

RELATÓRIOS COPPEAD Novembro 2012

406

THE BOTTOM OF THE
PYRAMID APPROACH
AS AN ANSWER TO
TERRORISM

Marcus Wilcox Herais

Relatórios COPPEAD é uma publicação do Instituto COPPEAD de Administração da Universidade Federal do Rio de Janeiro (UFRJ)

Editor

Leticia Casotti

Editoração

Lucilia Silva

Ficha Catalográfica

Marisa Rodrigues Revert

Hemais, Marcus Wilcox.

The bottom of the pyramid approach as a answer to terrorism / Marcus Wilcox Hemais. – Rio de Janeiro: UFRJ /COPPEAD, 2012.

20 p.; 27cm. – (Relatórios COPPEAD; 406)

ISBN 978-85-7508-094-8

ISSN 1518-3335

1. Organização. I. Título. II. Série.

CDD: 658.4

Pedidos para Biblioteca:

Caixa Postal 68514 – Ilha do Fundão

21941-972 – Rio de Janeiro – RJ

Telefone: 21-2598-9837 Telefax: 21-2598-9835

e-mail: biblioteca@coppead.ufrj.br

Disponível em www.coppead.ufrj.br

THE BOTTOM OF THE PYRAMID APPROACH AS AN ANSWER TO TERRORISM

Marcus Wilcox Hemais

ABSTRACT

The bottom of the pyramid approach proposed by Prahalad has been considered a new way for multination companies to earn profits, while helping to raise the poor out of poverty. One important factor often overlooked by researchers that can explain the popularity of Prahalad's ideas was the context in which it developed. After the "War on Terror" policy was declared by U.S. government, associations between terrorism and poverty were voiced by influential politicians and public figures and the academic community. To deal with such problems, free markets should be implemented in failed states. The objective of this paper is, therefore, to discuss how the association between poverty and terrorism made by the U.S. government and the academic community created an ideal setting for Prahalad to expand free market theories as an answer to poverty.

Keywords: bottom of the pyramid, poverty, terrorism, free markets, government

RESUMO

A abordagem da base da pirâmide proposta por Prahalad é considerada uma nova forma de empresas multinacionais obterem lucros, ajudando a erradicar a pobreza. Um importante fator comumente ignorado por pesquisadores que pode explicar a popularidade de tais ideias é o contexto em que foram desenvolvidas. Após a declaração de "Guerra ao Terror" pelo governo dos Estados Unidos, associações entre terrorismo e pobreza foram expressas por políticos e figuras públicas, além da comunidade acadêmica. Para lidar com tais problemas, livres mercados deveriam ser implementados em Estados falidos. O objetivo do presente ensaio é, portanto, discutir como a associação entre pobreza e terrorismo feita pelo governo dos Estados Unidos e a comunidade acadêmica criou um cenário ideal para Prahalad expandir teorias de livre mercado como uma resposta à pobreza.

Palavras-chave: base da pirâmide, pobreza, terrorismo, livres mercados, governo

1 – INTRODUCTION

In the academic community, debates on measures to reduce poverty have been largely in the fields of public policy and developmental economics. Only recently have large companies, management experts and business schools shown interest in the matter, arguing that businesses should act a leading part in helping the fight against poverty (KARNANI, 2011).

Debates in the business literature about the struggles of the low income consumer in the marketplace appeared around the late 1960s and in the 1970s (ANDREASEN, 1975; STURDIVANT and WILHELM, 1969), as preoccupations about the asymmetry of power between consumers and companies became evident with the consumerist movement of the time (DAY and AAKER, 1970; KOTLER, 1972). This academic cycle was short lived, and by the end of the 1970s studies about low income consumers were sidelined in the business literature (ANDREASEN, 1978).

This topic only became present again in the business literature in the beginning of the XXI century, after Prahalad (PRAHALAD and HAMMOND, 2002; PRAHALAD and HART, 2002) presented a new view on the subject. To him, the four billion individuals living in poverty around the world represented a “fortune” for multinational companies (MNCs) willing to adapt their products to serve this untapped market. In the authors view, as well as profiting, MNCs would help fight global poverty (PRAHALAD, 2006). In essence, what Prahalad defended was a free market perspective to deal with the poverty problem, where MNCs, instead of governments, would be responsible for this task (KARNANI, 2011).

In the preface of his bestselling book “The Fortune at the Bottom of the Pyramid: eradicating poverty through profits”, Prahalad (2006, p. xv) discusses the difficulties in publishing his first article with Stuart Hart, about the relationship between MNCs and poverty alleviation. According to the author, “not a single journal would accept the article for publication. It was too radical. Reviewers thought that it did not follow the work of developmental economists.”

After such rejections, Prahalad adapted the ideas he proposed on the bottom of the pyramid (BoP) approach initially defended in his working paper (PRAHALAD and HART, 2000). His newer articles were better accepted, and, in 2002, got published; one of them, with Allen Hammond, in the Harvard Business Review (PRAHALAD and HAMMOND, 2002; PRAHALAD and HART, 2002).

