



CHASE

**Multinationals Under Siege:
A Threat to the World Economy**

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I AM VERY HAPPY TO BE WITH YOU TODAY, AND DELIGHTED THAT YOU ASKED ME TO DELIVER THE CHAIRMAN'S LECTURE IN MANCHESTER.

CONSIDERING THE CIRCUMSTANCES, IT WAS A MOST MAGNANIMOUS AND FORBEARANT INVITATION. FOR, WITHIN THE PAST WEEK, WE IN THE AMERICAN COLONIES HAVE BEEN UNMANNERLY ENOUGH TO CELEBRATE THE BICENTENNIAL ANNIVERSARY OF THE OCCASION WHEN A BOSTON SILVERSMITH RODE HIS MOUNT THROUGH OUR STREETS AND BYWAYS WITH THE RAUCOUS CRY OF, "THE BRITISH ARE COMING! THE BRITISH ARE COMING!" THEREFORE I WOULD HAVE DEEMED IT ONLY SIMPLE JUSTICE HAD MY ARRIVAL HERE BEEN GREETED BY A MOUNTED MANCUNIAN, CRYING OUT, JUST AS INDECOROUSLY, "THE AMERICANS ARE COMING! THE AMERICANS ARE COMING!"

ON A LESS IRREVERENT NOTE, IT IS ALTOGETHER FITTING THAT A TALK ON THE WORLD ECONOMY BE GIVEN IN THIS CITY. MANCHESTER AND THE NORTH OF ENGLAND, AS BRITAIN'S INDUSTRIAL CENTER, VIRTUALLY CRADLED THE INDUSTRIAL REVOLUTION, WHICH SHAPED SO MUCH OF THE WORLD AS WE KNOW IT TODAY.

AS A FOCAL POINT FOR THE UNITED KINGDOM'S FOREIGN TRADE, MANCHESTER IS AT ONCE VERY MUCH A PART OF BRITAIN AND VERY MUCH A PART OF THE LARGER WORLD OUTSIDE. IN OUR LIFETIMES, THOSE TIES WITH THE WORLD HAVE INCREASED MANY TIMES OVER. GIVEN THE COURAGE AND WISDOM WE NOW REQUIRE, THEY WILL GROW EVEN GREATER AND MORE IMPORTANT FOR ALL OF US.

AS THE WORLD ECONOMY HAS BECOME MORE AND MORE INTERDEPENDENT, THERE WERE BOUND TO BE A NUMBER OF DISLOCATIONS AND NEEDED ADJUSTMENTS. BUT THE FAR GREATER PERIL NOW LIES IN A DIMINUTION, A PULLING BACK FROM THAT INTERDEPENDENCE AND FROM THE SPIRIT OF ACCOMMODATION THAT IT HAS HELPED BRING ABOUT. WE HAVE RECENTLY HAD A SAMPLING OF WHAT CAN HAPPEN WHEN THAT SPIRIT OF ACCOMMODATION IS DISRUPTED, IN THE UNILATERAL ACTION OF THE OPEC

OIL CARTEL. AS AN EXAMPLE TO OTHERS, IT IS BOTH DANGEROUS AND DISCONCERTING.

THE DANGERS ARE VERY REAL AND EVER-PRESENT. FOR, AS WE MEET HERE, THE WORLD AND ITS ECONOMY ARE AT SOMETHING OF A CROSSROADS. ON THE ONE HAND ARE THE BRIGHT PROSPECTS OF GREATER COOPERATION, OF MATCHING THE STILL UNMET NEEDS OF MANY OF THE WORLD'S PEOPLE WITH ITS CAPACITY TO PRODUCE AND TO FILL THOSE NEEDS. AND ON THE OTHER HAND ARE THE INCREASING THREATS TO THE EXPANSION OF TRADE AND TO THE EMERGENCE OF A GENUINE WORLD ECONOMY. HANGING IN THE BALANCE, IT SEEMS TO ME, ARE NOT ONLY THE HIGHER LIVING STANDARDS THAT HAVE BEEN ATTAINED OVER THE PAST TWO DECADES AND THAT ARE YET TO BE ATTAINED, BUT ALL OUR BEST PROSPECTS FOR MAINTAINING PEACE AMONG NATIONS.

WE CAN NO LONGER DISCUSS THE WORLD ECONOMY WITHOUT CONSIDERING ITS MOST VISIBLE AND FASTEST-GROWING COMPONENT -- THE MULTINATIONAL CORPORATION. ITS CONTRIBUTION TO ECONOMIC GROWTH HAS BEEN IMMENSE. YET, FROM A MULTIPLICITY OF QUARTERS, MULTINATIONAL ENTERPRISE NOW FINDS ITSELF UNDER SIEGE.

THE BATTLE IS STILL IN ITS EARLY STAGES. BUT ON ITS OUTCOME WILL REST A CRITICAL DECISION -- WHETHER WE WILL PERMIT NATURAL FORCES TO WORK, SO THAT MULTINATIONALS CAN PLAY AN EVER-LARGER PART IN WORLD DEVELOPMENT, OR WHETHER WE WILL PLACE THEM UNDER CRIPPLING CONSTRAINTS THAT WILL DIMIN THEIR INFLUENCE AND THEIR CAPACITY TO LIFT THE LEVELS OF WORLD PROSPERITY.

I FIND THIS STRUGGLE VERY STRANGE INDEED. FOR THE MULTINATIONALS HAVE ALREADY ACCOMPLISHED MUCH THAT IS DESIRABLE, ALONG WITH GREAT POTENTIALS FOR ACHIEVING EVEN MORE. THEY ARE THE MOST IMPORTANT INSTRUMENTS IN THE UNPRECEDENTED EXPANSION THAT HAS TAKEN PLACE IN WORLD TRADE. THEY HAVE SUCCEEDED IN BREAKING DOWN ONCE INSUPERABLE CULTURAL BARRIERS. THEY HAVE BROADENED THE SCOPE OF OPPORTUNITY, BOTH FOR INDIVIDUALS AND FOR NATIONS, THROUGH THE TRANSFER OF TECHNOLOGY AND THROUGH TRAINING IN MANAGEMENT SKILLS.

