-Marxist authorities."

From Leo XIII's *Rerum Novarum* in 1891 to Vatican II's *Gaudium et Spes* and the 1971 Synod of Bishops document *Justice in the World*, the Church has consistently raised a prophetic voice to defend the integrity and dignity of those people who suffer injustice. In doing so, the Church follows the gospel message of Jesus Christ and his concern for his chosen people—the poor.

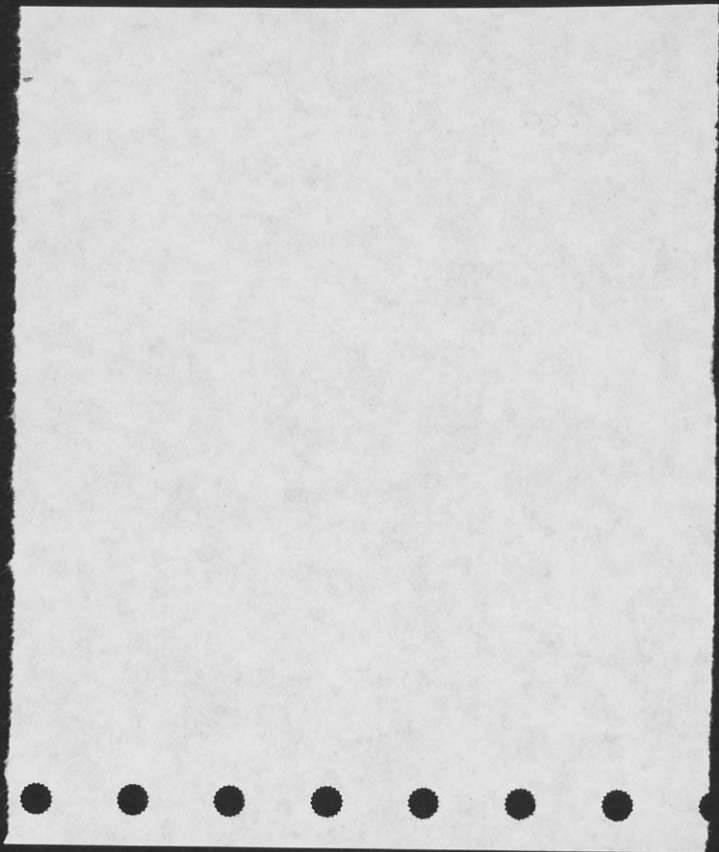
In the past decade, Latin American bishops and priests have expressed themselves with increasing frequency on the root causes of poverty in their homelands. Their pastoral letters have often been directed to their northern neighbors in the Americas because it is the system of capitalism of Western Europe and the United States that many believe is a contributing cause of continual poverty in Latin America. For example, the Second General Conference of the Latin American Episcopate in Medellin, Colombia, declared in 1968:

Another feature of this economic situation is our subjection to capital interests in foreign lands. In many cases, these foreign interests exercise unchecked control, their power continues to grow, and they have no permanent interest in the countries of Latin America. Moreover, Latin American trade is jeopardized by its heavy dependence on the developed countries. They buy raw materials from Latin America at a cheap price, and then sell manufactured products to Latin America at ever higher prices; and these manufactured goods are necessary for Latin America's continuing development.

When American citizens read the words of Pope Paul VI and the bishops and other leaders in Latin America, they often only

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partially see the truth stated because they are looking through the shaded glasses of the social and economic culture of capitalism. To apply a phrase from Msgr. Higgin's Commentary, "we are a people so deeply committed in theory, if not in practice, to the philosophy or the ideology of free enterprise in the old fashioned sense of the word."

It behooves us as citizens of the United States to sharpen our vision in these times when the maldistribution of the earth's resources and the concentration of the world's wealth are so blatant. This enlightened vision is a prerequisite to a more truly Christian response.