In essence, Prahalad's published articles present small changes to the ideas proposed initially in his working paper (PRAHALAD and HART, 2000) on how MNCs can help to alleviate poverty while earning profits. But, the way he presented his arguments changed, in part because of the times the United States and the world were going through.

After the attacks on September 11th, 2001, in the United States, the U.S. government declared "War on Terror", taking actions to put an end to this "evil". This meant that the root causes of terrorism would have to be dealt with. Poverty, therefore, needed to be eradicated, since it was considered one of the main causes of terrorism (EHRlich and LIU, 2002). For this to happen, the "solution" would be the implementation of free markets in countries controlled by failed states. This would permit trade to be incentivized, helping these regions to prosper and, consequently, eliminate poverty (BUSH, 2002a).

The academic community followed the U.S. government's lead, and studies in areas such as Economics, Public Policy, International Affairs and International Politics began to appear, discussing terrorism and how it was associated with poverty (EHRlich and LIU, 2002; SACHS, 2005; UPSHUR, 2009). Researchers proposed that the solution to these ills of society was also of the adoption of free market idealisms (KIVIMAKI, 2007; LI, 2005).

The changes Prahalad made in his two articles, in relation to the original working paper, were in tune with such context. The author linked the BoP approach to the fight against terrorism, defending that, as well as eradicating poverty, this approach could also lead to the elimination of terror (PRAHALAD and HAMMOND, 2002; PRAHALAD and HART, 2002). By doing this, Prahalad's work gained recognition in the academic community, and especially in the business literature, at a time when the United States was prone for such propositions. Other authors followed in his path, defending that the BoP approach could help end terrorism (HART, 2007; LONDON, 2007), popularizing Prahalad's ideas.

The fact that Prahalad changed his arguments to include terrorism as an ill that can be fought through the BoP approach is often overlooked by researchers, who mostly focus on debating the viability of MNCs helping the poor and profiting in doing so. The objective of this paper is, therefore, to discuss how the association between poverty and terrorism made by the U.S. government and the academic community created an ideal setting for Prahalad to expand free market theories as an answer to poverty.

2 – POVERTY, TERRORISM AND THE FREE MARKET SOLUTION

After the attacks on 9/11, in the United States, the U.S. government reacted to the assaults declaring “War on Terror” as a prevention policy against the advance of terrorism and possible future attacks on the country. This triggered a stream of declarations from U.S. politicians about terrorism, and how its root causes were related to poverty (ABADIE, 2004). In order for the United States to win the war on terrorism, government officials declared that the social and political roots of poverty needed to be confronted (POWELL, 2005).

President George Bush, in a speech at the United Nations Financing for Development Conference, voiced this line of thought, elevating poverty debates to a new level:

“We fight against poverty because hope is an answer to terror... We will challenge the poverty and hopelessness and lack of education and failed governments that too often allow conditions that terrorists can seize and try to turn to their advantage.”
(BUSH, 2002a)

Diverse other influential politicians continued arguing in favor of this line of thought. Al Gore, the former Vice President of the United States during the Clinton administration, spoke at the Council on Foreign Relations, on February 12, 2002, of “...another Axis of Evil in the world: poverty and ignorance; disease and environmental disorder; corruption and political oppression”, defending that if these issues were not dealt with, any victory over terrorism in the present would only be temporary, since the grounds for breeding terrorism would still be “fertile” (GORE, 2002).

Colin Powell, Secretary of State during the first part of the Bush administration, exposed his thoughts on the subject, stating that poverty breeds sentiments of frustration and resentment, which can be transformed by “ideological entrepreneurs” into support for terrorism, especially in countries who suffer a lack of political rights and basic freedom (POWELL, 2005).

Other public figures, such as Muhammad Yunus, the creator of Grameen Bank in Bangladesh, also linked poverty and terrorism. In his speech of acceptance of the 2006 Nobel Peace Prize, Yunus declared that “poverty is a threat to peace”. Any initiative to end terrorism based on military actions will not succeed, because it does not deal with the root causes of this problem. For Yunus, “putting resources into improving the lives of the poor people is a better strategy than spending it on guns” (YUNUS, 2006).

Such associations between poverty and terrorism were not only voiced by politicians and public figures, but also documented in a report entitled “The National Security Strategy of the United States of America” written by the Bush administration (BUSH, 2002b). In it, the U.S. government declares that “poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks” (BUSH, 2002b, p.vi). , p.vi).

The U.S. government started to defend that the only way to deal with terrorism and poverty would be by offering “economic freedom” to nations where such liberalism (to populations and businesses) was not present (PIAZZA, 2008). In this sense, the United States saw itself as responsible in “leading the fight for freedom from terror” (BUSH, 2002a), as if “terror” was synonymous with “economic restrictions”.

The view that free markets was the answer to poverty and terrorism based itself on the belief that these forms of markets “have proven their ability to lift whole societies out of poverty” (BUSH, 2002b, p.4). By implementing free markets in failed states, trade would increase between these countries and other regions of the world, creating economic prosperity. This, in exchange, would help fight poverty. In the Bush administrations’ view, “market economies, not command-and-control economies with the heavy hand of government, are the best way to promote prosperity and reduce poverty” (BUSH, 2002b, p.17).

