

# U.S. IMPERIALISM



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**sds**

Thanks to Larry Carney, John Cowley, Mark Rudd for ideas, criticism, and help.

Third printing by sds,  
November, 1968

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"The bourgeoisie cannot exist without constantly revolutionizing the instruments of production...the need of a constantly expanding market for its products chases the bourgeoisie over the surface of the globe."

The Communist Manifesto

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## INTRODUCTION


The War in Vietnam; the presence of thousands of US troops in Thailand, Laos, Cambodia, Korea; the activities of Green Berets in Guatemala, Bolivia, Peru, Venezuela, Colombia; the countless other forms of US military and non-military involvement in the internal affairs of other nations; the daily death by starvation of between twelve thousand and a hundred thousand people in the "free world"—all this demands that we examine the roots and the dynamics of US foreign policy.

This paper will proceed with a brief sketch of US relations with specific under-developed countries. From these examples there will be an attempt to construct a general theory, which in turn will help us to understand what to expect in countries which we have not discussed in particular. Obviously, each of the examples could be argued over at length (For this reason additional sources will be included in the text.), but these summaries should be sufficient to indicate a general pattern.\*

\*For a similar group of summaries covering different countries, see Carl Oglesby's Containment and Change. For similar sketches from the opposite point of view, see "Where America Is Winning in the World", Nation's Business, June 1967.

**GUATEMALA.** Goods in modern packages  
supply this ancient civilization.

**CONTAINER CORPORATION OF AMERICA**  
SAVE WASTE PAPER



From a magazine advertisement

Guatemala: This country never enjoyed a free election until the overthrow of US-supported Jose Ubico in 1944. When Jacob Arbenz Guzman was elected president in 1950, he began serious social reforms which included the re-distribution of four hundred thousand acres of fallow United Fruit land (compensation in bonds with three per cent interest). He also permitted Communists in his government. A US arms embargo ensued, followed by an invasion in 1954 led by Colonel Castillo Armas, trained and armed by the US, covered by six F-47 bombers flown by the CIA. Our man Armas returned re-distributed land, allowed plantation owners to cut wages by thirty per cent, closed down opposition newspapers, et cetera. Now, half a billion dollars worth of US business investment prospers in Guatemala, and has served to secure the Guatemalans' freedom, American style. As Nation's Business (US Chamber of Commerce, May 1967) proudly states: Although seventy per cent are illiterate, and land ownership is controlled by a small minority, "Guatemalans drive American automobiles, drink Coca Cola, bank at the Bank of America, burn Esso or Texaco gas, take trips on Pan American, sew on Singers, see Hollywood films." (1) (Sources: John Gerassi: The Great Fear in Latin America; David Wise and Thomas Ross: The Invisible Government; Nation's Business, May 1967.)

Cuba: The deterioration of US-Cuban relations since Castro is quite complex. (A more complete discussion can be found in Maurice Zeitlin and Robert Scheer: Cuba: Tragedy in Our Hemisphere.) For our purposes it is sufficient to realize that Castro's April 1959 trip to the United States came at a time when the Cuban Communist press still considered him a petty bourgeois adventurer, and before Cuba established relations with Russia. The unofficial economic talks were evidently unsatisfactory in terms of the changes Castro considered necessary for basic social and economic development in Cuba. To quote the New York Times of

4 corporations. Just when it appeared that he was close to a successful deal with Japan for the sale of Iran's oil, Premier Mossadagh suffered a CIA-led coup in August 1953 which restored the Shah. The US gave Iran eighty-four million dollars in aid to the Shah, including a one million, seven hundred thousand-dollar bonus for the army. Kermit Roosevelt, who was in charge of the operation for the CIA, later became a vice-president of Gulf Oil, one of the companies involved in the new oil consortium. Roosevelt also became head of an "independent" research institute on the Middle East. Under the Shah's "benevolent despotism", "the total amount of American investment cannot be accurately estimated because the figure increases so rapidly". (2) Iran receives a meager six hundred million-dollar a year income on the wealth of oil extracted; the Shah spends over five hundred million dollars a year to maintain his army. (Sources: Robert Engler: The Politics of Oil; David Wise and Thomas Ross: The Invisible Government; Nation's Business, September 1967.)

Ghana: Ghana, under Kwame Nkrumah, suffered many of the problems of colonies and ex-colonies: large outflows of capital to the parent country and heavy dependence on exports of raw materials with rapidly-falling prices. Nkrumah had done little to implement his avowed socialist program, and had even squandered money on expensive military equipment, when he was overthrown by a police-military coup February 24th, 1966. While there was some evidence of CIA complicity, the significant issue here, as in most of the eleven coups in Africa in the past three years, is that the military and other privileged strata know that certain policies are well-rewarded by the US. The military council, which proceeded to expel Chinese and Russian personnel and to come out in favor of returning large sectors of the state-controlled economy to private hands, soon received generous aid from the US-controlled International Monetary Fund, the World Bank, and foreign capital. (Sources: Bob Fitch and Mary Oppenheimer: Ghana: End of an Illusion; Roger Murray: "Militarism in Africa", New Left Review, July/August 1966.)

Indonesia: Partly due to the political strength of the Indonesian Communist Party (PKI), the third largest Communist Party in the world, President Sukarno decided to take an increasingly independent line. Well aware of past CIA use of aid projects to interfere in Indonesian affairs, Sukarno told the US "to hell with your aid" in March 1964. On December 31st,

1964, Sukarno announced the formation of a people's militia for the purpose of his campaign to confront "neo-colonial Malaysia". Such a militia would also provide an important counter-force to a conservative military. An abortive coup attributed to the Left Wing provided the excuse for a counter-coup to direct a massacre against the totally unprepared PKI. Conservative estimates indicate that between three hundred thousand and a million people (possible Communists) were slaughtered. As James Reston explained in the New York Times, June 19th, 1966: "...it is doubtful if the coup would ever have been attempted without the American show of strength in Vietnam or been sustained without the clandestine aid it has received from here." Washington was, of course, "delighted" with the destruction of the PKI, and Indonesia has been duly rewarded with aid. The military regime presented a gift to foreign capital last Christmas day in the form of a new liberal foreign investment law. (Sources: Bertrand Russell et al.: The Silent Slaughter; New York Times, December 26th, 1966.)

India: While India ostensibly has a mixed economy and prohibits foreign ownership of domestic industry, foreign capital (mainly British and American) still manages to extract a large amount of India's sorely-needed wealth. Foreign capital uses the mechanisms of partial ownership and partnership with local Indian capital to (1) take a fourth of the profits of the organized private sector; (2) take an even larger amount in royalties and fees for "technical services" to partner firms; and (3) create, through these partner firms, a captive market for expensive producer goods (machinery and equipment) made by the mother firm in England or America.

