International Business and The Growth Model

Chimezie A. B. Osigweh, Yg*

I. Introduction

The following is an effort to revisit what scholars have for decades known as, simply, the growth model. Several reasons provide a basis for this effort. First, the "locus of power" in international business relations is increasingly found in the intra-Western sphere pivoted on capitalism (Adler-Karlsson, 1976). This is because the Western capitalist growth model (or simply, the traditional capitalist model of development) is perhaps the oldest, most powerful, most influential perspective that underlies international economic and business relations. Secondly, many of the fundamental premises of this model are to be found in some of the other perspectives, such as the new international economic order (NIEO) model (Fishlow, 1978). Thirdly, the problematique of equity on a global scale, which confronts international development programs, presents a frontal challenge to capitalist business relations in the contemporary world (Fagen, 1978).

First, the origins and basic premises of the growth model will be briefly presented. This will be followed by appraisals of the three major theses of the model. Next, a focus will be placed on the growth model in the context of the activities of international companies. Thereafter, the hidden ramifications of the model will be explored as a final reflection on its economic, as well as, social and political consequences in the contemporary world. Some directions for further research are also considered.

* Assistant professor of management school of business, Norfolk State University, Norfolk, Virginia, 23504.

II. Understanding the Growth Model

A. The Growth Model, Scarcity and Choice, and the Classical Theory of International Commerce

Originally, the capitalist model was an outgrowth of the West's attempt to develop itself through an effective application of the principle of scarcity and choice. Taking as given whatever physical (land, capital) and human (labor, entrepreneur) resources that might be available, some goods and services that are needed for development may be available only from abroad. Others might be available from within the country at relatively low costs. Yet some that are available from elsewhere can be produced at home, but at increased costs.

Suppose, then, that a certain commodity has been tagged as essential to a process of development. It can be acquired through one of three ways. First, an arrangement for the purchase of the good from elsewhere (import) can be made. Second, the actor (e.g., company, individual, government, etc.) can obtain the commodity by arranging for some kind of international transfer, if it lacks the immediate ability to pay. Third, a decision might be made to stop buying from elsewhere; the actor may prefer to produce the good at home despite whatever amount of resource commitment it might have to make. When this happens, the actor shows a preference for substituting homemade goods for current imports.

These three methods provide a focus for the capitalist growth model which is itself rooted in David Ricardo's, 19th century principle of comparative advantage.[1] Stated in terms of cost, this principle (of comparative cost) asserts that it is more beneficial to countries if each specializes in the export of those products in which its comparative costs are lower at home than abroad, while importing those for which there exist comparative costs lower abroad than at home.[2]

[1] Although this 19th century work of Ricardo is at best currently represented as a classical theory of economics, its basic prescriptions have continued to direct thoughts in present-day international economic and business relations.

[2] See Sinder, 1979, Chs. 2-3.

The vision is of a world of free, unfettered business and economic relations: a world of commercial *laissez faire*. Comparative advantage and consequently comparative cost is expected to arise due to the varying endowments of the physical and human resources of development (i.e., the factors of production). The differences in endowments would generate differences in scarcity and consequently trigger off the inevitability of choice. According to growth theorists, the resulting choice would guarantee that, at least, no country (or other actors within it) is worse off, while the others are better off in a restriction-free environment of business relations. A closer look reveals how this choice affects the three methods of obtaining goods and services.

B. Choice and the Methods of Acquiring Growth-Related Resources

The first method, it should be recalled, stipulates that arrangements be made for the buying of goods and services abroad. This stipulation implies a choice for what has been called export promotion.[3] To pursue this, the (classical) theory of international economic relations, based on Ricardo's "Laws," posits that the country first specializes in the production of some select commodities. Through the specialization, the country can earn enough abroad to pay for its imports.

It may happen that the country is not able to earn enough foreign reserves through its exports to pay for its imports. In that event, the growth model advocates the choice of the method described as "international transfers." These transfers are ordinarily called foreign aids. They may include foreign grants, foreign loans, foreign commercial credits and waivers of payments, and extensions of payment periods. They come in all forms: capital (investment) commodities, agricultural goods, technical assistance, or perhaps military weapons.

These two choices, export promotion and international transfer, have certain things in common. They both make the

[3]Export promotion requires the concentration of efforts on a few products for which export markets exist. Thus, needed imports can be paid for, using the foreign reserves generated by selling the export products.

world safe for freedom of business and economic relations. They also ensure that autarky is outlawed, and therefore lies beyond the prospects of national indulgence. Let us evaluate each of these separately.