In the post-9/11 era, the U.S. government strengthened its ties with the academic community, influencing the outputs of knowledge coming from universities and restricting criticism to the United States foreign policy (RHOADS, 2007). As a result, different researchers, from fields such as Economics, Public Policy, International Affairs and International Politics, started to study terrorism, defending that poverty and lack of economic freedom facilitated the emergence of terrorist activities. Ehrlich and Liu (2002), for instance, studied socioeconomic factors that contribute to terrorism, pointing that “poverty, especially because of its severely unequal distribution among nations, is obviously one of the most important” (p.185).

Upshur (2009) defends that the marginalization of the poor by society turns these individuals into a “disaffected community”. The lack of support by governments results in their grievances being taken up by organizations which possess knowledge of how to direct discontentment. Poverty, in the authors view, is therefore an important contextual backdrop for extremist groups and terrorist to gestate.

In his popular book “The End of Poverty”, Sachs also links terrorism to poverty, but criticizes the strategies of armed forces used by the U.S. government on the “War on Terror”. In the author’s perspective, military actions do not serve to end terrorism; they only

lead to short term results, at a high cost in funds and lives. The only way for the United States and other countries to defeat this “evil” would be by eliminating poverty. In accordance to Sachs (2005, p.215):

“To fight terrorism, we will need to fight poverty and deprivation as well. A purely military approach to terrorism is doomed to fail... we need to address the underlying weaknesses of the societies in which terrorism lurks - extreme poverty; mass unmet needs for jobs, incomes, and dignity; and the political and economic instability that results from degrading human conditions. If societies like Somalia, Afghanistan, and western Pakistan were healthier, terrorists could not operate so readily in their midst.”

The idea defended initially by the U.S. government that free markets are an answer to both terrorism and poverty was also backed by the academic community. Different studies started to point that, through free markets, authoritarian nations could reduce terrorism, since economic freedom increases satisfaction and political efficiency of citizens. This, in turn, reduces feelings of grievances, prevents terrorist recruitment, and raises public tolerance to policies that fight terrorist activities. On the other hand, lack of free markets increases the frustration of marginal groups, imposes the necessity of governments to protect the nation against terrorist attacks, and weakens the government’s ability to fight terrorism (KIVIMAKI, 2007; LI, 2005).

Through this perspective, an association was formed between the degree of democracy of a country - and, in consequence, the degree of economic development/freedom - and the number of terrorist activities a nation bears. The more of the first, the less of the latter (LI and SCHAUB, 2004). Authors even used Statistics to back this logic. Bravo and Dias (2006), for example, showed that countries with the largest number of terrorist attacks were those less-developed, with non-democratic regimes, where most of the population lives in poverty.

Free markets, in this sense, could avoid civil wars, since such wars often are the result not of ethnic differences, as one would usually presume, but of shortcomings that come with poverty (WOLFENSOHN, 2002). Staging areas where terrorists act are commonly conflict-ridden “unstable societies beset by poverty” (SACHS, 2005, p.330), where economic freedom is inexistent.

Kokaz-Mulsu (2006) goes beyond the free market discussion, and defends the direct participation of MNCs in helping the US government in fighting terrorism. Because American businesses have been common targets in international terrorist attacks, they have devised strategies to prevent and manage such situations. MNCs practices must,

therefore, be adopted by the Department of Homeland Security to enhance the existing terrorism fighting mechanisms.

Many researchers started to criticize the association between poverty, terrorism and free markets, despite the U.S. government voicing its existence. These critics present evidence that differs from the government's view, defending that the relationship between such factors is not direct, and, in some cases, inexistent (ABADIE, 2005; BERREBI, 2007; KRUEGER and MALECKOVA, 2003; LEE, 2003; PIAZZA, 2008).

Piazza (2008), for instance, studied incidents of terrorism in 153 countries, from 1986 to 2003, finding that variables measuring democracy and degree of economic openness are not significant predictors of terrorism. Krueger and Maleckova (2003), for their part, found little direct connection between poverty or education and participation in terrorism. Most of the data collected by them showed that terrorists come from economically advantaged families and are well-educated, a finding also confirmed by other authors (ABADIE, 2005; LEE, 2003). Berrebi (2007) expands this argument, and defends that the higher the education and standard of living, the higher the probabilities of an individual being associated with terrorist acts.

Despite such evidence, efforts to disassociate poverty, terrorism and free markets resulted in small repercussion. With the U.S. government (and part of the academic community) communicating otherwise, it would be hard to defend that problems associated with terrorism were not necessarily related to poverty (PIAZZA, 2008).

3 – PRAHALAD'S PERSPECTIVE ON ERADICATING POVERTY (AND TERRORISM) THROUGH FREE MARKETS

Before Prahalad's perspective of the bottom of the pyramid, MNCs and free markets were not related with poverty alleviation. Terrorism was not so evident in the U.S. government's speeches or in academic studies at the time, even though it was present in the United States and in other parts of the world (HOFFACKER, 1975). No associations, therefore, between terrorism and poverty were made.