NEVERTHELESS, MULTINATIONAL COMPANIES ARE NOW COMING UNDER THE FIERCEST KIND OF POLITICAL AND RHETORICAL ASSAULT -- FROM ACADEMICIANS, FROM WRITERS, FROM LEFT-LEANING ECONOMISTS, AND FROM POLITICIANS.

WHAT IS MOST PERPLEXING IS THAT A LARGE PART OF THE CRITICISM IS MADE IN THE NAME OF THE LIBERAL TRADITION, OR COMES FROM THOSE WHO SUPPOSEDLY UPHOLD THAT TRADITION. YET THESE CRITICS PUT FORWARD THE MOST ILLIBERAL IDEAS -- ISOLATIONISM AND NARROW NATIONALISM, FOR EXAMPLE, IN PLACE OF THE GROWING INTERNATIONALISM AND ECONOMIC COOPERATION WE HAVE EXPERIENCED FOR TWO DECADES AND MORE.

THE CONSEQUENCES OF WHAT THEY PROPOSE CAN ONLY BE A MOUNTING PAROCHIALISM, A CONTINUATION OF THE POLITICAL FRAGMENTATION THE WORLD HAS BEEN EXPERIENCING FOR SEVERAL DECADES, AND AN ATMOSPHERE THAT KEEPS GROWING HEAVIER WITH SUSPICION AND DISTRUST. THIS IS NOT LIBERALISM, BUT ITS ANTITHESIS. I SUBMIT THAT IT HAS BEEN THE MULTINATIONAL COMPANIES, NOT THEIR ADVERSARIES, THAT HAVE BROUGHT ABOUT A GREAT DIFFUSION THROUGHOUT THE WORLD OF SOME OF THE MOST DEEP-SEATED TRADITIONS OF LIBERALISM.

SOME OF THE MOST SEARCHING SCRUTINY OF MULTINATIONALISM HAS COME FROM A GREAT VARIETY OF NATIONAL AND INTERNATIONAL BODIES. NEW ARMS OF THE UNITED NATIONS SOCIAL AND ECONOMIC COUNCIL HAVE BEEN FORMED, FOR EXAMPLE, TO STUDY OR MONITOR VARIOUS FACETS OF MULTINATIONAL COMPANIES AND THEIR ACTIVITIES. OTHERS THAT ARE CONDUCTING INQUIRIES INCLUDE VARIOUS WORKING PARTIES AND COMMITTEES OF THE OECD -- THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT -- THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, THE COMMISSION OF THE EUROPEAN ECONOMIC COMMUNITY, A SUBCOMMITTEE OF THE UNITED STATES SENATE, AND ACADEMIC CENTERS IN MANY COUNTRIES, INCLUDING THE UNITED KINGDOM.

IT IS NOT SURPRISING, OF COURSE, THAT THE WORLD AND WORLD ORGANIZATIONS SHOULD TAKE NOTE OF MULTINATIONAL ENTERPRISE, ITS ACHIEVEMENTS, AND ITS GROWING IMPACT ON THE INTERNATIONAL ECONOMY. WHAT IS SURPRISING, HOWEVER, IS THE STRONG TONE OF HOSTILITY AND DISTRUST THAT THE MAJORITY OF THESE ORGANIZATIONS DISPLAY IN THEIR STUDIES AND REPORTS.

ALTHOUGH MANY OF THESE REPORTS CAN BE CHARACTERIZED AS "REFORMIST," RATHER THAN "ABOLITIONIST," A PERSISTENT BIAS IS EVIDENT IN MOST OR ALL OF THEM. THE PUBLISHED DOCUMENTS FREQUENTLY OPEN WITH A BOW TO THE ACCOMPLISHMENTS AND CAPABILITIES OF MULTINATIONAL CORPORATIONS. THESE CAPABILITIES ARE THEN SOMEHOW TRANSLATED INTO THE NOTION OF THE GREAT POWER THAT MULTINATIONALS POSSESS, ALONG WITH THE EXERCISE OF THAT POWER IN AN ADVERSARY MANNER WITH RESPECT TO DEVELOPING NATIONS.

WHAT FOLLOWS, NATURALLY, ARE LONG LISTS OF SUGGESTED MEASURES, INTENDED TO CURB OR CONTROL THOSE POWERS. SOMETIMES THE RECOMMENDATIONS ARE BASED ON ISOLATED INSTANCES OF MULTINATIONALS' MISCONDUCT, SOMETIMES THEY DEAL ONLY WITH POTENTIAL MISCONDUCT, BUT NEVER DO THEY RECOGNIZE ANY MISCONDUCT ON THE PART OF THE NATIONS. IF CARRIED OUT BY THE COUNTRIES OR BY INTERNATIONAL BODIES, THESE RECOMMENDATIONS WOULD SURELY SPUR A PRUDENT CORPORATE MANAGEMENT TO RETREAT TO THE SAFE CONFINES OF ITS HOME COUNTRY -- OR AT LEAST TO MAKE NO FURTHER COMMITMENTS TOWARD OVERSEAS INVESTMENT.

WHAT EMERGES ESSENTIALLY FROM THESE STUDIES IS A
PREDISPOSITION TO FAVOR GOVERNMENT INVOLVEMENT OVER PRIVATE
INITIATIVE, AND TIGHT REGULATION OVER AN OPEN AND FREE ECONOMY.
NOW I AM AWARE THAT I AM SPEAKING IN A COUNTRY WHOSE GOVERNMENT
ALSO DISPLAYS A MARKED PREFERENCE FOR GOVERNMENT REGULATION,
EVEN OWNERSHIP, OF MANY ACTIVITIES ONCE LEFT PRIMARILY TO PRIVATE
CONTROL AND DECISION-MAKING. BUT YOURS IS ALSO A COUNTRY WITH A
VERY VITAL STAKE IN INTERNATIONAL COMMERCE -- AND INDEED IN
MULTINATIONALISM ITSELF.