III. Export Promotion: An Appraisal

Export promotion assumes that there is an all-time price stability (which affects cost stability) in the international business world. A country specializing in agricultural materials, minerals, food or any other primary products might, in the long run, do well if prices remain stable. But short-run fluctuations exist in the economic environment. For example, annual fluctuations of 14 percent have been found among fifty goods over a fifty-year period (United Nations, 1952). Besides, demand might become inelastic in which case marginal revenue from any sales could be less than costs (Yotopoulos and Nugent, 1976). Supply could indeed shift suddenly to adversely affect the bulk of export revenue. This, if it occurs, would, at best, retards the rate of development.

Moreover, specialization may not always be advantageous. Deserving particular attention is the production of primary products. It has been found that declining terms of trade faces exporters of minerals and agricultural commodities (Kindleberger, 1965). The industrialized or developed countries mainly export finished products, while primary goods are the major exports of the non-industrialized, developing countries. Many studies have, therefore, found empirical support for the Presbisch-Singer thesis that the developing countries suffer a welfare loss from secular declines in their international terms of trade for primary product exports (Brecher and Choudhri, 1982; Brecher and Bhagwati, 1981). This may be due to what has been called *comparative monopoly power* whereby increased efficiency in the rich countries take the form of higher prices for their factors of production and constant prices for their goods. In the poor countries, however, factor returns hold steady in spite of increased productivity — and the benefits go abroad in the form of lower prices for the exported primary goods (Kindleberger and Bruce, 1977).

The above discussion suggests, further, that although freedom

of business and economic relations rules out protectionism, protection could in the long run result in better economic conditions and prices lower than in an environment of economic *laissez faire.* Little surprise that the ten member countries of the European Economic Community (EEC) are currently making a mockery of their old claim to being the most flexible and open-minded of the rich countries in the Multifibre Arrangement (MFA) system.[4] The loss of 1.5 million textile jobs from 1971-1981 has persuaded these countries to adopt a stringent protectionist policy that imposes severe export quotas on textile exporting developing countries.[5] Beyond employment considerations similar to those faced by the EEC, domestic prices for the protected good may be initially higher; but with increased scale, an ultimate lower price at home could be heralded. In addition, it should be observed that factor markets are not always perfect. Imperfections in market operations may result in what Hla Myint (Myint, 1954) has called "*technological fossilizations.*" Consider, for instance, that some technologies, might be bought from abroad as industrial investments that are initially productive. With time, however, they might freeze and fall out of function, also freezing the rate of production. A tractor originally designed for use in temperate farms would easily evidence such fossilization if used in a farm in a tropical rain forest zone of an African or South American developing country. In recognition of the alarming magnitude of this problem, there is now a renewed surge of efforts toward the search for appropriate technologies for the developing countries.[6]

For example, the Volunteers in Technical Assistance (VITA) and the U.S. Peace Corps, as well as private businesses such as the Wind Baron Corporation of Phoenix have developed windmills that are usable 90 perent of the time, because they can pump water from depths exceeding 1,500 feet in winds of less than 5 miles an hour (Jarmul, 1983; Norman and Blair, 1982). Designs of these windmills are already in use in Thailand, India, Kenya and Colombia. Similarly: Western Solar Refrigeration

[4]The MFA system is an international club that governs world trade in clothes and cloth.
[5]See Economist, Aug., 1982.
[6]See, for example, Norman and Blair, 1982, Murphy, 1983, pp. 12-15, and Cummings, Ralph and Robins, 1983, pp. 28-33.

Inc., of San Diego, has shipped more than 180 solar-powered refrigeration units to 18 developing countries; Solar Enterprises of London has designed a portable solar micro-pump that can be used by Asian farmers to irrigate holdings of one or two acres of land (Norman and Blair, 1982); and a program funded by the Agency for International Development (AID) is piloting the use of a solar-powered meteorological data-collecting device in Djibouti (Jarmul, 1983).

Even with this resurgence of interest in appropriate technology, the magnitude of technological fossilization still remains overwhelming due to the fact that developing countries still rely on traditionally available technologies from the industrialized world. The appropriate technologies currently in use are yet too few, too expensive and too risky. On-site maintenance, follow-ups, and freeze-ups remain to be overcome.