Even though poverty has been an issue vastly discussed in other areas of knowledge, only in the 1960s and 1970s it became an issue of concern in business studies. The areas' interest in studying the poor started in the 1960s, in the United States, during the third era of consumerism. At the time, consumerists questioned the asymmetry

of power between corporations and consumers, criticizing free markets, and defending more government regulations (DAY and AAKER, 1970; KOTLER, 1972).

In this context, attention started being given to the poor and the market injustices they suffered, since they were considered even more fragile than average consumers (STURDIVANT and WILHELM, 1969). Business researchers that studied low income consumers and how companies deal with this segment described these individuals as “irrational” (RICHARDS, 1968), lacking knowledge on how to best spend their scarce income (RATNER, 1968), and victims of exploitation by unscrupulous salespeople (TOYER, 1968). Instead of MNCs and free markets, government aid was considered the solution to help individuals that suffered such discriminations (ANDREASEN, 1975).

At the time, the “war” that was being fought by the U.S. government was not the one on terror. Instead, the battle was against the growth of poverty in the country. In this context, the “War on Poverty” program was developed by President John Kennedy, and continued by his successor, President Lyndon Johnson, incentivizing government initiatives to help the needy (BRAUER, 1982).

To deal with the criticism of the consumerist movement about the exploitation consumers were being exposed to in the marketplace, the U.S. government created, in the Federal Trade Commission (FTC), a department focused on dealing with market injustices. The departments’ role was to detect abusive practices by corporations that fed on consumers’ lack of sophistication. In practical terms, this meant protecting the poor, most of all. Out of all the attributions the FTC was responsible for, helping low income consumers, according to Jones (1969, p. 248), was one of its most important, since it fought:

“...the practices of the swindlers who are specialized in all sorts of stratagems to attract the poor to their doors and to make them buy what they don’t desire, leaving them forever in the hands of their creditors, with little hope of ever being freed from the tentacles of their own debts.”

Even though such measures were adopted by the U.S. government, Andreasen (1975) suggested that the only way to solve the problem of exploitation of low income consumers by unscrupulous merchants would be the implementation of stricter municipal, state and federal laws. In this regard, he believed amendments to the current legislation (allowing for better defense conditions to this segment of society) and the creation of a regulatory agency (to attend exclusively to these individuals) were necessary.

As the consumerist movement lost power in the United States, by the end of the 1970s, discussions about low income consumers in the business literature were put aside (ANDREASEN, 1978). Free market idealism gained power, suppressing the calls of market regulations by the consumerist movement, after Ronald Reagan was elected president of the country (COHEN, 2003). Some authors continued to research consumers in this segment (ANDREASEN, 1993; MORGAN, SCHULER and STOLTMAN, 1995), but mostly studies on low income consumers were scarce.

When Prahalad first drafted his ideas of the BoP approach (PRAHALAD; HART, 2000), studies related to low income consumers were not a mainstream subject, which can explain the reason for his original paper having little impact on business literature. But, shortly after the attacks on the United States, in September, 2001, the author reworked his argument in two articles (PRAHALAD and HAMMOND, 2002; PRAHALAD and HART, 2002) that changed this scenario.

In the articles, Prahalad defended free market idealism as the only way to eradicate poverty. In the authors' view, the poor represented a vast untapped market, with enormous buying power, that should be explored by multinational companies willing to adapt their products to serve this market. In doing this, MNCs would help improve the lives of billions of people, while generating profits (PRAHALAD and HAMMOND, 2002; PRAHALAD and HART, 2002).

Even though Prahalad's focus was on the poverty issue, he also used his arguments to augment that the eradication of poverty would also bring, as consequence, the erosion of terrorism. In adopting Prahalad's perspective into their strategies, MNCs could contribute generously to solve two major problems faced by society, and, in this way, "help bring into being a more stable, less dangerous world" (PRAHALAD and HAMMOND, 2002, p.4).

In Prahalad's perspective, if free market economies were adopted around the world, permitting MNCs to devote their efforts to commercializing products adapted to the poor's needs, an optimistic scenario could be created:

"Driven by private investment and widespread entrepreneurial activity, the economies of developing regions [could] grow vigorously, creating jobs and wealth and bringing hundreds of millions of new consumers into the global marketplace every year...the resulting decrease in poverty produces a range of social benefits, helping to stabilize many developing regions and reduce civil and cross-border conflicts. The threat of terrorism and war recedes. Multinational companies expand rapidly in an era of intense innovation and competition." (PRAHALAD and HAMMOND, 2002, p.4).

Prahalad uses arguments in favor of free market economies, because he sees them as the main channel through which MNCs can operate at the BoP. As well as helping to create better lives for the poor, Prahalad predicts that terrorist activities will decrease in result of such economic freedom:

“MNC investment at the “bottom of the pyramid” means lifting billions of people out of poverty and desperation, averting the social decay, political chaos, terrorism, and environmental meltdown... poverty breeds discontent and extremism... the use of commercial development to bring people out of poverty and give them a better life is critical to the stability and health of the global economy and the continued success of western MNCs” (PRAHALAD and HART, 2002, p.2, 4).