Meanwhile, the Indian economy stagnates, and productivity has not kept up with population growth. Real wages in rural India have not apparently increased since Independence. (3) In 1890 India produced two hundred and seventy kilograms of grain per citizen; in 1961, one hundred and seventy-five. (4) The Economic Weekly lamented, in February 1963, that though India had received far more economic aid than China (which has given more aid than it has received), "With a steel output lower than that of India in 1953, China is now producing about fifteen million tons as against India's less than four million tons, and her output of coal is three hundred and fifty million tons as against India's sixty million. And above all, despite reports

6 of famine and starvation, the fact is that per capita availability of food is higher in China than in India, and that it is more equitably distributed...." (Source: Hamza Alavi: "Imperialism Old and New", The Socialist Register, 1966. See also Paul Baran: Political Economy of Growth.)

Chile: Chile was chosen for the last example because here perhaps the most liberal US policy prevails—alignment with the moderate "Leftist" Frei government. The policy is significant even if it did develop out of necessity: Given "a choice between far and near Left, Frei got the nod from the north". As Nation's Business baldly explained: "More than a billion dollars are invested in Chile. And if anyone thinks the United States will sit on its hands while a Marxist is elected President of Chile, he is wrong." (5)



Slum in Santiago, Chile. The rich in Chile—and they are very rich—own 50% of the useful land. The poor live in slums like this one.

The significant point is that the United States is going along with Frei's "Chileanization" (as opposed to nationalization) of copper. This involves the government's buying shares in some of the Anaconda and Kennecott mines. (Nation's Business neglects El Tente mine, where the government will hold a fifty-one per cent share. Nevertheless, its generalization holds

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true.) Of course "US firms are left in charge of mines and in positions of majority owners." (6) While the editorial page of the New York Times hailed this program as a third way (non-capitalist, non-socialist) to development, the financial and business section of the Times revealed the real background of the program: There has been a severe shortage of copper, and Anaconda has been forced to resort to open-pit mining in Montana and Arizona. (If costs go up too far there is a danger that a new substitute product will develop—like, for example, aluminum—undercutting the entire copper industry.) The corporations, of course, would like to involve the Chilean in the process of expanding production both by mobilizing additional capital and by receiving exploratory concessions. The Chilean government, in return for its ownership share, is required to provide the funds for expanding production. Further, since Chile has not nationalized the mines, she is forced to accept loans to buy into the companies; to pay back these loans, given the new tax concessions for the copper companies, Chile's copper production will have to double by 1970. Thus, the companies have managed to shift their burden of finding new copper sources onto the Chilean government, which may or may not profit. Meanwhile, rhetoric about "Chileanization" is used to co-opt the real threat of nationalization in a country with a strong Left Wing.

The costs of reforms that leave the basic capitalist structure intact are revealed by what Chile has lost by not nationalizing. The advanced capitalist nations have extracted approximately nine billion dollars in economic surplus produced by and in Chile in this century. This sum is equal to the entire capital stock of Chile in 1964. If productively applied to the Chilean economy over the years, this expropriated surplus would have done much more than merely doubled Chile's capital stock. Current remittances (profits, et cetera) abroad are a hundred and fifty million dollars annually, and payment on foreign debt costs another hundred and fifty million dollars a year. At the same time, the loss of potentially investible economic surplus due to maldistribution of wealth amounts to between thirty-seven and fifty per cent of total national income; the loss due to unemployment, under-utilization of resources, and foreign exchange accounts for another thirty per cent of national income (although there is some overlap in measuring these sources of waste). To give statistics a more human form, if the nine billion dollars had remained in Chile, this sum—

aside from any possible productive growth—would have amounted to over twelve thousand dollars for each of Chile's poverty-stricken citizens. (Sources: Andre Gunder Frank: Capitalism and Underdevelopment in Latin America; Nation's Business, June 1967; Gerry Tenney's unpublished paper on Chile.)

These eight examples are not, of course, exhaustive. Nevertheless, they are representative enough to be the starting point for a larger overview of world politics. This discussion might be well situated by the following chart on indices of poverty in the countries discussed. It should be noted that in highly stratified societies the majority of people live well below the conditions indicated by these statistical averages. (7) (Blank spaces indicate that figures were not available from official sources.)

country	kilowatt hrs. per person per yr.	daily calory intake	% literate	life expectancy in yrs.	persons per doctor	infant deaths per 1,000
US	5050	3220	96	70	1000	25.4
Guatemala	106		30	38	6460	84.8
Dominica	147		64		5200	113.2
Chile	652	2570	80	52	2000	116.2
Iran	50		15		3900	
Ghana	61	2605	25		17900	
Indonesia	20		45	32	48600	84.1
India	47	1990	24	47	5200	86.5

AID (the US Agency for International Development), of course, does not provide comparable statistics for Cuba and China. But relevant information is available. For example, there is now virtually no starvation in either of these countries; illiteracy has been eliminated in Cuba; Cuba has no unemployment; China's medical standards are equal to Canada's; China's industrial and agricultural production has far exceeded India's; et cetera. (See, for example, Edgar Snow: The Other Side of the River; Bulletin of Atomic Scientist, June 1966; Dudley Seers: Cuba: The Social and Economic Revolution.)

## SUMMARY OF THE ARGUMENT

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1953. Almyr Bump, manager of United Fruit Company's holdings in Guatemala, is flanked by symbols of his job.

This pattern of US foreign policy, this US imperialism, obviously develops out of a certain ideology and political strategy. Ideology and strategy, however, also develop out of a definite context. This essay, concentrating on the economic underpinnings of policy, does not provide detailed study of the variety and subtleties of political action, but rather attempts to explain the basic thrust of overall policy. The essay also attempts to show the following: (1) US imperialism is a historic process; US expansionism and interventionism long preceded any "Communist threat". (2) US imperialism must be understood in terms of a world economic

division of labor between advanced capitalist nations ("metropolis") and underdeveloped nations ("satellites"). (3) The central dynamic of this division of labor is the need of advanced capitalism—with its constantly expanding production but constricted consumption due to maldistribution of wealth—to find ever-expanding markets for its products. (4) Corollary to this need for markets are the needs of profitable outlets for investment and for sources of raw materials. (5) This world capitalist division of labor is precisely the structure that prohibits "capitalist development" in the impoverished nations. (6) The need to expand markets is leading to new forms of imperialism. (7) The development of imperialism relates back to our own lives and our strategies for liberation.

## HISTORICAL SKETCH

Economic expansion abroad has played an important role in American economic development since the colonies were

founded and developed within the context of the British mercantilist system. (8) The dependence of the maturing American economy on foreign commerce was expressed in the controversial provisions of the Constitution creating a federal government with sufficient power to regulate, protect, and extend American commercial interests. (9) Nevertheless, as the Nineteenth Century progressed, the vast and rapidly expanding internal markets became increasingly important, relative to external commerce, in the pattern of agricultural and industrial growth. (10) The growth of the internal market was furthered by national territorial expansion.