The resulting freezes in capital and rates of return; the declines in terms of trade (and prices) for primary products; the instabilities in the prices for primary goods (i.e., goods chiefly exported by the developing countries); and the idea of unfettered freedom of economic interactions — could impede development in those countries that need it most. They may reduce the ability of these developing countries to be self-sufficient, by making them economically dependent on the developed countries.

IV. Appraising International Transfers

International transfers, in most cases, involve some debts. All debts must be eventually paid, even if payments are refinanced or rescheduled. Defaults are particularly avoided since they promise no pay-off to either the benefactor, or the beneficiary. A default by one small country, such as Mexico or Brazil, would obliterate as much as 40 percent of capital for the largest banks in the world (Cline, 1982). This is because, on the average, more than 100 different banks are usually parties to a national debt arrangement. For example, up to 460 banks from many countries were found to be involved in one such arrangement (Goodman, 1982). This means that a default by one country alone would cause serious write-downs of assets for a large number of banks. Needless to say that many of the creditors would have very serious

liquidity problems, while some would be actually forced into insolvency. The defaulting country, on the other hand, jeopardizes its continued access to international credit markets in the future.

Even where rescheduling is feasible, the creditor (or the donor country, as the case may be) might seize it as an opportunity to intervene in the country's internal affairs. When short term bank refinancing adjustments with no grace periods proved inadequate for Turkey's accumulated debt burden in the mid-1970s, the International Monetary Fund (IMF) interceded. However, while the IMF refinanced and rescheduled the Turkey's debt, it forced the government to accept draconian terms that stipulated severe domestic austerity measures. As a result of this meddling, Turkey's economy was miserably deflated and the civilian regime was overthrown.

Debt rescheduling may call for either deferment through the restructuring of future maturities, *or* the injection of new funds, but not both. For example, recent reschedulings for Nicaragua (1980), Peru, Zaire (1979), and Jamaica (1978) included only the rearrangement of future debt service, while those for Sudan (1980) and Turkey (1979) involved the fresh injection of money (Goodman, 1982). This means that indebted countries intent on rescheduling may have to borrow higher proportions of their debt on stiffer and stiffer terms. This often snowballs to compound current account deficits on national balances of payments. It has been projected, for example, that Brazil's foreign debt of $55 billion in 1970 will reach $100 billion by 1987 (Carvounis, 1982). But Brazil is hardly alone in this predicament. For example, data for Latin America indicate that national debt increased by 117 percent in that region during the 1970s (Fishlow, 1982).

It needs to be underscored that as these transfers flow in, they often defer some immediate economic obligations to some future dates. Indebtedness and inability to independently pay is further perpetuated. Brazil's current predicament[7] is a well publicized case in point. Independence is more deeply undermined in as much as the country could be forced to step up active search for additional external aid to help amortize its outstanding debts. A cycle of indebtedness results, weakening the economy, shackling its

[7]See, for example, Business Week (BW), Jan., 1983, pp. 78-81.

pace of development, and making it highly dependent on other countries.

Several advocates of the growth model suggest that private or public gifts to friendly countries help strengthen friendship, while gifts to unfriendly ones could help alter or influence their future policies. Viewing this cautiously, Judith Tendler (1975) observes that the major supporters of foreign aid in donor countries, besides those possessing strict humanitarian motives, are those who can profit directly from the program. A recent report by the Agency for International Development (AID) illustrates this by presenting a number of data on United States' foreign aid involvement (AID, 1983). For example, 70,000 jobs are created in the U.S. for each $1 billion of U.S. exports that result from U.S. foreign assistance programs. United States' "Public Law 480" which established the Food for Peace program, requires that 50 percent of all U.S. foreign aid commodities be shipped on U.S. vessels. As a result, freight differentials alone meant some $123 million for U.S. shippers in fiscal 1983. Evaluating United States' aid to Korea, the report concludes that for an investment of $1.6 billion provided through the P.L. 480 aid program over a 25-year period, the U.S. is now getting back $1.5 billion a year in agricultural exports; and that figure is still rising.

The foregoing data suggest that international transfers may serve market development and foreign policy objectives for the donors, as well as economic development purposes for the recipient countries. Further suggested is that "strings" are often attached to all kinds of foreign assistance, because transfers also enable donor countries to pursue some of their national political and business interests. However, one might wish to ask if gifts underlaid by what may be seen as self-gratifying economic and political books are capable of enhancing development. This is to ask: are transfers with strings attached (as most of them are) capable of furthering development? To this, Kindleberger and Herrick (1977) conclude that if aid.

