Albert Szymanski

THE LOGIC OF IMPERIALISM

Albert Szymanski

THE LOGIC OF IMPERIALISM

PRAEGER

PRAEGER SPECIAL STUDIES • PRAEGER SCIENTIFIC

Library of Congress Cataloging in Publication Data

Szymanski, Albert, 1941-
The logic of imperialism.

Bibliography: p.
Includes index.
1. Imperialism. I. Title.
JC359.S99 325'.32 81-5124
ISBN 0-03-057496-X (hb) AACR2
0-03-057494-3 (pb)

Published in 1983 by Praeger Publishers
CBS Educational and Professional Publishing
a Division of CBS Inc.
521 Fifth Avenue, New York, New York 10175, USA

456789 052 9876543

Printed in the United States of America
on acid-free paper

For Terry Hopkins
and for the people of
Iran and Nicaragua

ACKNOWLEDGMENTS

This book grew out of both my Ph.D. dissertation and political involvements. Although the book in its present form bears little similarity to the thesis accepted by Columbia University in 1971, the problems it addresses (but few of the answers given) are most similar. My thesis represented ten years of study and practical political work (largely in the anti-Vietnam War movement). This book represents an additional ten years of study, analysis, and thinking about imperialism undertaken in the calmer decade of the 1970s.

I would especially like to thank Terry Hopkins, my dissertation advisor, for the exceptional care and attention he gave us all during our days at Columbia. He taught me the methods used in this book, introduced me to many of the sources utilized, and first excited me about many of the issues treated. All of us in the 1968 generation of Columbia students owe a tremendous debt to him.

I would also like to thank Sue Jacobs for the intellectual and emotional support she gave me during the time that much of the present work was in process. Her practical energy and political collaboration were of special import.

Donna Rae Crawford, my research assistant, deserves special thanks for her immense help in checking, compiling, proofreading, making suggestions, and providing all-around help in producing the manuscript. She must also be thanked for her vital friendship during the trying times of this manuscript's birth.

Val Burris, who has proven to be an invaluable colleague, played a major role in the development of the arguments of the book, especially in its later stages. Both our ongoing discussions and his careful criticisms of the manuscript made a very important contribution.

Over the years Chris Chase-Dunn has been an especially valuable critic and supporter, a role which I greatly appreciate. His comments on draft chapters of this book proved very valuable. Paul Fitzgerald's remarkable bibliographical ability and critical insights in various seminars and discussions must be acknowledged. Jan Newton should be especially thanked for both her insightful criticisms of the original manuscript as well as for her most important support.

Berch Berberoglu, Ivar Berg, Peter Dreier, Gerry DuGuay, Alexander Erlich, Esawey Emasha, John Evansohn, Brenda Granquist, and Jerry Lembcke should be thanked for their formal and informal contributions and criticisms. Marty Landsberg and Mel Rothenberg must be thanked for their most helpful comments on draft chapters. Juan Linz, Paul Sweezy, and Immanuel Wallerstein have also had an important impact on this book (although not always in forms they would recognize or approve).

Madeliene MacDonald, who was responsible for my spending a sabbatical year in London, thereby giving me the opportunity to be stimulated by the atmosphere of that old imperial capital, must be thanked. Thanks should also be given to Michael Goldstein, David Elliot, Colette Postol, Sha and Terry Reilly, Chcyney Ryan, Carol Schmid, Jonathan Walker, and Dick Young, friends with whom I worked closely while writing the manuscript. Their patience and support are greatly appreciated.

Many chapters of this book grew out of articles that led to debates and rejoinders in a variety of professional and left journals. Much of the book is thus indebted to the modifications and sharpening of the arguments that these debates inspired. I would especially like to thank Andre Gunder Frank, Sam Friedman, Harry Magdoff, Martin Murray, James Petras, Richard Rhodes, Paul Stevenson, Paul Sweezy, and Maurice Zeitlin for their contributions to these various exchanges.

Thanks must go to the social science and government documents' librarians at the University of Oregon who provided immense help in locating sources and data. I would especially like to thank Robert Lockhart, whose contribution to this book went considerably beyond the call of duty. Others that provided crucial assistance included Rod Christensen, Holly Jones, Lois Schreiner, Tom Stave, and Richard Long. My typist, Doris Boylan, of whom it has been said she is the only person able to read my illegible typing, also deserves special thanks.

In the last analysis, the most important impact on this work has been the antiimperialist movements within the less-developed countries, from the Chinese Revolution of 1946-49 through the National Liberation Movement in Vietnam to the movements that overthrew the Shah of Iran and the Samoza dictatorship in 1979. My generation owes it political development, and thus its intellectual orientation and commitments, to these movements—movements that first awakened our interest in imperialism, suggested the fundamental problems this book treats, and in good part pointed to the answers given.

CONTENTS

ACKNOWLEDGMENTS vii
LIST OF TABLES xiii

1 INTRODUCTION 1
Definitions 5
World Systems 14
Methodological Issues 16
Summary 22

2 THEORIES OF IMPERIALISM: THE MARXIST MAINSTREAM 23
Karl Marx 23
Rosa Luxemburg 30
John Hobson 33
V.I. Lenin 36
The Communist International 44
Mao Tse-tung 51
Leon Trotsky 55
Contemporary Soviet Theories 57
Summary 68

3 THEORIES OF IMPERIALISM: MARXIAN-DEPENDENCY THEORY 69
The Transfer of Value and Underdevelopment 70
The Role of Monopoly 73
The Dynamic of Imperialism 75
The Contradictions in Imperialism 80
Immanuel Wallerstein and World Systems Theory 85
Summary 91

4 THE HISTORICAL DEVELOPMENT OF IMPERIALISM 95
Precapitalist Mercantile Imperialism 96
Competitive Capitalist Imperialism 98
The Early Phase of Monopoly Capitalist Imperialism 103
The Late Phase of Monopoly Capitalist Imperialism 112
The Role of Political Domination of the Periphery 119
Conclusion 120

5 THE DYNAMIC OF IMPERIALISM 123
The Necessity of Imperialism 123

The Export of Capital and Corporate Profits 129
The Concentration of Transnational Corporate Investments 139
Exports 148
The Import of Raw Materials 152
Military Spending and Imperialism 168
Summary 175

6 THE STATE AND MILITARY INTERVENTION 177
The Imperial Functions of the State 178
The Mechanisms of Transnational Domination of Foreign Policy 180
Contradictions 188
The Mechanisms of Imperial Domination 192
Summary 216

7 THE ECONOMIC DOMINATION OF THE LESS-DEVELOPED COUNTRIES 217
Foreign Investment as a Mechanism of Domination 217
Trade as a Mechanism of Imperial Domination 231
Foreign Aid as a Mechanism of Domination 238
The International Financial Institutions as Mechanisms of Domination 248
Debt as a Mechanism of Domination 252
Summary 254

8 IDEOLOGICAL HEGEMONY AS A MECHANISM OF IMPERIAL DOMINATION 257
Educational Institutions 258
The Transnational Media Corporations 261
The U.S. State and Ideological Warfare 270
The International Activities of U.S. Trade Unions 277
Summary of the Role of Ideological Hegemony 282
The Relative Roles of Economic, Military, and Ideological Domination and Their Trends over Time 283

9 THE TRANSFER OF VALUE WITHIN THE WORLD CAPITALIST SYSTEM 289
The Transfer of Wealth through U.S. Investments and Loans in the Less-Developed Countries 291
The Transfer of Wealth through Investments and Loans of All the Developed Capitalist Countries to the Less-Developed Capitalist Countries 301
The Transfer of Wealth through Trade 306
Summary 315

10 THE ECONOMIC DEVELOPMENT OF THE LESS-DEVELOPED COUNTRIES 317
The Development and Industrialization of Asia, Africa, and Latin America 317
The Relation between Foreign Investment and Economic Growth 326
Some Qualifying Factors in the Industrialization of the Less-Developed Countries 336
The Differences between the Economic Development of the Less-Developed Countries and that of The Advanced Countries 341
Summary 363

11 THE DEVELOPMENT OF IMPERIALISM AND THE TRANSFORMATION OF PERIPHERAL SOCIAL STRUCTURES 367
The Effect of Precapitalist Imperialism 368
The Effect of Competitive Capitalist Imperialism 372
The Effect of Monopoly Capitalist Imperialism 381
The Preexisting Relations of Production 391
Summary 395

12 CLASS RELATIONS IN THE LESS-DEVELOPED COUNTRIES TODAY 398
The Class Structure of the Less-Developed Countries 399
Agricultural Class Relations in the Less-Developed Countries 401
The Bourgeoisie 414
The Urban Petty Bourgeoisie 425
The Industrial Working Class 430
Summary 442

13 THE CAPITALIST STATE IN THE LESS-DEVELOPED COUNTRIES 444
The Development of Bureaucratic Authoritarian Regimes 447
The Repressive Function of the State 450
The Accumulation Function of the State 452
Bureaucratic Authoritarianism and Fascism 457
Contradictions in the Capitalist State of the Less-Developed Countries 459

14 THE "ARISTOCRACY OF LABOR" IN THE ADVANCED CAPITALIST COUNTRIES 465
Evidence for Lenin's Thesis of an Aristocracy of Labor 466

Summary 477
The New Left Theory of the Conservatism of U.S. Workers 478
Conclusion 490
Summary 491

15 THE DECLINE OF U.S. WORLD HEGEMONY AND INTERIMPERIALIST RIVALRY 492
The Decline in the U.S. Economic Position 492
The Relative Position of U.S. Transnational Corporations 496
The U.S. International Investment Position 498
The U.S. International Trade Position 508
The Decline in the U.S. International Political and Military Position 511
An Analysis of the U.S. Decline 514
The Future of Interimperialist Rivalry 521

16 CONCLUSION 523
Evaluation of the Theories 524
Future Developments in the Less-Developed Countries 532
The Future of Imperialism and the Developed Capitalist Countries 542
Conclusion 555

BIBLIOGRAPHY 557

INDEX 581

ABOUT THE AUTHOR 599

LIST OF TABLES

Table		Page
4.1	Export of British Capital	104
4.2	British Investments in Latin America, 1880-1949	106
4.3	U.S. Overseas Investments, 1897-1978	108
4.4	Economic Growth in the Less-Developed Capitalist Countries	117
4.5	Increase in Manufacturing Employees 1960-1976	118
5.1	Ratio of U.S. Foreign Investments, Exports, and Military and Nonmilitary Expenditures to Corporate Profits and Domestic Capital Investment	128
5.2	U.S. Private Overseas Investment	132
5.3	Profits from Foreign Direct Investments of U.S. Transnational Corporations as a Proportion of Total Corporate Aftertax Profits	134
5.4	Aftertax Profits of 298 Transnational Corporations, 1970	136
5.5	Wages in Manufacturing: Selected Less-Developed Countries, 1977	138
5.6	Concentration of U.S. Foreign Investment, 1957	140
5.7	Significance of Overseas Majority-Owned Foreign Affiliates of U.S. Transnational Corporations: Sample of 298, 1970	142
5.8	Foreign Content of the World's 30 Largest Industrial Corporations	144-45
5.9	Overseas Branches of the Nine Largest U.S. Transnational Banks, 1974	146
5.10	Ten Largest U.S.-Based Transnational Banks: Share of Foreign Earnings in Total Earnings, 1970-76	147
5.11	U.S. Exports to the Less-Developed Countries	148
5.12	Exports of the Advanced Capitalist Countries to the Less-Developed Countries	150

5.13	Sales by Majority-Owned Foreign Affiliates of U.S. Transnational Corporations in the Less-Developed Countries, 1966-67 and 1976	153
5.14	U.S. Imports from the Less-Developed Countries	157
5.15	U.S. Raw Materials Imports from the Less-Developed Capitalist Countries, 1978	158
5.16	Imports of the Advanced Capitalist Countries from the Less-Developed Countries	160
5.17	U.S. Dependence on Raw Materials Imports from the Less-Developed Countries, 1978	162-64
5.18	Top Defense Contractors in 1977	170-71
5.19	Sales by Overseas Subsidiaries, Export Sales to the U.S. Military, and Increase in Private Bank Loans	172-73
6.1	Selected List of U.S. Military Interventions in the Less-Developed Countries, 1890-1930	196-99
6.2	U.S. Military Assistance to the Less-Developed Countries	208-09
6.3	U.S. Aid, Investment Climate, and Human Rights in Ten Countries	212
6.4	Trends in Average Annual U.S. Military Assistance to the Less-Developed Countries	214
6.5	U.S. Major Weapons Exports as a Percentage of All Major Weapons Exports to the Less-Developed Countries	215
7.1	Impact of Direct Foreign Investment of the U.S. on the Less-Developed Countries	224
7.2	Estimated Shares of Manufacturing Held by Foreign Enterprises, Selected Countries, and Territories, 1973	225
7.3	Transnational Investment in the Mexican Economy	227
7.4	Transnational Investment in the Brazilian Economy	228-29
7.5	Foreign Sales of U.S. Subsidiaries/Total Exports of the Region, 1976	230
7.6	Structure of Exports of the Less-Developed Countries	234
7.7	Structure of Imports of the Less-Developed Countries	235

7.8	Concentration of Exports of the Less-Developed Countries	237
7.9	Trends in U.S. Official Development Assistance	244
7.10	Components of U.S. and International Agency Foreign Loans and Grants, 1962-69 and 1976-78	245
7.11	External Public Debt/GNP: Selected Less-Developed Countries	253
7.12	New Long-Term Loans and Repayments of the Less-Developed Countries in Relation to Exports	255
8.1	Foreign Students From the Less-Developed Countries Studying in the Advanced Capitalist Countries: by Region of Origin	262
9.1	Income and Outflow between the United States and the Less-Developed Countries: 1967-78	294-95
9.2	Income and Outflow from U.S. Investments in Manufacturing, 1967-78	297
9.3	Transfer of Wealth between the Developed and the Less-Developed Capitalist Countries	302-3
9.4	The Net Barter Terms of Trade between the Developed and the Less-Developed Capitalist Countries	312
10.1	Annual Rates of Growth of the Less-Developed Countries	321
10.2	Annual Rates of Growth by Industrial Sectors of Industrial Production, 1965-77	323
10.3	Manufacturing Production in Developed and Less-Developed Capitalist Countries	325
10.4	Sectoral Distribution of U.S. Investments in Manufacturing	328
10.5	Relationship between Foreign Investment and Rates of Economic Growth	330
10.6	Relationship between U.S. Investment in Manufacturing and Rate of Growth of the Manufacturing Sector in Latin America	331
10.7	Relationship between the Drain of Economic Surplus and Economic Growth in the Less-Developed Countries	332

10.8	Relationship between GDP/Capita in 1960 and Rates of Economic Growth in 1970-77: LDCs	335
10.9	Sources of Investment Funds of U.S. Transnational Corporations in the Less-Developed Countries	337
10.10	The Nonagricultural Economically Active Population of the Less-Developed Capitalist Countries, 1970-78	350
10.11	Average Annual Changes in Real Wages in Manufacturing in the Less-Developed Countries, 1968-77 and 1972-77	354
10.12	Trends in Protein Consumption Per Capita in the Less-Developed Countries	356-57
10.13	Income Distributions of the Less-Developed Countries: Urban Households	360-61
12.1	Class Structure of the Less-Developed Countries	402-04
12.2	Rural Class Relations	408-09
12.3	Distribution of Industrial Workers: Wage Workers and Self-Employed	431
12.4	Distribution of Employment in Manufacturing by Industry	434
12.5	Annual Rates of Growth in Employment in Manufacturing, 1965-77	435
12.6	Some Characteristics of the Working Class in Manufacturing in the Less-Developed Countries	438-39
14.1	The Effect of Imperial Involvements of Industries on Production Workers ca. 1970	472-73
14.2	The Effect of Exports to the Less-Developed Countries per Production Worker, Controlling for Membership in Unions and Time Lost in Strikes ca. 1970	475
14.3	Relationships between Imperialist Involvement of Industries and Political Attitudes of Workers, 1975-76	476
14.4	Estimates of U.S. Working People's Net Gain or Loss from U.S. Imperialism	480-81
14.5	Estimates of U.S. Working People's Net Loss from U.S. Imperialism: Summary Statistics	484

14.6	Net Loss of Jobs Caused by the Transfer of the Operations of the Transnational Corporations Overseas, 1966-73	487
15.1	Gross Domestic Product of the Leading Industrial Countries, 1960-77	493
15.2	Average Annual Rates of Economic Growth	494
15.3	Increases in Unit Labor Costs and Output per Man-Hour for the Major Advanced Capitalist Countries, 1970-77	495
15.4	Wages in Manufacturing in the Advanced Capitalist Countries	496
15.5	GDP per Capita of the Advanced Capitalist Countries	497
15.6	Overseas Assets of the Banks of the Leading Capitalist Countries, 1960-78	499
15.7	The Significance of U.S. Transnational Corporations in the Economies of the Other Leading Capitalist Nations, 1976	500
15.8	Ratio of Foreign Investment in the United States to U.S. Direct Investments in Foreign Countries	501
15.9	The Stock of Total Foreign Investment of the Developed Capitalist Economies	504
15.10	Foreign Investment of Developed Countries in Less-Developed Countries	506-07
15.11	Exports of the Leading Developed Capitalist Countries	509
15.12	Exports to the Less-Developed Capitalist Countries	510
15.13	Net Official Development Assistance from the Advanced Capitalist Countries to the Less-Developed Countries	512
15.14	Military Expenditures of the World's Leading Countries, 1965-77	513
15.15	Size of Armed Forces of the World's Leading Countries, 1965-77	515
15.16	Unemployment Rates among the Advanced Capitalist Countries	517

15.17 Relationship between Military Spending and Economic Stagnation for the 18 Leading Advanced Capitalist Countries 519

15.18 Ratio of Total U.S. Federal Social Expenditures to Direct U.S. Military Expenditures, 1960-79. 520

THE LOGIC OF IMPERIALISM

1

INTRODUCTION

This book treats one of the most central political and economic issues of our time: the relationship between the political and economic processes in the less-developed countries of Asia, Africa, Latin America, and their outlying islands, and the developed capitalist countries of Western Europe, Japan, and North America. The effect of the latter on the former and its manifestations in recurrent movements and crises have filled the news in the post-World War II period, especially since the days of the war in Vietnam. The independence movement in India, the Communist-led revolution in China, the struggles of the Vietminh and National Liberation Front in Vietnam, the nonaligned movement, Algeria, the Cuban Revolution, the wave of guerrilla movements and their violent suppression in Latin America, the coup d'etat and bloody massacre in Indonesia, tragedy in Cambodia, the victory of pro-Communist forces in Angola, Rhodesia-Zimbabwe, South Africa, Ethiopia, and the Horn of Africa, the Shah and Khomeini in Iran, and Afghanistan can only be understood within the framework of imperialism.

The processes and structures treated in this book are not new, although they are in constant transformation. The West long took for granted its relationship with the less-developed regions of the earth. Consequently little public attention was given to them, but they have now forced themselves to the center of world history. The United States, the USSR, and China as well as Japan and the major Western European countries are all vitally involved in impacting and attempting to influence the course of developments in these areas because of their central and growing importance to the future of all countries. While in Europe and North America very little in the way of fundamental change has occurred since World War II, the less-developed countries are in radical transformation. The forces acting on the uncertain structures of these countries are producing contradictory and radically different effects throughout the less-developed world: military dictatorships of the Right that violently repress their people; Communist-led revolutions and religious or nationalist inspired attempts to seek a middle way independent of both superpowers; coups and countercoups; revolutions and counterrevolutions; drifts to the Right, convulsions to the Left; military interventions; economic and diplomatic pressure; coalitions and regroupments. The impact of the advanced countries and internal domestic flux are central facts of life throughout Asia, Africa, and Latin America.

This book is an attempt to systematically analyze the nature of the relationship between the advanced capitalist countries and the less-developed countries, to comprehend the long-term changes in that relationship over the last 500 years, and to understand the effect that this relationship has on both the less-developed and the developed countries. In an attempt to grasp the phenomenon of imperialism, this book systematically treats two of the principle theoretical traditions that have evolved over the last 100 years: orthodox Marxism and Marxist-influenced dependency theory (such as that associated with the journal *Monthly Review*). The sharp contrasts between these two schools on virtually every question having to do with the nature of imperialism are discussed. In good part the balance of the book attempts to come to terms with these two approaches, bringing the available evidence to bear on a differentiation between them.