With the disruption and loss of internal markets caused by the Civil War, foreign expansion—at this time mainly agricultural exports—provided a way out of an impending crisis of overproduction. (11) The foreign orientation of American agriculture was reinforced by post-war trends (including the role of an export boom in ending the 1873-1876 depression). By 1873, the political response to the export-market collapse was to search for ways of protecting and extending that market. (12) The agricultural interests, especially the Granger Movement, were creating a politics of foreign economic expansion soon to be dominated by the emerging industrial sector.

In the 1890s the United States made a rapid transition to a primarily industrial economy. (In 1850, crude materials constituted only six and eight-tenths per cent of US imports, while finished manufactured goods constituted fifty-four and nine-tenths per cent; by 1910, crude materials constituted thirty-six and four-tenths per cent of imports, and finished manufacture fell to twenty-three and six-tenths per cent. (13)) The period from 1900 to 1929—during which the US became the leading industrial power in the world—witnessed an extraordinarily rapid growth in US exports and foreign investments. Gross National Product rose from about forty billion dollars to about a hundred billion dollars, or about a hundred and fifty per cent; the annual volume of exports rose from one billion, two hundred million dollars to four billion, eight hundred million dollars, or three hundred per cent; US long-term direct foreign investments rose from four hundred and fifty-five million dollars to seven and a half billion dollars, or fifteen hundred per cent. (14) (All of the preceding figures are without correction for price changes.) This period was characterized politically by an "open door" (for US exports)

policy in Asia and "gunboat diplomacy" in Latin America.

During the Great Depression, US exports suffered a severe setback—from five billion dollars in 1929 to one billion, six hundred million dollars in 1933. (15) Once the domestic measures designed to resolve the crisis had generally failed, emphasis was placed on a sequence of measures to stimulate the restoration and expansion of US markets abroad. (16) But US exports did not revive much during the 1930s, and it was only the extraordinary demands of World War Two that led the US economy to recovery. The War left the US with a tremendously increased productive capacity and nearly undisputed political dominance in the West—compelling conditions for massive revival of foreign economic expansion.

US long-term direct foreign investments, which had fallen to four billion, eight hundred million dollars by 1946, were up to eleven billion, three hundred million dollars in 1948. (17) US exports averaged eleven billion, eight hundred and thirty million dollars annually for 1946-1950. The Government's foreign-aid program, "containment" policy, and quick move to rearmament reflected an awareness of the importance of foreign investment, foreign trade, and arms expenditures for the survival of the economic system. (18) This post-war period of rapid expansion of foreign trade and investment ushers in the period of contemporary imperialism.

## THE ECONOMIC STRUCTURE OF U.S. IMPERIALISM

The need for expanding markets assumes importance in terms of the central dynamic of modern American corporate capitalism—a dynamic growing out of continual technical innovation in the means of production. While price competition by and large does not exist, individual corporations still have incentives for technological innovation: (1) to minimize costs within a given price structure; (2) to develop new market areas through a new product or process; (3) to be able to enter foreign markets—especially given lower wages abroad—through advanced productivity and/or technologically advanced products. All these considerations place, despite retarding counter-tendencies, a premium on technological innovation even within the non-competitive US corporate structure.

However, the more technologically advanced a corporation, the higher its "fixed costs". A machine cannot be "laid off" like a worker when demand slackens; once it is paid for, the

12 cost is fixed whether it is used or not. Further, machines depreciate in value rapidly, since more productive machines are constantly being developed. Therefore, corporations have an incentive to utilize machines as much as possible within a given fixed-cost structure. As more machinery is introduced (to increase productivity and produce technologically-advanced products) costs per unit may be lowered, but the level of basic fixed costs to be covered is raised. Therefore, the volume of sales necessary to reach the "break-even" point constantly rises. The potential of higher profits through greater productivity leads corporations into a situation of higher fixed costs which requires a higher volume of sales in order to realize the potential higher rate of profit.

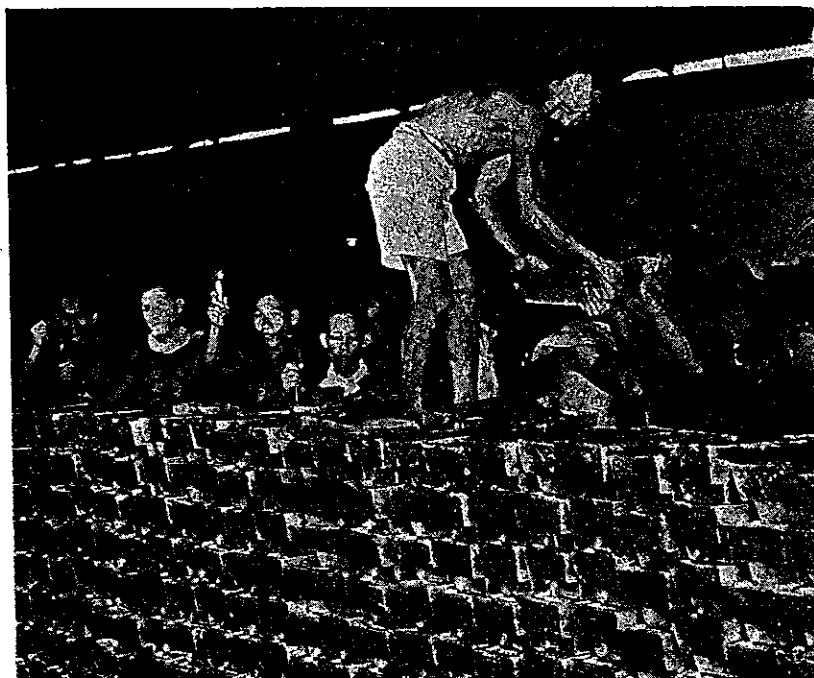
Harvard Business Review puts it this way: "One of its (technology's) 'side effects' will be on costs. Costs inevitably become stickier and break-even chart curves flatten out when capital is substituted for labor. As a result, business will have an even greater incentive to maintain continuously higher levels of output...." (19)

Theoretically, this problem could be met simply through comparable boosts in domestic consumption. Capitalism, however, poses certain structural impediments to consumption —impediments associated with maldistribution of wealth. No matter what the absolute economic level of various strata of the population, relative maldistribution is a structural feature of capitalism for several reasons: (1) accumulation of capital (for investment) is done privately; (2) private control over the means of production is partially based on relative wealth; (3) the various status privileges related to such control (and maintenance of intermediary strata) are partially realized through relative wealth.

The difficulty is that the further people get from basic human needs, the smaller the percentage of income they devote to consumption (as opposed to various forms of savings). This problem continues as long as wealth is not distributed to each according to his needs, and grows worse as the whole level of society moves further from subsistence. Since capitalism denies social control over either production or consumption according to human needs, private corporations seeking a profit go after money where it is at. Thus, modern America is plagued by advertising to create demand, compulsive consumption, manipulative culture, waste production, military expenditure, et cetera (all while real human needs remain unsatisfied).

But a rate of diminishing return on consumption among those with higher income levels has still prevailed.