IT IS TRUE, OF COURSE, THAT THE UNITED STATES IS
RESPONSIBLE FOR HALF OR MORE THAN HALF OF THE WORLD'S TOTAL
DIRECT INVESTMENT IN FOREIGN ENTERPRISES. BUT BRITAIN RANKS SECOND
IN THAT RESPECT.

IT MIGHT ALSO BE POINTED OUT THAT MUCH OF WHAT WE
AMERICANS KNOW ABOUT INTERNATIONAL BUSINESS, WE LEARNED FROM YOU.
THE GREAT FORBEARER OF TODAY'S MULTINATIONALS WAS THE BRITISH EAST
INDIA COMPANY, WHICH IN ITS DAY DOMINATED A GREATER PROPORTION OF
WORLD TRADE AND INVESTMENT THAN ANY CORPORATION YOU COULD NAME TODAY.

OUR FIRST PERMANENT SETTLEMENTS IN AMERICA WERE THOSE ESTABLISHED BY TWO EARLY MULTINATIONAL ENTERPRISES -- THE LONDON COMPANY AND THE PLYMOUTH COMPANY. BRITAIN IN THE LAST CENTURY PROVIDED A SUBSTANTIAL PART OF THE CAPITAL THAT BUILT AMERICA'S RAILROADS AND UTILITIES -- SOMETIMES TO THE PROFIT OF THE INVESTORS, AND SOMETIMES TO THEIR SORROW AND DISENCHANTMENT, WHEN BONDS WERE DEFAULTED.

EVEN TODAY, MANY OF YOUR MULTINATIONAL COMPANIES OWN SIZABLE SEGMENTS OF OUR ECONOMY. BRITISH PETROLEUM COMES TO MIND, FOR EXAMPLE, WITH ITS STAKE IN OUR ALASKAN OIL THAT SHOULD EVENTUALLY AMOUNT TO SOME 2.6 BILLION BARRELS IN RESERVES.

IT SEEMS TO ME THAT THE INTERESTS OF YOUR COUNTRY AND MINE IN THIS MATTER ARE MORE COMMON THAN THEY ARE DISPARATE. I BELIEVE THAT YOU SHOULD BE AS ALARMED AS I AM ABOUT THE WIDESPREAD ATTENTION BEING GIVEN TO SOME OF THE NEW PUBLICATIONS ON MULTINATIONAL ENTERPRISE. SOME OF THEM, THINLY DISGUISED AS RESPECTABLE SCHOLARSHIP, ARE NO MORE THAN COLLECTIONS OF INNUENDO, HALF-TRUTHS, DISTORTION, AND OUTRIGHT FALSEHOOD. THEIR BROAD

CONCLUSIONS ARE OFTEN THE SAME AS THEIR STARTING PREMISE -- THAT IS TO SAY, A DISTRUST OF FREE ENTERPRISE AND THE FREE MARKET ECONOMY.

WHAT STRIKES ME FORCIBLY IS THAT SOME SORT OF PATTERN SEEMS TO CHARACTERIZE THESE CRITICISMS. FOR A LONG TIME, THE MOST CONFIRMED CRITICS OF CAPITALISM HAVE BEEN STRIKING HARDEST, NOT AT ITS WEAKNESSES, BUT AT ITS STRENGTHS -- AND TRYING TO GIVE THEM THE APPEARANCE OF WEAKNESS. LET US EXAMINE THIS PHENOMENON BY LOOKING BACK A FEW YEARS.

THE UNITED STATES ENTERED THE POSTWAR PERIOD WITH A PROFOUND COMMITMENT TOWARD INCREASED INTERNATIONALISM. WE FAVORED AN EARLY END TO COLONIALISM; WE WERE LEADING PROPONENTS OF NATIONAL SELF-DETERMINATION; AND WE UNDERTOOK THE MAMMOTH TASKS BOTH OF HELPING TO REBUILD WAR-TORN NATIONS AND OF PROVIDING DEVELOPMENT ASSISTANCE TO WHAT WERE THEN CALLED THE "BACKWARD" COUNTRIES.

IT WAS A COSTLY AND DIFFICULT COMMITMENT, EVEN FOR A STRONG AND WEALTHY NATION. YET IT WAS CARRIED OUT AND EXPANDED BY NATIONAL ADMINISTRATIONS UNDER BOTH OF OUR MAJOR POLITICAL PARTIES, AND IT ENJOYED THE BROAD SUPPORT OF THE AMERICAN PEOPLE.

THESE EFFORTS AND INITIATIVES -- THE MARSHALL PLAN, POINT FOUR, A.I.D. PROGRAMS -- WERE GENERALLY QUITE SUCCESSFUL IN ACCOMPLISHING THEIR MISSIONS. FIRST FRANCE AND ENGLAND, THEN GERMANY AND JAPAN AND ITALY WERE HELPED UP FROM THE ASHES OF WAR. LIVING STANDARDS ROSE IN MUCH OF THE REST OF THE WORLD. IN THE EMERGING AND NEWLY-INDEPENDENT NATIONS, MILLIONS UPON MILLIONS WERE BROUGHT FROM A LIFE OF BARTER AND SUBSISTENCE INTO THE CASH ECONOMY. THEY WERE ABLE TO BUY AND ENJOY THE KINDS OF THINGS THAT, FOR UNTOLD GENERATIONS, THEIR FAMILIES HAD DONE WITHOUT -- FARM PLOWS, BICYCLES, SEWING MACHINES, AND THAT UNIVERSE-CONSTRICTING MARVEL OF MODERN TECHNOLOGY, THE TRANSISTOR RADIO. AND PERHAPS I SHOULD NOTE THAT THE FORMER BRITISH COLONIES, WHICH HAD BEEN GIVEN MUCH TRAINING IN SELF-GOVERNMENT, WERE ABLE TO MOVE OUT ON THEIR OWN MOST READILY AND EASILY.

