The Vast Majority: A Journey to the World's Poor
by Michael Harrington
(Simon & Schuster; 281 pp.; $9.95)

Brendon Jones

Michael Harrington, the socialist and activist writer who in the early Sixties introduced America to the realities of U.S. poverty with his classic *The Other America*, now takes us on "A Journey to the World's Poor."

The style is unusual, moving between detailed economic analysis and reflective travel journal. The analysis is compelling in its examination of the origins of the international economic order, the current role of U.S. economic policy, and the effects of such policy on the world's poor.

The travel journal is a spontaneous record of Harrington's brief visits to three continents to bear witness to the miseries of the poor. The reader is introduced to the "wretched of the earth"—from the ragged street urchins of Mexico City to the lepers of Bombay. The intent is to challenge and shock and, ultimately, to dispel America of its "cruel innocence" that lets it turn its back on "a global system of injustice that warps or destroys the minds and bodies of millions of human beings."

Harrington is at his best when analyzing the economics of world poverty. He traces the inequities of the present international economic system to colonialism, which altered agricultural systems and planted the seeds of the trade dependency that now binds many Third World nations to the industrialized world. He goes to great lengths to dissociate himself from the extremes of Marxist analysis, declaring that not all of the deeds of the capitalist have led to evil consequences for the world's poor. Nonetheless, he ultimately finds himself reluctantly agreeing with the neo-Marxist critique of the United States as an imperial power central to a system of injustice in which the expansion of capitalism perpetuates Third World poverty and creates unequal development in those countries.

He rejects the common perception that the only effective route to modernity for the poor is through the American development experience. Walt Rostow's "trickle down" theory is also dismissed as a mode of development that too readily allows questions of equity to be shelved in pursuit of overall national growth strategies that seldom benefit the poor. (Harrington hardly stands alone here. No less than the World Bank and the U.S. Congress have moved away from this emphasis, at least rhetorically, in recent years.)

Predictably, the multinational corporations receive their share of criticism, and his case is a strong one. Rather than helping to inspire agricultural and industrial revolution in the Third World for the benefit of the majority, they have too often exploited cheap labor, controlled prices, and jumped "the tariff walls of the impoverished in order to rob them of their comparative advantage." While I agree with most of his analysis on foreign investment and corporations—little of which is new—Harrington leaves key questions unanswered. If private investment in developing nations is to continue to grow, as most informed observers would contend, won't the capital and technology likely come primarily from these same multinational corporations or consortia? What lessons do nations such as China and India—both of which were wary of foreign investment for years, but are now inviting it back under strict safeguards—have to offer? What are the mechanisms through which our own government is promoting corporate investment in the Third World, and what are their effects? What role does Harrington see for corporations in the future?

And what does Harrington see as the solution to this unjust international economic system? Surprisingly, he is moderate and somewhat ambivalent. He wishes "the Leninist fantasies were true, that one could 'smash' the bourgeois state and begin the liberation of mankind. But they are only fantasies. And the Third World is a much more complicated and intricate place...." In the absence of a well-defined radical plan of action, Harrington settles for the "tacky compromises that have to be made to get a crust of bread to the hungry." He concludes that "the worst that could happen to the Third World during the next twenty-five or fifty years would be a catastrophic collapse of western capitalism."

The prime vehicle Harrington endorses—after agonizing questioning and introspection, the process of which is one of the real assets of this book—is the developing nations' own agenda for a New International Economic Order (NIEO). The immediate steps Harrington urges the president to support are increased financial decisionmaking for the Third World; increased aid; debt alleviation; commodity price stabilization; actions to facilitate their industrialization—combined with effective full-employment policies in the United States to accommodate the impact of such concessions. He is convinced the achievement of these demands will incite people to go beyond them over time and to seek more radical solutions—a leap of faith others might not be ready to make.

Harrington warns the reader that his "pessimism" about even these proposals ever being achieved "may be overly optimistic." Given the current debacle of U.S. foreign assistance funding, the lack of progress on international commodity negotiations, and the ever increasing U.S. trend toward protectionism, his pessimism seems justified.

Harrington is on target in stressing the significance of the NIEO agenda. The issues included in it are key to the developing nations and have solid benefits for the United States as well. These need to be further explored, and they need to be brought to the attention of the American public, which is sorely uninformed about them. But Harrington is wrong in putting all his emphasis on NIEO. Although the increased interdependence that would be achieved with the New International Economic Order proposals has merit, other options should be considered. For example, solutions that do not depend on the willingness of the increasingly protectionist developed nations. According to W. Arthur Lewis, political economics professor at Princeton University, the LDCs should not have to be producing primarily for developed country markets.