In practice, therefore, as waste production and compulsive consumption have provided only partial solutions to the growing "over-production" (in terms of market rather than human needs), US business becomes increasingly committed to foreign markets. To quote Walter B. Wriston, the new president of New York's First National City Bank, the largest overseas operator of all US banks: "The potential for US industry is just enormous. The overseas market is growing twice as fast as the domestic market, and it should double or triple in the years just ahead." (20)



Maylayan men load 100-pound ingots for U.S. industry.

Incidentally, the more US capitalism solves the problem of technologically-induced "over-production" by expanding abroad, the greater the pressure for technological development — which is key to maintaining a world market position. Thus the technology - over-production - foreign expansion - technology tendency is a cycle that feeds on and exacerbates itself.

In any case, it is important to keep in mind, during the following discussion of current size and growth of foreign

markets, that they also contain the prospect of soon doubling in relative importance and have the potential of even greater growth from there. In gross terms, US export trade for 1965 was twenty-seven billion dollars, while this provided the US with a favorable balance of trade of six billion dollars. While trade with the underdeveloped countries was not as large as with Europe and Canada, the former still provided the US with a favorable balance of one billion, three hundred million dollars.

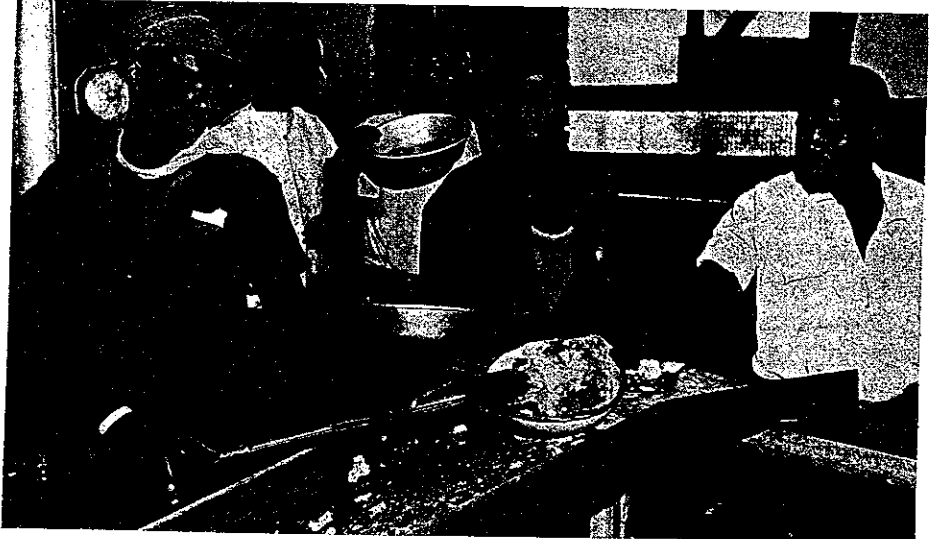
Gross figures, however, do not accurately reveal the importance of foreign trade. Even seemingly small percentages can be crucial. To cite the Rockefeller Reports: "Between nine and ten per cent of all durable goods produced in the United States are sold abroad. Significantly enough, these sales provide the margin between profit and loss for a large segment of American industries." (22)

The Rockefeller Panel correctly avoids the common procedure of comparing foreign trade to gross national product (GNP). As Harry Magdoff points out in his excellent article "Economic Aspects of US Imperialism" (Monthly Review, November 1966), GNP includes government expenditure, personal and professional services, and activities of banks, real-estate firms, and stock brokers—that is, non-productive expenditure and simple transfer payments. The Department of Commerce measures the economic significance of exports in relation to total domestic production of movable goods—that is, the sale of agricultural products, mining products, manufactures, and freight costs. This figure for 1964 was two hundred and eighty billion dollars.

The importance of foreign markets, however, should not be measured simply in terms of the 1964 twenty-four billion dollars of export sales (nine per cent of the above). Foreign sales include output from US investments abroad (direct and indirect). Indeed, the modern American multi-national corporation may even produce goods in one foreign country to sell in another; imperialism is no longer simply a relationship between the US and client nations, but assumes the form of an international nexus. The sales resulting from US investments abroad amounted to a hundred and forty-three billion dollars in 1964. This amount added to the twenty-four billion dollars in exports is a hundred and sixty-eight billion dollars. This hundred and sixty-eight billion dollars cannot be compared to the total domestic movable goods, since a

portion of our exports is included in our output abroad. Thus, subtracting for double counting, Magdoff estimates a total foreign market of about a hundred and ten billion dollars, or about forty per cent of the domestic two hundred and eighty billion-dollar output of farms, factories, and mines. (23)

The most important aspect of this trade is its role as an outlet for our manufactures. Total export and sales by foreign-based US firms has grown from fifteen billion, eight hundred million dollars in 1950 to fifty-seven billion, nine hundred million dollars in 1964, or from about seventeen and six-tenths per cent to thirty-five per cent of the sale of domestic manufactures. (24) Further, in the past ten years domestic sales increased fifty per cent, foreign a hundred and ten per cent. Another important indicator of the importance of foreign-based manufacturing firms is the expenditure on plant and equipment: eight and one-tenth per cent of such domestic expenditures in 1957; seventeen and three-tenths per cent in 1965. (25)



Using a shovel, a mine employee dishes up food for miners. When crops fail in rural areas or in neighboring Angola and Mozambique, men travel to South Africa to take jobs in the mines. They live in compounds where no families or women are allowed. They must sign contracts for at least a year. Sometimes because they are forced into debt they are away from homes and families for four years.

Thus, foreign trade must be seen in terms of foreign investments, which provide much greater market outlets. Further, the profits on these investments constitute an increasing percentage of total corporate profits. In 1950,

earnings on foreign investments represented about ten per cent of all after-tax profits of domestic non-financial corporations; by 1964, twenty-two per cent. The real profit rates abroad are probably higher than at home, but there are many well-known techniques for masking foreign profits—subsidiaries selling to home firms below the market price, service payments to home firms (26), high freight costs to related shipping companies, et cetera. Indeed, given the growth of the multi-national corporation, it is probably impossible to measure real profit rates abroad. Further, foreign profits help to maintain the domestic profit rate by relieving pressure in the domestic capital market and by securing new market outlets for domestic (US) products.

It would seem that a more accurate estimate of the importance of foreign markets and investments would indicate that foreign sales equal between twenty-five and forty per cent (27) of total domestic sales of movable goods; and foreign-earned profits equal at least twenty-two per cent of non-financial corporate profits. Further, in both sales and profits, the foreign sector is growing much more rapidly than the domestic.