> stems from (economic) profit or political motives, then its relation to an increase in the pace of economic development (however defined) in the recipient country may become distant indeed. Capital-intensive and import-intensive projects are likely to be favored over others. While such projects may in fact increase output and productivity, greater stimulus to development could oc-

cur under other circumstances. In particular, foreign-aid programs that take the form of higher imports of equipment, commodities, or advice are unlikely to reform, even indirectly, the distribution of opportunities for income.

V. Appraising Import Substitution

Let us turn now to the third choice. This method emphasizes homemade goods as substitutes for current imports. It is popularly known as "import-substitution industrialization" since most developing country imports are industrial in nature. It champions the protection of home industries and therefore imprisons the whole idea of *laissez faire.* This perhaps explains why most advocates of the capitalist growth model seldom recommend import substitution as a development strategy. For example, many growth economists and influential businessmen have continued to oppose IMF's economic assistance programs mainly on the grounds that they are tied to import substitution austerity measures. One recently cited statistic in favor of the opposition is that in 1982, Mexico slashed its imports from a developed country by $6 billion under import substitution austerity measures. The reduction cost nearly 150,000 jobs in the developed country, and helped stifle the country's economy (BW, Feb. 1983).

The major strengths of this strategy are twofold. First, import substitution conserves foreign exchange by encouraging that goods be produced at home. Foreign reserves previously spent on the purchase of imports could be used to sponsor internal development and ensure a balance of payments. Second, it enhances national aspirations to industrialization, because concerted efforts are made to domestically produce the previously imported industrial products. With import substitution, however, there still exist problems that undermine development, while perpetuating dependence on external sources. For example, foreign exchange might not even be saved. The early periods of the program might require that more imports (e.g., of raw materials; expensive equipment) be made. Moreover, protectionism, such as tariff exemptions, might propagate a self-defeating type of mock industrial progress — in which domestic industries mainly import semi-finished goods duty-free, and merely assemble these into

finished products. The proliferation of such "screwdriver" industries, at best, produces a camouflage for dependence and reduces the prospects for economic development.

We can perhaps conclude that, indeed, the dynamics of choice which underlie the capitalist growth model is such that some countries may remain neither better nor worse off, while others may become immensely better off. This, in the long run, may result in a noticeable condition of developmental stagnation among countries falling into the first unfortunate group, while countries of the second group become immensely affluent. Perhaps, this might be a vindication of the ancient biblical dictum that unto he who has much, more will be added, but from he who has less, more will be taken away.

VI. The Growth Model in the Context of International Company Activities

A new surge of attention has focused on the development activities of international companies. This is because the once predominant government-to-government business relations, particularly in development assistance and transfers, has been declining. Foreign investment interactions of interntional companies are growing rapidly as private investments become popular capitalist instruments for propelling the development activities of the developing countries toward a "take-off" point.[8] Private investment has largely become synonymous with development assistance. As a result, Henry Kissinger (1975) once described multinational corporations (MNCs) as effective engines of development, and powerful instruments of modernization in developing countries.

These arguments stem from the following premises. The international companies make available foreign investments in the form of technology, finance and productive capital, to the developing countries.[9] These investments are accompanied by the creation of jobs, technical assistance, and prospects for training the citizens of the recipient country. Home production for ex-

[8]See Weinstein, 1976, pp. 373-404.

[9]See Hymer, 1960 and Kirkpatrick and Nixon, 1981, pp. 367-399.

ports is stimulated. As a result, the burdens on the third world economy which accrue from the outward return transfer of profits to the developed countries are rendered bearable. Moreover, the international companies are presumed to operate "law-abidingly" in national economies, because governments seem to have the power to control their activities through well-specified regulations and agreements.[10]

The question, however, is whether these private enterprises are "engines of development" as the foregoing premises purport. Gunnar Myrdal (1970, Ch. 7) would remind us that the developing countries are "soft states," which possess inadequate political and economic institutions to combat the bribery, corruption, foul play and other vices associated with the operations of these enterprises. The corporations, themselves, command immense wealth and other power resources. It is not unusual, for example, to find that the annual income of a multinational such as Ford Motor Company runs into several billion dollars, while that of a developing country such as Gamibia is just a few millions.[11] Data for 1978 show, also, that all of the non-oil exporting developing countries generated a Gross National Product of $1.3 trillion. In the same year, the world's largest 100 international firms alone reported sales in excess of $1.1 trillion (Cifelli and Mesdag, 1979). These figures suggest that international companies possess enormous wealth and awesome capabilities. As a result, Weinstein (1976) finds that they are not always law-abiding. Rather, they constantly make a travesty of national control regulations, by engaging in various vices to outwit and overwhelm the governments. Doz (1979) presents a detailed analysis of some of the methods used by international firms to avoid government control. Where a development-conscious government decides to react in extreme cases through expropriations, Chile's predicament in the early 1970s reveals

[10]See Kindleberger, 1965.

