Versus Papal Simplisms

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Two articles in the July *Worldview* remind us that the Roman Catholic Church is, among other things, a transnational organization with transnational values and interests. Indeed, Denis Kenny's discussion of Pope Paul VI and Vietnam takes the Vatican to task for not being transnational enough. It is also a government, with an extensive diplomatic network, and links with intergovernmental organizations. Moreover, recent documents on political and economic matters emanating from Rome drip with praises for, or calls to, intergovernmental and transnational cooperation and behavior. Not quite, not quite.

On May 14, 1971, Pope Paul addressed an apostolic letter to Maurice Cardinal Roy of Quebec. Among other things, the letter included paragraph 44:

"Under the driving force of new systems of production, national frontiers are breaking down, and we can see new economic powers emerging, the multi-national enterprises, which by the concentration and flexibility of their means 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. By extending their activities, these private organizations can lead to a new and abusive form of economic domination on the social, cultural and even political level. The excessive concentration of means and powers that Pope Pius XI already condemned on the fortieth anniversary of *Rerum Novarum* is taking on a new and real image."

The paragraph faults multinational corporations on two grounds. The second is entirely conventional. Harking back to the republic of artisans, the Pope condemns *excessive* concentration of power. We are all against anything excessive, and this second objection is not troublesome in this sense. But more on that later.

It is the first argument that is novel. The very fact that the multinational corporations "can conduct autonomous strategies which are largely independent of the national political powers" renders them subject to condemnation. However, if we change the subject of the sentence, one can begin to see the chief difficulty with this argument. Alas, the same can be said about the Rosicrucian Order, the International Olympic Committee, the International Air Transport Association, the World Council of Churches and, yes, even the Roman Catholic Church. With a few additional qualifications, the same can be said about intergovernmental organizations in the United Nations system.

If the Pope is really serious in identifying the international common good with control of international activities by nation-states, then we have turned a bulky corner in the history of Papal social teaching. The holy water which had been sprinkled on transnational and intergovernmental activities for so many years thus evaporates in the heat generated by the controversies over multinational corporations. Let me instead make an act of faith and believe, albeit uneasily, that this paragraph is but a halting and clumsy step toward the growth of understanding.

I have no brief for (and, to my financial sorrow, hold no stock in) multinational corporations. My purpose is to call attention to a possibly persisting source of confusion. Those who, for many and varied reasons, wish to condemn the multinational corporation owe it to themselves and to us to make clear the standard of condemnation. Are they to be condemned, as the Pope suggests, precisely because they are multinational? Are they to be condemned because they are corporations? Are they to be condemned, as the Pope also suggests, because they are big? Are they to be condemned for other reasons? Indeed, some may ask, are they to be condemned at all?

The subject is too big to consider it in a few brief remarks. But, having speculated on the Pope's possible temporary loss of divine inspiration, it is also incumbent to supplement prayer for his soul with a little helping hand. Let us, then, grant for the purposes of this argument that there may be something worth damning in multinational corporations (not too difficult, if you believe in sin). And let us further restrict ourselves to the terms of reference of the Roman Catholic Church. And let us further require some prudent chance of success for our principles, i.e., they might not be rejected out of hand by every industrialized country and multinational corporation. One can then suggest the following minimal standards.

One thing that is problematic about multinational corporations is not that they are too multinational but that they are not multinational enough. Most of these corporations are more multinational in operation than they are in ownership. Though many of them are often found in conflict with their parent company's

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government, they are often found also in collusion with it. For example, the United States has sometimes used trading-with-the-enemy legislation to enlist these corporations in a more unified pursuit of Washington's political goals. Moreover, though executives of multinational corporations are often proud of their cosmopolitanism, they have been known to put on a national (mostly American) mantle when some government of a less developed country threatens them.

Therefore, a reasonable standard for condemnation (and, consequently, for praise for some) is whether a multinational corporation lives up to its own ideology. Does it make a good faith effort to become multinational in ownership? This may be accomplished in a variety of ways, such as facilitating the purchase of shares in the parent company. More meaningful for host countries, but also more difficult for the corporation, may be to provide for avenues to partial private or public co-ownership of multinational corporate subsidiaries in host countries.