Instead of “protecting” low income consumers, Prahalad’s arguments were in favor of inserting them in a free market environment, which would naturally absorb them because they represented an opportunity for MNCs to prosper. In this line of thinking, Prahalad created a win-win scenario, which would, in consequence, help eliminate terrorism. The BoP approach would result in “increase in global prosperity with probable declines in conflict” (WOOD, PITTA and FRANZAK, 2008, p.420).

Other authors followed in Prahalad’s steps, depicting poverty as a major social problem, that results in instability and danger to the world. Hart (2007), for example, whose book on the subject was first published in 2005, shortly after Prahalad’s own book, believes that only by reversing the conditions that breed support of terrorist movements, such as poverty, inequality, hopelessness and loss of dignity, will society be able to deal with the root causes of the problem. Terrorism, in short, has its underlying problem in unsustainable development.

Hart (2007, p.228) continues by defending that “inclusive capitalism” should be implemented in poor regions of the world, as a way to diffuse the insurgency of terrorist movements that are the result of inequality, poverty, isolation, and hopelessness. This approach could “transform an entire generation’s view of the United States and Western capitalism.” In the authors view, global free markets can uplift billions around the world, and that is the only “realistic and viable pathway to a sustainable world. And business can – and must, lead the way.”

In London’s (2007) view, global poverty is “unacceptable” and a “threat to commerce and security in the wealthier nations”. The inefficiency of governments and aid programs in solving this problem calls for new measures to be adopted to deal with this

important issue. For the author, such approach should be based on the BoP perspective, having free market mechanisms help achieve this objective.

Although fomenting consumption at the BoP is a viable answer to poverty, Prahalad defends that such initiatives should not be seen as aid programs or corporate social responsibility actions, but as free market transactions (PRAHALAD, 2006). Contrary to past opinions, that defended a more social vision of businesses to, among other things, help solve poverty-related problems (LAZER, 1969), this perspective affirms that being poor does not mean being incapable of self-sustain, since everyone in this situation is capable of exchanging money or work for consumer goods (PITTA, GUESALAGA and MARSHALL, 2008).

The BoP consumer is, therefore, portrayed as empowered in the marketplace, with conditions to better his life through merits of his own (BONSU and POLSA, 2011). By becoming the focus of attention of MNCs, he begins to have choices in his life that, before, were hardly present. This, in turn, reinforces his values of citizenship, which weakens "evil" organizations powers to divert him from what is correct, diminishing terrorist recruitment in regions where free markets exist (UPSHUR, 2009).

The BOP approach created by Prahalad spread in the academic community all over the world; especially to emerging economies not known to suffer from terrorist attacks, whose economic systems were not free market oriented. Study centers on the bottom of the pyramid approach (called BoP Learning Labs) emerged in several countries, such as Mexico (Monterrey TEC), Argentina (Centre for Study of Corporate Sustainability), Brazil (Fundação Getúlio Vargas, São Paulo, Business School), South Africa (University of Stellenbosch Business School) and India (Indian School of Business), to name a few (LONDON, 2007).

The main focus of these BoP Learning Labs was on developing ways to attenuate poverty by means of free market activities, through which MNCs could commerce to low income consumers (GARDETTI, 2007). By studying such approaches, researchers in these Labs would also be indirectly dealing with solutions on how to eliminate terrorism, which, in turn, would make the world "a better place" (HART, 2007).

To strengthen the arguments that MNCs could help the poor to better their lives through free markets, cases of corporations successful commercial activities in bottom of the pyramid markets all over the world began to be described (ANGOITIA and RAMIREZ, 2009; GARDETTI and D'ANDREA, 2010; IRELAND, 2008). Hammond and Prahalad (2004), for instance, mention how Hindustan Lever and Procter & Gamble, in India, adapted the packaging in their products to low-income consumers, making them smaller

(and, thus, cheaper for the consumer). According to the authors, as well as helping nearly all Indians enjoy access to shampoo, these MNCs have helped to expand the market and increase access to goods and services which have improved people's quality of life.

In permitting free markets to flourish, one of the most important results MNCs can accomplish at the BoP, according to Wood, Pitta and Franzak (2008, p.428), is the "positive feelings it can yield". If efforts by these companies result in actions that benefit society, the goodwill towards them will be so valuable that it outweighs low profit margins in the short term. Investing in free markets can result in a predominantly poor market grow into a middle or high-class market, of long term potential.

MNCs initiatives in BoP markets have helped to fight poverty around the world in many different ways, argument Subrahmanyam and Gomez-Arias (2008). Innovations in the food industry, for example, have resulted in the education of consumers about nutrition and offers of cheap, nutritional foods in adequate quantities. Also, improvements in water and sanitation services have been made as a way to give the poor access to such basic needs. The authors believe that, in doing this, MNCs can help low income consumers obtain higher self-esteem and self-fulfillment.

Indications of the good MNCs can bring to the BoP in free markets are constant in the studies of Prahalad and his followers. As well as helping this segment to a better life, these studies defend that this initiative is beneficial to the whole society, since the root cause of terrorism are dealt with, making the world safer. This perspective was well accepted by business researchers and professionals, who ignored its critics, and believed Prahalad's views could lead to a scenario of gains for everyone.