[11]Gambia's GNP for 1979 was $161 million. The respective gross revenues for Ford Motor Company, IBM, and International Telephone and Telegraph (ITT) were in the excess of $43.52 billion, $22.86 billion, and $17.2 billion in the same year. The companies' net incomes for the same period were $1.2 billion, $3.01 billion, and $380.7 million respectively. These figures are compiled from *The Hammond Almanac* (Mapple, NJ: Hammond Almanac, Inc.), 1982, p. 573; and *Moody's Handbook of Common Stocks* (NY: Moody's Investors Service, Inc.), 1982.

that the government runs the risk of exposing its domestic politics and economy to subversive external-internal interventionism.[12]

Furthermore, questions seriously debating the value of technology transferred and training offered could be posed. These corporations do not ordinarily sell (or expose) the patents, expertise (or broadly put, the things) that make them tick. They ensure that those little secrets are adequately protected from exposure by legal agreements prior to commencement of operations (Weinstein, 1976). They carefully guard them as if they were the legendary ancient Chinese secrets. Kirkpatrick and Nixson (1981) conclude, in this respect, that:

> To talk of technology transfer is misleading in so far as the technology is not actually being-transferred to the developing countries but is merely being used by the transnational corporations within the developing countries. In this sense, the technology never actually leaves the corporations.

Moreover, the corporations may not take any steps to curtail the industrial depreciation associated with technological fossilization. Consequently, the investments may only result in more and more (capital) imports; and this depletes the foreign exchange reserves intended as boosters for development programs.

The dynamics of these and other international company activities within any developing country have been humorously summed up in the *Economist* (Jan., 1976):

> It fiddles its accounts. It avoids or evades its taxes. It rigs its intra-company transfer prices. It is run by foreigners, from decision centres thousands of miles away. It imports foreign labour practices. It doesn't import foreign labour practices. It overplays. It underplays. It competes unfairly with local firms. It is in cahoots with local firms. It exports jobs from rich countries. It is an instrument of rich countries' imperialism. The technologies it brings to the third world are too old-fashioned. No, they are too modern. It meddles. It bribes. Nobody can control it. It wrecks balances of payments. It overturns economic policies. It plays off governments against each other to get the biggest investment in-

[12]See Uribe, 1975.

centives. Won't it please come and invest? Let it bloody well go home.

VII. The Hidden Ramifications of The Growth Model

One would view the development role of the capitalist growth model with a great deal of caution based on the foregoing arguments. The magnitude of this caution is further emphasized when a closer look is taken at some of the subtle social, political, and economic repercussions of this model in the developing countries. The Harvard scholar, Thomas E. Weisskopf, like several other scholars, for example, warns that the model perpetuates abject poverty, crippling inequalities and low welfare levels within these third world countries. If this continues, the arguments go, the ground would be massively fertilized for unforeseen Marxist revolutions in the developing countries. Let me briefly summarize these arguments, chiefly drawing on the work of Weisskopf.

First, the pattern of relations among countries envisaged by the capitalist growth model (which is based on unfettered relations) heightens global geographical, political and economic integration. This increases the magnitude of economic, political and cultural subordination of the poor countries to the rich. This results from the fact that the rich countries have better technology, knowhow, and better qualities of the other economic factors. When they make these available to the developing nations, they are able to attach some strings to them, especially because they enjoy their monopoly. One illustrative consequence is that capital dependency has been found to be a frequent result of these interactions (Bornschier, Chase-Dunn and Rubinson, 1978; Bornschier, 1980). The transactional obligations accruing from these relations predispose the poor countries to cycles of unending indebtedness to the rich.