Does it make a good faith effort to sort out its national loyalties? Multinational corporations are less and less frequently allowed to retain national privileges and foreign protection. It may be realistic, as well as desirable, to engage in the process of sorting out corporate loyalties in a way which will force them to give up either foreign protection or national privilege. To be sure, costs will be incurred if all foreign protection is foregone. But costs are already being incurred by insistence on perpetuating existing ambiguities.

The test of insufficient multinationality as a reason for damnation follows a long and distinguished tradition in the Roman Catholic Church, which argues for the insufficiency of nation-state means to achieve the international common good. *Pacem in Terris* was eloquent on the subject. It is a test which is at the heart of the new corporate ideology. It is addressed to the fears of the corporations that they would be nationalized, or be forced to pursue policies they do not wish to pursue by the U.S. government (not only because of trading-with-the-enemy, but also antitrust policies!). And it responds to what I suspect is the dominant reason to condemn the multinational corporation: that it is but an economic arm of United States government imperialism. The test of insufficient multinationality, it might be added, might also expose the sins of the other organizations mentioned earlier, from the Rosicrucian Order to the Roman Catholic Church.

A second important test, the principle of subsidiarity, also has a long tradition in Roman Catholic teaching. Pius XI wrote in *Quadragesimo Anno* (reaffirmed by John XXIII in *Mater et Magistra*): "Just as it is wrong to withdraw from the individual and commit to the community at large what private enterprise and endeavor can accomplish, so it is likewise unjust and a gravely harmful disturbance of right order to turn over to a greater society of higher rank functions and services which can be performed by lesser bodies on a lower plane." Somewhat cryptically, Vatican II's *Gaudium et Spes* suggested that the international community should honor subsidiarity too, and *Pacem in Terris* applied it to the United Nations system.

International economic subsidiarity would bar a multinational enterprise from acquiring a previously independent company in another country when there is no reasonable expectation that it would contribute new capital, technology or markets. For example, if a large New York bank were to acquire a bank in a less developed country, in order to operate in that host country alone, and without bringing in new capital or some new nonstandardized bank technology(!), its action would be condemned by this principle. Unfortunately, there are ample occasions for applying the principle. (Some provisions of the investment code of the recent Andean Pact are relevant here.)

The fear of probable future retaliation by outraged host governments should convince multinational corporate executives that the security of their enterprise, in addition to other concerns, may be grounds for respecting subsidiary. The principle of subsidiarity, however, would not bar all acquisitions of local companies by multinational corporations so long as there is a contribution in capital, technology or markets. The new multinational tie would accomplish something which could not and would not have been done otherwise.

A third important test is the reduction of international asymmetry. Paul VI's *Populorum Progressio* established the general principle with reference to international trade by drawing upon teachings that had been developed in the context of domestic economic relations. The argument is that international free enterprise is not good enough. It is necessary to work toward establishing a more equal standing in bargaining by applying political measures to regulate economic relations.

The governments of the industrialized countries, and many multinational corporations themselves, have not been oblivious to the need for an international investment code. Some, of course, want little more than international treaty protection against nationalization by some revolutionary government. Others, however, may see the need to reconcile regulations on the export of capital, antitrust policies and taxation, to name but a few. It is at this point that Pope Paul's fulminations against excessive economic concentration may become operational, because international antitrust agreements may define what is "excessive."

Some of these proposals could be revolutionary. For example, a multinational corporation can generally choose where it will declare its profits and pay taxes on them. An international agreement may regulate internal transfer prices that are within corporations but across national boundaries; it might also regulate the use of debts and the allocation of central overhead to the subsidiaries. Taxes on profits thus arrived at would be paid at various stages in an international chain, including the subsidiaries.

This international reallocation of

taxing power could be further modified in the form of a progressive income tax, whereby the industrialized nations would forego a part of their "fair share" of taxes in favor of the less developed countries. This second proposal, however, may be applicable only to some economic sectors, such as raw materials industries, where the choices of the multinational corporations are somewhat limited by the geographic distribution of resources. In manufacturing, such a progressive corporate tax would be a disincentive to investment in less developed countries.