CURIOUSLY ENOUGH, IT WAS THESE SUCCESSES THAT TIME AND AGAIN BROUGHT ON THE BITTEREST OPPOSITION OF AMERICA'S CRITICS. AT FIRST, MUCH OF THE CRITICISM AMOUNTED TO NO MORE THAN THE GRUMBLINGS AND POSTURINGS OF OUR COLD WAR ADVERSARIES -- A KIND OF SULKING FOR THE PROPAGANDISTIC RECORD. BUT GRADUALLY, OTHER DISSIDENT VOICES WERE HEARD, INITIALLY IN WESTERN EUROPE AND THEN, DURING THE 1960's, IN A MOUNTING WAVE OF PROTEST FROM THE LESS-DEVELOPED COUNTRIES, NOW KNOWN AS THE THIRD WORLD, AND FROM WITHIN THE UNITED STATES ITSELF.

NOW DISSENT, SHORT OF PHYSICAL VIOLENCE AND GROSS INCIVILITY, IS SURELY NECESSARY AND HEALTHY IN A DEMOCRACY. BUT I HAVE LONG BEEN DISTURBED BY PROTESTS, DELIVERED UNDER THE BANNERS OF EGALITARIANISM AND LIBERALISM, THAT STRUCK AT THE VERY HEART OF THOSE PROGRAMS AND INSTITUTIONS THAT ACTUALLY NURTURED GREATER OPPORTUNITY AND BROAD-SCALE ECONOMIC ADVANCE IN THE WORLD SOCIETY.

THESE SUCCESSES HAVE BEEN THE MORE REMARKABLE IN THE FACE OF THE FAILURE OF THE FAMILY OF NATIONS TO ACHIEVE ANYTHING RESEMBLING A UNIFIED WORLD POLITY. INDEED, THE UNITED NATIONS HAS LARGELY

REDUCED ITSELF TO A FORUM FOR THE EXPRESSION AND PROMOTION OF NARROW NATIONAL OR BLOC INTERESTS, RATHER THAN THE BROAD HUMAN INTERESTS ITS CHARTER PROCLAIMS.

TODAY THOSE BROAD INTERESTS ARE BEING SERVED BEST IN ECONOMIC TERMS WHERE FREE MARKET FORCES ARE ABLE TO TRANSCEND NATIONAL BOUNDARIES. NEVERTHELESS, THE CHIEF INSTRUMENT OF THIS PROGRESS, MULTINATIONAL ENTERPRISE, IS NOW COMING UNDER THE DETERMINED ONSLAUGHT OF THOSE WHO, EITHER FROM IGNORANCE OR DESIGN, ARE ARRAYING THEMSELVES IN OPPOSITION TO FREEDOM.

IN MANY QUARTERS -- POLITICAL, ACADEMIC, LITERARY, AND JOURNALISTIC -- THE MULTINATIONAL COMPANY HAS BECOME THE TARGET OF A NEW DEMONOLOGY. IF THIS SOUNDS LIKE PARANOIA, I CAN AT LEAST CLAIM SOME GOOD COMPANY AMONG BOTH BRITISH AND AMERICAN OBSERVERS. IN HIS RECENT MERCANTILE CREDIT LECTURE, SIR RONALD EDWARDS SAID MULTINATIONALS NOW OCCUPY FOR MANY PEOPLE " A PLACE ROUGHLY EQUIVALENT TO THAT OF SATAN" IN MEDIEVAL TIMES. PETER DRUCKER, WRITING IN FOREIGN AFFAIRS, FOUND IT ENTIRELY WITHIN THE REALM OF POSSIBILITY THAT THE MULTINATIONALS MIGHT BE "SEVERELY DAMAGED

AND PERHAPS EVEN DESTROYED WITHIN THE NEXT DECADE." AND IN A MUCH-DISCUSSED ARTICLE IN COMMENTARY, DANIEL MOYNIHAN, RECENTLY OUR AMBASSADOR TO INDIA, NOTED THAT RADICAL POLITICIANS SEEM TO RESERVE A SPECIAL VENOM IN INVEIGHING AGAINST " THE ACHIEVEMENTS OF LIBERAL PROCESSES." ONE OF THOSE ACHIEVEMENTS, HE SAYS, IS THE MULTINATIONAL COMPANY, WHICH "IS ARGUABLY THE MOST CREATIVE INTERNATIONAL INSTITUTION OF THE 20TH CENTURY."

I THINK IT WOULD BE WORTH OUR WHILE TO CONSIDER SOME OF THE CRITICISM OF MULTINATIONAL ENTERPRISE, AND THEN TO LOOK DISPASSIONATELY AT WHAT THE REAL FACTS ARE. AMONG THE MOST COMMONLY-VOICED CHARGES ARE THESE:

1. THE MULTINATIONALS EXPORT HOME COUNTRY JOBS BY MEANS OF "RUNAWAY" PLANTS THAT MOVE THEIR MANUFACTURING OPERATIONS ABROAD AND THEN EXPORT THE PRODUCTION BACK HOME.
2. MULTINATIONALS EXPLOIT LESS-DEVELOPED COUNTRIES BY TAKING THEIR NATURAL RESOURCES, UNDERPAYING THEIR LABOR, AND PRE-EMPTING THEIR SCARCE CAPITAL.

3. MULTINATIONALS ARE RESPONSIBLE FOR THE GROWTH OF
MONOPOLY AND MONOPOLISTIC PRACTICES.

4. MULTINATIONALS MANIPULATE CURRENCIES, CAUSING MONETARY
INSTABILITY, AND USE "VARIABLE TRANSFER PRICING"
AMONG THEIR SUBSIDIARIES TO AVOID TAXES AND THUS
MAXIMIZE PROFITS.