Central attention is given to the qualitative transformations that have occurred in imperialism since 1500. It is argued that there have been four distinct stages in the relationship between the "core" or "metropolitan" countries of Western Europe (and later North America and Japan) and the "peripherial" countries of Asia, Africa, and Latin America. During each stage there have been different dynamic or motive forces behind imperialism, different mechanisms of imperial control or domination, different relative effects on economic development in the two regions, and very different effects on class structures, especially in the less-developed areas.

The debate among the competing theories of imperialism in part centers on the question of the motive force of imperialism. Is it the necessity to export capital in order to guarantee economic

prosperity (or the capital accumulation process) in the advanced countries? Is it the necessity to secure raw materials for the technically advanced industries? Is it to support "democratic forces" and assist economic development in the less-developed countries? Is it to defend against an expanding "Communist threat" to the advanced capitalist countries? Is it driven by the transnational corporations' pursuit of profits? Further, what is the relationship between the economic interests of transnational corporations in the less-developed countries and state policy in the developed countries toward the less-developed countries? These issues are examined in Chapters 5 and 6.

Another important question has to do with how the advanced countries are able to exercise power over the less-developed countries in the postcolonial period of formal independence. Chapters 6, 7, and 8 systematically treat the military, economic, and ideological mechanisms of domination, showing their interactions and changing role over time.

Probahly the most controversial question this book treats, and the question that has generated the most energetic and polarized debate both among those influenced by Marxism and those influential with the governments of the nonrevolutionary less-developed countries, is the question of the effect of imperialism on the economic development of the poorer countries. Do transnational investments and loans result in a net transfer of resources and wealth from the developed to the less-developed countries, as both pre-1928 classical Marxism and mainstream Western economics argue, or does it result in the opposite, the transfer of wealth from the poor to the rich nations, making the poor poorer and the rich richer, as the dependency tradition as well as much of post-1928 Marxism have argued? Does imperialism induce the rapid industrialization of the less-developed countries because of low wages and higher profit opportunities there, or does it block such industrialization in order to limit competition with the industries of the core? Chapters 9 and 10 attempt to resolve these issues with a careful examination of the evidence assembled in recent decades largely by the United Nations.

Related to the questions of the transfer of resourees and wealth within the world system and the effect of imperialism on economic development and industrialization is the question of the impact of these processes on class formation in the less-developed countries. This question has important implications for the question of who are the agents of change and who are the agents of conservation in these countries. Some maintain that the less-developed countries' class structures are still dominated by essentially "feudal" or "semifeudal" landlords in coalition with urban commercial wealth thoroughly tied to foreign capital, and thus, that the development of distinctively capitalist class relations is greatly retarded. Others argue, to the contrary, that the massive investments of the transnational corporations are producing the rapid growth of both local capital and industrial workers. Some maintain that the blocking of the industrialization process of the less-developed countries results in especially oppressed peasantries and marginal urban populations, becoming the principle forces behind radical change in these countries. Others believe that the rapid growth of industry results in the working class playing this role. Still others feel that either the urban middle class, the "national bourgeoisie" (local independent capitalists), or "modernizing elites," such as the Shah or the military rulers of Brazil, play this role. These questions are examined in Chapters 11 and 12.

Finally, in the last two chapters I examine the advanced capitalist countries and their relationship to imperialism. Do working people in the advanced capitalist countries benefit economically from imperialism—or do they lose? Do some segments of the class structure gain at the expense of others? Is the class structure of the developed countries distorted because of imperialism? These are the topics treated in Chapter 13. The trends in the relative economic and political position of the United States in relation to that of the other advanced capitalist countries of Europe and Japan (as well as to the USSR) are systematically treated in Chapter 14. Is the United States maintaining the overwhelmingly preeminent position it gained in World War II? Or is its position deteriorating to that of just another developed country? Does it dominate the other advanced capitalist countries, integrating them into one "superimperialist" metropolis? Or is there likely to be growing competition or "interimperialist" rivalry among them—a rivalry that could one day once again raise the possibility of a third round of war (such as 1914-18 and 1939-45)?

In the concluding chapter the relative strengths of the two different theoretical traditions are summed up. It is concluded that, for the most part, the ideas of Lenin, with some very important exceptions, such as his theories of the dynamic of imperialism and the aristocracy of labor, account fairly well for present-day reality. In fact, in many ways these ideas seem to be more appropriate in the post-1960s world than previously.

Future political developments in the less-developed countries are projected, with the conclusion that events in countries like Vietnam, Cuba, Angola, Ethiopia, and Iran are omens, that what has occurred in these countries is likely to also occur throughout the less-developed world, and that attempts to "modernize" such as attempted by the Shah of Iran, the royal family in Saudi Arabia, Sadat in Egypt, and the military dictatorships of South East Asia and Latin America are inherently contradictory and will collapse, with these countries then following the course of Cuba or Iran. Last, the options of imperialism, specifically the foreign policy options of the U.S. state, in attempting to contain and channel economic and political developments in the less-developed countries in the interests of the U.S. transnational corporations are examined. It is predicted that the policy of "imperialism with a human face" which stressed "human rights," tolerance toward divergent paths of development, and downplayed military intervention, which dominated U.S. foreign policy in the post-Vietnam era (policies associated in 1978 and 1979 with Andrew Young and Cyrus Vance), has run its course. A return to policies of more active intervention such as characterized the pre-Vietnam era (policies in 1979 and 1980 associated with Henry Kissinger, Zbigniew Brzezinski, the Committee on the Present Danger, and those around the Rockefeller family, and in 1981 with Ronald Reagan, Alexander Haig, and Jean Kirkpatrick) are likely to be prominent for some time.

DEFINITIONS

Before we can proceed further the key concepts that recur throughout these pages must be carefully defined so that it is clear precisely what is being discussed. Much confusion and many false debates have ensued because people have used terms differently. There are enough real issues that divide those who study imperialism to encourage studiously avoiding those false questions that stem from semantics rather than reality.

In this book the term *imperialism* is used to mean the domination of one country by another in order to economically exploit the dominated. The concept of imperialism, then, has two components: first, domination—military (direct or indirect), economic, or ideological, and second, exploitation—through trade, investment, or plunder. By exploitation is simply meant the appropriation of part of the wealth or "economic surplus" of the dominated country by economic interests based in the dominating country. It does not necessarily imply the *transfer* of the dominated country's wealth to the dominant country. Nor does the term differentiate between "fair" accumulation of wealth (justified perhaps by rapid economic growth, "free contracts" or "reasonable" wages, taxes, or royalties) and "unjust" appropriation. It simply means the appropriation of one country's wealth by enterprises based in another. Imperialism typically involves the exploitation of the producer or working classes in the dominated country by economic interests based in the dominating country. Imperialism can be associated with any type of society, i.e., it is not historically specific to either capitalism or precapitalist empires.

Among some Marxists the term imperialism is used synonymously with the terms "late capitalism," "the world capitalist system," "capitalism on an international scale," "state monopoly capitalism," or "advanced capitalism." Such usage is based on Lenin's book *Imperialism: The Highest Stage of Capitalism*, in which he uses the term in this way. However, Lenin did not mean to actually define imperialism in this sense. He actually employs the term in a manner very similar to that used herein. For example, Lenin talks about "capitalistic imperialism" and argues: "Colonial policy and imperialism existed before the latest stage of capitalism, and even before capitalism. Rome, founded on slavery, pursued a colonial policy and practiced imperialism" (1917, p. 776). Lenin subtitled his influential work on imperialism in the way he did in order to underscore the very important point that advanced capitalism operates on a world level inherently and necessarily generating imperialism.

Contemporary discussions of imperialism usually focus on the relationships between the most economically advanced and militarily strongest countries (in the last few centuries the countries of Europe and North America, and more recently Japan) and the poorer and militarily weaker areas of most of Central and South America, Africa, Asia, and their outlying islands. With the primary exception of Nazi Germany, most imperialist activity in the post-World War I period has, in fact, centered on the domination and exploitation of Asia, Africa, and Latin America by the advanced capitalist countries.

However, it must be stressed that imperialism is not limited to the relations between the core and periphery of the world capitalist system. One advanced country can just as well dominate and exploit another advanced country—as a good case can be made that the United States does to Canada or perhaps that Anglophone Canada does to Quebec. The brutal imperialism of Nazi Germany in the 1937-45 period, which centered on the domination and ruthless exploitation of the relatively advanced countries of Europe, gives eloquent testimony to the continued reality of such manifestations of imperialism.

Nevertheless, this volume treats only the imperialism of the advanced capitalist countries in relation to the less-developed countries of Asia, Africa, Latin America, and their outlying islands. Such a limitation of the topic is justified by the centrality of this particular form of imperialism in the post-World War II period, and especially by the rapid and radical changes that this form has been inducing in the less-developed countries in the last generation—changes that cry out to be understood.

The term *economic development* refers to the state of the means of production in a society. The more productive (the greater the output per worker) a society's technical base, the more developed is an economy. The concept of economic development can be employed in either a relative or in an absolute sense. In the relative usage, those economies that at any given point in time are more advanced than others are considered to be "developed." Thus, Great Britain can be considered to have been a "developed economy" in 1850 (in comparison to the rest of the world) even though the development of its productive forces at that time was below that of many of the "less-developed" countries in the latter part of the twentieth century. The term economic development can also be used in an absolute sense to refer to a specific economic state defined by such a fixed criterion as the level of the productive forces that allows the satisfaction of the basic needs of all people for an adequate diet, shelter, education, health care, and so forth; in other words, such a high level of wealth that there *need* no longer be bickering over scarce resources. In this book the term is generally used in the first, or relative, sense.

The term economic development should not be confused with the concepts of "industrial economy" or "integrated economy." "Industrial" describes an economy, no matter how advanced or backward its technology, or how high or low the level of satisfaction of people's basic needs, in which the manufacturing sector is predominant. An economically developed country could be either predominantly industrial (West Germany, East Germany, Belgium, England) or predominantly agricultural (New Zealand) or even predominantly centered on the "service," commercial, or financial sector (as Lenin argued about England or as some argue the United States is becoming).

Economically developed countries may or may not be economically integrated, that is, have pretty much the full complement of industries, services, and raw materials production within their borders, so as to minimize their economic reliance on other economies. Luxembourg and New Zealand are as developed as the United States or the USSR (as indeed are Pittsburgh and Iowa) in spite of the concentration of their economies on either industrial or agricultural production and their reliance on imports for the things they do not produce.

Defining economic development in terms of level of economic integration instead of by the level of the forces of production in an economy would result in absurdities such as grouping Luxembourg and Pittsburgh together with Guatemala and Ghana as less developed. It would also result in grouping feudal Europe or pre-Hispanic Mexico or Peru together with the United States and the USSR and China during its Cultural Revolution as developed. This is because the former are highly dependent on external inputs into their one-sided economies while the latter are highly self-sufficient.

Good empirical measures of the state of the productive forces of an economy (i.e., the level of economic development) include the level of steel or energy consumption per capita. These measures reflect a society's general consumption standards and production levels because steel and energy are inputs into such a wide range of consumption and production goods and processes. Energy use per capita might perhaps be the better indicator of the two because it directly reflects the capacity of human beings to control their environment—a close approximation to the everyday language connotation of the term "development." However, in practice it is not easy to obtain reliable or detailed statistics on energy consumption for the less-developed countries. Rather, more reliable and certainly more detailed statistics are kept by governments and international agencies on national income and related money measures of economic development. These latter indicators can, in practice, be used as fairly reliable measures of the level of the forces of production since they reflect both average consumption levels and the accumulation of capital.

There are, however, some problems with defining economic development either in terms of energy use per capita or national income per capita (gross domestic product, GDP, or gross national product, GNP). One serious problem is that a high per capita level of wealth says nothing about the distribution of wealth. A country in which wealth is virtually equally distributed could have the same GDP per capita as one in which 5 percent were extremely wealthy and the other 95 percent very poor. An uncritical use of GDP per capita to capture the concept of economic development could result in concluding that Saudi Arabia is as developed as France or that Venezuela is as developed as Czechoslovakia because

the GDP per capita of each is similar, even though only relatively few receive most of the benefits of the national wealth in the former cases, while the consumption standards of the average people are higher in the latter.

However, to argue that countries in which the benefits of wealth do not accrue to the majority of people cannot legitimately be considered as undergoing economic development (and hence that growth of GDP per capita is an inadequate measure of rate of development) is not valid. The consistent application of such an argument would lead one to deny that economic development occurred in Great Britain between 1750 and 1850 because the condition of the working class did not improve during that period, or that economic development did not occur in the 1930s in the Soviet Union, a period in which its working people made great sacrifices for the sake of industrialization. The fact that Brazil or other less-developed countries have not improved the living standards of their working people may well be reprehensible (and may well serve as the basis for revolution in such countries), but it most definitely *is* compatible with the economic development of these countries in the same sense of that term as it is generally applied to Great Britain and the Soviet Union during their periods of industrialization.

The term *capitalism* is applied to those societies in which the dominant relations of production are between those who own or at least fundamentally control the means of production (factories, mines, fields, and so forth) and those who do the physical work of *wage labor*. That is, wealth is accumulated by the relatively few who control the physical forces of production by purchasing the labor power of those who do not themselves have sufficient means of production to survive on their own. In capitalism the working class is both *free* to quit and to seek work from whichever employer is willing to hire and *free* from having any significant rights in the means of production (and who can thus be relatively easily fired).

Capitalist relations of production are demarked from feudal, slave, socialist, and preclass patriarchal or tribal relations of production. In feudal societies the predominant relations of production are between those who own the most important means of production, the land, and those who are compelled, typically by law, but perhaps by equally effective informal or traditional mechanisms, to work the land, but who themselves also have certain rights in the land (i.e., they cannot be forced off the land, have the right to farm a given acreage, as well as to water, wood, pasture, and so forth). In slave societies the primary relations of production are between those who own the bodies of the producing class and the slaves who have no economic rights, not even rights over their own bodies. Socialist societies are those in which, in some fundamental sense, the majority of working people, in the last analysis, have essential control over the means of production, and thus there is no division between an exploiting and exploited class. In tribal (patriarchal or equalitarian) societies well-formed classes have not developed, and although there may be significant social and even economic inequality in consumption levels, there is no systematic exploitation or domination of one class by another.

There is a wide variety of terms employed to describe the majority of countries of Asia, Africa, and Latin America. "Third world," "undeveloped," "backward," "colonial and neocolonial," "underdeveloped," "developing countries," "the South," and "periphery" have all been in common usage. Each of these common terms has connotations, if not direct theoretical implications, that are best avoided in analyses that do not want to prejudge the basic theoretical questions which divide those who study the phenomena of imperialism.

The concept of *developing countries* that is most common in the Western capitalist world and among the ruling groups of the more conservative countries of Asia, Africa, and Latin America carries with it the direct implication that such countries are in fact "developing." Use of this term implies a certain theory of "development" that prejudges what is in fact most problematic. The term "underdeveloped" has the opposite theory implanted within it. The inference from this concept is that the relationship with the developed countries "*under*developed" the countries of Asia, Africa, and Latin America, causing an even greater gap between the two sets of countries.

The term *backward* suggests that such countries are inferior in all regards, not just in having less-developed productive forces. It may well be that people in such backward countries have stronger cultural traditions, better functioning family forms, a more nutritious diet, and more leisure time than most people in the West. *Undeveloped* implies that a country exists in something like a pristine state, more or less unimpacted by imperialism, either in a forward (as implied in "developing") or backward (as implied in "underdeveloped") direction. The use of *colonial* and *neocolonial*, the preferred terminology in the international Marxist movement through the 1950s, is outdated because formal colonialism has become virtually extinct since 1975. Further, the term neocolonial implies that the relations between the old colonial countries and the ex-

colonies are essentially little different from classical colonial relations. It further might be taken to suggest that although the actual mechanisms of control may be different, the effects of imperialism on the countries of Asia, Africa, and Latin America are the same now as they were when they were formal colonies.

The term *third world*, which was very popular in the 1960s in both nationalist and Marxist circles, has, in the post-Vietnam period become popular in the more liberal imperialist circles of the advanced countries. This term carries with it strong implications of the fundamental similarities of such countries with one another and their common differences with the *first world* and the *second world*. Sharp struggles have broken out among Marxists in the 1970s about this term, with the Chinese Communist Party arguing strongly for the validity of its implications and Albania arguing just as strongly against. Exactly which countries are in the first, second, and third (and most recently fourth) worlds varies in different conceptualizations, but all imply that those grouped together are in essence more alike than those in other "worlds." Originally, and still in the most common Western usage, first world refers to the developed capitalist countries of Europe, North America, Japan, and Australasia; the second world, the developed socialist countries of Eastern Europe and the USSR; and the third world, the poorer countries of Asia, Africa, Latin America, and their outlying islands, whether or not they are capitalist, socialist, or something else. This notion, of course, implies that the shared poverty of the socialist, capitalist, and other poorer countries is more fundamental than the relations of production they share with the first and second worlds, and thus that they share a common interest against the other worlds. This conceptualization implies that the Shah's Iran, Paraguay, China, and Castro's Cuba have more in common than Iran has with the United States or Cuba, or China with the USSR.

There are two important variants of the specification of who is in the first and second worlds. The Chinese in the 1970s placed the United States and the USSR together in the first world of "the two superpowers." They saw these two superpowers as the "principle enemies" of the third world (composed of all the poorer countries). They thus redefined the second world to include all the capitalist *and* socialist countries of Europe together with Canada, Japan, Australia, and New Zealand, which they saw as having interests intermediate between those of the first and second worlds, and who could thus, under some circumstances, be allies of the third world (led by China) against the first world. (Consistency in the 1980s would seem to imply that the Chinese would have to further reclassify the United States, shifting it from the first world to the second.) Another variant of the "three worlds" mode of classification was common in liberal imperialist circles in the West in the later 1970s. While the old hard-line U.S. policy of John Foster Dulles and his successors tended to define the world in terms of friends and enemies, leaving little room for "nonaligned" or neutral nations such as India, in the post-Vietnam period neutrality, or the middle road between socialism and the path of the advanced capitalist countries, has come to be acceptable. Thus the first world as in the original version meant the advanced capitalist countries, but the second world came to be *all* the socialist countries such as Vietnam and Cuba and the third world came to mean only the nonsocialist countries of Asia, Africa, and Latin America.

Of late, still other concepts, such as "North-South" and "fourth world," have gained popularity, especially in more liberal pro-Western circles. By *fourth world* is meant the poorest of the poor. Those virtually "without hope," whose conditions are allegedly qualitatively worse than the third world, e.g., Bangladesh. The North-South dichotomy represents a collapsing of the first and second worlds in the original three worlds classification (i.e., grouping the advanced capitalist and socialist countries together against the poorer capitalist and socialist countries). This classification implies that the United States and USSR have more in common with each other than either does with the less-developed countries. The expression North-South is a 90-degree rotation of the East-West dichotomy.

The term *periphery*, although perhaps less objectionable in its implications to some, carries with it the implication that the developments in Asia, Africa, and Latin America are essentially determined by the logic of the metropolitan core. Use of this term thus tends to downplay the role of autonomous forces that have their basis in the poorer countries.

In order to avoid the prejudgment of key theoretical issues, the term *less-developed countries* is generally used in this book to categorize the poorer countries of Asia, Africa, and Latin America. This term is employed in spite of certain clinical overtones because it merely describes the state of the forces of production in these countries. For the most part, this book will deal with only the less-developed capitalist countries, including those that might still have remnants of precapitalist, feudal, or tribal relations of production. In addition to the problems associated with what to call the developed and less-developed countries are the more important problems of, first, what exactly are the boundaries between the poorer countries of Asia, Africa, and Latin America, i.e., what is the operational definition of a less-developed country, and, second, does it make sense *at all* to dichotomize the world into the developed and less-developed economies. These problems are illustrated by such facts as the GDP per capita of some countries that are generally grouped with the less-developed countries being higher than the GDP per capita of some countries generally grouped with the developed countries. For example, the GDP per capita of Venezuela in 1975 was $2,440; Puerto Rico $2,867; Singapore $2,507; and Argentina $1,934; while the GDP per capita of Greece was $2,300 and Portugal $1,558. The former group of countries is usually lumped with such countries as Ethiopia ($97 a year), India ($146), or Bolivia ($445); while the latter are usually classified with the United States ($7,148) or Sweden ($8,453). Some authorities such as Immanuel Wallerstein (1979) have attempted to address this problem by trichotomizing the capitalist world system into a core, periphery, and semiperiphery, this latter category apparently containing both the poorer European countries and the better-off countries of Latin America and Asia. Others have presented a similar idea in differentiating between the third world and the fourth world.