Arising from these is a second, more structural problem. Given the youthfulness (and consequently inefficiency) of the capitalist institutions in the poor countries, immense intra-country inequalities in the distribution of income (and other power resources) are aggravated in the developing countries. What happens is this? In a capitalist system, each interacting en-

tity (e.g., a company, an individual) is rewarded in accordance with the price at which the economic factors at its disposal can be sold (Meade, (1964). Just as the best qualities of factors are possessed by the rich in international relations, so also are the best qualities of the available factors owned and controlled by the few rich persons within any developing country. The resulting capital dependency of some national segments on other increases the amount of inequality within these countries.[13] Since the poor, lower class constitutes the bulk of the population in the developing countries, we find a wide income (and standard of living) disparity between the few affluent and the majority-in-misery (Fagen, 1978). A *compradoral* class (or class of the rich and powerful) thus evolves, and consolidates itself within the poor country – to the vexation of the numerous proletariates.

A third problem results from these. Rapid economic growth, as conventionally measured (e.g., by GNP), may be recorded for the developing country (Adler-Karlsson, 1976). Yet this might coincide with economic stagnation or even regression for the most part of the population (Adelman and Morris, 1973; Bornschier, 1978). Worsening the problem is the fact that the prevailing pattern of international flow of capital and terms of trade causes a decline in welfare for the nationals of the developing countries (Bhagwati and Brecher, 1980; Brecher and Bhagwati, 1981). Thus, the long-run economic growth (low in employment, equity and the provision of essentials – i.e., low in the three E's (Adler-Karlsson, 1976)) will not be sufficiently rapid to provide benefits to the entire population. Consequently, it will not reduce the gap between the rich and poor.

These give rise to a fourth problem. The poor country bureaucrats who constitute part of the elite or rich class become conscious of the preferential benefits which they derive from such an economy, especially by their association, or deals with their foreign business benefactors. Their knowledge of such benefits corrupts them all the more.[14] A lack of developmental respon-

[13]This argument is an extension of the work of Volker Bornschier and his colleagues. They offer a great deal of empirical evidence to the effect that capital dependency tends to increase inequality within countries. See, for example, Bornschier, 1981; Bornschier, Chase-Dunn and Rubinson, 1978), and other reference cited in these.

[14]For example, referring to the process of international business bargaining based on the

sibility (Tavis, 1982) becomes pervasive, even among the poor country bureaucrats.[15] But these are the administrators and influentials of the national governments. These governments often intervene directly or indirectly to steer the national economy toward some objective. And when they do, it is in so far as the objective does not interfere or conflict with the interests of the more privileged and influential classes. This structure of intranational distortion no doubt, runs counter to the objects of development. Besides, it may lead to a fifth consequence — the *outbreak of Marxist revolutions* in the developing countries. This is because powerful class interests may become eventually generated, and serious conflicts among them fomented, especially since most developing countries apparently seem enthusiastic about practically testing our Gunnar Adler-Karlsson's (1976) hypothese that:

> (a) socialist (or Marxist) nations have consistently been superior to capitalist nations in providing the three E's to almost all the populations, and (b) that the poor socialist (or Marxist) nations have been vastly superior to the poor capitalist nations in solving these basic factors of human existence.

VIII. Summary, Conclusions and Visions for The Future

There is no question that based on the capitalist growth model of development, the West has emerged with economic and business supremacy that is unrivaled worldwide. Whether this model will, in its traditional form, also prove successful in helping the developing countries achieve their development objectives, has been the source of so much concern.

growth model, Fagen (1978) writes: ".....to the extent that it results in fairer shares for the South, (it) serves to strengthen Southern elites who in the main have little autonomy from antiquity class forces at home. Although some among them may genuinely wish to assault class privilege and maldistribution, they are relentlessly pulled back toward policies that favor the few rather than the many." Note that South refers to the developing countries, while North refers to the developed countries.

[15]"Developmental responsibility" requires that the public administrator or the corporate manager meets with major challenges: 1)identifying what is best for local development, and 2) setting wealth-related corporate or personal goals aside, in order to cooperate with the local government to achieve local development. See, also, 39, pp. 432-436.

Evidence, however, reveals a great deal of skepticism. With this skepticism is an added degree of specualtive concern. This is due to the fact that interested persons are becoming more sensitive to the economic, as well as to the social, political (and ethical?) consequences of the model. Not only is it feared that the model may, indeed, stagnate development in the developing countries; there is also the fear that the growth model, in its current, traditional form, may steer most developing countries toward the willingness to experiment with non-Western models.