These statistics in themselves do not indicate the nature of US imperialism, since the greater part of investment and trade is carried on with European and other developed nations. Once again, total investment figures are misleading, since the returns to the US are much greater from the underdeveloped world. Thus, between 1950 and 1965, US direct investments in Europe and Canada amounted to fourteen billion, nine hundred million dollars, while investment in the rest of the (underdeveloped) world was nine billion dollars. Nevertheless, income on this capital transferred to the US was eleven billion, four hundred million dollars from Europe and Canada, but twenty-five billion, six hundred million dollars from the rest of the world. Thus, in underdeveloped regions almost three times as much money was taken out as was put in during this period. In addition, the value of US-owned direct investment within these areas increased greatly during this period—from four and a half billion dollars to ten billion, three hundred million dollars in Latin America; from one billion, three hundred million dollars to four billion, seven hundred million dollars in Asia and Africa. (28) These higher profits (and lower costs) also aid the US multi-national corporations in securing a section of the very important but more competitive

European market.

Foreign investments also serve to create and capture the emerging, crucial market area of advanced producer goods (machinery and equipment) and technical services (patents, royalties, and consultation). US capital, especially the capital of large, advanced corporations in small, underdeveloped countries, tends to mobilize and dominate whatever local capital is around. Local capital is attracted to the projects of already-developed US corporations because the latter already possess the size, know-how, financial status, and material outlets necessary to provide a reasonable guarantee of a secure investment, something usually lacking within the unstable domestic structure of an underdeveloped economy. The large US corporations, for their part, are perfectly willing to utilize this domestic capital, since it minimizes risk capital, creates a domestic bourgeoisie tied to the interests of US capital, and allows the US corporations to realize the benefits of foreign investment without assuming all the costs.

This pattern of joint foreign and domestic capital investment results in both (1) a distorted investment pattern for the underdeveloped nation (dictated by the needs of US corporations rather than the needs of balanced national growth); and (2) effective control by US corporations in companies where they have less than a majority ownership. The US corporations use this control, therefore, both to inhibit domestic investment in a producer-goods industry and to create a captive market for US producer goods and technical services in the controlled domestic (manufacturing) companies.

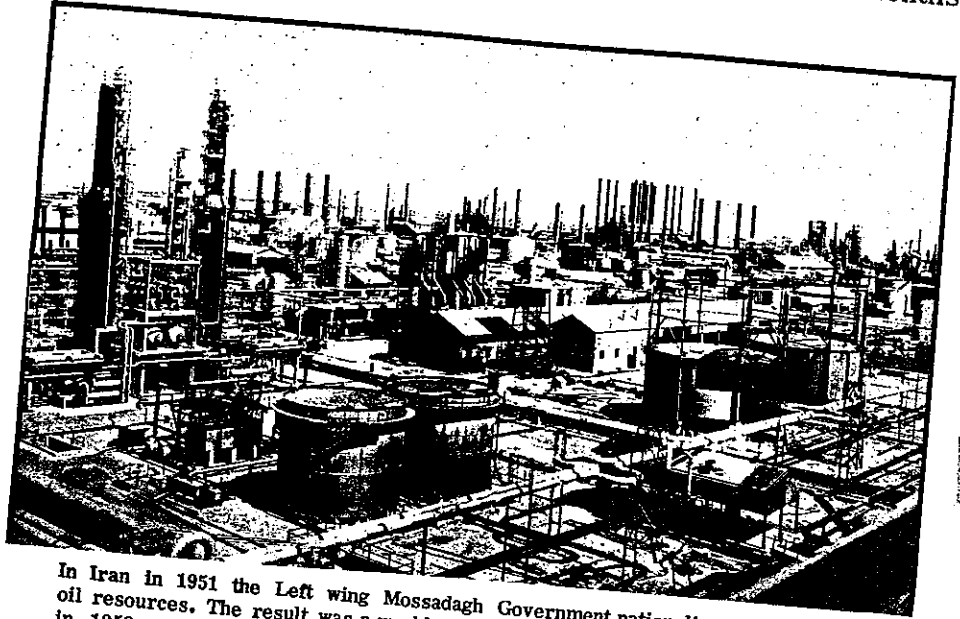
This market dominance is likely to continue and increase as long as the client nations cannot achieve very rapid economic and technological development. Right now, the total royalties, fees, and dividends flowing to the US parent corporations from foreign subsidiaries is approaching five billion dollars annually. (29). Technical services alone (that is, not including profit from investment or sale of goods) provide the US with a net favorable balance of five hundred and fourteen million dollars annually (five hundred and seventy-seven million dollars inflow; sixty-three million dollars outflow). (30)

One should also consider the importance of foreign investments in terms of the strategic position of those who control them: "...nearly half of Fortune's five hundred largest companies today have extensive overseas investments in plants, mines, or oil fields, representing an aggregate stake that is

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on the order of fifty billion dollars. A score or two of these largest companies now have a third or more of their total assets abroad; even a greater number derive a third or more of their income from foreign sales through one channel or another." (31) The largest twenty-five corporations (by sales, in 1959) received twenty-eight and nine-tenths per cent of profits from foreign investments and eleven and a half per cent from military work for a total of forty and four-tenths per cent. (32)



In Iran in 1951 the Left wing Mossadagh Government nationalized the country's oil resources. The result was a world-wide boycott by big corporations and finally, in 1953, a CIA coup which restored the Shah. The Shah then negotiated an agreement with the oil companies very favorable to those companies. Kermit Roosevelt, who led the operation for the CIA, later became a vice-president of Gulf Oil.

Military production (both an effect and a cause of imperialism) also has a crucial role both as a source of stimulus (government spending) to the economy and as an export product. "From mid-1949 to June 1966, the United States (government) sold sixteen billion, one hundred million dollars in weaponry and gave away (but bought from private firms) thirty billion, two hundred million dollars more. The forty-six billion, three hundred million dollars more than all the private sales...is about four billion dollars more than all the grants and loans under the economic assistance program since the middle of 1948, including the Marshall Plan...sales now outnumber grants by more than two hundred per cent. (33)

Of course, domestic military expenditures are a much more important stimulus to the economy than the above export of military products. Once again, the importance to the economy surpasses the gross expenditure (seventy-three billion dollars) involved, since government military spending serves as a stimulus to the economy. This stimulus involves the "multiplier" effect in which the money put into circulation by government spending creates additional, secondary demand as newly employed laborers spend their wages, and corporations use some of the returns to buy new machines, et cetera, all of which multiplies the initial boost to consumption from the direct expenditure. Thus, for example, not only did the fifty-five billion dollars spent on the military in 1962 employ, directly and indirectly, seven million, four hundred thousand people, but also another six to nine million were employed due to the economic stimulus of this spending—a total of thirteen to sixteen million out of a labor force of seventy-eight million. (34)

This military expenditure plays another crucial role. Government contracts, released on a "cost-plus" basis, provide funds for key technological research by private corporations. (Military products are not sold on the market where costs and profits together fit into a price structure. Rather, government contracts provide a definite allowance for costs and then an additional "plus" percentage of profit. This procedure provides many opportunities for padding costs through which the corporations do research useful to them at government expense. This opportunity to pad costs is, of course, an additional advantage to the large overlap between military and private products.) Such research has been essential to the development of important products such as nuclear electric generators and computers and other business machinery. This research aids US corporations to dominate the growing world market on advanced producer goods. (35) Defense contractors tend to become the most dynamic corporations in the economy.