In fact, there is no sharp dividing line between the developed and the less-developed countries such as exists between Asia and Africa (i.e., the Suez Canal). As in most social science categories, there is a continuous boundary (e.g., age, political attitudes, control over the means of production, and so forth). Conceptualizations that lack sharp boundaries can, nevertheless, express fundamental qualitative differences. This is true even when the boundaries of each qualitative category (e.g., young *vs.* old, radical *vs.* conservative, worker *vs.* new middle class) are blurred and subject to legitimate debate. It is as legitimate to argue whether Argentina, Puerto Rico, Greece, and Portugal are, or are not, in essence less-developed countries, as it is to argue whether or not a person at 40 years is "old" or "young," a Social Democrat is a radical or a conservative, or a technician is in the working class or the new middle class. The obvious ambiguity of cases on the border between categories does not make dichotomization invalid. The real question involved in evaluating categorizations is whether or not essential qualitative differences are obscured or highlighted.

While trichotomies, such as Wallerstein's core, periphery, and semiperiphery, highlight real differences, it is questionable whether or not these are qualitatively of the same order of social significance as those manifested in the basic dichotomy. Are the common characteristics of such countries as Portugal, Greece, Argentina, and Puerto Rico sufficient to mark them as being as qualitatively distinct from *both* such countries as the United States and West Germany on the one hand and countries such as Ethiopia and India on the other; as both latter sets of countries are from each other? *Or* are such cases merely the borderline cases that express some of the characteristics of each of the two fundamental categories? Like all questions of definition it is impossible to resolve such questions abstractly. Whether or not dichotomization, trichotomization, or a simple continuum is better conceptually must be resolved in terms of their usefulness in advancing our understanding of the fundamental processes at work in the world.

However, it should be noted that proponents of the notion of semiperiphery and fourth world have trouble in establishing precise definitions for their concepts, unlike those who dichotomize, who speak in terms of dominated/dominators or exploited/exploiters. In this book I follow the tradition of dichotomization that divides the capitalist world between essentially those countries that are primarily imperialist (the developed capitalist countries) and those that are primarily subject to imperialism (the less-developed capitalist countries). Whether or not this is the best categorization must be judged on the basis of the quality of the results obtained.

The term *metropolis* is sometimes used to refer to the imperialist centers of the world capitalist system. It is used to describe either a given dominant country such as the United States in relation to Latin America, the set of imperialist countries that acts in a coordinated fashion in relation to the less-developed countries, such as those that work together in the International Monetary Fund, or a consortium of banks or alliance of transnational corporations that acts as a unit in relation to the less-developed countries.

The term *transnational corporation* is preferable to *multinational corporation*. Multinational implies that a corporation has denationalized itself and decentralized its political base. It suggests that such corporations work more or less equally through the states of the many different countries where they operate. Transnational implies merely that a corporation operates in many different countries, coordinating its operations on a world scale. Transnational does not suggest that there is any decentralization or denationalization of the corporate center.

WORLD SYSTEMS

Any integrated and more or less autonomous part of the world (or the entire world) within which no significant development can be understood in isolation from developments in other parts is referred to as a *world system*. World systems can be integrated through markets or by political processes. In the 1980 world there were two principle world systems in existence: the capitalist world system, encompassing both the developed and less-developed capitalist countries, and the socialist world system, encompassing the USSR and the countries associated with it in the Council for Mutual Economic Assistance. China in the 1970s stood apart from both world systems, while a few countries were more or less balanced between them, e.g., Algeria, Iraq, Syria, Tanzania, and Libya, but were nevertheless impacted by developments in both. Contemporary world systems can be thought of as composed of either nation-states *or* classes that exist across nation-states.

The basic economic processes characteristic of capitalism operate on a world systems level, not on the level of nation-states. Economic cycles, rates of unemployment, technological innovations, and wage rates are phenomena of the capitalist world system, with change occurring systematically in all of the parts. Depressions are world-wide, technological changes are rapidly transmitted from one country to another, and changes in wage rates are transmitted through the mechanism of labor migration and trade (higher wages mean higher product costs and a competitive disadvantage).

Even the cultural differences among nations in the capitalist era are a product of the logic of capital—a logic that requires the creation and maintenance of national differences. Feudal Europe and Eastern Europe through the early twentieth century had very different ideologies than those characteristic of Western industrial capitalism. In the former areas, either because of the need to maintain Christian ideology and military support against peasant insurrections or because of the special economic needs of grain exporters, internationalism was generated and reinforced among the upper classes. In medieval times the Latin language and Roman Christianity were nearly universal, and there was little pressure to create distinctive *national* institutions. The generation of national languages and culture was a product of the rise of commercial classes interested in common and protected markets as well as in strong states to protect their economic interests.

Classes are a product of the logic of the world capitalist system. In good part they operate independently of nation-states, involving themselves with nation-states only when it is to their interest to do so. Classes, not nations, must be considered the most fundamental active units of world systems. It is the logic of the relationship between the international capitalist class and the working class of the world system that is the primary motive force within the capitalist system. It is this logic that is the primary cause of social structures, political forms, and their transformations.

The logic of classes generally explains the actions of nation-states. For example, certain types of societies engage in warfare much more frequently than others, e.g., slave societies, monopoly capitalist societies, and feudal societies. Such is the case because of the logic of their component classes. Slave societies, for example, need both a source of cheap labor (from war captives) and a source of new land (because of the inefficiency of slavery as a means of production).

Class logic is, in the last analysis, the fundamental integrating force in any world system. For example, the world system of feudal Europe, although it did *not* have a common economy, had an integrated network of classes. The feudal aristocracy spoke the same language, had similar customs, related to peasants and to each other in similar ways, and fought wars in similar ways—all because of the common logic of the lord-serf relationship. Likewise, the socialist world system (the USSR and its allies today) or the many great empires of the past (e.g., the Ottoman Empire, with its state peasant mode of production, or the Ch'ing Empire in China with its peasant modes of production) have consisted of a common network of classes, whether or not there was a common market relatively autonomous from the rest of the world. There is an internal coherence to all of their important social institutions because of their common class logic. The same is true of the capitalist world system.

METHODOLOGICAL ISSUES*

The differing theories of imperialism have very important political consequences. Thus positions on many of the issues that divide those who study the phenomena are strongly held. Old positions die hard, often only after degenerating into superficial argument lacking careful factual support. Given the stakes involved in such questions as to whether or not imperialism is industrializing the less-developed countries or whether or not a national bourgeoisie exists, this is understandable. Positions one way or another on such questions may lead people to support or not support certain movements, parties, or solutions to problems—support that might prove decisive one way or another. But for just this reason it is all the more important to be as careful and scientific as possible in analyzing phenomena and in not letting strongly held preconceptions blind one to overwhelming evidence. One must be sensitive to changes in reality; be ready to reject a theory on the basis of careful study no matter who originally formulated it, or whether or not it might have been confirmed for an earlier stage of imperialism; or draw the correct conclusion from evidence and trends, regardless of one's strongly expressed opinions. It appears that there are today, among both those who are critical of imperialism and those who essentially defend it as progressive, those who find it difficult to comprehend the major changes in the effects of, and transformations in, imperialism. Through a careful study of empirical trends this book will attempt to avoid these errors. If I fail, I only hope I am corrected on the basis of superior evidence. Too much is at stake to base policies on quotations, dogmas, and desire.

*This section might be skipped by the nontechnical reader.

In coming to terms with the various controversies within the theory of imperialism considerable use is made of statistics collected by nation-states and compiled largely by international agencies, especially the United Nations and its affiliated organizations such as the Food and Agriculture Organization and the International Labor Organization as well as by the World Bank and the International Monetary Fund. The amount and quality of the available statistical evidence on the less-developed countries has increased almost astronomically over the last few decades. Such has been the case because of the increasing demand for such statistics on the part of those needing them in their work, namely the transnational corporations and banks and the governments of both the developed and the less-developed countries. The transnational corporations put demands on various public agencies, including the World Bank and the International Monetary Fund, as well as on the U.N. associated agencies and the various governments of less-developed countries to make available the information they require for their investment and lending decisions. The governments of the less-developed countries, both the "bureaucratic authoritarian" regimes that are making heavy commitments to industrialization and the more progressive and nationalist states that are interested in the effects of international capital flows, also greatly need detailed statistical data to use in making their developmental policy decisions and for political purposes such as pressuring for more economic assistance or against the transfer of wealth out of their countries.

Great masses of data on virtually every question of relevance to the central controversies have been collected, complied, and made readily available by one or another international agency concerned with addressing the practical needs of powerful interests. Thus, those of us interested in a scientific understanding of imperialism can be reasonably confident of the reliability of such data—always, of course, using it with caution, and when necessary reorganizing it to fit into categories of the various theories to be tested.

Throughout this book the method of cross-national comparative analysis is used to detect the operation of social forces and to determine trends. Different classes of countries, e.g., the less developed versus the developed, or the less-developed countries with more or less foreign capital investment, are systematically compared with one another to elucidate the effect of key variables.

It might be argued that nation-states are not appropriate units for the analysis of imperialism since the fundamental social forces operate on the level of the world capitalist system as a whole and determine developments within individual states. However, the method of cross-national comparison as a technique of understanding social forces needs assume neither the political or economic coherence nor the autonomy of its units. For a great many purposes the world could be divided into grids of say 100,000 square kilometers, with comprehensive statistics collected in each, and most comparative analysis would still be valid. That is, if nations were no more than statistics-collecting agencies, cross-national comparisons would still make sense. For example, we would still be able to know such things as the effect of population density on the rate of growth, protein consumption per capita on infant mortality, and wage levels on capital export.

Comparisons of such factors as these and most other factors, as well, are fully valid without assuming any coherence or autonomy at all within the units compared. Political or economic coherence becomes important in comparative research when a political or economic factor is either the independent or dependent variable, e.g., socialist societies have lower birth rates than capitalist societies, more rapid rates of industrialization, generate less militaristic regimes, the degree of monopolization produces high rates of military spending, and so forth. The assumption of political or economic coherence is also important when the state or economy enters into comparative analysis as an intermediate variable, or as a factor that is used to explain the causative effect, e.g., high rates of unemployment are correlated with the life expectancy of men because unemployment causes the government to follow militarist foreign policies that produce high levels of injuries and deaths. There is nothing in comparative analysis per se that necessarily assumes political or economic coherence. Consequently, even if it were the case that

the nation-states in a set of countries used for comparison were really "satellites," units of a world system, or otherwise not really fully politically or economically coherent units, comparative analysis would still be fully valid.

Comparative analysis is often performed with very good effect using the states, counties, or the Standard Metropolitan Statistical Areas (SMSAs) of the United States. These units have little political or economic coherence. Counties have very little political power. SMSAs are typically divided into many different political units frequently located in different states. States and counties are further typically not coherent economic units. The cities, towns, and industries in each are typically linked far more to external than to internal factors. Nevertheless, studies of such phenomena as income levels, infant mortality, levels of industrialization, differentials between male and female or black and white wages, psychosis rates, and rates of population growth using such units are entirely valid. The units used in such studies are merely convenient for statistics collection. So long as there is a significant variation among them on the variables to be examined, they are as fully valid as units as are politically and economically coherent units.

Autonomy of units is likewise not a condition for comparative analysis. Comparative analysis works equally well whether or not the units compared are highly linked with each other. For example, fully autonomous units such as world systems can be compared with one another to detect forces that operate on the world systems level, such as the average life of world systems or their average size. The component units of *different* world systems can also be compared with one another to detect forces that operate on a world systems level to produce internal differentiation within world systems, e.g., the direction of resource flow or differential rates of growth. In analyses such as these, comparisons among autonomous world systems, which look at the internal relationships between the component parts (nation-states or otherwise), of course look at the value of variables for the component units of a system, comparing them with one another (rates of growth, exports, imports, and so forth) in order to detect differences in world systems. Just as one could detect forces that produce internal differentiation within world systems by examining the value of variables for their comparable units and then comparing them with each other, one can also detect the operation of such forces by internal comparisons within one world system. In the first type of analysis (comparison of world systems with each other) one is able to make generalizations about all world systems or all world systems of a certain type, e.g., in all world systems the metropolis tends to get richer at the expense of the periphery. In the second type of comparative analysis involving only the interrelated units of a single world system, statements can only be made about that specific world system, e.g., in the world capitalist system from the sixteenth to the nineteenth century Europe got richer in relation to the non-European world. The two types of statements are equally valid, however, even though the first was arrived at by comparisons of totally autonomous units and the second through the comparison of highly interrelated units.

There is nothing incompatible between cross-national comparisons that do not assume the autonomy of their units and the utilization of world systems logic. For example, cross-national methodology can be used to determine the relationship between the wealth of an economy (either measured in absolute or in per capita terms) and the price of raw materials (in comparison with their prices in other countries). Such a relationship can be fully established without knowing anything about whether or not the units are autonomous or part of the logic of a world system, and would hold whether or not one or the other were true. One's theoretical *interpretation* of this relationship, however, might incorporate a world systems logic, perhaps by arguing that wealth is projected overseas to control raw materials that are then imported into the wealthy countries at prices significantly less than they otherwise would be. Such an interpretation assumes a world system in which some national units exploit others. Whether or not such a world systems interpretation is valid is independent of the existence and strength of the relationships between wealth and the price of raw materials (other factors reflecting only domestic processes could be operating). Further, whether or not a world systems logic is operating as the intermediate variable can be determined through cross-national comparisons, e.g., the relationship between wealth and overseas investments can be determined, as can the relationship between overseas raw material investments and the price of domestic raw materials. In other words, a comparison among *only* national units can determine whether or not the logic of the world system of which they are a part is determining domestic processes within each unit. Thus, cross-national comparison, far from being incompatible with world systems analysis, is a most important tool for elucidating the processes that operate *on the world systems level.*

Even a comparison among different world systems designed to determine the relationship between wealth and price of raw materials may well use national units as the basis of comparison. A design could be constructed hypothesizing that the wealthiest state in a

world system has the lowest raw material prices. In fact, in such a test, not even political coherence, i.e., the existence of nation-states, is necessary. Whether different world systems or different parts of the same world system are compared, any units (nation-states or not) would do in testing the existence of a relationship between wealth (per capita) and raw material prices. For example, continents, regions of continents, countries, or provinces could all serve adequately as units in such an analysis. We might, however, well have trouble explaining how this relationship occurred without referring to the actions of nation-states and national economies. In any event, it is clear that whether making comparisons within a world system or between world systems to detect the forces operating on a world systems level we can, and to the extent we are concerned with differences within a world system often must, use units smaller than the world system itself. For most purposes in comparative analyses it is convenient (because they are the best statistics keepers) to use nation-states. Further, it is often necessary to use nation-states because, being politically cohesive, their policies affect our variables.

The use of politically coherent or autonomous units is often essential when one tries to account for the independent variables in a relationship. A causal schema may well have to take into account the broader system of which a given relationship is a part, rather than simply determining the nature of a relationship between two variables. For example, the relationship between the level of a country's military spending and its rate of economic growth can be established, i.e., the effect of different levels of military spending on rates of economic growth can be precisely determined. This can be done using countries as units of comparison that are highly independent of one another in terms of military alliances, nuclear umbrellas, or the export and import of arms, with exactly the same degree of certainty as using countries that are absolutely dependent on each other militarily. However, in the second case, the logic of the broader system in which the countries are a part might well be the *cause* of the differences in the level of military spending, say because a hegemonic country protects the rest, thereby allowing the latter to devote very little resources to their militaries. The fact that the military hegemony of one state in a given system is the cause of different levels of military spending has absolutely no bearing on the degree to which the level of military spending affects economic growth. Causative schemata can be constructed that could test the relationship between hegemonic military position and rate of growth. Countries within a given military system could be compared on the variables of relative military strength and the rate of economic growth to see if military hegemony affects the rate of growth. A second comparative analysis could look at the hegemonic military power in *different* military systems, e.g., the Warsaw Pact, NATO, that of nineteenth-century Europe, and so forth, in comparison to the secondary military powers in the systems to determine what the effect of hegemony is.

It should be stressed that even though in this latter design we are looking at different systems, *national units* are still the basis of the comparison. In no sense then is adopting the framework of world systems in any way incompatible with cross-national comparisons as a method of analysis. In fact, cross-national comparisons such as those described are able to shed considerable light on the operation of forces on a world systems level.

SUMMARY

This book attempts to clarify the rather fundamental differences between the Marxist and Marxian-dependency theories of imperialism, and to test their different implications with the statistical data that has increasingly become available for the relationship between the developed and less-developed countries. In good part the method of cross-national comparison, a method fully compatible with the notion that fundamental forces work on a world systems level, is employed to detect the operation and effects of imperialism. The following two chapters systematically outline and contrast the two major theories of imperialism, while the remaining chapters sequentially treat the major theoretical questions at issue between them.

2

THEORIES OF IMPERIALISM: THE MARXIST MAINSTREAM

This chapter outlines the theories of imperialism of Karl Marx and the mainstream of the Marxist tradition. The ideas of Hobson, Lenin, Luxemburg, the Communist International (1919-43), Mao Tse-Tung, Trotsky, and the contemporary Soviet Union are examined. In the next chapter a related but substantially different tradition is treated. The ideas of those affiliated with the U.S. journal *The Monthly Review* (Paul Sweezy, Paul Baran, Harry Magdoff, Andre Gunder Frank) as well as of such theorists as Samir Amin and Immanuel Wallerstein—ideas that are sometimes referred to as Marxian-dependency theory—are examined.

KARL MARX

Karl Marx argued that there have been three historical phases in the relationship between the more advanced capitalist countries and the economically less-developed areas of the world: the stages of plunder, exploitation through trade and taxes, and investment in industry. During the first two stages, the relationship between the two sets of countries is seen to be one of exploitation, with real wealth flowing from the poor to the rich. During the third stage, the developed capitalist countries industrialize the less-developed countries, with industrial capital now flowing from the rich capitalist countries to the poor. The first phase corresponds to primitive accumulation in the advanced capitalist countries—before 1800 or so in England. During this period the involvement of the more advanced countries in the less-developed areas is purely predatory. The more advanced countries merely plunder the less developed without transforming their modes of production.

During the first phase the colonial system served to accumulate the wealth necessary for industrial capitalism to "take off" in Europe (primitive accumulation):

> The colonial system ripened, like a hot-house, trade and navigation. The "societies monopolia" of Luther were powerful levers for concentration of capital. The colonies secured a market for the budding manufactures, and, through the monopoly of the market, an increased accumulation. The treasures captured outside Europe by undisguised looting, enslavement, and murder, floated back to the mother-country and were there turned into capital (Marx 1867, pp. 753-54).
>
> During the whole course of the 18th century the treasures transported from India to England were gained much less by comparatively insignificant commerce, than by the direct exploitation of that country, and by the colossal fortunes they extorted and transmitted to England (Marx 1853b, p. 106).

Marx's second phase is defined by the change to expanded reproduction in the more advanced countries—i.e., the development of autonomous capital accumulation. The colonized areas continue to be exploited for the benefit of the metropole, but now, however, serve primarily as markets for industrial exports:

> After the opening of the trade in 1813 the commerce with India more than trebled in a very short time. But this was not all. The whole character of the trade was changed. Until 1813 India had been chiefly an exporting country, while it now became an importing one. . . . India, the great workshop of cotton manufacture for the world, since immemorial times, became now inundated with English twist and cotton stuffs. After its own produce had been excluded from England, or only admitted on the most cruel terms, British manufactures were poured into it at a small and merely nominal duty, to the ruin of the native cotton fabrics once so celebrated (Marx 1853b, p. 106).

During Marx's second phase the export of manufactured goods from the European capitalist countries drastically disrupted the social structure of the colonized areas that were previously immune from such disruptive forces. Marx in discussing India made the following observation:

> England has broken down the entire framework of Indian society, without any symptoms of reconstitution yet appearing (Marx 1853a, p. 90).