Bishop John J. Dougherty
Chairman
USCC Committee on Social
Development and World Peace

DEVELOPMENT-DEPENDENCY: THE ROLE OF MULTINATIONAL CORPORATIONS

In the Spring of 1974, an historically significant drama occurred at the United Nations. For the first time in its history, delegates of the 135 member nations were called to a special session of the General Assembly to listen specifically to the complaints of the Third World nations about the inadequacies of the international economic system. U.N. Secretary General Kurt Waldheim said of the session: "We know in the history of mankind that the present economic system isn't workable anymore. We have to work out a new economic system for the world."

The issue of economic development is central to an examination of the relationship of the international economic system and the Third World. In recent years, the debate about development and dependency has engaged government officials, economists, international investors and scholars, and at an increasing rate, leadership in various national Catholic hierarchies. The presence of Catholic episcopal leaders in this debate is understandable in view of the explicit papal writings on the issue, beginning in 1931 with Pope Pius XI's *Quadragesimo Anno*.¹ The development-dependency theme was also evident in the Second Vatican Council's *Gaudium et Spes*.² The same theme dominated the 1971 Roman Synod document *Justice in the World*.

The national hierarchies in Latin America which have entered the debate, identify excessive dependency upon North American interests as a contributing factor in Latin America's underdevelopment. In doing so, they reinforce the position taken by the Latin American episcopate at Medellin, Colombia, in 1968: "the principal guilt for economic dependence of our countries rests with powers inspired by uncontrolled desire for gain, which leads to economic dictatorship and 'the international imperialism of money' condemned by Pius XI in *Quadragesimo Anno* and by Paul VI in *Populorum Progressio*."³ In addition to the statements of Latin American bishops, a number of lay, religious and clerical groups in Latin America have also pinpointed the influence of

foreign businesses, governments and cultures as a cause of much of the poverty and social ills of the Third World.⁴

The impact of U.S. policies on the lives of millions of people in less developed countries, particularly in Latin America, where traditionally our nation's ties and that of our Church are most evident, compels us to reflect on our role as members of a universal church and as citizens of the United States. This reflection is especially prompted by the recent statement of the U.S. bishops in which they said: "Internationally, the pervasive presence of American power creates a responsibility of using that power in the service of human rights."⁵

Impact in Latin America

Evidence is mounting that the concentrated power in the hands of a relatively few multinational corporations and banks inhibits international development and deters the process of achieving justice here and abroad.⁶ Realization is growing that so-called economic development and the resultant growth in Gross National Product (GNP) does not assure the amelioration of the harsh living conditions of the vast majority of people of the Third World.⁷

The oppressive conditions of poverty and marginality frequently result from the influx of foreign private capital.⁸ The fact that concentrated economic power results in enriching 30% of a population in Latin America at the expense of the other 70% indicts it as a major impediment to world justice.⁹

Such concentrated power, motivated by the worldwide maximization of profits, leads to the development and control of an international market strategy which is of primary benefit to the controlling power and not to the development of peoples. The recent disclosures about the activities of I.T.T. in Nazi Germany¹⁰ and in Chile along with Kennecott; and Ford and General Motors in Nazi Germany,¹¹ accentuate the boldness of this strategy. This evidence lends credence to Pope Paul's charge that "multinational enterprises...can conduct autonomous strategies which are largely independent of the national political powers and therefore not subject to control from the point of view of the common good."¹²

It is necessary for us to acknowledge that a real dilemma exists. On one level, as Christians we are committed to the ideal that nations have the right of self-determination and economic development.¹³ On another level, our nation is committed to protect our national self-interests narrowly defined in economic and political terms.¹⁴

Since U.S. government policy tends to equate the free enterprise system with our political system, one of the primary tasks of American foreign policy is to provide a favorable climate overseas for U.S. private investments and to protect that interest.¹⁵ However, for Latin Americans, this U.S. practice tends to perpetrate a condition of dependency and underdevelopment.¹⁶ This dependency is reinforced, as the Latin American bishops noted, by a small wealthy elite within each of the continent's countries, who only too willingly cooperate with foreign business interests.¹⁷