Military spending combined with exports provides a crucial stimulus to the output of non-residential investment goods, a key factor in the health of the economy. Magdoff lists the industries producing non-residential investment goods, and shows that in 1958 federal government purchases (almost all military) and exports account for between twenty and fifty per cent of the purchases in all of these industries but three

(two greater than fifty per cent; one less than twenty per cent). Needless to say, a twenty to fifty per cent demand can be key to the survival of such industries, and these percentages have undoubtedly increased with the War in Vietnam. (36)

Foreign trade and investment are also important because they secure needed raw materials for US corporations. While modern technology provides synthetics to replace certain specific raw materials, our overall industrial development seems to be requiring greater and greater amounts of raw materials. Thus, the President's Materials Policy Commission reported the following in Resources for Freedom (Washington DC, 1952): At the turn of the century, the US produced about fifteen per cent more raw materials (other than food and gold) than it domestically consumed; by 1950, the US consumed ten per cent more than it produced, and trends indicate that the deficit will be twenty per cent by 1975. (37) Similarly, a US Defense Department pamphlet published in 1953, "Raw Material Imports: Area of Growing Dependency", indicates that the military consumes an important fifteen per cent of these imports, including a much greater percentage of alloying metals. The report cites "twenty-seven strategic imports... without which our industrial economy would collapse"; an important example is manganese, an alloy essential as a hardening agent for steel, of which the US imports close to a hundred per cent. (38)

The following chart provides a list of important raw materials, giving imports as a percentage of US industrial consumption and Third World production as a percentage of total world production. (Since these figures are taken from several different sources, there are a few materials for which only one of the figures is included; figures on production are approximate.) (39)

material	import as % of US domestic industrial consumption	Third World production as % of world total
iron ore	33.0	20
tin	100.0	80
bauxite	88.0	68
copper	68.6	50
lead	24.6	39
zinc	44.8	25
pig iron	81.0	

nickel	90.0	
tungsten	25.0	
mercury	77.0	
manganese	100.0	almost all
uranium ore	61.0	
fluorspar	66.0	
gums and barks	100.0	60
cobalt		75
chrome		45
phosphates		70
diamonds	\$56 million annually	60
petroleum	\$1212	

In summary, the structure of US imperialism is a complex of relationships more important than any single statistic can indicate. It involves a favorable balance of trade (total six billion dollars annual surplus) which secures US corporate and military interests much-needed raw materials for manufactured goods (thirty-five per cent domestic output). At the same time, foreign investment provides an increasing percentage of domestic corporate profits (twenty-two per cent) and simultaneously helps secure and create market outlets abroad. Finally, this "free world" economic penetration requires protection, which involves a large demand for military production (and profit on a cost-plus basis), also stimulating the demand for raw materials. This defense also provides the excuse for selling our military (waste) production to client governments.

These factors are combined with less-easily-measured benefits of economic expansion abroad. First, domestic profit rates are sustained by the export of investible but "excess" (low-return) capital; overall profit rates are also raised by the higher rate of return on foreign investment. Second, foreign markets and expanded scales of operations may allow a firm to realize economies of scale. Third, the vertical and horizontal integration made possible by expansion into foreign markets and foreign production—especially from an original position of financial and technical superiority—enhances a firm's competitive capacity to control costs, prices, and output in a widening industry and market area, and thus to maximize long-term profits. Fourth, related military expenditures provide government research funds for private corporations to develop important new, technologically advanced

products and processes.

## A NOTE ON THE TRANSFER OF ECONOMIC POWER INTO POLITICS

The complex of US economic interests just outlined already implies certain conflicts with the needs of the underdeveloped world. Before these implications are developed, it would be helpful to present a schematic approach to the way economic power is transferred into politics, a problem that merits careful study in its own right. Obviously, economic influence is going to have a major political impact, but it would be a mistake to oversimplify and see this relation in mechanical terms, with the government merely a planning board for the large corporations.



Ford's McNamara here poses as one of the sharpest defenders of the freedom of American capital to exploit Third World resources and labor.

While many government decisions may be made according to strictly economic priorities, many others are made for primarily political and ideological reasons. (Sometimes cogent explanations can be given in terms of the primacy of both the strictly economic and the strictly ideological factors. Carl Oglesby in Containment and Change, "The Vietnam Case", develops a rationale of US Vietnam policy in terms of a long-range political strategy for commercial dominance of the Pacific area. Nevertheless, Vietnam is clearly a case where ideological factors have their own, almost independent role.) The question is: In what context do these politics and ideologies develop? Briefly, the following factors should be considered: (1) Corporations with foreign interests become sources of "experienced", "responsible" personnel for the State and Defense Departments. Mike Locker's paper on the economic implications of the Dominican intervention shows that at least nine of the key US officials involved were connected with US

business interests in the Dominican Republic. Studies of other areas of foreign policy would reveal similar connections, and they go right up to the top: for example, John Foster Dulles was a senior partner in Sullivan and Cromwell, Standard Oil of New Jersey's major law firm (40); CIA Director McCone had large financial interests in Standard Oil (California) (41); and so on. (2) Large corporations and business associations, of course, have direct political access through lobbying and campaign contributions. Business is the best organized, most conscious of its own interests, best able to present concrete programs around those interests, best endowed in financial resources sector of the population. (3) Mass media are owned by the wealthy and corporate elite (especially defense contractors, who now control all three major TV-radio networks). The media are also dependent on these sources for advertising revenues. Where actual conscious distortion of the news ends, a notion of "responsibility" emanating out of the perspective of this elite still prevails. (4) Given the dominant ideological assumptions, certain political problems, such as maintaining prosperity, have limited solutions; given the structure of capitalism, the country is dependent on the well-being of the large corporations. (5) Our political office-holders are overwhelmingly lawyers, men whose function is to protect and administer property and who frequently see politics as an extension of their careers. (6) Government bureaucracies have a tendency to enlarge their power which would tend to align them with the dominant (expansionist) interests. (42)

It seems clear that economic interests have quite an impact on politics and ideology—not only through conspiracy but also through confluence of interests. Nevertheless, perspective and ideology play an important role. Since government officials are not always oriented toward maximizing the profits for any given firm, they can frequently take a more long-range and flexible view; since they are acting in accordance with an ideology, they frequently act in ways that are not strictly rational economically.