> English Commerce exerted a revolutionary influence on these communities and tore them apart only in so far as the low prices of its goods served to destroy the spinning and weaving industries, which were an ancient integrating element of this unity of industrial and agricultural production (Marx 1894, III, p. 328).

Marx argues that great sums were taken from India without an equivalent going to India in return. Wealth produced in India was appropriated by Britain for use in the British Isles:

> What the English take from [the Indians] annually in the form of rent, dividends for railways useless to the Hindoos; pensions for military and civil servicemen, for Afghanistan and other wars etc., etc.—what they take from them without any equivalent and quite apart from what they appropriate to themselves annually within India—speaking only of the value of the commodities the Indians have gratuitously and annually to send over to England—it amounts to more than the total sum of income of the 60 millions of agricultural and industrial labourers of India! This is a bleeding process with a vengeance! (Marx 1881, p. 471).

In both the first and second phases, the interrelation of the more advanced capitalist countries with the less-developed noncapitalist countries was far from equal. State-supported monopolies—the British East India company in the case of India—conducted the exploitation of the colonial areas, engaging in highly monopolistic and one-sided economic relations with the natives. In this period the colonial areas were viewed primarily as a way for merchants and states to secure spectacular incomes, and during the second phase, as a market for the new industries of the advanced capitalist countries.

During the third phase of the relation between the more and less-advanced countries, capitalist relations of production develop in the colonized areas because of the interest of metropolitan capitalists. The colonizers create productive powers in the colonized areas in order to secure goods to trade for the exports of the metropolitan country. Marx, again speaking about India, argues:

> . . . [T]he more the industrial interest became dependent on the Indian market, the more it felt the necessity of creating fresh productive powers in India, after having ruined her native industry. You cannot continue to inundate a country with your manufactures, unless you enable it to give you some produce in return. The industrial interest found that their trade declined instead of increasing (Marx 1853b, p. 107).

Western capitalists lay the basis for the development of modern industry in the colonial areas, above all developing the means of transportation and communication:

> The ruling classes of Great Britain have had, till now, but an accidental, transitory and exceptional interest in the progress of India. The aristocracy wanted to conquer it, the moneyocracy to plunder it, and the millocracy to undersell it. But now the tables are turned. The millocracy have discovered that the transformation of India into a reproductive country has become of vital importance to them, and that, to that end, it is necessary, above all, to gift her with means of irrigation and of internal communication. They intend now drawing a net of railroads over India. And they will do it. The results must be inappreciable.
>
> . . . [T]he English millocracy intend to endow India with railways with the exclusive view of extracting at diminished expenses, the cotton and other raw materials for their manufactures. But when you have once introduced machinery into the locomotion of a country, which possesses iron and coals, you are unable to withhold it from its fabrication. You cannot maintain a net of railways over an immense country without introducing all those industrial processes necessary to meet the immediate and current wants of railway locomotion, and out of which there must grow the application of machinery to those branches of industry not immediately connected with railways. The railway system will therefore become, in India, truly the forerunner of modern industry (Marx 1853c, pp. 136).

According to Marx, the long-term effect of British rule in India is the development of modern industry there:

> Modern industry, resulting from the railway system, will dissolve the hereditary divisions of labour, upon which rest the Indian castes, those decisive impediments to Indian progress and Indian power.
>
> All the English bourgeoisie may be forced to do will neither emancipate nor materially mend the social condition of the mass of the people, depending not only on the development of the productive powers, but of their appropriation by the people. But what they will not fail to do is to lay down the material premises for both. Has the bourgeoisie ever done more? Has it ever effected a progress without dragging individuals and peoples through blood and dirt, through misery and degradation? (Marx 1853c, p. 137)

During the third phase the colonial countries undergo *capitalist* development. The old colonial monopolies such as the British East India company are abolished and the economic and political preconditions of competitive capitalism are institutionalized. This allows, for the first time on a significant scale, for the operation of market forces. Capital is now free to flow into the colonial areas from the more-developed countries. The laws of competitive capitalism thus come to exert themselves.

Marx's argument here appears to be as follows. Under competitive conditions capital tends to flow from the richer more-developed capitalist regions, where the tendency for the rate of profit to equalize and to fall has most forcibly exerted itself, to the poorer less-developed regions. The latter regions therefore tend to become economically more like the developed capitalist countries. Capital denationalizes itself, tending to create a more or less homogeneous world capitalist system. Such would seem to be the implicit reasoning behind Marx and Engels' argument in the *Communist Manifesto*:

> The bourgeoise, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilization. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image (Marx and Engels 1849, p. 38).

Marx in fact sees the forced capitalist development of the economically less-developed countries as establishing the conditions for their liberation in an eventual socialist revolution:

> The bourgeois period of history has to create the material basis of the new world—on the one hand the universal intercourse founded upon the mutual dependency of mankind, and the means of that intercourse; on the other hand the development of the productive powers of man and the transformation of material production into a scientific domination of natural agencies. Bourgeois industry and commerce create these material conditions of a new world in the same way as geological revolutions have created the surface of the earth (Marx 1853c, p. 138).

Marx appears to argue that during the earlier phases of imperialism wealth was transferred from the less-developed to the developed countries. As a result of this capital flow into the pool of funds available for accumulation the capitalist countries' growth accelerated and the gap between the less-developed and the capitalist countries widened (if it was not actually created). However, under conditions of fully developed competitive capitalism, the colonial areas are fully integrated into the capitalist system and now become the recipients of a real flow of resources from the developed countries. The tendency for the rate of profit to decline in the developed countries gives the domestic capitalists an incentive to invest overseas where the rate of profit is higher. This means that under mature competitive capitalism the gap between the developed and the less-developed capitalist countries is reduced as a consequence of the transfer of capital to the poorer countries.

Marx and Engels raise the possibility that a precapitalist country might skip the stage of capitalist development, moving directly into a phase of transition to socialism, providing such a country receives sufficient support from a more advanced socialist revolution. In the preface to the Russian edition of the *Communist Manifesto* they argue:

> Now the question is: can the Russian village community, though greatly undermined, yet a form of the primeval common ownership of land, pass directly to the higher form of communist common ownership? Or, on the contrary, must it first pass through the same process of dissolution as constitotes the historical evolution of the West? The only answer to that possible today is this: If the Russian Revolution becomes the signal for a proletarian revolution in the West, so that both complement each other, the present Russian common ownership of land may serve as the starting point for a communist development (Marx and Engels 1849, p. 24).

As we will see, this notion of the possibility of "skipping" developmental stages with support from more advanced socialist countries is a continuing theme within the Marxist tradition.

According to Marx, imperialism has a considerable impact on the relationship between the ruling and working classes in an imperialist country. Marx argues that the prosperity enjoyed by the English working class in the nineteenth century was in part due to prosperity induced by the British exploitation of India through the enhanced employment opportunities it afforded:

> . . . the economists may have wished to refer to the millions of workers condemned to perish, in the East Indies, in order to procure for the million and a half of workpeople employed in England in the same industry, three years of prosperity out of ten (Marx 1847, p. 35).

However, the maintenance of the empire—at least the Indian empire—cost both the English working class and English society as a whole (in contrast to the English capitalists) more than they gained through exploiting it. Thus, the relative growth of Britain in relation to India during this phase, as well as the relative prosperity of the English working class, cannot be explained by a real resource flow from India to England, but rather primarily by the effect of the colonial relation on the mode of production and the rate of accumulation in each area *independent* of transfers of capital:

> It is thus evident that individuals gain largely by the English connection with India, and of course their gain goes to increase the sum of the national wealth. But against all this a very large offset is to be made. The military and naval expenses paid out of the pockets of the people of England on Indian account have been constantly increasing with the extent of the Indian dominion. To this must be added the expense of Burmese, Afghan, Chinese and Persian wars. In fact, the whole cost of the late Russian war may fairly be charged to the Indian account, since the fear and dread of Russia, which led to that war, grew entirely out of jealousy as to her designs on India. Add to this the career of endless conquest and perpetual aggression in which the English are involved by the possession of India, and it may well be doubted whether, on the whole, this dominion does not threaten to cost quite as much as it can ever be expected to come to (Marx 1857, pp. 238-39).

Marx would appear to be arguing that although imperialism brought occasional "full employment" to the working class this class had to pay more in taxes (direct or indirect) than it gained from the exploitation of the colonial areas. The real beneficiary of imperialism was the English capitalist class.

Imperialism also has a very important ideological impact on the working classes. Marx argues that during the nineteenth century perhaps the chief factor inhibiting the development of class consciousness in the English proletariat was the antagonism between English and Irish workers, which was a direct result of English rule in Ireland:

> Every industrial and commercial center in England now possesses a working-class population divided into two hostile camps, English proletarians and Irish proletarians. The ordinary English worker hates the Irish worker as a competitor who lowers his standard of life. In relation to the Irish worker he feels himself a member of the ruling nation and so turns himself into a tool of the aristocrats and capitalists against Ireland, thus strengthening their domination over himself. He cherishes religious, social, and national prejudices against the Irish worker. His attitude towards him is much the same as that of the

> "poor whites" to the Negroes in the former slave states of the U.S.A. The Irishman pays him back with interest in his own money. He regards the English worker as both the accomplice and the stupid tool of English rule in Ireland. This antagonism is artificially kept alive and intensified by the press, the pulpit, the comic papers, in short by all the means at the disposal of the ruling classes. This antagonism is the secret of the impotence of the English working class, despite their organization. It is the secret by which the capitalist class maintains its power. The latter is well aware of this (Marx 1870, p. 78).

It is the identification of the working class of the dominant nation or nationality with the imperialist policies of its ruling class that is a major cause of the continuance of capitalist domination of the working classes of both nations. Marx emphasizes that this factor is probably *the* most important factor in preventing the development of a class-conscious working class revolutionary organization:

> . . . After occupying myself with the Irish question for many years I have come to the conclusion that the decisive blow against the English ruling classes (and it will be decisive for the workers' movement all over the world) can not be delivered in England but only in Ireland. . . . Ireland is the bulwark of the English landed aristocracy. The exploitation of this country is not only one of the main sources of their material wealth, it is their greatest moral strength. They, in fact, represent the domination of England over Ireland. Ireland is therefore the grand moyen by which the English aristocracy maintains its domination in England itself (Marx 1870, p. 77).

Imperialism is seen to have a major impact not only on the less-developed countries of the world, but also a major impact on the developed capitalist countries themselves.

ROSA LUXEMBURG

Virtually all major Marxists after Marx and through the mid-1920s agreed with Marx's argument that once capitalism reached its mature stage, capital would of necessity flow from the richer more developed countries to the poorer less developed, in the process industrializing the latter. V. I. Lenin and Rosá Luxemburg, in particular, make strong, although very different arguments, for why capital must flow away from the richer countries to develop the poorer. The argument of such Marxists centers either on the law of the falling rate of profit, the presence of cheap labor abroad, or the inability to find investment opportunities at home.

Rosa Luxemburg, the leading theorist of revolutionary Marxism within the German Social Democratic Party in the early twentieth century, developed an analysis of the dynamic of imperialism which claims that modern imperialism is an inherent result of the capital accumulation process *in general*. Thus there is no possibility of ending or reforming it short of totally abolishing capitalist relations of production.

Rosa Luxemburg insists that the *only* way the capital accumulation process can continue is through overseas expansion; hence, imperialism is an absolute necessity for advanced capitalism. She argues that in order for capital accumulation to occur *at all* new consumers have to be continually brought into the system of capitalist market relations. The additional surplus value generated in each phase of the expanding reproduction process of capital accumulation according to Luxemburg cannot be realized except through new consumers previously outside of the eapital accumulation process. People already in that process cannot buy any more than they already buy. Only previously noncommercial rural classes and populations in industrially backward countries, not yet committed to capitalist markets, can possibly buy the additional production, thereby allowing the realization of the additional surplus value. Capitalism, then, is forced to continually expand or die. Indeed, Luxemburg predicts that the final economic crisis and collapse of capitalism will occur once there are no more noncapitalist areas into which capitalism can expand. Consequently, capital must be exported to the less-developed areas of the world to avoid a cataclysmic economic depression that would be produced by the absence of investment possibilities within the system.

> Realized surplus value, which cannot be capitalized and lies idle in England or Germany, is invested in railway construction, water works, etc., in the Argentine, Australia, the Cape Colony, or Mesopotamia. Machinery, materials and the like are supplied by the country where the capital has originated, and the same capital pays for them. . . . There had been no demand for the surplus product within the country so capital had lain idle without the possibility of accumulating. But abroad, where capitalist production has not yet developed, there has come about, voluntarily or by force, a new demand of the non-capitalist strata. The consumption of the capitalist and working classes at home is irrelevant for the purpose of accumulation, and what matters to capital is the very fact that its products are "used" by others. . . .

> The important point is that the capital accumulated in the old country should find elsewhere new opportunities to beget and realize surplus value, so that accumulation can proceed. In the new countries, large regions of natural economy are open to conversion into commodity economy, or existing commodity economy can be ousted by capital. . . . Enlarged reproduction, i.e., accumulation, is possible only if new districts with a non-capitalist civilization, extending over large areas, appear on the scene and augment the number of consumers (Luxemburg 1913, pp. 426-29).

Luxemburg sees international loans as a mechanism for the industrialization of the poor countries and the consequent creation of a proletariat out of the peasantry. She sees imperial expansion as consisting of the economic and political domination of the areas into which capital is expanding:

> This business of paying for German goods with German capital in Asia is not the absurd circle it seems at first, with the kind Germans allowing the shrewd Turks merely the "use" of their great works of civilization—it is at bottom an exchange between German capital and Asiatic peasant economy, an exchange performed under state compulsion. On the one hand it makes for progressive accumulation and expanding "spheres of interest" as a pretext for further political and economic expansion of German capital in Turkey. Railroad building and commodity exchange, on the other hand, are fostered by the state on the basis of a rapid disintegration, ruin and exploitation of Asiatic peasant economy in the course of which the Turkish state becomes more and more dependent on European capital, politically as well as financially (Luxemburg 1913, p. 445).

Political domination, enforced by military conquest and intervention, plays a decisive role in securing investment outlets for European capital:

> Militarism . . . is employed to subject the modern colonies, to destroy the social organisations of primitive societies so that their means of production may be appropriated, forcibly to introduce commodity trade in countries where the social structure had been unfavourable to it, and to turn the natives into a proletariat by compelling them to work for wages in the colonies. It is responsible for the creation and expansion of spheres of interest for European capital in non-European regions, for extorting railway concessions in backward countries, and for enforcing the claims of European capital as international lender (Luxemburg 1913, p. 454).

The drive of many different states to secure investment opportunities for their respective capitalists necessarily puts the various states and their bourgeoisie into increasingly vicious competition with one another due to finite investment opportunities in the world. The cause of interimperialist wars is the logic of capital:

> With the high development of the capitalist countries and their increasingly severe competition in acquiring non-capitalist areas, imperialism grows in lawlessness and violence, both in aggression against the non-capitalist world and in ever more serious conflicts among the competing capitalist countries (Luxemburg 1913, p. 446).

Luxemburg argues that the working class in the more-developed capitalist countries suffers by imperialism. She argues that armaments necessary for imperial policies are in good part paid for by taxes incident on the working class (as well as on the lower middle class and peasantry):

> . . . the indirect taxes extorted from the workers are used for paying the officials and for provisioning the army. . . . By lowering the normal standard of living for the working class, it ensures both that capital should be able to maintain a regular army, the organ of capitalist rule, and that it may tap an impressive field for further accumulation (Luxemburg 1913, p. 464).

JOHN HOBSON

John Hobson, although more a precursor of Keynes than a Marxist, has had considerable influence in the Marxist tradition because of the adoption of much of his analysis of imperialism by Lenin. Hobson saw the great revival of European imperialism in the later part of the nineteenth century as a result of the formation of giant trusts and corporations out of what had previously been competitive enterprises. According to Hobson, competitive small-scale capitalism can find adequate domestic markets for all it produces, but such is not the case for monopolized industries, which generate high profits that cannot be profitably reinvested:

> . . . this concentration of industry in "trusts," "combines," etc., at once limits the quantity of capital which can be effectively employed and increases the share of profits out of which fresh savings and fresh capital will spring. It is quite evident that a trust which is motivated by cut-throat competition, due to an excess of capital, cannot nor-

> mally find inside the "trusted" industry employment for that portion of the profits which the trustmakers desire to save and to invest. . . .
> Indeed, the conditions alike of cut-throat competition and of combination attest the congestion of capital in the manufacturing industries which have entered the machine economy (Hobson 1902, pp. 75-76).

Hobson found empirically that the new imperial colonization and division of the world into colonies did not influence external trade. The industrial countries mostly trade with each other. He maintains that the new imperial colonialism was not in the interests of most of the people, or even most of the manufacturing firms of the capitalist countries. Hobson argues that " . . . the Imperialism of the last six decades is clearly condemned as a business policy, in that at enormous expense it has procured a small, bad, unsafe increase of markets, and has jeopardized the entire wealth of the nation in rousing the strong resentment of other nations . . . " (Hobson 1902, p. 46).

He sees imperialism generated by the need to invest the profits of the new trusts overseas where they are able to find profitable investment opportunities.

Hobson argues that that segment of the capitalist class, especially finance capital, which has an interest in the state implementing imperialist policies, is able to mobilize patriotism, to stir up national animosities and generate imperial romanticism to bemuse the population, divert attention away from domestic issues, and create support for imperial policies. He argues that the churches, the press, the schools, and the political machines have all been enlisted in the campaign to gain popular support for imperial policies:

> The controlling and directing agent of the whole process, as we have seen, is the pressure of financial and industrial motives, operated for the direct, short-range, material interests of small, able, and well-organized groups in a nation. These groups secure the active co-operation of statesmen and of political cliques who wield the power of "parties," partly by associating them directly in their business schemes, partly by appealing to the conservative instincts of members of the possessing classes, whose vested interest and class dominance are best preserved by diverting the currents of political energy from domestic on to foreign politics (Hobson 1902, p. 212).

Hobson thus hopes for the possibility of a "populist" or "left-liberal" alliance that would isolate and defeat the forces of imperialism, in order to end imperialist policies. This he maintains can be done without a fundamental transformation of the economic or political organization of society.

> By far the most important economic factor in Imperialism is the influence relating to investments. The growing cosmopolitanism of capital has been the greatest economic change of recent generations. Every advanced industrial nation has been tending to place a larger share of its capital outside the limits of its own political area, in foreign countries, or in colonies, and to draw growing income from this source (Hobson 1902, p. 51).
> As one nation after another enters the machine economy and adopts advanced industrial methods, it becomes more difficult for its manufacturers, merchants, and financiers to dispose profitably of their economic resources, and they are tempted more and more to use their Governments in order to secure for their particular use some distant undeveloped country by annexation and protection (Hobson 1902, pp. 80-81).

Hobson identifies only certain classes and sectors of the imperialist country as having an interest in imperialism, namely, the manufacturers of armaments and railroad equipment, shipbuilders, large manufacturers primarily producing for exports, those engaging in the shipping trade, as well as the military, the civil servants (who secure jobs administering the colonies), professionals (many of who identify with imperialism for ideological reasons), and, most of all, the financial capitalists who put together and profit most from the trusts, combines, and corporations. The working class, the middle class, and those productive capitalists not involved in the above economic sectors, on the other hand, all suffer from imperialism, if only because they must pay the taxes that support such policies:

> Aggressive Imperialism, which costs the taxpayer so dear, which is of so little value to the manufacturer and trader, which is fraught with such grave incalculable peril to the citizen, is a source of great gain to the investor who cannot find at home the profitable use he seeks for his capital, and insists that his Government should help him to profitable and secure investments abroad (Hobson 1902, p. 55).

According to Hobson, overproduction (or underconsumption) caused by the monopolization of industries under finance capital is the dynamic of modern imperialism. Thus, it is not capitalism per se, only monopoly capitalism, that is the cause of imperialism. If the trusts and corporations could be broken up and the purchasing power of the masses increased so that they could afford to buy all that industry produced, the motive force for capitalist imperialism would disappear:

> It is not industrial progress that demands the opening up of new markets and areas of investment, but mal-distribution of consuming

> power which prevents the absorption of commodities and capital within the country. The over-saving which is the economic root of Imperialism is found by analysis to consist of rents, monopoly profits, and other unearned or excessive elements of income . . . (Hobson 1902, p. 85).
>
> It is this economic condition of affairs that forms the taproot of Imperialism. If the consuming public in this country raised its standard of consumption to keep pace with every rise of productive powers, there could be no excess of goods or capital clamourous to use Imperialism in order to find markets . . . (Hobson 1902, p. 81).