One can think of many more ways to try to reduce international asymmetries by changing the strategies of multinational corporations. It would be desirable if Company Y did not just assemble in less developed country A what it produced in more developed country B but produced the whole thing in country A. It would be desirable if the industries which are transferred to less developed countries are not just the leftovers of the nineteenth century but some higher technology industries. Indeed, as the earlier phases of the industrial revolution spread throughout the world, eliminating the international asymmetry of early industrial production, a new international economic asymmetry based on more modernized technology takes its place.

These objections, however, come full circle for those who might use them to attack multinational corporations. The objections imply an argument for more multinational investment, not less; they call upon the multinational corporations to erase the burdens of history. The multinational corporation, according to these views, is not to be sent to Hell; it is the new Messiah.

Recoiling from idolatry, I confess that I do not expect this much from multinational corporations. Moreover, efforts to coerce multinational corporations into modifying their strategies do not meet one of the stated assumptions of the discussion: that proposals should have a prudent chance of not being rejected out of hand by multinational corporations and the governments of industrialized countries. It is also not obvious that the national markets of Paraguay, Gabon or Burma can accommodate the supply and demand needs of a complete operation by IBM; while IBM may have enough economic inducement, without great coercion, to move into Brazil, for example.

In sum, there may be a reduction of asymmetries between industrialized countries and the more prosperous, less developed countries, while asymmetries develop more quickly among less developed countries. This foreseeable consequence of multinational investment may result not from the presence but from the absence of multinational investment in some countries. There is reason to deplore this consequence, but that belongs to a discussion of the sins of multinational corporate omission rather than commission.

Because a coerced change in multinational corporate strategy is not likely, and perhaps undesirable, it is safe to rely more on the regulation of existing multinational activities as a method to reduce international asymmetry. But it is well to remain alert to the argument that one way to reduce international asymmetry, even if only selectively, is through more multinational investment, not less.

A fourth principle is so general and widespread that it is difficult to pinpoint its source: the respect for the cultural integrity of peoples. If Papal and Synodal discussions of the value of transnationalism and intergovernmental cooperation abound, they are also coupled with statements about the rights of peoples to their own cultural characteristics—to their self-development.

From the Church that gave us missions and missionaries, that is closely associated with the spread of Western European cultural values throughout the world, it is perhaps a bit peculiar that this principle has been stressed more and more. Nevertheless, it is so. I would argue, however, that the destruction of certain value systems which have tolerated or justified the oppression of men and women through many years is altogether welcome.

What demands respect is, first, the right of a people to preserve and increase the life and health chances of its citizens before it entertains the whims of those few who are rich; also, and second, demanding respect are social, educational, familial, moral and religious characteristics which may be peculiar to a people and which are compatible with the preservation of life and health. Economic growth may threaten aspects of cultural identity, but it is permissible and welcome for the sake of enhancing the life and health chances of a people. In any case, the principle argues for condemning, for example, advertising which creates new and frivolous "needs" or policies which divert scarce resources to luxury and high consumption for the few at the expense of the many.

In addition to these four tests—insufficient multinationalism, subsidiarity, reduction of asymmetries and cultural integrity—which are relevant to multinational corporations insofar as they are *multinational*, there are other tests appropriate to them as *corporations*. But that is another, and more familiar, subject.

The problem, then, is the tendency —by no means limited to the Pope— to condemn multinational corporations because they are multinational. When State control is glorified, however, the underpinnings of many other organizations, values and activities are threatened. As an alternative, I have drawn from the body of Roman Catholic social teaching (though not limited in origin or appeal to Roman Catholics alone) a number of principles which, with modification, may clarify our thinking about multinational corporations.

Within these four principles there is ample room to criticize the existing practices of multinational corporations but no reason to call for their abolition. We can rather recognize the possibility of reform and see that corporate self-interest may be an important ally in implementing that reform. Above all, we need standards other than the sacrifice of internationalism by which to evaluate the rapidly growing phenomenon of multinational corporations.