5. MULTINATIONAL COMPANIES INTERFERE WITH AND DIMINISH
THE SOVEREIGNTY OF NATION-STATES, PRINCIPALLY BY
MAKING IMPORTANT ECONOMIC DECISIONS ELSEWHERE.

LET US LOOK, FIRST, AT THE MATTER OF EXPORTING JOBS.

EVERY RELIABLE STUDY -- AND THERE HAVE BEEN QUITE A FEW -- CONCLUDES
THAT JUST THE OPPOSITE IS TRUE. FAR FROM SENDING JOBS OUT OF THE
HOME COUNTRY, THE EXTERNAL ACTIVITIES OF MULTINATIONAL COMPANIES
ACTUALLY CREATE HUNDREDS OF THOUSANDS OF ADDITIONAL JOBS AT HOME.

THIS COMES ABOUT WHEN MULTINATIONALS EXPORT INCREASING
AMOUNTS OF GOODS TO OTHER COUNTRIES. IN 1970, FOR EXAMPLE,
MULTINATIONAL FIRMS ACCOUNTED FOR JUST OVER HALF OF TOTAL U.S.
EXPORTS OF \$42 BILLION, AND MORE THAN 40 PERCENT OF THEIR EXPORTS --
ALMOST \$9 BILLION -- WENT TO THEIR OWN OVERSEAS SUBSIDIARIES.

AS FAR AS IMPORTS ARE CONCERNED, IT IS CLEAR THAT MOST OF THE OVERSEAS PRODUCTION OF MULTINATIONAL COMPANIES IS DESTINED FOR OTHER THAN THEIR HOME COUNTRY MARKETS, MAINLY IN THE COUNTRIES WHERE THE GOODS ARE MANUFACTURED. INDEED, THE ABILITY TO SERVE AND CONTINUE TO SERVE OVERSEAS MARKETS HAS BEEN THE PRINCIPAL STIMULUS TO MULTINATIONAL GROWTH. EVEN ASIDE FROM SUCH CONSIDERATIONS AS TARIFF AND NON-TARIFF BARRIERS, THERE IS THE MATTER OF LOCAL NEEDS AND PREFERENCES. SOME BRITISH PRODUCTS APPEAL TO AMERICAN TASTES AND SOME DO NOT. AND CERTAINLY OUR AUTOMOBILES WOULD HAVE A DIFFICULT TIME OF IT ON YOUR ROADS.

NEXT, THE ISSUE OF EXPLOITING LESS-DEVELOPED COUNTRIES AND THEIR POOLS OF LOW-COST LABOR.

THE CRITICS SELDOM BOTHER TO MENTION WHAT MIGHT HAPPEN TO THOSE LABOR POOLS IF THESE JOBS WERE NOT PROVIDED. INDEED, THE PRINCIPAL COMPLAINT OF LESS-DEVELOPED COUNTRIES IS NOT THAT WE ARE EXPLOITING THEM, BUT THAT WE HAVE BEEN NEGLECTING THEM IN MAKING OUR INVESTMENTS. THE FACTS ARE THAT THE GREAT BULK OF THE OVERSEAS INVESTMENT BY MULTINATIONALS IS IN DEVELOPED, RATHER THAN UNDERDEVELOPED, COUNTRIES, AND IN HIGH-WAGE, RATHER THAN

LOW-WAGE INDUSTRIES. TWO-THIRDS OF U.S. DIRECT INVESTMENT ABROAD SINCE WORLD WAR II HAS BEEN IN WESTERN EUROPE, ALMOST ALL OF IT IN TECHNOLOGICALLY SOPHISTICATED, NON-EXTRACTIVE INDUSTRIES.

AND OF ALL THE DIRECT FOREIGN INVESTMENT IN THE UNITED STATES AS OF 1973, MORE THAN 30 PERCENT REPRESENTED BRITISH INTERESTS.

IT IS ALSO INTERESTING TO NOTE THAT THE CHIEF OIL-PRODUCING COUNTRIES, NOW CAST SO ABRUPTLY IN THE ROLE OF MAJOR INVESTORS, HAVE LOOKED ALMOST SOLELY TOWARD THE DEVELOPED ECONOMIES IN WHICH TO PLACE THEIR FUNDS, AND HARDLY AT ALL TO THE LESS-DEVELOPED COUNTRIES.

THE REAL POINT IS THAT MOST MULTINATIONAL INVESTMENTS TEND TO BE MADE WHERE THE MARKETS ARE AND WHERE THE PROSPECTS FOR EARNINGS GROWTH ARE GREATEST. WITH ALL DUE DEFERENCE TO THE GREATER NEEDS OF THE DEVELOPING COUNTRIES, MOST OF THEM SIMPLY DO NOT OFFER THE KIND OF ATTRACTIVE INVESTMENT OPPORTUNITIES ASSOCIATED WITH SIZABLE MARKETS.

IT IS TRUE THAT MULTINATIONALS TRY TO GET AND OFTEN DO GET MUCH OF THEIR CAPITAL FINANCING NEEDS FROM WITHIN THE COUNTRIES IN WHICH THEY INVEST, AS THE CRITICS CHARGE. BUT HERE A SUPERFICIAL

APPEARANCE IS USED TO TWIST A VIRTUE INTO A SUPPOSED VICE. THE REAL CONTRIBUTION OF A MULTINATIONAL COMPANY TO A DEVELOPING ECONOMY IS ITS ABILITY TO MOBILIZE LOCAL RESOURCES -- CAPITAL, RAW MATERIALS, AND HUMAN CAPABILITIES -- IN A WAY THAT WILL TRIGGER MORE GROWTH IN THE DOMESTIC ECONOMY.