It is this analysis that separates Hobson from the Marxist tradition. He is a reformer who believes, with the social democratic tradition, that a process of anticorporate reform and redistribution of wealth could eliminate the negative effects of capitalism, especially imperialism. Nevertheless, Lenin was most impressed by Hobson's work and took it over with slight but crucial modification to serve as the core of his argument in his *Imperialism: The Highest Stage of Capitalism*. The principal modification Lenin makes is his insistence that redistributive reforms are impossible and thus that overseas investment outlets are the *only* alternative for monopoly capitalism other than stagnation.

V. I. LENIN

Lenin essentially adopted Hobson's analysis of the predominance of finance capital. He too saw it monopolizing the economy with the consequence of generating tremendous amounts of surplus capital unable to find profitable internal investment outlets. The banks, according to Lenin, play the key role in the transformation of competitive capital into highly coordinated monopoly capital:

> . . . the banks grow from humble middlemen into powerful monopolies having at their command almost the whole of the money capital of all the capitalists and small businessmen and also the larger part of the means of production and of the sources of raw materials of the given country and in a number of countries. This transformation of numerous humble middlemen into a handful of monopolists represents one of the fundamental processes in the growth of capitalism into capitalist imperialism . . . (Lenin 1917, pp. 732-33).
>
> Scattered capitalists are transformed into a single collective capitalist . . . a handful of monopolists subordinate to their will all the operations, both commercial and industrial, of the whole of capitalist society . . . (Lenin 1917, p. 736).

As a consequence of this bank-organized monopolization of the economy a surplus of capital develops. Capitalists reinvest their enormous monopoly profits in the industries where they were generated because to do so would undermine their superprofits, which are based on constricting supply and agreements among firms to regulate competition among themselves:

> On the threshold of the twentieth century we see the formation of a new type of monopoly: firstly, monopolist associations of capitalists in all capitalistically developed countries; secondly, the monopolist position of a few very rich countries, in which the accumulation of capital has reached gigantic proportions. An enormous "surplus of capital" has arisen in the advanced countries (Lenin 1917, p. 759).

The only outlet Lenin sees for this surplus capital, which cannot find profitable investment outlets in the advanced capitalist countries, is in overseas investment. According to Lenin, " . . . the deepest economic foundation of imperialism is monopoly" (1917, p. 790). The necessity of finding overseas investment outlets stems from the fact that intensive capital accumulation is blocked by the class nature of capitalism. Here Lenin breaks with Hobson's analysis. Antimonopoly reforms and significant increases in the living standard of workers are considered by Lenin to be incompatible with the nature of finance capitalism:

> It goes without saying that if capitalism could develop agriculture, which today frightfully lags behind industry everywhere, if it could raise the standard of living of the masses, who are everywhere still half-starved and poverty-stricken, in spite of the amazing technical progress, there could be no talk of a surplus of capital. This "argument" is very often advanced by the petty-bourgeois critics of capitalism. But if capitalism did these things it would not be capitalism; for both uneven development and semistarvation level of existence of the masses are fundamental and inevitable conditions and premises of this mode of production. As long as capitalism remains what it is, surplus capital will be utilized not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad to the backward countries. In these backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap. . . . The necessity for exporting capital arises from the fact that in a few countries capitalism has become "overripe" and (owing to the backward state of agriculture and the poverty of the masses) capital cannot find a field for "profitable" investment (Lenin 1917, pp. 759-60).

Lenin makes a very different argument from that of Luxemburg. Luxemburg argues that imperialism is generated in the advanced countries because it is impossible for capitalism in any form (financial or otherwise) to secure domestic noncapitalist sources in which to realize its expanding surplus value. Lenin, following Hobson, argues instead that *monopolized* capitalism generates imperialism in order to profitably invest in nonmonopolized areas where there is no danger of undermining monopoly positions and hence monopoly profits.

For Lenin it is clearly the export of capital that is the principal dynamic of modern imperialism. He argues: "Typical of the old capitalism, when free competition had undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital" (Lenin 1917, p. 759). However, Lenin also maintains that the pursuit of raw materials plays an important secondary role in the dynamic of modern imperialism (Lenin 1917, p. 811).

In order to secure nonmonopolized areas in which to invest the surplus capital generated in the imperialist core, as well as to secure reliable supplies of raw materials, finance capital utilizes the states and militaries of their respective countries to secure colonies, protectorates, and neocolonial areas.

> The interests pursued in exporting capital also give an impetus to the conquest of colonies, for in the colonial market it is easier to employ monopolist methods (and sometimes they are the only methods that can be employed) to eliminate competition, to ensure supplies, to secure the necessary "connections," etc. (Lenin 1917, p. 778).
>
> The more capitalism is developed, the more strongly the shortage of raw materials is felt, the more intense the competition and the hunt for sources of raw materials throughout the whole world, the more desperate is the struggle for the acquisition of colonies (Lenin 1917, p. 776).

According to Lenin, there are a number of ways control can be exerted by finance capital over the less-developed areas. These include formal colonies directly ruled by the advanced capitalist states; semicolonies such as China, Persia, and Thailand, which maintain formal independence but little autonomy; "commercial colonies," such as Argentina, whose local bourgeoisie are thoroughly dependent on finance capital from the leading capitalist countries; and independent protectorates with a fairly high level of autonomy such as Portugal (in relation to Britain) who have granted favorable economic concessions to their protector in both their own countries

and their colonies. Lenin maintained that "Typical of this epoch is not only the two main groups of countries: those owning colonies and the colonies but also the diverse forms of dependent countries which, politically, are formally independent, but in fact, are enmeshed in the net of financial and diplomatic dependence" (1917, p. 779). Monopolized capitalism then generates capitalist imperialism, which subordinates the entire world, securing for each country's finance capitalists protected colonies, semicolonies, and protectorates where their capital has privileged access and where they have priority in securing raw material.

According to Lenin, finance capitalism develops unequally. Some advanced countries grow more rapidly than others. New capitalist countries emerge. Soon the division of the world no longer corresponds to either the respective needs for capital export or raw materials of the various advanced capitalist countries, or to their relative military strength. The newer and more rapidly growing capitalist countries come to covet the vast areas reserved by the old imperialist powers. The basis for a war of redivision of the world is established. It is within this framework that Lenin explains World War I. He saw Germany, as the most rapidly growing capitalist power, essentially shut out from colonies and thus having to initiate a war against the two older capitalist powers who controlled most of Asia, Africa, Latin America, and the Pacific—France and Great Britain: "Finance capital and the trusts do not diminish but increase the differences in the rate of growth of the various parts of the world economy. Once the relation of forces is changed, what other solution of the contradictions can be found under capitalism than that of force?" (Lenin 1917, p. 788.) The financial interests of the relatively more developed but relatively colonyless countries must initiate expansionist wars in order to maintain the profitability of their enterprises. Interimperialist rivalry, competition, and war are generated by the very process of uneven capitalist development.

In part the reason for the uneven development of capitalism is the export of capital from the most-developed to the less-developed countries, which consequently have their rates of capital accumulation accelerated:

> The export of capital influences, greatly accelerates, the development of capitalism in those countries to which it is exported. While, therefore, the export of capital may tend to a certain extent to arrest development in the capital-exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world (Lenin 1917, p. 761).

> Capitalism is growing with the greatest rapidity in the colonies and in overseas countries. Among the latter, new imperialist powers are emerging (e.g., Japan) (Lenin 1917, p. 789).

Lenin argues, as do Marx and Luxemburg, that the export of capital results in the capitalist industrialization of the less-developed countries to which it is exported. Lenin thus seems to argue, with Marx and Luxemburg, that there is a tendency within the imperialist system for the rate of industrialization to slow in the most advanced areas and to accelerate in the less developed, i.e., a tendency toward homogenization in the level of economic development and the relative size of the proletariat.

Lenin sees the capitalist development of the colonial and semicolonial countries as both intensifying their oppression and providing them with the means for their national liberation. Lenin, closely following Rudolf Hilferding, argues:

> Hilferding rightly notes the connection between imperialism and the intensification of national oppression. "In the newly opened up countries," he writes, "the capital imported into them intensifies antagonisms and excites against the intruders the constantly growing resistance of the peoples who are awakening to national consciousness; this resistance can easily develop into dangerous measures against foreign capital. The old social relations become completely revolutionised, the age-long agrarian isolation of 'nations without history' is destroyed and they are drawn into the capitalist whirlpool. Capitalism itself gradually provides the subjugated with the means and resources for their emancipation and they set out to achieve the goal which once seemed highest to the European nations: the creation of a united national state as a means to economic and cultural freedom. This movement for national independence threatens European capital in its most valuable and most promising fields of exploitation, and European capital can maintain its domination only by continually increasing its military forces."
>
> To this must be added that it is not only in newly opened-up countries, but also in the old, that imperialism is leading to annexation, to increased national oppression, and, consequently, also to increasing resistance (Lenin 1917, p. 809).

A primary contradiction in the imperialist world system is presented by the rapidly growing working class of the less-developed countries—a class that is a necessary result of the export of capital.

Lenin argues that there is a tendency for the more advanced capitalist countries to decay because of the monopolization of their economies. These countries tend to stagnate economically, living increasingly off the profits derived from production in the less-developed countries:

> . . . like all monopoly, [capitalist monopoly] inevitably engenders a tendency to stagnation and decay. Since monopoly prices are established, even temporarily, the motive cause of technical and, consequently, of all other progress disappears to a certain extent and, further, the economic possibility arises of deliberately retarding technical progress (Lenin 1917, pp. 790-91).
>
> On the whole, capitalism is growing far more rapidly than before; but this growth is not only becoming more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (England) (Lenin 1917, p. 812).

The undermining of productivity and the slowdown in reinvestment in the advanced capitalist countries combined with the increase in repatriated profits from the countries where capital is invested produces what Lenin calls "rentier states"—states that increasingly live off what is produced in the colonies and semicolonies, rather than what is actually produced in the advanced countries. Categorizing such imperialist societies as "parasitic" Lenin states:

> More and more prominently there emerges, as one of the tendencies of imperialism, the creation of the "rentier state," the usurer state, in which the bourgeoisie to an ever-increasing degree lives on the proceeds of capital exports and by "clipping coupons" (Lenin 1917, p. 812).
>
> . . . parasitism and decay of capitalism . . . are characteristic of its highest historical stage of development, i.e., imperialism. . . . Capitalism has now singled out a handful . . . of exceptionally rich and powerful states which plunder the whole world simply by "clipping coupons" . . . (Lenin 1917, p. 717).

It appears that Lenin is arguing that while production is increasingly shifted to the less-developed areas, with the consequence of both expanding industry and the proletariat there at the expense of the more-developed countries, the profits from such investments are largely nonproductively consumed in the advanced countries. He seems to maintain that the living standards of the bourgeoisie in the advanced countries is maintained at a high level at the expense of the productive classes in the less-developed countries.

Lenin argues that it is not only the propertied classes that benefit from imperialism. A politically central sector of the proletariat, which he, following Engels, called the "aristocracy of labor," is also seen as economically gaining. Lenin argues that the relative conservatism of the labor movement and the working class as a whole in the most advanced capitalist countries (especially the United Kingdom) is a result of some of the great profits from investments in the less-developed countries being distributed among key segments of the working class. These key segments have disproportionate influence in the trade union movement and parties, and are thus responsible for the reformist and even proimperialist politics of such organizations:

> Obviously, out of such enormous superprofits (since they are obtained over and above the profits which capitalists squeeze out of the workers of their "own" country) it is possible to bribe the labour leaders and the upper stratum of the labour aristocracy. And the capitalists of the "advanced" countries are bribing them; they bribe them in a thousand different ways, direct and indirect, overt and covert.
>
> This stratum of bourgeoisified workers, or the "labour aristocracy," who are quite philistine in their mode of life, in the size of their earnings and in their entire outlook, is the principal prop of the Second International, and in our days, the principal social (not military) prop of the bourgeoisie. For they are the real agents of the bourgeoisie in the working-class movement, the labour lieutenants of the capitalist class, real channels of reformism and chauvinism. In the civil war between the proletariat and the bourgeoisie they inevitably, and in no small numbers, take the side of the bourgeoisie, the "Versaillese" against the "Communards" (Lenin 1917, pp. 717-18).

Lenin does not argue that all or most workers in the imperialist countries materially benefit from imperialism, but rather only that the upper stratum, the "aristocracy of labor," perhaps only a few percent of the entire working class benefit materially. Thus, Lenin does not break fundamentally with Marx, Luxemburg, and Hobson on the question of who benefits. For all it is the capitalist class especially finance capital, not the working class who benefits. Lenin argues only that the conservatism of workers in Great Britain (and a few other leading countries such as the United States) is accounted for by the workers in strategic positions of influence in the trade unions and labor parties being "bought off" (by sharing in the profits of imperialism).

Before the Bolshevik Revolution in Russia, Marxists gave very little attention to the question of revolution and national liberation in the colonized and semicolonized areas of the world. Marxists assumed that socialist revolutions would occur where capitalism (and its contradictions) were most developed, i.e., in the leading countries of Western Europe and the United States. They generally also assumed that the advanced countries after their revolutions would either liberate their colonies or extend socialism to them. Questions of national liberation, or anticolonial strategy and theory, then, do not for the most part appear in 1917 Marxist writings. The Bolshevik movement, however, broke sharply with this tradition. Shortly after 1917 Lenin began giving serious attention to the anticolonial struggle. During the early 1920s the international Communist movement gave *central* attention to the movement in China, India, and elsewhere in Asia.

Since the proletariat, the major revolutionary class in Europe, was miniscule in Asia, Africa, and Latin America, a revolutionary strategy in such areas of necessity had to be different than in Europe. In such areas Lenin argued that Communists should support "national-democratic" revolutions against colonial rule even when led by the local bourgeoisie:

> With regard to the more backward states and nations, in which feudal or patriarchal and patriarchal-peasant relations predominate, it is particularly important to bear in mind . . . that all Communist parties must assist the bourgeois-democratic liberation movement in these countries, and that the duty of rendering the most active assistance rests primarily with the workers of the country upon which the backward nation is dependent colonially or financially . . . (Lenin 1920, p. 466).
>
> The Communist International must enter into a temporary alliance with bourgeois democracy in colonial and backward countries, but must not merge with it and must under all circumstances uphold the independence of the proletarian movement even if it is in its earliest embryonic form (Lenin 1920, p. 467).
>
> There need not be the slightest doubt that every national movement can only be a bourgeois-democratic movement, for the overwhelming mass of the population in backward countries consists of peasants who represent bourgeois-capitalist relationships (Lenin 1920, p. 498).

Lenin's argument that Communists should support revolutionary anticolonial movements even if they are not socialist is based on the new Bolshevik notion that one of the principal contradictions in the world is between oppressed and oppressor nations. He argues:

> . . . what is the cardinal, underlying idea of our theses? The distinction between oppressed and oppressor nations. . . . The characteristic feature of imperialism is the division of the whole world, as we now see, into a large number of oppressed nations and an insignificant number of oppressor nations which, however, command colossal wealth and powerful armed forces (Lenin 1920, p. 497).

Lenin also maintains that there is the prospect of precapitalist colonial and semicolonial areas going *directly* over to socialism, *without* having to first develop capitalism, and thus that it is not necessary to have a bourgeois democratic revolution at all. Local Communist movements not based in an industrial working class *could* accomplish a socialist transformation:

> If the victorious revolutionary proletariat conducts systematic propaganda among them, while the Soviet governments come to their assistance with all the means at their command—in that event, it would be wrong to assume that the capitalist stage of development is inevitable for the backward nationalities. . . . the Communist International should advance and theoretically substantiate the proposition that these backward countries can, with the aid of the proletariat of the advanced countries, go over to the Soviet system and, through definite stages of development, to communism, without having to pass through the capitalist stage (Lenin 1920, pp. 500-1).

THE COMMUNIST INTERNATIONAL

From the Second Congress of the Communist International in 1920, where Lenin's theses on the national and colonial question were adopted, until the Sixth Congress in 1928 there was an ongoing debate and development of the Marxist analysis of imperialism and colonialism as well as of the strategy for revolutionaries in the colonized and semicolonized areas of the world.

The Communist position on the nature of revolution evolved to the position that areas in which feudal or Asiatic relations of production prevailed had to experience a national-democratic revolution that would be led by the *Communist Party*, rather than by the bourgeoisie. Thus the Comintern came to argue that the revolutionary process in such countries generally had to go through *two* stages *both* under the leadership of the Communist Party: first, the national-democratic stage, which introduced changes typical of those introduced by the classical bourgeois revolutions such as those in France; and, second, the socialist transformation, which could only be undertaken once the agrarian revolution had been completed, industry was developed, the proletariat had grown to a significant size, and other typically bourgeois reforms were institutionalized:

> Colonial and semi-colonial countries (China, India, etc.) and independent countries (Argentina, Brazil, etc.): in some of these countries industry is only rudimentary, in others it is fairly well developed, but for the most part insufficient to provide a basis for independent socialist construction; both in the economy as in the political superstructure, medieval feudal relationships prevail, or the "Asiatic mode of production"; the key industries, the dominant trading, banking, and transportation concerns, as well as plantations, etc., are concentrated in the hands of foreign imperialist groups. In these countries the struggle against feudalism, against pre-capitalist forms of exploitation, the consistent pursuit of the peasant agrarian revolution, and the struggle against foreign imperialism and for national independence are of decisive importance. Here the transition to the proletarian dictatorship is as a rule possible only through a series of preparatory stages, only as the outcome of an entire period of transformation of the bourgeois-democratic into the socialist revolution (Communist International 1928, p. 506).
>
> As in all colonies and semi-colonies, so also in China and India the development of productive forces and the socialization of labour stand at a comparatively low level. This circumstance, together with foreign domination and the presence of strong survivals of feudalism and pre-capitalist relations, determine the character of the next stage of the revolution in these countries. The revolutionary movement there is at the stage of the bourgeois-democratic revolution, i.e., the stage when the prerequisites for proletarian dictatorship and socialist revolution are being prepared (Communist International 1926a, p. 536).

The Comintern sees the principle tasks of the national-democratic phase of the revolution, led by the local Communist Party, as including freeing the country from imperialist influences, establishing national unity, overthrowing the power of the exploiting classes, eliminating the exploitation of the peasantry, nationalizing the land, developing industry, strengthening the trade unions, and instituting other reforms such as the eight-hour day and basic social welfare for the masses of peasants and workers (see Communist International 1928, p. 536).

The Comintern argues that national oppression hastens the development of the revolutionary crisis in the oppressed areas of the world, intensifying the dissatisfaction of the masses and moving the urban petty bourgeoisie to the Left, mobilizing them behind revolutionary forces:

> The national factor exerts considerable influence on the revolutionary process in all colonies, as well as in those semi-colonies where imperialist enslavement already appears in its naked form and drives the masses to revolt . . . the national factor not only influences the movement of the working class and peasantry, but can also modify the attitude of all other classes in the course of the revolution. Above all, the poor urban petty bourgeoisie and the petty bourgeois intelligentsia are during the early stages brought largely under the influence of the active revolutionary forces; secondly, the position of the colonial bourgeoisie in the bourgeois-democratic revolution is for the most part ambiguous, and their vacillations, corresponding to the course of the revolution, are even greater than in an independent country . . . (Communist International 1928, p. 537).

The colonial bourgeoisie is seen by the Comintern as having two fractions: the *comprador bourgeoisie*, which directly serves foreign capital and whose economic interests are totally bound up with continuing colonial or neocolonial domination and who will thus consistently oppose revolutions of any kind; and, the *national bourgeoisie*, whose economic interests are oppressed by imperial domination. This section of the local bourgeoisie is politically ambiguous and vacillates. While hostile to imperialism, it fears radical social change and is unable to deal successfully with peasant demands for land. Thus, it cannot lead a successful antiimperialist movement and carry through a bourgeois revolution. Under contemporary conditions only the Communist Party, based in the proletariat and peasantry with petty bourgeois support, can do that. However, all four classes can in some degree (the national bourgeoisie only under some conditions) play a role in the process of national liberation.