4 – FINAL CONSIDERATIONS

The objective of this paper is to discuss how the association between poverty and terrorism made by the U.S. government and the academic community created an ideal setting for Prahalad to expand free market theories as an answer to poverty. Discussions regarding the bottom of the pyramid approach have mostly focuses on issues related to helping the poor through market actions, where MNCs instead of governments would be responsible for this. Little do these discussions attend to the political aspects occurring at the time of Prahalad's initial writings, and how it has been adopted in his and his followers' views of the benefits the bottom of the pyramid approach can offer.

Before Prahalad's articles were published, in 2002, MNCs and free markets were not seen as a solution to poverty, much less terrorism. In fact, helping the poor to better their lives was seen as a responsibility of governments, which should regulate markets in order to protect these individuals from being exploited by companies. This was the belief held by consumerism activists and the academic community, in the 1960s and 1970s, in the United States. Even after the consumerist movement lost momentum, by the 1980s, poverty alleviation continued being associated with government aid.

In this context, it is easy to understand how Prahalad's ideas presented in his original paper with Stuart Hart (PRAHALAD and HART, 2000) were not accepted for publication in many journals, since they proposed a free market perspective to solve the poverty problem. At the time, the business literature was giving little attention to studies focused on the poor or propositions on how to help these individuals better their lives, especially relating this to efforts by MNCs.

It was only after making changes that Prahalad was able to publish his articles, transforming the BoP approach into an issue in the MNCs sphere; not one related to corporate social responsibility, but to free market concepts, where the poor are "transformed" into consumers. As well as helping to eradicate poverty, the BoP approach promised a better world for all in society, as the main cause for the proliferation of terrorism would be eliminated.

The political context in which Prahalad developed this 'new' perspective was prone to such ideas, in most part because of the "War on Terror" policy in the United States, developed after the attacks on 9/11, which resulted in associations between poverty and terrorism being made. The BoP approach aligned its 'solutions' with those desired by the U.S. government, and, by doing this, was accepted into the mainstream of business literature.

By giving little attention to this contextualization, the business literature mischaracterizes an important aspect of Prahalad's view. The BoP approach is not only a strategy MNCs should adopt to earn more profits while selling to a "new" segment of consumers. It is a political statement against, most of all, any anti-free market movement, of which terrorism is a part of.

Prahalad and his followers describe the achievements MNCs can accomplish at the BoP as more than just simply financially sound. The help these corporations can bring to eradicate poverty and fight terrorism is a political solution to problems societies have suffered, and that governments in most of the world have not been able to resolve. The BoP approach joins the objectives of MNCs to those of governments, in both the United

States and in other countries, making the interests of both parts bound together, in search for a greater good. For one to win, the other must also.

In joining governments and MNCs interests in search of the same objectives, the BoP approach ignores the discussions about poverty alleviation, in the United States, prior to the 2000s, that put in different sides governments and MNCs. Before Prahalad's articles were published, MNCs were seen as exploitative of the poor in the marketplace, and the governments, responsible for helping them.

In transforming MNCs in "saviors" of the poor, instead of governments, Prahalad and his followers defend that, through free markets, State responsibilities are lessened. In this scenario of minimal government regulation, MNCs respect their obligations with shareholders, since they continue generating profits, and, at the same time, are good to society; a perspective quite different from what was believed in an earlier period.

Such praise to MNCs is considered by some critics (ARORA and ROMIJN, 2011; BONSU and POLSA, 2011; KARNANI, 2011) as an attempt to change the image the larger public has on corporations after several corporate scandals were reported in the mid 1990s. If so, then the discourse that MNCs can help solve two major problems societies suffer from, poverty and terrorism, if they adopt the BoP approach, seems a strong tactic for such objective.

By relating his own perspective to that of the U.S. government, Prahalad gains more power in his arguments in favor of MNCs helping to resolve the poverty problem through free markets. In consequence, this strengthens the view that corporations are pivotal in any economy, because the more they profit, the more societies benefit, since in markets where there is economic freedom, poverty and terrorism are supposedly seldom present. Through this logic, it is in the interest of governments, especially in the United States, that MNCs become successful in their businesses around the world.

The growth in studies about the bottom of the pyramid around the world shows the importance the subject has gained in the academic community. The business literature has contributed to this, but mostly focusing on the benefits the BoP approach brings to societies. Few are the debates that discuss the political aspects related to it. By discussing the political context in which the Bop approach was developed, this study hopes that future research extends this view, and take into consideration that Prahalad's perspective is more than just a strategy for MNCs to make more profits.

5 – REFERENCES

ABADIE, A. Poverty, political freedom, and the roots of terrorism. **American Economic Review**, v. 95, n. 4, p. 50-56, 2005.

ANDREASEN, A. **The disadvantaged consumer**. New York: The Free Press, 1975.

_____. The ghetto marketing life cycle: a case of underachievement. **Journal of Marketing Research**, v. 15, n. 1, p. 20-28, 1978.