Impact in the United States

It is important for us in the United States to recognize that multinational business interests which play such a dominant role in the less developed countries of Latin America also dominate, to a great extent, our own domestic economy.¹⁸ The recent accounts of tax write-offs, increasing monopoly activity, political lobbying, machinations of the oil industry during the "energy crisis" provide grim testimony to the detrimental effect on U.S. citizens of the concentration of economic power. The American bishops expressed their deep concern about this concentration, specifically in the field of agriculture, where they observed that "agricultural conglomerates are expanding, raising the possibility of taking over virtually all farming in the United States."¹⁹

In our system of political economy, the presumption is that concentrations of power are to be guarded against, and governmental agencies are designed to prevent these concentrations. The facts are, however, that most of these regulatory agencies, underbudgeted and understaffed, are no match for the corporations' batteries of lawyers and networks of information. In addition, the corporations exercise such strong political power that the agencies are often captives of those they are supposed to regulate.²⁰

Furthermore, as most citizens face constantly rising prices, lack of school funds, inadequate public transportation, and skyrocketing medical and legal costs, many feel the economic crunch of cutbacks or elimination of federal funds to programs servicing the aged, homeless, jobless and poorer classes of our society.

At the same time, recent studies disclose that the wealth and power of a relatively small percentage of the population have in fact increased. As our GNP has risen from about \$200 billion in 1940 to its present level of more than \$1 trillion, "there is a startling and continuing inequality in the distribution of income in the U.S., and the overall pattern has remained virtually unchanged since World War II."²¹ The concentration of ownership of the nation's wealth (stocks, bonds, real property, etc.) presents an even more depressing picture. The top 20% of wealth holders in the country own over three fourths of all personal wealth. The top 1% alone holds between 20-30% of all personal wealth and have done so for decades.²² The U.S. Bishops' Campaign for Human Development points out, in their publication "Poverty Profile," that 80% of the state and local bonds are owned by less than 5% of the citizens.²³

The implications of concentrated financial power are underscored by the recent U.S. Senate report "Disclosure of Corporate Ownership." The report notes that information needed by government agencies to monitor adequately "the several levers of corporate control is held by a few institutional investors, principally six superbanks headquartered in New York."²⁴ The impact of this control on both domestic and international policy is highlighted in the report:

...the portfolio companies in which a few banks have substantial influence make many decisions affecting public policy. Oil companies deal with foreign nations regarding oil supply and cost. Pipeline companies deal with the Soviet Union for natural gas. Utilities exercise the right of eminent domain. Milling companies and the Soviet Union arrange grain sales which sharply affect domestic price, supply, transportation, and storage. These are momentous public issues in which Federal officials play a minor role, much of it after basic decisions have

been agreed upon by American companies and foreign governments.²⁵

The Role of the Church

A growing number of Catholics are beginning to share Pope Paul VI's concern about the emerging power of multinational corporations.²⁶ Church people, both here and in the Third World, are becoming increasingly aware that many U.S. domestic and international policies are linked together to serve the interests of these transnational business enterprises. The time is at hand for us not only to question the enormous power wielded by so few people and institutions, but in a more fundamental way, to question the underlying motivation behind such unbridled power. For the motivation continually to increase profit emerges from values which promote excessive individualism, unnecessary consumption, and disregard for the quality of human life, all of which are contrary to the deepest values of the Judeo-Christian tradition.²⁷

Even the Church's traditional role in education is exposed to serious reevaluation because of this power concentration. The 1971 Roman Synod reminded the Church's educators that:

the method of education very frequently still in use today encourages narrow individualism. Part of the human family lives immersed in a mentality which exalts possessions. The school and the communications media, which are often obstructed by the established order, allow the formation only of the man desired by that order, that is to say, man in its image, not a new man but a copy of man as he is.²⁸

In the Third World, most people have the daily experience of powerlessness in the face of the relative few who own and control most of the wealth and income, land, industry, political and military power. In our country, there is a growing sense among working people as well as minority groups that power belongs only to those few who hold enormous wealth. As Catholics, we must continue to rediscover our own distinct identity as a religious, prophetic people who stand apart from the powers which possess dominant control in society. In such a

process, we can learn much from the Church in the Third World. Together in our preaching and actions, we are moved to pronounce God's judgment on the side of powerless life whether of the unborn child, of the elderly without care or security, of the overtaxed citizen, or of the poor in the barrios of Latin America.