"They could trade more with each other, and be less dependent on the developed countries for trade. The LDCs have within themselves all that is required for growth. They have surpluses of fuel and of the principal minerals. They have enough land to feed themselves, if they cultivate it properly. They are capable of learning the skills of manufacturing and of saving the capital required for modernization. Their development does not in the long run depend on the existence of the developed countries, and their potential for growth would be unaffected even if all the developed countries were to sink into the sea." This is one avenue of potential Third World development I wish Harrington had explored more deeply. Another is the development experience of a number of the socialist nations that have chosen an isolationist approach.

And the travel journals? They are finally a disappointment. They do reveal the intense feelings of guilt, revulsion, and fear that a Westerner—and particularly one as compassionate as Harrington—experiences in the presence of the extremes of Third World poverty. And they provide useful insight into the development motivations of many of the key planners in those countries. But unfortunately they do not sufficiently capture the reality of this vast majority itself, or lessen the emotional span between the reader and the poor. Robert McNamara's frequent references to "marginal people" and the "absolute poor" has done nothing to increase American empathy for them. Harrington's references to the "wretched of the wretched" will bring them no closer to our hearts.

The impact of poverty, and the solution to it, was made real to me in a slum of Nairobi, when a destitute mother holding her starving child succinctly analyzed her economic plight and her aspirations and concluded by saying, "If I have work, my baby will live. And if I don't, then she is dead." Harrington journeyed to the world's poor, but returned without reporting the voices of such aware people, many of whom are providing inspired and creative local leadership in poor communities. Unless the vast majority of Americans who know little of the economics of poverty, and hear only of the faceless masses, can hear what such *individuals* have to say, there is little hope for action.

American Multinationals and American Interests *by C. Fred Bergsten, Thomas Horst, and Theodore H. Moran*

(Brookings Institution; 535 pp.; $18.95/$8.95)

Thomas N. Thompson

Books that deal with the multinational corporation (MNC) have multiplied in recent years. Most have been written either by unloving critics or by uncritical lovers. The unloving critics pillory all multinational enterprise as a source of pervasive ill, while the uncritical lovers eulogize the global welfare that, in their view, is the end result of multinational enterprise. At last a book on the MNC that is at once comprehensive, rigorous, fair-minded, and even brilliant. Upon publication *American Multinationals and American Interests* became a classic. It is easily the most useful analysis of the MNC available. It is also well written.

MNCs have become a force to reckon with, not only because of the size of American firms, but because of the growth of multinational firms all over the world. Yet, as the authors point out, the U.S. has no consistent, coherent policy toward foreign investment and the MNC. Nor has it ever had one. Bergsten et al. believe the United States must define a clear policy toward multinationals and play a leading role in international economic arrangements, and must do so for reasons beyond America's size and traditional leadership position in the world political economy. First, the U.S. is by far the largest home country for multinational corporations. In 1971 American-based firms accounted for 52 per cent of the stock of all foreign investment. Second, and less widely recognized, the United States is the second largest host country for foreign direct investment. Canada is first, albeit overwhelmingly with U.S. capital.

The book is divided into four sections: analysis, domestic policy, foreign policy, and recommendations for a new MNC policy. The first reviews the literature and develops a number of analytical issues. Classical international investment theory has many shortcomings, the authors believe. Most traditional analyses assume perfect competition, complete knowledge of foreign and domestic investment opportunities, no externalities, no foreign retaliation, perfect substitutability between domestic and foreign investments, full employment, and balance of payments equilibrium. Of course many of these conditions are not met in the real world. World markets are not, for one, perfectly competitive.

The deficiencies in traditional international investment theory help explain why home countries such as the United States have been reluctant to accept laissez-faire policy prescriptions without qualification. The alternative, however, has been an unsatisfactory, eclectic, ad hoc approach. The Treasury Department determines tax and balance of payments policy. The Department of State concerns itself with expropriation policy and aid issues. Other agencies have other functional responsibilities. There is no coordinated program. For example, there has been no coordinated effort by the U.S. Government to promote national economic objectives with an overall policy toward MNCs. This would seem to be a key step in eventually promoting much needed *international* accords where MNCs are involved.

It is easy to understand the difficulties in formulating an overall policy toward the MNC. A central issue in the debate over the MNC is the distribution of costs and benefits arising from foreign direct investment. The distributional issue has two dimensions: distribution of the costs and benefits (a) between home and host countries and (b) among key groups, especially labor and capital, within a country. What is of course striking about distribution issues where the MNC is involved is the complete lack of agreement among interested parties.

It is in this context that the second