In the 1923-28 period the Communist International was relatively optimistic about the national bourgeoisie playing a leading antiimperialist role in the less-developed countries. For example, before 1927, the Comintern backed the Kuomintang (KMT) in China, a party which it considered to have a significant component of national bourgeoisie leadership. The Comintern argued in 1923 that "The only serious national-revolutionary group in China is the Kuomintang, which is based partly on the liberal-democratic bourgeoisie and petty bourgeoisie, partly on the intelligentsia and workers" (Communist International 1923, p. 5). It went further and instructed the young

Chinese Communist Party to work closely with the KMT and attempt to move it further to the Left. The Comintern saw the primary struggle as against the feudal landlords and the foreign imperialists, and thus saw the national bourgeoisie as an ally. In 1924 the Comintern argued, "In unceasing struggle against the imperialists and native feudalists, the communist parties of the East will now as before support every honest expression of the movement for national liberation directed against the exploiting yoke of foreign capital, thus confronting the rapacious international bourgeoisie with the anti-imperialist united front" (Communist International 1924, p. 159). It clearly defined the national bourgeoisie as part of the anti-imperialist, antifeudalist united front. In 1926 the Comintern argued that " . . . the main task of the present movement is the united front of all national-revolutionary forces, including the anti-imperialist strata of the bourgeoisie . . . " (Communist International 1926, p. 324).

In 1926 the Comintern developed a refined analysis of *three phases* of the national liberation movement in countries like China. In each phase a different class or class coalition was seen as playing the leading role in the united front against imperialism and feudalism:

> Consequently the stage of development reached by the revolutionary movement in China is characterized by a significant regrouping of social forces. In its first stage the driving force of the movement was the national bourgeoisie and the bourgeois intelligentsia, who sought support among the proletariat and the petty bourgeoisie. In the second stage the character of the movement changed, and its social basis shifted to another class group. . . . The proletariat formed a bloc with the peasants, who were taking militant action in their own interests, with the urban petty bourgeoisie, and with part of the capitalist bourgeoisie. . . . At the present moment the movement is on the road to the third stage, on the eve of a new class regrouping. At this stage of development the basic force of the movement is a bloc of . . . the proletariat, peasantry, and urban petty bourgeoisie, excluding the greater part of the big capitalist bourgeoisie. This does not mean that the entire bourgeoisie as a class stands aside from the national liberation struggle. Besides the petty and middle bourgeoisie, some forces of the big bourgeoisie may still go along with the revolution for a certain time . . . (Communist International 1926b, pp. 340-41).

The Sixth Comintern Congress in 1928 marked a shift to the Left in Communist strategy. While Lenin had advocated Communists working with bourgeois-led anticolonial forces in the less-developed countries, in 1928 the idea of a bloc or basic alliance with such groups was rejected, although temporary agreements on specific questions were acceptable, provided such joint agreements were utilized to develop the mass movement and did not restrict the Communists' freedom of action. Only the Communist Parties were now considered able to lead a successful antiimperialist national-democratic revolution.

After 1928, the Comintern gave greater emphasis than ever to the importance of the agrarian revolution and the role of the peasantry in the revolutionary process in the colonial and semi-colonial countries:

> Agrarian revolution, including confiscation and nationalization of the land—that is the fundamental internal socio-economic content of the new stage of the Chinese revolution . . . and the communist party should put itself at the head of this movement and lead it (Communist International 1927, p. 386).
>
> The peasantry, as well as the proletariat and as its ally, is a driving force of the revolution. The immense many-millioned peasant mass constitutes the overwhelming majority of the population even in the most developed colonies. . . . The peasantry can only achieve its emancipation under the leadership of the proletariat, while the proletariat can only lead the bourgeois-democratic revolution to victory in union with the peasantry (Communist International 1928, p. 539).

After the Seventh Comintern Congress in 1935, the international Communist movement became once again more optimistic about the antiimperialist role of the national bourgeoisie. It now stressed the importance of a "popular front" of all those oppressed by imperialist domination, whether or not led by a Communist Party or by the working class, to oppose imperialism. The Seventh Comintern Congress argued:

> In the colonial and semi-colonial countries, the most important task facing the communists consists in working to establish an anti-imperialist people's front. For this purpose it is necessary to draw the widest masses into the national liberation movement against growing imperialist exploitation, against cruel enslavement, for the driving out of the imperialists, for the independence of the country; to take an active part in the mass anti-imperialist movements headed by the national reformists and strive to bring about joint action with the national-revolutionary and national-reformist organizations on the basis of a definite anti-imperialist platform . . . (Communist International 1935, p. 367).

The position developed in 1935 has more or less remained the position subscribed to by most of the Communist Parties in the countries of Asia, Africa, and Latin America to the present day (including those close to both the USSR and China), although in their concrete application the parties have varied considerably.

The Comintern developed Lenin's idea about the possibility of direct transition to socialism from precapitalist societies. It concluded that such a transition would be most likely in tribal or essentially preclass societies, such as parts of black Africa and central Asia (with sufficient backing from the socialist countries):

> In still more backward countries (for example in parts of Africa) where there are virtually no industrial wage earners, where the majority of the population live in tribal conditions and traces of the old clan society still survive, where there is practically no national bourgeoisie and foreign imperialism appears primarily as armed conquest and seizure of the land—in these countries the struggle for national liberation is the central task. Here victorious national uprisings may open the road to socialism while by-passing the capitalist stage, if sufficiently powerful help is given by the countries with a proletarian dictatorship (Communist International 1928, p. 506).

Moreover, the 1928 Comintern analysis of imperialism and revolution in the colonial and semicolonial countries suggests the possibility of such a "noncapitalist" development even in countries with a well-developed class structure. It argues that the revolutionary process might proceed in countries such as China and India, avoiding both bourgeois political rule and the development of capitalist economic relations, providing such a revolution receives active support from the socialist countries:

> . . . alliance with the U.S.S.R. and the revolutionary proletariat opens for the masses of China, India, and all other colonial and semi-colonial countries the prospect of independent economic and cultural development, avoiding the stage of capitalist domination, perhaps even the development of capitalist relations in general. . . .
>
> There is thus an objective possibility of a non-capitalist path of development for the backward colonies, the possibility that the bourgeois-democratic revolution in the more advanced colonies will be transformed, with the aid of the victorious proletarian dictatorship in other countries, into the proletarian socialist revolution (Communist International 1928, p. 533).

This 1928 analysis comes close to arguing that the antiimperialist revolution can more or less immediately be transformed into a socialist revolution without a lengthy stage of national-democratic reforms.

After a protracted debate, the Sixth Comintern Congress in 1928 fundamentally revised the traditional Marxist position on the effect of the export of capital on the capitalist development of the less-developed regions. The theses of this Congress maintain that imperialism hinders rather than promotes industrialization through the export of capital. There is a contradiction between colonialism and the economic development of countries such as India. Rather than the export of capital undermining traditional precapitalist relationships, it is now seen as preserving and perpetuating the precapitalist forms of exploitation that are the basis for the economic power of the local wealthy interests which support imperialism:

> Capitalist exploitation in every imperialist country has proceeded by developing productive forces. The specific colonial forms of capitalist exploitation, however, whether operated by the British, French, or any other bourgeoisie, in the final analysis hinder the development of the productive forces of the colonies. The only construction undertaken (railways, harbours, etc.) is what is indispensable for military control of the country, for guaranteeing the uninterrupted operation of the taxation machine, and for the commercial needs of the imperialist country. . . .
>
> Since, however, colonial exploitation presupposes some encouragement of colonial production, this is directed on such lines and promoted only in such a degree as correspond to the interests of the metropolis, and, in particular, to the interests of the preservation of its colonial monopoly . . . this is done in such a way that it not only does not promote the independent economic development of the colonial country, but, on the contrary, reinforces its dependence on the imperialist metropolis. . . .
>
> Real industrialization of the colonial country, in particular the building up of a flourishing engineering industry which would promote the independent development of its productive forces, is not encouraged but, on the contrary, is hindered by the metropolis. This is the essence of its function of colonial enslavement: the colonial country is compelled to sacrifice the interests of its independent development and to play the part of an economic (agrarian raw material) appendage to foreign capitalism. . . .
>
> . . . the retarded industrial development puts narrow limits to the process of proletarianization. . . .
>
> The export of capital to the colonies accelerates the development of capitalist relations there. The part which is invested in production does to some extent accelerate industrial development; but this is not done in ways which promote independence; the intention is rather to strengthen the dependence of the colonial economy on the finance-capital of the imperialist country. . . .
>
> The favourite form of investment in agriculture is in large plantations, with the object of producing cheap food and monopolizing vast sources of raw material. The transference to the metropolis of the greater part of the surplus value exported from the cheap labour power of the colonial slaves retards the growth of the colonial economy and the development of its productive forces, and is an obstacle to its economic and political emancipation . . . (Communist International 1928, pp. 534-35).

Imperialism is now seen as parasitical on the economically backward countries, and as hindering the development of the forces of production. It is now maintained that for the most part imperialism results only in the construction of railways and other export-oriented facilities. Production is encouraged only if it corresponds to the interest of the metropolis and preserves colonial monopoly, thus reinforcing dependence on the imperialist metropolis. As economic appendages to the imperial countries the colonial and semicolonial areas are forced to specialize in agrarian and raw material production for export to the imperial countries.

The Comintern's development in the 1920s of the theses that imperialism blocks industrialization and that the national bourgeoisie and peasantry can play important roles in the antiimperialist revolution are not unrelated. Before 1928 Marxists generally saw the working class of the less-developed countries—a product of the capitalist industrialization of these countries by imperialism itself—as the principle revolutionary agent (both the leading and the motive force), just as it was considered to be in Europe. But if imperialism blocks rather than facilitates industrialization and the consequent creation of an industrial working class, then other social forces must be seen to play central roles in the revolutionary process (especially as the motive force). If imperialism does not result in the development of capitalism in the less-developed countries but instead suppresses those forces that have an interest in capitalism, then the local "national bourgeoisie" can be expected to manifest their contradictions with the forces that are preventing their development. Likewise, if imperialism, rather than transforming the peasantry into urban and rural wage workers, is perpetuating semifeudal relations by supporting landlord interests and encouraging agriculture, peasants can well be expected to play an important role in the antiimperialist movement.

MAO TSE-TUNG

The analysis developed by the Communist International in the 1920s and 1930s was applied to China by the Chinese Communist

Party, whose most articulate spokesperson has been Mao Tse-tung. The analysis of imperialism in China and the strategy for national liberation in Mao's writings are, in virtually all specifics, identical to those developed by the Comintern from which he took them. The only exceptions of significance are: first, Mao emphasizes more than the Comintern the importance of working with the peasantry in the particular conditions that China found itself; and second, Mao ignores the Comintern's suggestion that China might skip the capitalist or national-democratic stage of development and more or less directly move to a phase of transition to socialism because of the possibility of support from the USSR.

Mao, following the Comintern, saw China as a semicolonial, semifeudal society within which imperialism was accelerating the process of developing capitalist relationships. Imperialism was disintegrating the older modes of production and encouraging commercial development while at the same time blocking capitalist industrialization:

> . . . China would of herself have developed slowly into a capitalist society even without the impact of foreign capitalism. Penetration by foreign capitalism accelerated this process. Foreign capitalism played an important part in the disintegration of China's social economy; on the one hand, it undermined the foundations of her self-sufficient natural economy and wrecked the handicraft industries both in the cities and in the peasants' homes, and on the other, it hastened the growth of a commodity economy in town and country.
>
> . . . However, the emergence and development of capitalism is only one aspect of the change that has taken place since the imperialist penetration of China. There is another concomitant and obstructive aspect, namely, the collusion of imperialism with the Chinese feudal forces to arrest the development of Chinese capitalism (Mao 1939b, pp. 309-10).

Mao popularized in China the Comintern's idea of a two-stage process of revolution:

> . . . the Chinese revolutionary movement led by the Communist Party embraces the two stages, i.e., the democratic and the socialist revolutions which are two essentially different revolutionary processes, and that the second process can be carried through only after the first has been completed. The democratic revolution is the necessary preparation for the socialist revolution, and the socialist revolution is the inevitable sequel to the democratic revolution (Mao 1939b, p. 330-31).

Mao adopted the idea that the revolution in China will be made by an alliance of four classes—the proletariat, the peasantry, the petty bourgeoisie, and the national bourgeoisie—under the leadership of the proletariat with the peasantry as the main force and the national bourgeoisie as a vacillating and unreliable component. He maintained that

> The Chinese proletariat should understand that although it is the class with the highest political consciousness and sense of organization, it cannot win victory by its own strength alone. In order to win, it must unite, according to varying circumstances, with all classes and strata that can take part in the revolution, and must organize a revolutionary united front. Among all the classes in Chinese society, the peasantry is a firm ally of the working class, the urban petty bourgeoisie is a reliable ally, and the national bourgeoisie is an ally in certain periods and to a certain extent (Mao 1939b, p. 325).
>
> The Chinese national bourgeoisie will take part in the struggle against imperialism and the feudal warlords at certain times and to a certain extent, because foreign oppression is the greatest oppression to which China is subjected. Therefore, at such times, the proletariat should form a united front with the national bourgeoisie and maintain it as far as possible. In other historical circumstances, the Chinese national bourgeoisie will vacillate and defect because of its economic and political flabbiness. Therefore the composition of China's revolutionary united front will not remain constant at all times, but is liable to change. At one time the national bourgeoisie may take part in it, at another it may not (Mao 1939a, pp. 288-89).

Mao conceives of the New Democratic Revolution in the same terms as did the Comintern:

> Politically, it strives for the joint dictatorship of the revolutionary classes over the imperialists, traitors and reactionaries, and opposes the transformation of Chinese society into a society under bourgeois dictatorship. Economically, it aims at the nationalization of all the big enterprises and capital of the imperialists, traitors and reactionaries, and the distribution among the peasants of the land held by the landlords, while preserving private capitalist enterprise in general and not eliminating the rich-peasant economy. Thus, the new type of democratic revolution clears the way for capitalism on the one hand and creates the prerequisites for socialism on the other. The present stage of transition of the Chinese revolution is a stage of transition between the abolition of the colonial, semi-colonial and semi-feudal society and the establishment of a socialist society, i.e., it is a process of new-democratic revolution (Mao 1939b, p. 327).

Mao fully accepts the traditional Marxist analysis that the proletariat is the leading force in the revolutionary process, even in the less-developed world where it is quite small. Only this class gives birth to organizational forms, analyses, and revolutionary strategies that are able to mobilize and lead the other oppressed classes, especially the peasantry, to successful revolution:

> In addition to the basic qualities it shares with the proletariat everywhere—its association with the most advanced form of economy, its strong sense of organization and discipline and its lack of private means of production—the Chinese proletariat has many other outstanding qualities.
>
> . . . the Chinese proletariat is more resolute and thoroughgoing in revolutionary struggle than any other class because it is subjected to a threefold oppression (imperialist, bourgeois and feudal) which is marked by a severity and cruelty seldom found in other countries. . . . in spite of certain unavoidable weaknesses, for instance, its smallness (as compared with the peasantry), its youth (as compared with the proletariat in the capitalist countries) and its low educational level (as compared with the bourgeoisie), the Chinese proletariat is nonetheless the basic motive force of the Chinese revolution. Unless it is led by the proletariat, the Chinese revolution cannot possibly succeed (Mao 1939b, 324-25).

Although the proletariat is considered by Mao to be the *leading* force, he argues that the peasantry is the primary *motive* force for the revolution. In this he has a somewhat different emphasis than that of the Comintern, which although it considers the peasantry crucial does not emphasize its role to the same extent as does Mao:

> The poor peasants in China, together with the farm laborers . . . are the broad peasant masses with no land or insufficient land, the semi-proletariat of the countryside, the biggest motive force of the Chinese revolution, the natural and most reliable ally of the proletariat and the main contingent of China's revolutionary forces (Mao 1939b, p. 324).

Mao makes it very clear that only under the guidance of organizational forms and ideology that grow out of the proletariat can this main force succeed at revolution:

> Only under the leadership of the proletariat can the poor and middle peasants achieve their liberation, and only by forming a firm alliance with the poor and middle peasants can the proletariat lead the revolution to victory (Mao 1939b, p. 324).

> The scale of peasant uprising and peasant wars in Chinese history has no parallel anywhere else. The class struggles of the peasants, the peasant uprisings and peasant wars constituted the real motive force of historical development in Chinese feudal society. . . . However, since neither new productive forces, nor new relations of production, nor new class forces, nor any advanced political party existed in those days, the peasant uprisings and wars did not have correct leadership such as the proletariat and the Communist Party provide today; every peasant revolution failed, and the peasantry was invariably used by the landlords and the nobility, either during or after the revolution, as a lever for bringing about dynastic change (Mao 1939b, pp. 308-9).

Mao sees the process of proletarian organization and ideology reaching the peasantry greatly facilitated by the close ties between the two classes in China: "Because the Chinese proletariat by origin is largely made up of bankrupted peasants, it has natural ties with the peasant masses, which facilitates its forming a close alliance with them" (Mao 1939b, p. 325).

LEON TROTSKY

Leon Trotsky, in the old Marxist tradition, maintained, in even sharper terms than Luxemburg, Marx, or Lenin, that the export of capital from the more-developed capitalist countries results in the industrialization of the colonial and semicolonial countries and consequently in the rapid growth of a proletariat there (a proletariat that would be the basis for a socialist revolution):

> During the war and at the present day we witness a feverish industrialization of colonial, semi-colonial, and, generally speaking, of all backward countries. . . . And all this leads to the mobilization of countless proletarian masses which will immediately emerge from a prehistoric, semi-barbarian state and will be thrust into the whirlpool of industrialism (Trotsky 1942, pp. 232-33).
>
> . . . we see that the U.S.A. and Great Britain are compelled to finance the economic development of the colonial countries, driving them with whirlwind rapidity on to the path of revolution (Trotsky 1942, p. 237).

Trotsky took exception to the Comintern theses that the revolution in the colonial and semicolonial regions would generally occur in two stages, the first of which would essentially carry through bourgeois reforms, and that the peasantry would play an especially important role in the first stage of the revolution. Trotsky argues:

> The bourgeois and proletarian poles of the Chinese nation stand opposed to each other even more irreconcilably, if this is at all possible, than they did in Russia, since, on the one hand, the Chinese bourgeoisie is directly bound up with foreign imperialism and the latter's military machine, and since, on the other, the Chinese proletariat has from the very beginning established a close bond with the Comintern and the Soviet Union. Numerically the Chinese peasantry constitutes an even more overwhelming mass than the Russian peasantry. But being crushed in the vise of global conflicts, upon the solution of which in one way or another its fate depends, the Chinese peasantry is even less capable of playing a leading role than the Russian. . . .
>
> These fundamental and, at the same time, incontrovertible social and political prerequisites of the third Chinese revolution demonstrate not only that the formula of the "democratic dictatorship" has hopelessly outlived its usefulness, but also that the third Chinese revolution, despite the great backwardness of China, or more correctly, because of this great backwardness . . . will not have a "democratic" period, not even such a six month period as the October Revolution had (November 1917, to July 1918); but it will be compelled from the very outset to effect the most decisive shake-up and abolition of bourgeois property in city and village (Trotsky 1928, pp. 244-45).

Trotsky thus sees the revolution in the colonial and semicolonial countries as taking essentially the *same* form as in the advanced countries. The nature of the revolution will be fundamentally anticapitalist and socialist from the beginning. It will direct its attack from the first on the local bourgeoisie and landlords at the same time as against foreign imperialism. It will rely mainly on the proletariat with the peasantry playing a passive role in rallying behind the proletariat. Trotsky strongly disagrees with the Comintern idea that the national bourgeoisie can play an antiimperialist role. He argues:

> The Indian bourgeoisie is incapable of leading a revolutionary struggle. They are closely bound up with and dependent upon British capitalism. They tremble for their own property. They stand in fear of the masses. They seek compromises with British imperialism no matter what the price; and they lull the Indian masses with hopes of reforms from above (Trotsky 1939, p. 248).