These conclusions stimulate a series of questions. What next? Where should we go from here? Although answers are perhaps best left to speculation due to the seeming intractable nature of most of the issues involved, one thing seems certain. International development (which the capitalist growth model had emerged to deal with) has continued to be a global challenge. Not only are scholars being challenged worldwide; but also, international business managers as well as government policy makers in both developed and developing countries are being equally called to task. To simply dismiss the issues as being too "hydra-headed" will merely serve to reinforce the status quo. Thus, the challenge should be dealt with; and dealing with it calls for a great deal of future research. Studies are needed which more explicitly take into consideration the many arguments raised in this critique.

One suggestion is to place more emphasis on strategies that will enhance international development by allowing the developing countries to obtain more favorable investment terms and terms of trade. Another is to carefully explore the hypothesis that international business relations based on non-Western models have been consistently far superior to the capitalist model in providing the three E's (employment, equity, and "essentials") to the world's peoples. The third route is perhaps tied to the second. There is the need to examine the increasingly popular belief that the poor Marxist countries have been vastly superior to the poor capitalist ones in addressing their development concerns (e.g., in terms of solving the three basic factors of human existence). The first suggestion is described in specific terms. The last two have the potential for either providing a higher degree of legitimacy to the capitalist growth model, or offering other, perhaps, more workable non-Western model(s). However, the pevasiveness of the development challenge requires the establishment and con-

solidation of a pervasive fund of knowledge: the challenge is neither exclusively Western (capitalist), nor purely non-Western. It is a complex, global concern that confronts all those interested in international business relations, and the improved well-being of the world's peoples. Thus, a fourth and possibly most paramount suggestion may be made. Further research should concentrate on developing acceptable alternate paradigms that will require international business scholars, corporate managers or public policy makers to (a) identify what is best for local development, while (b) setting wealth-related corporate or personal goals aside in order to cooperate with local governments to reach local development objectives.

References

Adelman, I. and C. T. Morris, *Economic Growth and Social Equity in the Developing Countries*, Stanford University Press, Stanford, CA, 1973.

Adler-Karlsson, G., *The Political Economy of East-West-South Cooperation*, Springer, Vienna, 1976.

Agency for International Development (AID), "Food Aid Means U.S. Business," *Horizons*, AID, Oct. 1983.

Barnet, R. J. and R. E. Muller, *Global Reach: The Power of Multinational Corporation*, Simon and Schuster, N.Y., 1974.

Bhagwati, J. and R. A. Brecher, "National Welfare in an Open Economy in the Presence of Foreign-Owned Factors of Production," *Canadian Journal of Economics*, 10, 1980, 103-115.

Bornschier, V., "Dependent Industrialization in the World Economy," *Journal of Conflict Resolution*, 25, 3, Sep. 1981.

Bornschier, V., "Multinational Corporations and Economic Growth: A Cross-National Test of the Decapitalization Thesis," *Journal of Development Economics*, 7, 1980, 191-210.

Bornschier, V., Chase-Dunn, C. and R. Rubinson, "Cross-National Evidence of the Effects of Foreign Investment and Aid on Economic Growth and Inequality: A Survey of Findings and A Reanalysis," *American Journal of Sociology*, 84, 1978, 651-683.

Brecher, R. A. and E. U. Choudhri, "Immiserizing Investment from Abroad: The Singer-Presbisch Thesis Reconsidered," *The Quarterly Journal of Economics*, 97, 1, Feb. 1982, 181-190.

Brecher, R. A. and J. N. Bhagwati,

"Foreign Ownership and the Theory of Trade and Welfare," *Journal of Political Economy,* 89, 1981, 497-511.

Business Week (BW), "The LDC Debt Crisis, How it Could be Resolved: Band-Aid Solutions — As in Brazil — May no Longer be Enough..." *Business Week,* Jan. 1983, 78-81.

Business Week (BW), "IMF Austerity Prescriptions Could be Harzardous," *Business Week,* Feb. 1983.

Carvounis, C. C., "The LDC Debt Problem: Trends in Country Risk Analysis and Rescheduling Exercises," *Columbia Journal of World Business,* Spr. 1982, 15-19.

Cifelli, A. and L. M. Mesdag, "The Fortune Directory of the 500 Largest Industrial Corporations Outside the U.S.," *Fortune,* Aug. 1979, 193-203.

Cline, W. R., "External Debt: System Vulnerability and Development," *Columbia Journal of World Business,* Spr. 1982, 4-14.