CAPITAL NEED NOT BE STATIC, AND AVAILABLE ONLY IN FIXED QUANTITIES. A HEALTHY INDUSTRY MAKES CAPITAL DYNAMIC, BY GENERATING MORE AND MORE CAPITAL. MOST OF THE CAPITAL USED TO EXPAND THE INSTALLATIONS OF MULTINATIONAL COMPANIES HAS COME FROM ON-THE-SPOT REINVESTMENT OF THEIR LOCAL EARNINGS. WITHOUT THE STIMULUS PROVIDED BY MULTINATIONAL COMPANIES, MOST NATIONS IN THE DEVELOPING WORLD WOULD NOT BENEFIT TODAY FROM THE FRUITS OF MODERN INDUSTRIAL SOCIETY.

THE NEXT CRITICISM I WILL TOUCH ON IS THAT OF MULTINATIONALS AND MONOPOLY -- OR, TO USE A FAVORITE WORD OF MANY ECONOMISTS, OLIGOPOLY.

AS YOU KNOW, OF COURSE, OLIGOPLOY REFERS TO THE DOMINANCE OF AN INDUSTRY BY A HANDFUL OF COMPANIES. AND IT GROWS OUT OF THE FACT THAT SOME MODERN INDUSTRIES REQUIRE SUCH LARGE CAPITAL INVESTMENTS THAT IT WOULD BE ECONOMICALLY WASTEFUL TO HAVE MORE THAN A FEW FIRMS ENGAGED IN THEM. BUT TO PUT THIS MATTER IN BETTER PERSPECTIVE, WE NEED TO LOOK AT SUCH INDUSTRIES OVER THE LONG TERM.

WE CAN SEE, THEN, THAT DIFFERENT COMPANIES HAVE MOVED IN AND OUT OF LEADERSHIP, THAT THERE ARE ALMOST ALWAYS ONE OR TWO LESS EFFICIENT COMPANIES LAGGING BEHIND THE OTHERS, THAT SOME HAVE DROPPED OUT AND BEEN REPLACED BY NEW ONES. EVEN SOME INDUSTRIES, UNABLE TO COMPETE, HAVE FADED AWAY. IT MAY BE TOO BAD, BUT WE NO LONGER HAVE MUCH USE FOR CLIPPER SHIPS OR COVERED WAGONS. NOR, AS THE ECONOMIST'S NORMAN MACRAE HAS SO MISCHIEVOUSLY POINTED OUT, ARE DOLLARS NEEDED ANY LONGER TO PLUG UP EUROPE'S DOLLAR GAP.

BEFORE WORLD WAR II, IT WAS COMMON FOR LARGE FIRMS IN HIGHLY-CONCENTRATED INDUSTRIES, ESPECIALLY IN EUROPE, TO FORM CARTELS AND TO ALLOCATE MARKETS ON A GEOGRAPHICAL BASIS. BUT THE COMPANIES THAT MOVED TOWARD WORLD LEADERSHIP AFTER THE WAR, PARTICULARLY THE AMERICAN COMPANIES, HAD A MUCH MORE COMPETITIVE BACKGROUND AND ETHOS. THEY SHOWED LITTLE INTEREST IN CARTELIZATION OF INDUSTRIES, AND EUROPEAN FIRMS WERE SOON FOLLOWING THEIR LEAD TOWARD FREER COMPETITION.

SPEAKING OF CARTELS, IT HAS BEEN FASCINATING FOR ME TO OBSERVE THAT ONE POINT SEEMS TO HAVE BEEN OVERLOOKED IN ALL THE RECENT TALK ABOUT PROFIT-HUNGRY, MONOPOLISTIC OIL COMPANIES. THE POINT IS THIS: THE WORLD PRICE OF OIL, WHEN THE COMPANIES OWNED IT, WAS AROUND \$2 TO \$2.50 A BARREL. BUT WHEN THE COUNTRIES TOOK OVER THE PRODUCTION FACILITIES THE COMPANIES HAD INSTALLED, THE WORLD PRICE BALLOONED TO \$10, \$11, AND \$12 A BARREL. NOT MONOPOLY, BUT KEEN COMPETITION, IS A WAY OF LIFE FOR MULTINATIONAL CORPORATIONS TODAY.

THE NEXT ACCUSATION AGAINST MULTINATIONALS IS THAT OF VARIABLE PRICING AND CURRENCY MANIPULATION. IT IS CHARGED, FOR EXAMPLE, THAT A MULTINATIONAL COMPANY IS ABLE TO SET A LOW PRICE FOR ITS EXPORTS TO A COUNTRY WHERE TAXES ARE LOW, IN ORDER TO INCREASE PROFITS THERE, AND A CORRESPONDINGLY HIGH PRICE TO A COUNTRY WHOSE TAXES ARE HIGH.

THE TRUTH OF THE MATTER IS THAT VARIABLE TRANSFER PRICING IS NEITHER VERY COMMON NOR VERY DIFFICULT TO CONTROL. AS JOHN DUNNING, OF THE UNIVERSITY OF READING, HAS POINTED OUT, THERE IS ONLY LIMITED OPPORTUNITY FOR SUCH TRANSFER PRICING OF GOODS IN EUROPE, ALTHOUGH IT IS EASIER TO MANIPULATE THE PRICES OF SERVICES IN THIS WAY. MOST GOVERNMENTS, HOWEVER, HAVE LAWS REQUIRING REASONABLE PRICING OF IMPORTS AND EXPORTS. INDEED, IN THE UNITED STATES OUR TAXING AUTHORITIES ARE EMPOWERED TO MAKE ARBITRARY ALLOCATIONS OF INCOME AND DEDUCTIONS WHERE THEY BELIEVE THERE HAS BEEN PRICING TO AVOID TAXES.

AS FOR THE SHIFTING OF CURRENCIES BY THE TREASURERS OF MULTINATIONAL COMPANIES, I SUSPECT THAT A GOOD DEAL OF THIS HAS TAKEN PLACE -- BUT AS A LEGITIMATE AND NECESSARY PART OF CONDUCTING BUSINESS. A COMPANY TREASURER, TO SAFEGUARD CORPORATE FUNDS, IS CHARGED WITH THE RESPONSIBILITY OF TAKING STEPS TO PROTECT THE CORPORATION FROM THE RISKS OF DEVALUATION. THIS IS NOT A QUESTION OF SPECULATION, AS SOME HAVE CHARGED, BUT ONE OF SOUND MONEY MANAGEMENT.