Trotsky rejects the idea that imperialism is any longer able to bribe the working class in the advanced countries, especially as

interimperialist rivalry among them intensifies. He argues that they, like the workers and peasants in the colonial and semicolonial countries, suffer from the burdens of imperialism:

> The imperialist classes were able to make concessions to colonial peoples as well as to their own workers only so long as capitalism marched uphill, so long as the exploiters could firmly bank on the further growth of profits. Nowadays there cannot even be talk of this. World imperialism is in decline. The condition of all imperialist nations daily becomes more difficult while the contradictions between them become more and more aggravated. Monstrous armaments devour an ever greater share of national incomes. The imperialists can no longer make serious concessions either to their own toiling masses or to the colonies. On the contrary, they are compelled to resort to an ever more bestial exploitation. It is precisely in this that capitalism's death agony is expressed. To retain their colonies, markets and concessions, to safeguard them from Germany, Italy and Japan, the London government stands ready to mow down millions of people (Trotsky 1939, pp. 248-49).

CONTEMPORARY SOVIET THEORIES

The Soviets since the late 1950s have rejected Lenin's thesis that interimperialist rivalry is a primary contradiction within the world capitalist system. They consequently also reject the idea that interimperialist wars are inevitable. The principle aspects of their argument, probably articulated best by Y. Varga, are: first, the existence of a strong socialist camp forces the capitalist powers to unite; second, the tremendous potential devastation of nuclear warfare makes it clear to the capitalists that war would greviously harm all participants; third, the capitalists realize that the expansion of socialism is the likely outcome of a war; and fourth, there are alternative ways to profit from imperialism other than actually going to war against other imperialist powers.

Varga argues that the capitalists are afraid that wars among them will lead to the further expansion of socialism (as in World War I and II):

> . . . even though there are economic reasons for inter-imperialist wars, and even though the struggle for raw material sources and markets, and for the export of capital is no less acute between the imperialists today than it was before the Second World War, bourgeois statesmen have learnt a lesson from the First and Second World Wars, which robbed capitalism of its power over one-third of the world's

> population, and that they therefore see the dangers entailed to their class in a new inter-imperialist war. This alone will stop them from allowing a new war to come to a head. . . .
>
> The possibility of a new inter-imperialist war is not excluded. But as long as the decision of war or peace is not left to the discretion of a madman like Hitler, but to bourgeois statesmen aware of the threat such a war involves for the capitalist system, it will not come to pass (Varga 1968, pp. 82, 84).

He maintains that the threat of mutual devastation inhibits the imperialist countries from initiating wars:

> . . . . Even the very rich will be unable to avoid its consequences, for war, like cancer, does not distinguish the rich from the poor. This awareness of a common danger is a powerful deterrent against war (Varga 1968, p. 84).

Varga goes on to argue that wars over the redivision of the world are obsolete because there are now other effective ways to exploit the less-developed countries:

> In modern conditions it is extremely unlikely that an imperialist country will unleash a war against another country to seize colonies. . . . . Monopoly capital has learned to exploit the ex-colonies, which have remained bourgeois, by neo-colonialist methods, without dominating them politically (Varga 1968, pp. 82-83).

Other Soviet authors argue that the common interests of the advanced capitalist countries in preventing socialist revolution in the less-developed countries results in a form of "collective colonialism":

> The whole of postwar experience shows that despite the contradictions dividing them, the imperialist powers seek to coordinate their actions in the major battles of the national liberation movement. Whenever truly important interests in the contest between socialism and capitalism are affected in the zone of national liberation, whenever the positions of imperialism as a whole are at issue, the imperialists are guided by the considerations of their global anti-socialist, anti-revolutionary strategy, and bend every effort to act in a common front. Indeed, this is reflected in the emergence of a phenomenon known as "collective colonialism," an important feature of neo-colonialism (Brutents 1977, Pt. 1, p. 54).

The essence of the Soviet position is that the leaders of the imperialist states are able to act rationally to contain their internal contradictions because of the imminent threats of socialism and mutual destruction (there being alternatives—namely heavy peacetime military spending and collective colonialism—to fighting over scarce outlets for capital).

In the contemporary Soviet view of the world, the contradiction between the socialist and capitalist countries has come to replace interimperialist rivalry not only as one of the three major contradictions but as the principal contradiction in the world. In Varga's words: "Socialism has become the decisive factor in world historical development" (1968, p. 77). The Soviets argue, in fact, that it has been the existence of a strong Socialist bloc that has been the principal force behind the national liberation of Europe's colonies after World War II, and which remains the major factor in the success of national liberation movements:

> If events have taken a different course, if the subjugated countries of Asia and Africa won their independence before the elimination of the capitalist system in the metropolitan countries, this became possible only through the establishment and consolidation of the world socialist system and the consequent sharp weakening of the imperialist system and the tempestuous rise of the national liberation movement (Brutents 1977, Pt. 1, p. 64).

While the Soviet argument about the containment of inter-imperialist contradictions contains an element of voluntarism in its assumptions about the rationality of states' behavior, it is difficult to deny either that the leading capitalist countries are more unified than ever or that the threat of anticolonial movements going the way of China, Vietnam, or Cuba has played a major role in both the granting of formal independence to Africa and Asia and providing the newly independent states considerable room to maneuver against the transnational corporations and imperialist states.

The Soviets maintain that the industrialization of the less-developed countries is possible *without* socialist transformation. However, they maintain that socialism would be the most efficient means by which to industrialize. They further maintain that all-around social and economic development is greatly accelerated by socialist relations of production.

> The experience of industrialisation of Asian, African and Latin American countries shows that the break-up of the former socioeconomic pattern and the ending of economic backwardness is an intricate and multi-faceted process. Each group of countries, each country, naturally, is undertaking industrialisation in its own conditions, and in each country this process has its specific features. At the same time, as demonstrated

> by the experience of history, the acceleration of social and economic progress on the basis of industrialisation is possible only when it is accompanied by deep-going social changes and the triumph of new, more advanced, relations of production (Tyagunenko 1973, p. 363).

The Soviets divide the less-developed nonsocialist countries into those that are industrializing rather rapidly, including Argentina, Brazil, Mexico, India, and Egypt, and those whose economies are still centered on the extractive sectors:

> Of the developing countries Argentina, Brazil, Mexico and India have already become agrarian-industrial to a certain extent, while most of the countries of Tropical Africa have no manufacturing industry to speak of (except primitive handicraft workshops).
>
> In this connection all developing countries could be conventionally divided into the following groups taking the level of a modern industry in them as a criterion:
>
> 1. Agrarian-industrial countries with relatively developed manufacturing and swiftly expanding (although still not very substantial for its share) heavy industry, including engineering. This group includes above all Argentina, Brazil, Mexico, India and Egypt.
>
> 2. Countries with a developed extractive industry and also some manufacturing, chiefly light and food industries oriented primarily on the home market. In these countries industry belongs both to national and foreign capital. Among them are the Philippines, Pakistan, Iran, Syria, Algeria, Tunisia, Morocco, Uruguay, Chile, Colombia and some other states (Tyagunenko 1973, p. 351).

The Soviets see four key factors in the process of rapid industrialization of the less-developed countries: first, independence from imperialist domination; second, a strong role for the state in guiding the economy; third, the active participation of the masses of working people in the industrialization process; and fourth, the economic support of the developed socialist countries. While these four processes are maximized in a socialist society they are also present to a degree in countries taking a "noncapitalist path."

While, the Soviets maintain, industrialization of a sort does tend to occur in countries that are dominated by imperialism, such industrialization, they argue, tends to be contained and distorted to suit Western imperialist interests rather than promoting all-around rapid economic growth. The Soviets argue: "Imperialism employs a totality of economic and political measures to warp the industrialization process in developing countries and impart to it a scale and forms that would be compatible with its expansionist interests" (Tyagunenko 1973, p. 15). The Soviets today do not argue, however, that foreign investment per se need necessarily result in either blocking industrialization or in keeping a country dependent on imperialism. On the contrary, they maintain that foreign capital, by promoting industrialization, can create the basis for national independence. And further, that foreign capital can be utilized under conditions in which national independence and rapid industrial development need *not* be compromised:

> In developing countries industrialisation is a component part of the struggle for economic independence from imperialism, and as such objectively bears an anti-imperialist nature. Utilising at the initial stage the know-how and technology of imperialist states to accelerate their economic growth, young states at the same time create the material prerequisites for their full liberation. While attracting foreign capital, many Asian, African and Latin American states take measures to curb its exploiting substance. Imperialist monopolies are presented with a number of demands, especially in countries with a socialist orientation, demands which protect the national interests and facilitate the achievement of the vital goal of independent development (Tyagunenko 1973, p. 18).

The Soviets see strong state involvement in the economy, especially through economic planning and a leading public sector, as playing an important role in industrializing the less-developed countries:

> The new industries and enterprises created in the public sector are becoming (as demonstrated by the experience of the Arab Republic of Egypt, India and other countries) the outposts of industrialisation, its strategic points of support in the offensive on economic backwardness. They are in fact the material basis of state control over the accumulation and distribution of resources on a nationwide scale and, what is especially important, the decisive instrument for resisting the attempts of the foreign monopolies to subordinate the industrialisation process to their interests (Tyagunenko 1973, p. 81).

The enthusiastic participation of the people in economic development is seen as another important contributing force in industrialization:

> The grave legacy of colonialism, the low level of the productive forces, and the acute shortage of material resources lend special importance to the active participation of the masses in national economic development, their awareness of the difficulties facing their country, readiness to work and make sacrifices in order to end its economic backwardness. Without this it is impossible to solve many of the most burning problems, to bring into action important potentialities for expanding production. . . .

> In these conditions special urgency and importance are acquired by the question of deep-going democratic changes both in the economic and the social sphere capable of rallying the masses for conscious action in building up the economy and the new society (Tyagunenko 1973, p. 362).

The Soviets argue that the existing socialist countries can accelerate the industrialization process in the less-developed countries by their economic support, including assistance, trade, and technical advisors:

> The existence of the world socialist system is creating favourable conditions for the accelerated economic growth of these countries. Economic relations with socialist countries, by destroying the monopoly of the imperialist powers, help developing countries to utilise more swiftly and fruitfully the know-how accumulated in the world (Tyagunenko 1973, p. 12).

It is clear that the countries following the noncapitalist path among the nonsocialist less-developed countries maximize all four of the factors the Soviets emphasize as the conditions of economic development: independence from imperialist domination, a strong role for the state in the economy, a high level of popular mobilization, and support from the socialist countries. It is equally clear that the countries that the Soviets themselves argue are making the most rapid industrial progress—Argentina, Brazil, Mexico, Egypt, and India—are *not* countries following the noncapitalist path, and thus that the Soviets admit de facto that integration into the imperialist system can result in fairly rapid industrialization even while the four factors cited are not predominant. The Soviets have modified considerably the analysis of the Sixth Congress of the Comintern on the effect of imperialism on industrialization. They now take a position that is more or less midway between the classical position maintained by Lenin and the Communist movement before 1928 and that of the Sixth Congress.

The Soviet Communist Party in the early 1960s began emphasizing the notion of "noncapitalist development," or "revolutionary democracy"—a notion rooted in analyses dating back to Marx and Engels. The Soviets see the possibility of at least some countries evolving, once they have liberated themselves from colonialism, *toward* a period of "socialist transition" *without* going through either capitalist development or a national-democratic stage under Communist leadership. This is possible because of the possibilities of support from the existing socialist countries. The Soviets see the

development of the Asiatic peoples of Soviet Central Asia as well as the transition to socialism of Mongolia—both of which are seen to have passed from essentially patriarchal or tribal relations of production to socialism without going through class society—as examples of one type of noncapitalist development. They further see North Korea and Vietnam in having passed directly from a semifeudal society to the phase of transition to socialism *without* having passed through a national-democratic stage as another. The Soviets see such a possibility existing in the postindependence period in many Asian and African countries, e.g., Iraq, Syria, Algeria, Ghana, Guinea, Mali, both Yemens, Tanzania, Libya, Benin, Angola, Burma, Congo (Brazzaville), Mozambique, Somalia, and Ethiopia (Ulyanovsky 1977, p. 20; Brutents 1977, Pt. 2, p. 182). Two contemporary views on noncapitalist development state that:

> The emergence of a world socialist system has given the liberated peoples a real opportunity to bypass the more advanced forms of class-antagonistic relations, the capitalist socio-economic formation above all. . . . a large section of Tropical Africa has never had any slave-ownership or feudalism to speak of. There is reason to assume, therefore, that noncapitalist development towards socialism can also mean bypassing the whole class-antagonistic stage of world history (Andreyev 1977, p. 30).
>
> . . . in the present historical situation, non-capitalist development is possible in any country with predominantly pre-capitalist social relations, *irrespective* of the degree of that country's backwardness (Brutents 1977, Pt. 2, p. 131).

The Soviets see noncapitalist development as building the groundwork for socialist development:

> Some young states have taken the noncapitalist path, a path which opens up the possibility of overcoming the backwardness inherited from the colonial past and creates conditions for transition to socialist development. The formula implies that the noncapitalist way is not socialist development proper but a specific period of creating the material, social and cultural conditions for transition to socialist development . . . (Ulyanovsky 1977, p. 26).

Common features of what the Soviets call "socialism-oriented" countries pursuing the "noncapitalist way" or "revolutionary democracies" include: strengthening of the states' role in the economy (state capitalism), the gradual elimination of both foreign and native monopolies, a broad coalition of "progressive forces," the growth of the working class, and greater political organization of the peasantry.

The Soviets stress, however, the conflicting pressures operating in such societies and the possibilities of such developments as state capitalism escaping from the control of progressive forces, the growth of a bourgeoisie out of the peasantry and petty bourgeoisie, and concessions to foreign economic enterprises which thereby gain increasing influence.

The Soviets tend to see the countries on the "noncapitalist road" as essentially petty-bourgeois, both in their dominant economic activities (small holding peasants, artisans, civil servants, and intelligentsia) and in the nature of their states. They see that the leading role in the period of noncapitalist development is typically played by the "national intelligentsia" (both civilian and military):

> Since the national intelligentsia has a virtual monopoly in education and culture, and since the social class structure is undifferentiated, which leads to large sections of the population being politically indifferent, and also in view of the impact of global socio-economic tendencies, the intelligentsia has developed into a stratum that is relatively independent in socio-political terms (Andreyev 1977, pp. 61-62).
>
> The class nature of the national-democratic regimes is distinguished by two features. Firstly, it is above all petty-bourgeois strata (the intelligentsia) that provide the main political champions of the interests of the bloc of the classes of the working people, the petty and middle bourgeoisie. In the second place, these representatives of the petty bourgeois intelligentsia who are at the helm of state and party affairs, the army and the economic apparatus enjoy relative freedom of action and a certain temporary independence vis-à-vis the main classes in society (Ulyanovsky 1974, p. 83).

According to the Soviet theorists, the petty-bourgeois nature of "revolutionary democracy" is manifested in inconsistencies and instability:

> The heterogeneity and petty-bourgeois character of the class basis of revolutionary democracy, combined with other socio-political and gnoseological factors, gives rise, too, to one of the most important characteristics of revolutionary democracy's ideological constructs—their inconsistency and contradictoriness. They range side by side theses from different and often mutually exclusive sources—from Marxist propositions to social democratic ideas, from religious dogmas and traditional notions to the views of the enlightenment and classical political economy, from Gandhian principles to the ideas of the utopian socialists (Brutents 1977, Pt. 2, p. 25).
>
> But precisely in virtue of the *intermediate* character of the middle sections and their class peculiarities, they have not revealed this orientation of theirs—whether capitalist or anti-capitalist—all at once, directly or in a "pure form," but only gradually, seeming to incline towards that orientation in the course of *further* development, and only *in the final count*. Wherever pro-bourgeois positions were ultimately adopted, this was now and again not a demonstration of the real face that had for the time being been covered up with a demagogic mask, but a natural expression of the social condition and corresponding orientation (Brutents 1977, Pt. 1, p. 124).

The Soviets see that the probability of such noncapitalist states evolving to socialism depends both on the extent to which there is a growth in the size of their native working class and its political influence, and especially on support from the existing socialist states. It is on the basis of this theory that the Soviets have given considerable support to Egypt (during the Nasser period), Libya, Syria, Iraq, the Popular Movement for the Liberation of Angola (MPLA) in Angola, Frelimo in Mozambique, Algeria, the Peoples' Democratic Republic of Yemen, the Dergue in Ethiopia after 1975, Somalia before 1978, and the revolutionary regime in Afghanistan after April 1978.

Although not strictly within the Soviet definition of noncapitalist development, because of its preexisting formal independence and the considerable development of capitalist relations of production there, perhaps the leading example of the success of Soviet policy in supporting progressive regimes led by the national intelligentsia has been the case of Cuba. In Cuba, Soviet and local Communist Party support of Fidel Castro's 26th of July Movement (a classical progressive nationalist movement) moved it (under pressure from the United States) to develop a socialist society.

There seem to be two theories in contemporary Soviet literature of the role of the national bourgeoisie after independence. One is represented in the work of Ulyanovsky, who is relatively optimistic about their progressive role, and the other is represented by Brutents, who is relatively pessimistic. Ulyanovsky appears to argue that the national bourgeoisie can participate in, but not lead, a thoroughgoing "revolutionary democracy" under the leadership of the petty-bourgeois intellectuals even while as a class it remains "ambivalent":

> Developments in India have provided confirmation for the Marxist-Leninist tenet to the effect that there exist within the national liberation movement two trends—on the one hand, the revolutionary-democratic trend, and on the other, the bourgeois-nationalist, reformist trend—and that the national bourgeoisie plays an ambivalent political role (Ulyanovsky 1974, p. 237).

> Events have shown that the tasks of national-democratic revolution cannot be consistently carried out under the exclusive leadership of the national bourgeoisie, but only when more progressive forces are in control . . . (Ulyanovsky 1974, p. 80).

This variant, more significantly, goes on to argue that countries which are not on the noncapitalist road and in which revolutionary democrats are not in power but rather the national bourgeoisie has the upper hand, e.g., India, can gradually evolve to the noncapitalist road under pressure from the domestic mass movement together with international support from the socialist countries. Ulyanovsky thus argues for the necessity of an alliance that includes the more progressive national bourgeoisie (generally the smaller capitalists) in order to move newly decolonized countries to take the noncapitalist rather than the capitalist road: "A firm alliance between Marxists-Leninists and national democrats is the fundamental condition for advance toward progress and socialism in the countries of the Third World" (Ulyanovsky 1974, p. 209). He advises the native working class and Marxist-Leninists to attempt to achieve leadership within a broad antiimperialist coalition, "To achieve leadership of the peasant masses and the middle urban strata in a united front with the national democrats—such is the realistic goal the working class should aspire to" (Ulyanovsky 1974, pp. 433-34).

It would seem that this later variant of the Soviet theory of noncapitalist development diverges from the classical Marxist notion that transformations of *class* society can only occur through a process of revolutionary change, i.e., that gradual reform through pressure and popular alliances of bourgeois states is not a historical possibility. While the notion that essentially petty-hourgeois states without consolidated exploiting classes may evolve toward socialism (or capitalism) would seem to be a notion compatible with traditional Marxist thinking, the idea that an essentially consolidated capitalist society (under the leadership of a national bourgeoisie) can peacefully *evolve* to a situation in which the petty bourgeoisie is both economically and politically dominant seems incompatible with the mainstream of Marxist thought.

However, in the other variant of the theory as presented by Brutents (1977) there is little optimism about the gradual transformation of national bourgeois states into revolutionary democracies through pressure on the national bourgeoisie. For example, Brutents argues:

> It would appear that the national bourgeoisie stands to gain from mustering the national resources with the aid of the state for the purpose of solving the problem of primitive accumulation and economic upswing, and from the introduction for these same purposes of some elements of planning on the scale of the whole country or of individual branches of production. But this kind of state interference, even if it has only these and no broader purposes, tends to clash with the urge of the bourgeoisie to enrich itself at any price, hampers its self-seeking and speculative operations in foreign and domestic trade, and creates obstacles for parasitic consumption by rich social groups, not only of the bourgeoisie itself, but also of the landowners and aristocrats allied with it.
>
> Accordingly, the national bourgeoisie opposes "unlimited" government interference in the economy and any "unwarranted" extension of its economic functions, regulation of private capital operations, which tend to "fetter" its spirit of enterprise and initiative, and "petty," that is, real and concrete planning (Brutents 1977, Pt. 1, pp. 186-87).