Footnotes

1. Pope Pius XI, *Quadragesimo Anno*, esp. nn. 105, 109: "It is obvious that not only is wealth concentrated, but immense power...is consolidated in the hands of a few." And as to international relations, two phenomena are evident: "On the one hand, economic nationalism or even economic imperialism; on the other, international imperialism whose country is where profit is." Pope Paul VI in 1967 (*Populorum Progressio*, n. 26), and again in 1971 (*A Call to Action*, n. 44), reiterated Pius XI's condemnation of economic concentration.

2. Vatican II, *Gaudium et Spes*, n. 85: "The developing nations will be unable to procure the necessary material assistance unless the practices of the modern business world undergo a profound change."

3. Second General Conference of Latin American Bishops, *The Church in the Present-Day Transformation of Latin America in the Light of the Council*, 1968. (Hereafter: Medellin).

4. Various statements, e.g., ONIS (Peru), Golconda (Colombia), Christians for Socialism (Chile), Priests for the People (Mexico), Third World Priests Movement (Argentina). Also, the 1972 "Letter from Chile" from the U.S. Missioners in Latin America.

5. Cf. "Resolution on the 25th Anniversary of the Universal Declaration of Human Rights," United States Catholic Conference, November 1973.

6. Ronald Müller, "The Multinational Corporation: Asset or Impediment to World Justice," in *Poverty, Environment and Power—CICOP 1973*. (Available from the Division of Latin America, United States Catholic Conference.)

Also, Müller and Barnet, *Global Reach: The Power of the Multinational Corporations* (New York: Simon and Shuster, 1974).

Also, "Implications of Multinational Firms for World Trade and Investment and for U.S. Trade and Labor." Report of the Subcommittee on International Trade of the U.S. Senate Finance Committee, February 1973.

Also, "Investigations of Conglomerate Corporations." Staff report of the Antitrust Subcommittee of the House Judiciary Committee, June 1971.

Also, U.N. Economic and Social Affairs Department, Special Inquiry, "The Group of Eminent Persons," 1972-73.

7. Cf. Robert S. McNamara, Address to UNCTAD, April 14, 1972 (Santiago, Chile).

8. The inadequacy of the development strategies of the industrialized nations is underscored in *Partners in Development*, edited by Lester B. Pearson, 1969. The report acknowledged on the one hand that foreign capital is "simply not available to finance many of the investments which

are a prime need in developing countries—schools, roads, hospitals, irrigation.” On the other hand, foreign aid programs are seriously misleading: “It is not uncommon to hear the total flow of resources to developing countries referred to as something which the rich countries ‘give’ to the poor. Nothing could be further from the truth, or more misleading...The flow of private capital...undertaken for commercial reason (has) no more the character of ‘aid’ when (it flows) to developing countries than when (it flows) between industrialized countries.”

9. In the period between 1950 and 1965, U.S. private corporations invested \$3.8 billion in Latin America. Part of the profits were retained in Latin America to increase the total investment of the companies concerned; part of the profits were remitted to the United States. From this investment of \$3.8 billion, no less than \$11.3 billion in profits were remitted home to the United States, while the profits retained locally increased the investment of \$3.8 billion to \$10.3 billion. (Cf. “Balance of Payments Statistical Supplement,” Revised Edition, Department of Commerce, Washington, D.C., 1963. Also, *Survey of Current Business* issues, 1962-65. It is important to note with respect to the concentration of profits in the hands of a few corporations (which in turn are controlled by a few people) that in 1966—the end of the period referred to above—more than one half of American profits from abroad went to but 16 firms. Arthur MacEwan, “Comment on Imperialism,” *American Economic Review*, May 1970, p. 246.