## THE CONFLICT OF INTERESTS

To understand imperialism, we must relate the structure and nature of the US economy to the needs of the underdeveloped countries. First, underdeveloped countries must invest as great

a proportion of their economic surplus as possible in increasing productive capabilities. This need would imply minimizing outflow of capital, luxury consumption (especially on imported goods), and military spending. (43) Second, these nations must build balanced and integrated economies. "Monoculture", an economy based on a single export crop, can result in disaster with the slightest change in export price. Any sort of total market dependence on a superior economic power is dangerous. Further, in a developing economy, the relation of the agricultural, manufacturing, and producer goods sectors requires careful balance and planning. Third, there is a social dimension to economic development. If new techniques are to be introduced and full productivity is to be achieved, the labor force must receive both education and vastly improved medical care and must develop a sense of participation in a real social transformation.

Interestingly enough, this approach agrees, on the broadest level, with the bourgeois theorists of growth. W. W. Rostow, for example, sees total productive investment as crucial—an increase from the average percentage of five per cent of national income to at least ten per cent is necessary to achieve "take-off"; a large percentage must go into "social overhead capital" to create the pre-conditions for technological advance. What the bourgeois theorists—basing their theories on a study of currently developed nations—miss is the difficulty of following this path after advanced capitalist countries already exist and dominate a world market structure. Only an examination of the role of the advanced capitalist countries in preventing a similar process of growth in the underdeveloped world can account for



1954. Demonstrators in Chile burn the US flag. Outrage at the CIA instigated invasion of Guatemala caused demonstrations by workers and students throughout Latin America.

why China, which broke from world capitalist relations, is the only significant example of a nation achieving "take-off" in the last half-century.

(In Rostow's terms, Russia achieved "take-off" before 1917; although in actuality the unusual industrial development of Russia cannot be separated from the Bolshevik Revolution.)

Rostow's latest book, The Economics of Take-off Into Sustained Growth, consists of an opening essay in which Rostow summarizes his position, followed by fifteen essays by internationally famed economists. This four hundred and seventy-two page work deals only with countries already developed by the advent of the Twentieth Century. The index has reference to only one underdeveloped or potentially "developing" country, India, which appears on four pages. The book is a tribute to our "objective", "value-free" social scientists, who can do reams of empirical research without one study to test their underlying assumptions.

There are many mechanisms through which the necessary potentially investible surplus is drained from the underdeveloped, satellite nation to the advanced, metropolis country. One such mechanism is the latter's control over prices which has resulted in deteriorating terms of trade for the Third World. There has been a pronounced tendency for prices of raw materials to drop while those of manufactures rise. United Nations studies have shown that while the underdeveloped countries have enjoyed a one billion, eight hundred million-dollar trade surplus in 1950, price changes transformed this position into a two billion, three hundred million-dollar deficit by 1962. Total losses due to the deterioration of terms of trade for this period amounted to thirteen billion, four hundred million dollars for the underdeveloped countries as a whole, eleven billion, seven hundred million dollars for Latin America. (Taking 1950 as a date of comparison neglects the deterioration in the terms of trade that began long before 1950.) Notably, the trade between the underdeveloped and the socialist nations is about equal; the deficit comes from trade with the advanced capitalist nations. (44)

To take a couple of examples, Kwame Nkrumah points out that between 1955 and 1965 Nigeria and Ghana tripled their production of cocoa; yet their gross earnings fell by six per cent. (45) At the third annual meeting of the Inter-American Bank, the finance minister of Colombia stated that his country lost two to three times as much income from drops in coffee

prices as it gained through Alliance for Progress credits (46); and so on.

We must avoid, however, the simple conclusion that price increases will solve the capital-generating problems of these countries. A large percentage of the sources of raw materials are foreign-owned. In Latin America, for example, US interests own eighty-five per cent of the companies producing the materials exported to the US. A large part of increased revenue through price increases would leave these countries through higher foreign profits. At least elements within US imperialism can be expected to be flexible on price reforms.

This unfavorable balance of trade, combined with the difficulty that most stabilizing aid is in the form of loans, imposes an outrageous debt problem on the underdeveloped world.

"...the help they have been getting from richer nations has left them with a staggering debt. Counting only loans of one year or longer, they currently owe an estimated total of forty billion dollars, at least three times as much as a decade ago. And it cost these countries perhaps four and a half billion dollars a year to take care of interest and amortization. This annual debt service siphons off perhaps twelve per cent of all their foreign exchange earnings, about three times as much as in the mid-1950s. To get enough foreign exchange to pay for what they import, they will have to borrow more, which in turn means they will have to meet still greater servicing costs." (48)

Once again, capitalism can be expected to show limited flexibility, since too great an over-extension of debt could lead to a squeeze on import consumption, but maintaining the satellites in permanent debt dependency will continue.

We have already seen how vast profits, technical services and fees, et cetera, flow from the satellites to the metropolis. Leaving aside the tremendous outflow of remitted profits, Latin America's outflow of financial payments and "service" payments amounts to sixty-one per cent of its foreign exchange earnings, or over six billion dollars per year, or seven per cent of its GNP, probably more than all its net investments. (49)

Military expenditures provide the binding power of this entire complex. Not only does the military provide a crucial stimulus to our own economy, especially in the area of non-residential investment goods, but also it is a means of manufacture export which in turn inhibits industrialization

in client nations. Thus, for 1959, the underdeveloped countries received four billion dollars in capital for economic development from the industrialized countries (compare this to the four and a half billion dollars now spent yearly to service foreign debt), but spent collectively eighteen billion dollars on military expenditures. Professor Wassily Leontif of Harvard has estimated that an overall investment increase of sixteen billion dollars per year could raise the growth rate of the Third World from the current average of two and one-tenth per cent (about the same as population growth) to the four and three-tenths per cent required to reach the growth rate of the industrialized countries. (50) Latin American countries alone spend two billion dollars per year—double what our Alliance for Progress lends them—on the military. (51) Pakistan, the Philippines, Greece, South Vietnam, South Korea, to give a few examples, all spend about five per cent of national income on the military (52)—the difference between the five per cent normal and ten per cent national investment required in Rostow's model of "take-off".

The money that both the US and client governments spend on the military also provides for the emergence of strong military elites, tied to the US, within these countries. This internal elite is instrumental to maintaining US interests without constant overt US intervention.

The correlated reactionary social regimes and structures are also responsible for the loss of much potentially investible economic surplus. On the crudest level, the possessing classes of Latin America have placed more than fourteen billion dollars in European and North American banks. (53) More fundamentally, the loss of potentially investible surplus through under-utilization of resources is tremendous. For example, for Chile, the following provides estimates of the loss of economic surplus, as a percentage of national income, due to various social factors (54): To the metropolis, on account of copper production and export alone, five per cent; unemployment fifteen per cent; unused industrial capacity fifteen per cent; agriculture below immediate potential three per cent (total thirty per cent of national income); and, most importantly, through maldistribution of wealth (overlapping somewhat with previous categories) between thirty-seven and fifty per cent.