Cummings, Jr., Ralph W. and J. S. Robins, "Setting Priorities in Food and Agricultural Research," *Horizons* (A Journal of the Agency for International Development), Oct. 1983, 28-33.

Doz, Y. L., *Government Control and Multinational Strategic Management,* Praeger Publishers, New York, 1979.

Economist, "Controlling the Multinationals," *Economist,* Jan. 1976.

Economist, "Taylor-Made Protectionism: Europe is Using the Multifibre Arrangement to Hurt Those it was Meant to Help," *Economist,* Aug. 1982.

Fagen, R. R., "Equity in the South in the Context of North-South Relations," in R. D. Hansen, *et. al., Rich and Poor Nations in the World Economy,* McGraw-Hill, N.Y., 1978.

Fishlow, A., "Latin America's Debt: Problem or Solution," *Columbia Journal of World Business,* Spr. 1982, 35-46.

Fishlow, A., "A New International Economic Order: What Kind?," in R. D. Hansen *et. al., Rich and Poor Nations in the World Economy,* McGraw-Hill, N.Y., 1978.

Goodman, L. S., "An Alternative to Rescheduling LDC Debt in an Inflationary Environment," *Columbia Journal of World Business,* Spr. 1982, 20-27.

Hymer, S., *"The International Operations of National Firms: A Study of Direct Investment,"* Unpublished Ph.D. Dissertation, Massachusetts Institute of Technology, Cambridge, Mass., 1960.

Jarmul, D., "Windmills Enter the Computer Age," *Horizons,* Oct. 1983.

Kindleberger, C., P., *"International Economics,"* 5th ed., Irwin, Homewood, I11., 1965.

Kindleberger, C. P. and B. Herrick, *Economic Development,* McGraw-Hill, N.Y., 1977.

Kirkpatrick, C. and F. Nixson, "Transnational Corporations and Economic Development," *The Journal of Modern African Studies*, 19, 3, Sep. 1981, 367-399.

Kissinger, H. A., "Global Consensus and Economic Developmnt." The Secretary of State's Address Delivered by Daniel P. Moynihan, U.S. Representative to the United Nations at the Seventh Special Session of the U.N. General Assembly, September 1, 1975., Bureau of Public Affairs, Office of Media Services, Dept. of State, Washington, D.C., 1975.

Meade, J., *Efficiency, Equality and the Ownership of Property*, Harvard University Press, Cambridge, Mass., 1964.

Moran, T. H., "Multinational Corporations and Dependency: A Dialogue for Dependentistas and Non-Dependentistas," *International Organization*, 32, 1, 1978.

Murphy, J., "Strengthening Argicultural Research in Developing Countries," *Horizons*, Jun. 1983, 12-15.

Myint, H., "The Gains from International Trade and the Backward Countries," *Review of Economic Studies*, 22, 58, 1954, 129-142.

Mydral, G., *The Challenge of World Poverty*, Penguine Books, N.Y., 1970.

Norman, H. R. and P. Blair, "The Coming Growth in 'Appropriate' Technology," *Harvard Business Review*, Nov.-Dec. 1982.

Penrose, E. T., *The Large International Firm in Developing Countries: The Petroleum Industry*, Allen and Unwin, London, 1968.

Robinson, S. and E. A. Gossage, ed., *Appropriate Technologies for Third World Development*, Martins Press, London, 1979.

Snider, D. A., *Introduction to International Economics*, Irwin, Inc., Homewood, Ill. 1979.

Travis, L. A. "Multinational Corporate Responsibility for Third World Development," *Review of Social Economy*, 40, 3, Dec. 1982, 427-437.

Tendler, J., *Inside Foreign Aid.* Johns Hopkins University Press, Baltimore, 1975.

United Nations, *Instability in Export Markets of Underdeveloped Countries*, United Nations, N.Y., 1952.

United States Government (USG), *The Economic Report of the President Transmitted to Congress, January 1981*, United States Government Printing Office, Washington D.C., 1981.

Uribe, A., *The Black Book of American Intervention in Chile*, Beacon Press, Boston, 1975.

Weinstein, F. B., Multinational Corporations and the Third World: The Case of Japan and Southeast Asia," *International Organization*, 30, 3, 1976, 373-404.

Weisskopf, T. E. *Capitalism, Underdevelopment and the Future of the Poor Countries,* World Law Fund, N.Y., 1972.

Yotopoulos, P. and B. Nugent, *Economics of Development: Empirical Investigation,* Harper and Row, N.Y., 1976.