10. Anthony Sampson, *The Sovereign State of I.T.T.* (New York: Stein & Day, 1973).

11. “American Ground Transport.” Study submitted to the Subcommittee on Antitrust and Monopoly of the U.S. Senate Judiciary Committee, February 1974, pp. 16-23.

12. Pope Paul VI, *A Call to Action*, 1971, no. 44.

13. This proposition was initially stated in Pope Pius XII’s Christmas Message of 1941, and cited again by Pope John XXIII in *Pacem in Terris*, n. 124.

14. President Richard M. Nixon’s State of the Union Address, 1972: “We will act to defend our interests whenever and wherever they are threatened, any place in the world.”

15. Secretary of State Dean Rusk told the Senate Foreign Relations Committee that “...our influence is used whenever it can be and persistently through our aid discussion and in direct aid negotiations to underline the importance of private investment.” U.S. Senate Hearings on the Foreign Assistance Act, 1962.

16. Cf. Peruvian Bishops’ Conference, “La Justicia en el Mundo,” 1969: “Like other nations of the Third World, we are the victims of systems that exploit our natural resources, control our political decisions, and impose on us the cultural dominations of their values and consumer civilization...The more we try to change, the stronger the forces of domination become. Foreign interests increase their repressive measures by means of economic sanctions in the international markets and by control of loans and other types of aid. News agencies and the communications media, which are controlled by the powerful, do not express the rights of the weak; they distort reality by filtering information

in accord with their vested interests."

Cf. Mexican Bishops' Conference, Pre-Synod Paper, 1969: "By its past and present superiority in technology, in the socio-political area, and in business and finance, the United States exercises a big-power dominance over Mexico that makes us, as a bordering and overshadowed neighbor, an extension of its own system."

Cf. Chilean Bishops' Conference, Pre-Synod Paper, 1971: "We see that nationalization presents many new moral problems because it involves a poor country facing companies that have their headquarters in one of the richest and most developed countries....This is a problem that touches not only economic morality but world peace because of the reaction, in this case, of spokesmen of the United States Government, who have threatened measures that could affect many countries."

17. CELAM Document on Peace, "Tensions Between Classes and Internal Colonialism," Medellin, 1968.

18. Recognition of the interrelatedness of U.S. domestic and international policies is a major theme of Bishop James S. Rausch's "Statement on Proposed Reforms of U.S. Overseas Investment and Trade Policies for the 1970's," presented to the Ways and Means Committee of the U.S. House of Representatives, June 1973.

19. "Where Shall the People Live?" United States Catholic Conference, 1972.

20. Mark J. Green, et al. Ralph Nader's Study Group, *The Closed Enterprise System* (New York: Grossman, 1972). Also, Morton Mintz and Jerry Cohen, *America, Inc.*, (New York: Dial Press, 1971).

21. Letitia Upton and Nancy Lyons, "Basic Facts: Distribution of Personal Income and Wealth in the United States" (Cambridge Institute, 1878 Massachusetts Avenue, Cambridge, MA 02140).

22. Upton and Lyons, *op. cit.*

23. Campaign for Human Development, "Poverty Profile," United States Catholic Conference, 1972.

24. "Disclosure of Corporate Ownership." Report of the Subcommittees on Intergovernmental Relations, and Budgeting, Management; and Expenditures, U.S. Senate Committee on Government Operations, March 1974, p. 10.

25. *Ibid.*, p. 11.

26. Pope Paul VI, *op. cit.*

27. Pope Paul VI, *Populorum Progressio*, n. 26.

28. Roman Synod of Bishops, *Justice in the World*, 1971.

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