_____. Revisiting the disadvantaged: old lessons and new problems. **Journal of Public Policy and Marketing**, v. 12, n. 2, p. 270-275, 1993.

ANGOITIA, R.; RAMIREZ, F. Strategic use of mobile telephony at the bottom of the pyramid: the case of Mexico. **Information Technologies and International Development**, v. 5, n. 3, p. 35-53, 2009.

ARORA, S.; ROMIJN, H. The empty rhetoric of poverty reduction at the base of the pyramid. **Organization**, v. 18, n. 4, p. 1-25, 2011.

BERREBI, C. Evidence about the link between education, poverty and terrorism among Palestinians. **Peace Economics, Peace Science and Public Policy**, v. 13, n. 1, p. 1-36, 2007.

BONSU, S.; POLSA, P. Governmentality at the base-of-the-pyramid. **Journal of Macromarketing**, v. 31, n. 3, p. 236-244, 2011.

BRAUER, C. Kennedy, Johnson, and the war on poverty. **Journal of American History**, v. 69, n. 1, p. 98-119, 1982.

BRAVO, A.B.; DIAS, C. An empirical analysis of terrorism: deprivation, Islamism and geopolitical factors. **Defense and Peace Economics**, v. 17, n. 4, p. 329-341, 2006.

BUSH, G. **President outlines U.S. plan to help world's poor**: remarks by the President at United Nations financing for Development Conference. The White House, Mexico, March 22, 2002a. Retrieved from <http://georgewbush-whitehouse.archives.gov/news/releases/2002/03/20020322-1.html>>. Accessed August 29, 2012.

_____. **The national security strategy of the United States of America**. Washington: The White House, September, 2002b. Retrieved from

<<http://www.globalsecurity.org/military/library/policy/national/nss-020920.pdf>>
Accessed August 29, 2012.

CARR, S.; RUGIMBANA, R. Marketing and development out of poverty: introduction to the special issue. **International Journal of Nonprofit and Voluntary Sector Marketing**, v. 14, n. 2, p. 95-100, 2009.

COHEN, L. **A consumers' republic: the politics of mass consumption in postwar America**. New York: Knopf Doubleday Publishing Group, 2003.

DAY, G.; AAKER, D. A guide to consumerism. **Journal of Marketing**, v. 34, n. 3, p. 12-19, 1970.

EHRlich, P.; LUI, J. Some roots of terrorism. **Population and Environment**, v. 24, n. 2, p.183-192, 2002.

GARDETTI, M. A base-of-pyramid approach in Argentina: preliminary findings from a BOP Learning Lab. **Greener Management International**, v. 51, p. 65-77, 2007.

GARDETTI, M. A.; D'ANDREA, G. Masisa Argentina and the evolution of its strategy at the base of the pyramid: an alternative to the BoP Protocol Process? **Greener Management International**, v. 56, p. 75-91, 2010.

GORE, A. A commentary on the war against terror: our larger tasks. **Council on Foreign Relations**, New York, February. 2002. Retrieved from <<http://www.cfr.org/terrorism/commentary-war-against-terror-our-larger-tasks/p4343>>. Accessed August 29, 2012.

GBADAMOSI, A. Low income consumer's reactions to low-involvement products. **Marketing Intelligence and Planning**, v. 27, n. 7, p. 882-899, 2009.

GUESALAGA, R.; MARSHALL, P. Purchasing power at the bottom of the pyramid: differences across geographic regions and income tiers. **Journal of Consumer Marketing**, v. 25, n. 7, p. 413-418, 2008.

HART, S. **Capitalism at the crossroads: aligning business, earth and humanity**. 2. ed. Upper Saddle River, N: Wharton School Publishing, 2007.

HAMMOND, A., PRAHALAD, C. K. Selling to the poor. **Foreign Policy**, v. 1, n. 142, p.30-37, May 2004.

- HOFFACKER, L. The U.S. government response to terrorism: a global approach. **Vital Speeches of the Day**, v. 41, n. 9, p. 266-268, 1975.
- IRELAND, J. Lessons for successful BoP marketing from Caracas's slums. **Journal of Consumer Marketing**, v. 25, n. 7, p. 430-438, 2008.
- JONES, M. Deception in the marketplace of the poor: the role of the Federal Trade Commission. In: STURDIVANT, F. (ed.). **The ghetto marketplace**. New York: Free Press, 1969.
- KARNANI, A. **Fighting poverty together**: rethinking strategies for Business, Governments, and Civil Society to reduce poverty. New York: Palgrave Macmillan, 2011.
- KIVIMAKI, T. Can development and democratization address the root causes of terrorism in Southeast Asia? **Pacific Review**, v. 20, n. 1, p. 49-73, 2007.
- KOKAZ-MUSLU, J. Preventing international terrorism: can multinational corporations offer a fresh new perspective? **Bepress Legal Repositories**, March 1, 2006. Working Paper 1016. Bepress Legal Series.
- KOTLER, P. What consumerism means for marketers. **Harvard Business Review**, v. 50, n. 3, p. 48-57, 1972.
- KOTLER, P; ROBERTO, N.; LEISNER, T. Alleviating poverty: a macro/micro marketing perspective. **Journal of Macromarketing**, v. 26, n. 2, p. 233-239, 2006.
- KRUEGER, A.; MALECKOVA, J. Education, poverty and terrorism: is there a causal connection? **Journal of Economics Perspectives**, v. 17, n. 4, p. 119-144, 2003.
- LAZER, W. Marketing's changing social relationships. **Journal of Marketing**, v. 33, n. 1, p. 3-9, 1969.
- LEE, A. Who becomes a terrorist? poverty, education, and the origins of political violence. **World Politics**, v. 63, n. 2, p. 203-245, 2003.
- LI, Q. Does democracy promote or reduce transnational terrorist incidents? **Journal of Conflict Resolution**, v. 49, n. 2, p. 278-297, 2005.
- LI, Q; SCHAUB, D. Economic globalization and transnational terrorism: a pooled time-series analysis. **Journal of Conflict Resolution**, v.48, n.2, p.230-258, 2004.
- LONDON, T. **A base-of-the-pyramid perspective of poverty alleviation**. University of Michigan, July 2007. Working Paper.