This complex of relationships—outflow of foreign profits (remittance to the US almost three times its investments in the underdeveloped world, as previously explained), unfavorable

balance of trade, burdensome debt, outflow for technical services, heavy military expenditures, backward social structures—puts an effective stranglehold on the conditions for growth discussed earlier. Almost any one of these factors, alone, drains enough potentially investible capital to more than double current national investment levels. Political regimes are maintained that are unwilling and unable to initiate the social transformation required for industrialization. The control of US corporations and client governments prevents the planning and national integration and balance necessary for a developing economy.

This situation emanates out of the power of the advanced capitalist nations to impose their own interests—favorable balance of trade, high profits, open and growing markets and amenable client governments. In this context, much of the pretext of the more “benevolent” forms of US aid dissolves. For example, the Foreign Assistance Act of 1962 includes Section 620(e), which instructs the President to cut off all foreign aid to any country nationalizing or excessively taxing US-owned companies, unless compensation is “equitable and speedy”, conditions impossible for a country low on cash that has already paid many times over through excessive profits.

More fundamental is the entire structure of the US aid program. In November of 1963, President Kennedy defended foreign aid by pointing out that ninety per cent of the “aid” was tied to the export of US products. (That is, the client nations must use the money to buy US goods. Frequently this aid money never leaves the US, but is simply transferred from the Government to the export corporations.) At the same time, to take one of our most “liberal” programs, seventy per cent of Alliance for Progress aid was in the form of loans. (55) Thus, US aid means that client governments buy US products and then pay the US back, with interest. Further, most aid goes for the purchase of military equipment. Thus, of the close to fifty billion dollars spent on foreign aid from the end of the Marshall Plan up to 1960, thirty billion dollars went for military expenditures. (56)

Or consider one of the most liberal arms of US foreign policy, the Agency for International Development (AID). To cite Forbes: “AID distributes about two billion dollars a year. Of this, eighty-five per cent is spent in the US for American products and raw materials.” (57) Even international banking

arrangements, since they are dominated by US capital, put strictures on balanced industrial development and emphasize imports:

"The credit operations of the Eximbank (US) and the IBRD (World Bank of the UN) continue to be restricted to loans for concrete projects. Also...is the inclination...to finance the component of the project which is imported...to avoid making loans that might compete with private foreign capital. This resulted in a credit pattern concentrated above all on infrastructure rather than industrial uses." (58)

The Associated Press reported on April 5th, 1965 that "The Eximbank is taking out a hundred million dollars more a year than it is lending" to Latin America.

Meanwhile, in poverty-stricken Latin America, the underdeveloped area most penetrated by US capital, annual growth of GNP has dropped from an average of two and two-tenths per cent annually in 1950-55; to one and seven-tenths per cent in 1955-60; to eight-tenths per cent in 1961-62; to



Women panning for tin in Malaya. Women are forced into hard labor to supplement the low wages the men are paid.

minus one per cent in 1962-63. Per capita food production fell by seven per cent since the end of World War Two. (59)

As Paul Baran, Andre Gunder Frank, and others have already clearly demonstrated, it is precisely capitalist development that creates and maintains capitalist underdevelopment. The world division of labor imposed through the industrial technical, financial, and military power of the advanced capitalist countries defines the limits on the development of satellite nations. The thousands of human beings who die daily, the literally billions who live under intolerable conditions are victims of the violence inherent in a social system that produces for market and profit needs rather than for social and human needs. It is by now evident that these people will not accept the role of passive victims.

## TRENDS

By recognizing the major dynamic of US imperialism—a division of labor based primarily on the need for expanding markets—we can understand the development of new forms of imperialism. Modern imperialism, characterized by the multi-national corporation and technological advance, is no longer dependent on restricting the satellites to monoculture. Given the need of expanding markets, the metropolis is willing to invest in consumer-goods manufacture (“import substitution”) in the satellite countries, but only insofar as such investment increases overall US markets: Manufacture within the satellites creates a market for expensive advanced producer goods and technological services. Such priorities would imply, of course, that the “national” import substitution industries would be controlled by capital from the metropolis. To maintain the desired market advantages, US imperialism will still have to continue preventing the satellites from developing a balanced, integrated economy (with a producer-goods sector). The new technological basis for the division of labor will place the satellites at an even greater disadvantage than the already insuperable gap (given conditions of competitive capitalism) of the division based on heavy industry.

There is already evidence of these emerging forms of imperialism. Now, twenty-four per cent of US investment in Latin America is in manufacture. (60) Hamza Alavi’s study of India, summarized earlier in this essay, shows how foreign capital uses partnership with Indian capital to provide markets

for advanced producer goods to extract high fees for royalties and patents. Another example is Chile. "...except for foodstuffs, Chile's consumer goods are almost entirely nationally produced" but "Chile now has to import ninety per cent of its investment in plant and equipment." And: "Capital equipment accounts for only two and seven-tenths per cent of Chilean industrial production." (61) Nevertheless, the "old" form can be expected to predominate, or at least co-exist, for quite some time.

This technological division of labor provides the basis for the US's semi-imperialist relation to Europe, where "US firms now control almost the whole electronics industry, ninety per cent of the production of synthetic rubber, sixty-five per cent of petroleum distribution, sixty-five per cent of farm-machinery production." (62) US corporations have recently made spectacular inroads into the European computer and related industries. One can perhaps understand DeGaulle's cashing in US gold reserves as an effort to force out or hold back US capital from Europe. These new trends once again underscore the importance of military research and advanced technology (thus exacerbating basic domestic US contradictions). Meanwhile, the crucial role of advanced technology widens the gap between the metropolis and the satellites.

## STRATEGY AND OUR LIVES

The development of the mobile guerrilla force in Latin America highlights the international nature of and tension within capitalism. The emergence of the US as a near-hegemonic force since the end of World War Two has strengthened the centralized feature of the international structure of capitalism. US imperialism has become a systematic whole affecting the lives of people in every part of the world. The system can no longer be considered separate from domestic (internal) forces. The cohesion and/or fragility of US society is organically tied to both its international and its domestic parts.

The problems facing those struggling for liberation in the underdeveloped world and the problems facing "middle-class", "alienated" students are quite different in form. Nevertheless, these two situations form different halves of the same contradiction: the increasingly socialized means of production under capitalism and the increasingly anti-social uses and

relations of production. More concretely, capitalism necessarily increases productivity but continues to prevent social control and distribution of production.

This contradiction leads to the search for foreign markets and the resulting imperialism. Further, imperialism has long been extended into its domestic form of racism, an atavistic survival from the crudest form of exploitation of labor. Domestically, this contradiction is also expressed in powerlessness, maldistribution of wealth, waste and destructive production, compulsive consumption, manipulative culture, the uselessness of work, et cetera—all under the aegis of the multi-national corporation.

Our personal liberation requires the destruction of the same capitalist contradiction and institutions that oppress the mass of mankind. The force and power of the contradictions is embodied in the multi-national corporation and the related institutions in government, education, and the mass media. The respective liberation struggles, although quite different in form, constitute a common struggle. We must constantly and consciously link our own activities with a world anti-imperialist struggle. From this struggle, an entirely new quality of human relationships can emerge.

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