AT TIMES, OF COURSE, LEGITIMATE CURRENCY DEALING CAN EXACERBATE THE CURRENCY PROBLEMS OF NATIONS. BUT THE ROOT OF THE PROBLEM IS NOT IN THE FOREIGN EXCHANGE OPERATIONS OF MULTINATIONAL COMPANIES, BUT RATHER IN UNDISCIPLINED DOMESTIC ECONOMIC POLICIES ON THE PART OF THE NATIONS WHOSE CURRENCIES ARE IN TROUBLE. COMPANIES HAVE TO WORK WITHIN THE FRAMEWORK OF ECONOMIC AND POLITICAL FORCES FAR OUTSIDE THEIR CONTROL.

FINALLY, THERE IS THE COMPLAINT THAT MULTINATIONAL COMPANIES INTERFERE WITH THE SOVEREIGNTY OF NATIONS, PARTICULARLY WITH RESPECT TO DECISIONS MADE OUTSIDE THE HOST COUNTRY WITH REGARD

TO SUCH MATTERS AS INVESTMENTS AND PRODUCTION LEVELS, WHICH IN TURN AFFECT JOBS, INCOMES, AND POSSIBLY EVEN MONETARY AND FISCAL POLICIES. THE FACT IS THAT SUCH DECISIONS ARE NOT A SUBJECT OF WHIM, BUT RATHER OF MARKET FORCES, INCLUDING THOSE INVOLVING RISK AND LONG-TERM EARNINGS POTENTIALS.

SOVEREIGNTY TODAY IS A DIFFICULT AND CHANGING CONCEPT. YOU CANNOT HAVE COMPLETE NATIONAL SOVEREIGNTY AND AT THE SAME TIME SERVE THE BEST INTERESTS OF A NATION'S PEOPLE. OF COURSE MULTINATIONALS MOVE GOODS AND CAPITAL AND TECHNOLOGY ACROSS BORDERS AS FREELY AS THEY ARE ABLE. BUT IN DOING SO THEY ARE PROVIDING REAL BENEFITS TO THE COUNTRIES THEMSELVES BY MAKING GOODS AVAILABLE AT LOWER PRICES.

TODAY IT IS NOT UNUSUAL FOR THE ACTION OF ONE NATION TO INFLUENCE THE AFFAIRS OF OTHERS IN COUNTLESS WAYS. WITHOUT WISHING TO TAKE PART IN YOUR OWN CURRENT DEBATE ABOUT THE EUROPEAN ECONOMIC COMMUNITY, I WOULD STILL MAKE THE POINT THAT THE EEC COULD NOT FUNCTION AT ALL IF ITS MEMBERS WERE NOT WILLING TO POOL A PART OF THEIR OWN SOVEREIGNTY. THEIR RELUCTANCE TO DO SO, IN MY

OPINION, IS THE PRINCIPAL REASON THE COMMUNITY HAS NOT MADE MORE RAPID PROGRESS THAN IT HAS. EVEN THE SOVIET UNION HAS FOUND THAT IT NEEDS THE REST OF THE WORLD FOR CAPITAL, FOR TECHNOLOGY, FOR MANAGERIAL SKILLS, BUT THAT IT CAN'T DRAW THE FULL DIVIDENDS FROM THESE EXCHANGES WITHOUT WEAKENING ITS TIGHT POLITICAL CONTROL OVER THE INDIVIDUAL CITIZEN. THIS IS A DILEMMA WITH WHICH THEY ARE CONSTANTLY CONFRONTED.

IN ANY EVENT, IT SHOULD NOT BE ASSUMED THAT MULTINATIONALS CAN CARRY OUT ANY ACTIVITY REGARDLESS OF NATIONAL ASPIRATIONS. NATIONS THAT FEEL SOME CONCERN ABOUT AN EROSION OF THEIR SOVEREIGN POWERS HAVE MANY MEANS FOR SAFEGUARDING THEMSELVES. ONCE A COMPANY HAS INVESTED ITS FUNDS AND MANAGERIAL SKILLS IN A MULTINATIONAL PROJECT, IT IS THE HOST COUNTRY THAT HAS THE POWER TO CHANGE THE RULES OF THE GAME. IT CAN RAISE TAXES AND SOCIAL WELFARE CHARGES, WITHHOLD EXPORT LICENSES, BLOCK REPATRIATION OF FUNDS, OR DENY POLICE PROTECTION TO PICKETED PLANTS. AND THE NATION IS SOLE POSSESSOR OF THOSE ULTIMATE WEAPONS IN THE ASSERTION OF SOVEREIGNTY -- THE THREAT OF EXPROPRIATION AND EXPROPRIATION ITSELF.

THE REAL POINT, HOWEVER, LIES IN MUTUAL BENEFITS, AND IN THE NEED FOR TRUST AND FAITH IN REALIZING THEM. THE INITIAL INVESTMENT BY A MULTINATIONAL FIRM IS ALMOST ALWAYS AN ACT OF COOPERATION BETWEEN COMPANY AND COUNTRY. THE COMPANY PLANS TO STAY, AND PERHAPS TO MAKE ADDITIONAL INVESTMENTS, A CIRCUMSTANCE THAT DICTATES GOOD CITIZENSHIP. AND THE COUNTRY HAS WELCOMED IT BECAUSE IT WANTS THE COMPANY TO REMAIN, AND OFTEN WOULD LIKE TO HAVE OTHER COMPANIES COME TO PLAY A PART IN ITS FURTHER DEVELOPMENT.