MORGAN, F.; SCHULER, D.; STOLTMAN, J. A framework for examining the legal status of vulnerable consumers. **Journal of Public Policy and Marketing**, v. 14, n. 2, p. 267-277, 1995.

PITTA, D.; GUESALAGA, R.; MARSHALL, P. The quest for the fortune at the bottom of the pyramid: potential and challenges. **Journal of Consumer Marketing**, v. 25, n. 7, p. 393-401, 2008.

PRAHALAD, C. K. **The fortune at the bottom of the pyramid**: eradicating poverty through profits. New Jersey, USA: Pearson Education, 2006.

PRAHALAD, C. K.; HAMMOND, A. Serving the world's poor profitably. **Harvard Business Review**, v.80, n. 9, p. 4-11, 2002.

PRAHALAD, C. K.; HART, S. L. Raising the bottom of the pyramid: strategies for sustainable growth. July. 2000. Retrieved from <<http://www.ima.kth.se/utb/mj1501/pdf/prahalad.pdf>>. Accessed August 30, 2012.

_____; _____. The fortune at the bottom of the pyramid. **Strategy and Business**, v. 26, p. 1-14, 2002.

PIAZZA, J. Do democracy and free markets protect us from terrorism? **International Politics**, v. 45, p. 72-91, 2008.

POWELL, C. L. No country left behind. **Foreign Policy**. Washington: FP Group, January 5, 2005. Retrieved from <http://www.foreignpolicy.com/articles/2005/01/05/no_country_left_behind>. Accessed August 29, 2012.

RATNER, C. Educating the low-income consumer: some viewpoints from an action program. **Journal of Consumer Affairs**, v. 2, n. 1, p.107-114, 1968.

RHOADS, R. The new militarism, global terrorism, and the American university: making sense of the assault on democracy "here, there, somewhere". **InterActions: UCLA Journal of Education and Information Studies**, v.3, n.1, p.1-32, 2007. Retrieved from <<http://escholarship.org/uc/item/04166652#page-1>>. Accessed August 29, 2012.

RICHARDS, L. Consumer practices of the poor. In: IRELAND, L. (ed.). **Low-income life styles**. Washington: US Department of Health, Education and Welfare, 1968.

SACHS, J. **The end of poverty**: economic possibilities for our time. New York: Penguin, 2005.

SEELOS, C.; MAIR, J. Profitable business models and market creation in the context of deep poverty: a strategic view. **Academy of Management Perspectives**, v. 21, n. 4, p. 49-63, 2007.

STURDIVANT, F.; WILHELM, W. Poverty, minorities, and consumer exploitation. In: STURDIVANT, F. (ed.). **The ghetto marketplace**. New York: Free Press, 1969.

SUBRAHMANYAN, S.; GOMEZ-ARIAS, T. Integrated approach to understanding consumer behavior at the bottom of the pyramid. **Journal of Consumer Marketing**, v. 25, n. 7, p. 402-412, 2008.

TOYER, A. Consumer education and low-income families. **Journal of Consumer Affairs**, v. 2, n. 1, p. 114-120, 1968.

UPSHUR, W. To whom it speaks: cities, poverty and terrorism. **SAIS Review of International Affairs**, v. 29, n. 1, p.109-111, 2009.

WOOD, V.; PITTA, D.; FRANZAK, F. Successful marketing by multinational firms to the bottom of the pyramid: connecting share of heart, global “umbrella brands”, and responsible marketing. **Journal of Consumer Marketing**, v. 25, n. 7, p. 419-429, 2008.

WOLFENSOHN, J. Fight terrorism by ending poverty. **New Perspectives Quarterly**, v. 19, n. 2, p. 42-44, 2002.

YUNUS, M. **Nobel Lecture**. Oslo, December 10, 2006. Disponível em: <http://nobelpeaceprize.org/en_GB/laureates/laureates-2006/yunus-lecture/>. Accessed August 29, 2012.