MULTINATIONAL CORPORATIONS ARE THE TARGET OF MANY OTHER ACCUSATIONS -- SOME WITH SUBSTANCE, SOME TRIVIAL, SOME PREMISED SOLELY ON NARROW NATIONAL INTERESTS, STILL OTHERS REFLECTING NO MORE NO LESS THAN AN UNDERLYING DISTRUST OF THE PROFIT MOTIVE. BUT, HAVING EXAMINED THE CRITICISMS, I SUGGEST THAT WE ALSO TAKE A HARD LOOK AT THE CRITICS. WHO ARE THEY? WHAT ARE THEIR REAL MOTIVES? WHAT ARE THEY SEEKING TO ACCOMPLISH -- OR TO DESTROY? ARE THEY DEVOTED TO THE LIBERAL PROPOSITION, OR ARE THEY SIMPLY THE DISCIPLES OF THE MOST REACTIONARY KIND OF DOCTRINE?

I CAN CLAIM NO SPECIAL INSIGHT AS TO THE SOURCE OF OF THE MORE VIRULENT OPPOSITION TO MULTINATIONAL COMPANIES. BUT IT IS OBVIOUS TO ME THAT THE REVOLUTIONARY LEFT SHARES THESE VIEWS, AND ARE AMONG THOSE CALLING MOST PERSISTENTLY FOR PUNITIVE TAXES AND CRIPPLING REGULATION OF MULTINATIONALS.

THE MARXIST ANTIPATHY TO MULTINATIONALS IS UNDERSTANDABLE. THESE COMPANIES DO CREATE JOBS AND ECONOMIC PROSPERITY, THEY DO RESPECT THE NEEDS AND WISHES OF HOST COUNTRIES; THEY HAVE SERVED THE WORLD ECONOMY; AND THEY HAVE CLEARLY DEMONSTRATED THEIR GREAT SOCIAL UTILITY. IN SERVING THESE ENDS, THEY ALSO GIVE THE LIE TO THE MARXIST DOCTRINE THAT CAPITALISM AND THE FREE MARKET ARE BOUND TO CRUMBLE OF THEIR OWN WEIGHT. WERE I A MARXIST, I WOULD ALSO WISH TO SEE THESE LEADERS OF INTERNATIONAL COMMERCE AND COOPERATION DISMEMBERED AND DESTROYED.

INCREASINGLY, THE PROBLEMS THAT WE IN AMERICA OR YOU IN THE UNITED KINGDOM FACE ARE THOSE WE SHARE WITH ALL THE WORLD. POPULATION GROWTH IN THE COMING DECADES, HOPEFULLY ALONG WITH THE FURTHER SPREAD OF AFFLUENCE, ASSURES US THAT WE WILL FACE MANY NEW PROBLEMS OF SCARCITY, NOT THE LEAST OF THESE BEING A SHORTAGE OF CAPITAL. THE CHASE BANK HAS ESTIMATED THAT MEETING THE NATIONAL GOALS OF THE UNITED STATES ALONE OVER THE NEXT TEN YEARS WILL REQUIRE NEW CAPITAL OF MORE THAN \$5 MILLION MILLION, OR CONSIDERABLY IN EXCESS OF THE PRESENT VALUE OF AMERICA'S TOTAL NATIONAL PLANT. OTHER DEVELOPED COUNTRIES WILL HAVE CORRESPONDINGLY LARGE CAPITAL NEEDS. THE OECD ESTIMATES THAT WORLD ENERGY INVESTMENTS BETWEEN NOW AND 1985 WILL RANGE FROM \$1.2 TO \$1.6 MILLION MILLION -- AND IT IS MY GUESS THAT EVEN THE HIGH FIGURE IS AN UNDERESTIMATE.

BUT THE CAPITAL PINCH WILL BE FELT HARDEST OF ALL IN THE DEVELOPING COUNTRIES, ESPECIALLY THOSE MOST RELUCTANT TO RECOGNIZE THEIR INEVITABLE TIES TO THE REST OF THE WORLD. THERE ARE TODAY MANY THIRD WORLD COUNTRIES THAT ARE SCARCELY, IF AT ALL, BETTER OFF THAN WHEN THEY SHED THE MANTLE OF COLONIALISM. THERE ARE ALSO OTHERS,

LIKE SINGAPORE AND NIGERIA, THAT HAVE MOVED RESOLUTELY AWAY FROM UNDERDEVELOPMENT AND TOWARD FULL PARTNERSHIP IN THE MODERN INDUSTRIAL AND COMMERCIAL WORLD.

THE DIFFERENCE, IF WE LOOK CLOSELY AT WHAT HAS HAPPENED, LIES IN THE RECOGNITION THAT ECONOMIC GROWTH MUST FOLLOW ITS OWN LAWS, AND THESE LAWS ARE BEST SERVED BY THE GREATEST POSSIBLE DEGREE OF FREEDOM FOR INDIVIDUALS AND INSTITUTIONS.

IT IS THIS VERY FREEDOM TO MOVE AND TO GROW THAT HAS FED THE MUSHROOMING OF MULTINATIONAL ENTERPRISE, WHICH IN TURN HAS POINTED THE WAY TOWARD REALIZATION OF THE RISING EXPECTATIONS OF A GREAT MANY PEOPLE. WITH THE JOINING OF THE MOST CRITICAL ISSUES IN THE MODERN WORLD -- HUNGER, THE THREAT OF OVERPOPULATION, ENERGY NEEDS, PROTECTION OF THE ENVIRONMENT, MASSIVE NEEDS FOR CAPITAL -- IT BECOMES CLEAR THAT OUR EXPECTATIONS ARE ADVANCING, NOT RECEDING.

I THINK THE TIME HAS COME TO PRAISE SUCCESS, NOT CONDEMN IT. WE SHOULD BE DOING ALL IN OUR POWER TO LIFT THE SIEGE THAT IS TAKING SHAPE AROUND OUR BELEAGUERED MULTINATIONAL COMPANIES. THEY STILL HAVE MUCH WORK TO DO IN HELPING CREATE A TRUE WORLD ECONOMY. WE MUST LET THEM GET ON WITH THIS UNFINISHED BUSINESS.