Brutents is especially negative toward the "bureaucratic bourgeoisie" of state and nationalized enterprise administrators:

> The characteristic features of the administrative bourgeoisie in the developing countries, considering its special position within the system of state power and the social tendency it embodies, remind us of Marx's idea that in certain conditions the bureaucracy is itself capable of acting as an instrument paving the way for the class domination of the bourgeoisie.
>
> Because of its specific position and methods of enrichment, the bureaucratic bourgeoisie is especially venal in political terms and is capable of taking up the most anti-national and anti-popular stand. Indeed, judging by some of its political tendencies, inclinations and mentality, it may well be considered something of an heir of the comprador bourgeoisie (Brutents 1977, Pt. 1, p. 239).

In this second, more left, variant of the theory, it is argued that the socialist countries should support regimes led by the national bourgeoisie, *not* because they can be transformed gradually into noncapitalist societies, but simply because their antiimperialist inclinations should be reinforced:

> The socialist countries have also extended their cooperation with states in which national bourgeois forces are in power. The starting point there is that the independent development of these states is objectively aimed against the positions of imperialism and can be ensured only with the support of socialism, which fully meets the interests of the people in these countries and promotes their struggle to realise the aims of the national liberation revolution and achieve social progress.

> The policy of developing ties is also pursued with respect to national states whose sovereignty is still largely nominal, for there, too, there is a growing urge for genuine independence, which calls for support (Brutents 1977, Pt. 1, p. 296).

This second variant of the theory of noncapitalist development would seem to be compatible with the classical notions of the state and revolution of the Marxist tradition.

SUMMARY

This chapter has summarized the development of the mainstream of Marxist thought on the central aspects of the theory of imperialism. It has focused on the evolution of thought on the questions of the effect of imperialism on economic development and class structure of the less-developed countries, the antiimperialist revolutionary process in the less-developed countries, the effect of imperialism on the working class in the developed countries, the phases in the development of imperialism, and the competition and rivalry among the leading imperialist countries. For the most part, we have seen that there has been considerable difference of opinion and change among the leading schools of thought within the mainstream of the tradition. While Marx, Luxemburg, Lenin, Trotsky, and to a degree contemporary Soviet theorists see imperialism as promoting both industrialization and the growth of a revolutionary proletariat in the less-developed countries, the Communist International after 1928 and Mao Tse-tung (in concurrence, as we will see in the next chapter, with the Marxian-dependency theory tradition) have seen it as hindering industrialization and the growth of a revolutionary proletariat. While Mao gives the greatest emphasis to the role of the peasantry as the principal *motive*, but not the *guiding* force in the revolutionary movement, Trotsky is the most sanguine on this question. The Soviets adopt an intermediate position. The contemporary Soviet Union and to a lesser degree the Comintern, both before 1928 and after 1935, along with Mao Tse-tung, seem the most optimistic about an antiimperialist role for the national bourgeoisie in the less-developed countries. Trotsky and to a lesser degree the Comintern between 1928 and 1935 are the most pessimistic. Lenin and the Comintern, along with Mao Tse-tung, have been most insistent on the saliency of interimperialist rivalry, while contemporary Soviet theorists feel that interimperialist rivalry has been largely contained and supplanted by the new contradiction between the imperialist countries and "the socialist camp."

3

THEORIES OF IMPERIALISM: MARXIAN-DEPENDENCY THEORY

In the 1950s and 1960s a new school of imperialist theory developed. This school was influenced by both the traditional Marxist theory of imperialism and by "dependency theory." Dependency theory largely originated in Latin America. It had been initially formulated by people (many of whom worked with the U.N. Economic Commission for Latin America) who sought a middle way between socialism and semicolonial status for this region.

The U.S. journal *Monthly Review* became the most influential medium for the development and dissemination of this new "Marxian-dependency" theory. The leading articulators of the Marxian-dependency or "Monthly Review" school have included Paul Baran, Paul Sweezy, Harry Magdoff, Andre Gunder Frank, and Samir Amin.

The Marxian-dependency school is perhaps typified most sharply by its development of the idea, advanced in 1928 by the Communist International, that the effect of imperialism on the economically less-developed countries is their *under*development. Most of the adherents of this school go beyond Lenin and the Comintern's discussion of the parasitical nature of imperialism, arguing that Marx's analysis of the flow of real resources during the stage of primitive accumulation in Europe has in fact held until the present. They maintain that in the twentieth century there has been a net flow of wealth from the economically less-developed countries, which thereby subsidize the advanced. The consequence of this transfer of wealth is seen to be the less-developed countries becoming poorer and the advanced countries (including their working classes) wealthier.

THE TRANSFER OF VALUE AND UNDERDEVELOPMENT

While Marx, Luxemburg, and Lenin felt that the export of capital produces "uneven development," with the formerly backward areas of the world rapidly industrializing (Japan being the prototype), the Communist International after 1928 argued basically that capitalist development was blocked by colonial and semicolonial ties of dependence that essentially preserved, or at least greatly hindered the transformation of previously existing feudal, Asiatic, or tribal forms of property. In contrast, those affiliated with the journal *Monthly Review* (agreeing with the Trotskyist tradition that most countries are *already* essentially capitalist) feel that the cause of their lack of development is not imperialist blocks on the development of capitalism, but, to the contrary, their *full integration* into the world capitalist system, and the consequent dominance of capitalist (not feudal or semifeudal) relations of production. This tradition argues that the predominance of capitalist relations in the less-developed countries results in the process of *under*development, which increases the gap between the two types of countries both through the appropriation of their economic surplus by the advanced countries (the process stressed by Baran and Frank) and because of the structural blocking of industrialization by the economic policies of the transnational corporations and the states they dominate.

Paul Baran's article "On the Political Economy of Backwardness" (1952) and his book *The Political Economy of Growth* (1957) have had a tremendous impact on thought about the effect of imperialism on economic development. Baran argues that the rich get richer and the poor get poorer because of the monopoly position of the rich in world trade and their dominance in overseas investment processes that result in the actual transfer of wealth from the less-developed to the more-developed capitalist economies:

> . . . the Western European visitors rapidly determined to extract the largest possible gains from the host countries, and to take their loot home. Thus they engaged in outright plunder or in plunder thinly veiled as trade, seizing and removing tremendous wealth from the places of their penetrations. . . .
>
> This transfusion itself and in particular the methods by which it was perpetrated had perhaps an even more telling impact on the reluctant—to say the least—"donor" countries. They violently jolted their entire development and affected drastically its subsequent course. They burst with explosive force into the glacial movement of their ancient societies and tremendously accelerated the process of decomposition of their precapitalist structures. . . .

> Accelerating with irresistible energy the maturing of *some* of the basic prerequisites for the development of a capitalist system, the intrusion of Western capitalism in the now underdeveloped countries blocked with equal force the ripening of others. The removal of a large share of the affected countries' previously accumulated and currently generated surplus could not but cause a serious setback to their primary accumulation of capital (Baran 1957, pp. 142-43).
>
> . . . the forces that have molded the fate the backward world still exercise a powerful impact on the conditions prevailing at the present time. Their forms have changed, their intensities are different today; their origin and direction have remained unaltered (Baran 1957, p. 163).
>
> . . . profits derived from operations in underdeveloped countries have gone to a large extent to finance investment in highly developed parts of the world. Thus while there have been vast differences among underdeveloped countries with regard to the amounts of profits plowed back in their economies or withdrawn by foreign investors, the underdeveloped world as a whole has continually shipped a large part of its economic surplus to more advanced countries on account of interest and dividends (Baran 1957, p. 184).

The implications of Baran's analysis for the less-developed countries are different from those of pre-1928 classical Marxism. Capitalism, rather than being a progressive force that stimulates economic development, is seen as a regressive force that "underdevelops" backward countries.

Andre Gunder Frank both extended Baran's analysis and illustrated it for the cases of Brazil and Chile in his *Capitalism and Underdevelopment in Latin America* (1967). Frank specifies three basic principles that order the relations between the less-developed and the developed capitalist countries: first, the expropriation of the economic surplus by the metropolis; second, the polarization of the world capitalist system; and third, the continuity of the fundamental structure of the capitalist system.

Frank argues, as does Baran, that underdevelopment is a direct consequence of the capitalist development of the metropole:

> Economic development and underdevelopment are not just relative and quantitative, in that one represents more economic development than the other; economic development and underdevelopment are relational and qualitative, in that each is structurally different from, yet caused by its relation with, the other. Yet development and underdevelopment are the same in that they are a product of a single, but dialectically contradictory, economic structure and process of capitalism. . . . One and the same historical process of the expansion and development of capitalism throughout the world has simultaneously

> generated—and continues to generate—both economic development and structural underdevelopment. . . .
>
> . . . Once a country or a people is converted into the satellite of an external capitalist metropolis, the exploitative metropolis-satellite structure quickly comes to organize and dominate the domestic economic, political and social life of that people (Frank 1967, pp. 9-10).

He explains more explicitly than does Baran that it is the metropolitan-controlled monopoly structure of the world market, a monopoly structure which has predominated since the fifteenth century, that is responsible for the direction of net capital flow toward the advanced capitalist countries:

> . . . the structure of the world capitalist system as a whole, as well as that of its peripheral satellites, has been highly monopolistic throughout the history of capitalist development. Accordingly, external monopoly has always resulted in the expropriation (and consequent unavailability to Chile) of a significant part of the economic surplus produced in Chile and its appropriation by another part of the world capitalist system (Frank 1967, p. 7).

Frank's argument is the polar opposite of that of Rosa Luxemburg and Leon Trotsky. Frank has presented the most unambiguous case within the Marxian-dependency paradigm for the retrogressive role of metropolitan capital. For Frank, the net capital flow is and has always been from the less-developed to the developed countries. Moreover, this net capital flow has been one of the primary determinants of a long-term widening of the gap between these two sets of countries.

Samir Amin makes the same argument in terms of the logic of capital accumulation on the world scale:

> Relations between the formations of the "developed" or advanced world (the center), and those of the "underdeveloped" world (the periphery) are affected by transfers of value, and these constitute the essence of the problem of accumulation on a world scale. Whenever the capitalist mode of production enters into relations with precapitalist modes of production, and subjects these to itself, transfers of value take place from the precapitalist to the capitalist formations, as a result of the mechanisms of *primitive accumulation*. These mechanisms do not belong only to the prehistory of capitalism; they are contemporary as well. It is these forms of primitive accumulation, modified but persistent, to the advantage of the center, that form the domain of the theory of accumulation on a world scale (Amin 1974, Vol. 1, p. 3).

Amin argues that "unequal exchange" between the metropolitan and peripheral countries is the primary mechanism by which value is transferred, thus accelerating the process of capital accumulation in the former at the expense of the latter:

> Analysis of [the relations between the capitalist center and the periphery of the system] forms the essence of a study of accumulation on a world scale. It reveals the contemporary forms assumed by the mechanisms of primitive accumulation: unequal exchange, that is, the exchange of products of unequal value (or more precisely, with unequal prices of production, in the Marxist sense)—the social formations of the center (since the appearance of monopolies) and of the periphery (where the precapitalist economy provides reserves of labor power) allowing of different rewards for labor with the same productivity (Amin 1974, Vol. 1, p. 134).

THE ROLE OF MONOPOLY

The principal factor attracting foreign investment into the less-developed areas is not lower production cost, although this is becoming increasingly important. An especially important factor is the monopoly position of foreign investment in these countries. Magdoff argues:

> Attractive as lower costs are, their appeal is not necessarily the main attraction of foreign investment. It is merely one of the influences. Much more important is the spur of developing raw material resources, creating demand for exports, and taking advantage of "monopoly" situations. The latter arises due to cost advantages of Big Business, exclusive patents, superior technology, or preferred market demand stimulated by establishment of desired brands via sales promotion (Magdoff 1969, p. 37).

And according to Frank:

> There are several important characteristics of this model: (1) Close economic, political, social and cultural ties between each metropolis and its satellites, which results in the total integration of the farthest outpost and peasant into the system as a whole. (2) . . . Monopolistic structure of the whole system, in which each metropolis holds monopoly power over its satellites; the source or form of this monopoly varies from one case to another, but the existence of this monopoly is universal throughout the system. (3) As occurs in any monopolistic

> system, misuse and misdirection of available resources throughout the whole system and metropolis-satellite chain. (4) As part of this misuse, the expropriation and appropriation of a large part or even all of and more than the economic surplus or surplus value of the satellite by its local, regional, national or international metropolis (Frank 1967, p. 147).

While the more extreme advocates of the Marxian-dependency position, such as Frank, maintain that the direction of capital flow has always been from the poor to the rich, others, such as Magdoff and Sweezy, argue that this is a development characteristic only of distinctively *monopoly* capitalism and has thus only been the case since the last years of the nineteenth century. These later theorists are thus able to reconcile their analysis of the contemporary role of capital export/appropriation of the economic surplus with earlier Marxist analyses, which, they suggest, were based on the assumption of competition in the world market. According to Sweezy and Magdoff:

> It is important to understand that under monopolistic conditions the axiom according to which capital always moves from low-profit to high-profit industries and regions no longer holds. Monopoly by definition impedes the free flow of capital into protected high-profit situations; and, as we have already seen, the monopolist sitting inside these bastions is careful not to invest more than the traffic will bear, while seeking outlets elsewhere for his surplus capital. It is therefore not only possible but probably quite common for capital to move in directions opposite to those indicated by traditional economic theory (Sweezy and Magdoff 1972a, p. 101).

The basis of the economic dominance, especially the monopoly position, of the powerful metropolitan countries over the less-developed countries is superior technology. As technology has advanced over the centuries, the actual basis of dominance has advanced. During the mercantilist period dominance was based in commerce; in the nineteenth century it lay in such basic industries as textiles and railway equipment; in the first half of the twentieth century it was capital goods; and most recently it has become computers and other sophisticated electronic products and advanced machine tools:

> The fundamental metropolis-satellite structure has remained the same throughout, but the basis of metropolitan monopoly has changed over the centuries. During the mercantilist period, the basis of metropolitan monopoly was military force and mercantile monopoly; the satellites were denied freedom of trade. During the nineteenth century, the basis of metropolitan monopoly increasingly became industry, light industry and textiles. This metropolitan monopoly, called "liberalism," permitted or even enforced the satellites' freedom of trade but denied them freedom of industrial production. By the first half of the twentieth century, the basis of metropolitan monopoly increasingly shifted to capital and intermediate goods. The satellites were now increasingly free to produce textiles and other light industry consumer goods—indeed they were even forced to do so by imperialism's metropolitan factories set up on their soil—but they were denied the freedom to establish their own capital and intermediate equipment industry. For these products, on which they were more and more dependent since these were the necessary input for their light industrial output, the satellites were still dependent on the monopoly of the metropolis. Then in the second half of the twentieth century, the basis of metropolitan monopoly was to shift again, now increasingly to technology, combined with still greater penetration of metropolitan international monopoly corporations into the satellite economies (Frank 1967, 177-78).

THE DYNAMIC OF IMPERIALISM

Lenin argues that the nature of capitalist accumulation requires capital to be exported and invested overseas. He maintains that profitable investment outlets are inherently limited in the advanced countries, and, therefore, that the capital accumulation process would break down without ever-increasing overseas investment. Lenin maintains not only that the export of capital is the *primary motive force* behind imperialism, but that imperialism is a necessary condition for the very survival of capitalism. Without imperialism and the profitable investment outlets it provides capitalism would sink into permanent economic crisis.

While generally maintaining that the advanced countries do export capital to the less-developed areas, mostly for investment in raw materials and auxiliary services, the Marxian-dependency school is united in arguing that more wealth is repatriated from the less-developed countries than is newly invested there and that therefore the drive for capital export *cannot* in fact be fulfilling a necessary function for the survival of capitalism.

If the arguments of the Marxian-dependency school are correct then it logically follows that the argument of Lenin and Luxemburg—that intensive capital accumulation in the metropolitan countries can *not* occur because of lack of expanding markets there—must be wrong. In other words, imperialism is not necessary in order to

CA ensure that the capital accumulation process in the home countries proceed. Further, not only are investment outlets not blocked in the advanced countries, but also, according to Amin, Baran, Frank et al., CA the process of capital accumulation in the metropolitan countries is actually *facilitated* and *sped up* by international capital flows (the exact opposite of what Lenin and Luxemburg argued). That what was the principal aspect of imperialism for Lenin and Luxemburg, the export of capital, is not central in the *Monthly Review* tradition can be seen in the works of Magdoff:

> The commonly held notion that the theory of imperialism should be concerned largely with investment in underdeveloped countries just isn't correct. The fact is that profitable investment opportunities in such countries are limited by the very conditions imposed by the operations of imperialism. Restricted market demand and industrial backwardness are products of the lopsided economic and social structures associated with the transformation of these countries into suppliers of raw materials and food for the metropolitan centers. . . .
>
> The stage of imperialism, as we have tried to show, is much more complex than can be explained by any simple formula. The drive for colonies is not only economic but involves as well political and military considerations in a world of competing imperialist powers. Likewise, the pressures behind foreign investment are more numerous and more involved than merely exporting capital to backward countries (Magdoff 1969, pp. 38-39).

The traditional link between the theory of capital accumulation on a world scale and the argument for the necessity of imperialism has been severed in the arguments of those affiliated with the journal *Monthly Review*. In its place is put the argument that the process of capital accumulation in the rich countries is facilitated by the exploitation of the poor regions whose capital accumulation process is consequently inhibited. CA

While maintaining that imperialism is an inherent aspect of advanced capitalism, rather than merely a state policy, the *Monthly Review* tradition does *not* argue that the capital accumulation process could not proceed without it, i.e., it is *not* maintained that imperialism is a necessary condition for the survival of capitalism. This tradition maintains, rather, that imperialism is a natural product or outgrowth of capitalism, a position considerably weaker than that of Lenin:

> It takes no deep perception to recognize the limits of the "necessity" formula. Thus, a substantial part of the world, notably the Soviet Union and China, has chosen the path of economic independence and therefore broken the trade and investment ties with the imperialist network. The advanced capitalist countries adjusted to these changes and have in recent decades achieved considerable prosperity and industrial advance. . . .
>
> The relevant question is not whether imperialism is necessary for the United States, but to discover the "rationality" of the historic process itself: why the United States and other leading capitalist nations have persistently and recurrently acted in the imperialist fashion for at least three-quarters of a century (Magdoff 1970, p. 21).

Others in and around the journal *Monthly Review* also maintain that imperialism is not a necessary condition of capital accumulation A because of any absolute necessity to export either capital or goods. As Baran and Sweezy argue:

> For the moment, . . . we are only interested in foreign investment as an outlet for investment-seeking surplus generated in the corporate sector of the monopoly capitalist system. And in this respect it neither does nor can be expected to play an important role. Indeed, except possibly for brief periods of abnormally high capital exports from the advanced countries, foreign investments must be looked upon as a method of pumping surplus out of the underdeveloped areas, not as a channel through which surplus is directed into them (Baran and Sweezy 1966, pp. 104-5).
>
> . . . it is of course obvious that foreign investment aggravates rather than helps to solve the surplus absorption problem (Baran and Sweezy 1966, p. 108).

Samir Amin concurs:

> Like Baran and Sweezy, I maintain that neither foreign trade nor export of capital really offers a means of overcoming the difficulties of realizing surplus value, for trade is equally balanced for the central regions of capitalism taken as a whole, and export of capital gives rise to a return flow that tends to exceed it in volume (Amin 1974, Vol. 1, p. 117).

Baran and Sweezy argue—and Amin concurs (1974, Vol. 1, p. 118)—that the problem of "realizing the economic surplus" (of preventing underconsumption), and thereby allowing the capital CA accumulation process to proceed, is solved not by extensive processes (exports and foreign investments), but by intensive processes, most importantly the expansion of military expenditures by the metropolitan states:

> . . . given the power structure of United States monopoly capitalism, the increase of civilian spending had about reached its outer limits by 1939 (Baran and Sweezy 1966, p. 161).

> . . . the difference between the deep stagnation of the 1930's and the relative prosperity of the 1950's is fully accounted for by the vast military outlays of the 50's (Baran and Sweezy 1966, p. 176).

Gigantic and expanding military expenditures serve the dual functions of acting to: first, as Baran and Sweezy state, "contain, compress and eventually destroy the rival world socialist system," or in other words make the world safe for the profit making of U.S.-based transnational corporations (and hence facilitate the transfer of value from the periphery to the metropole, accelerating capital accumulation in the latter); and second, allow the capital accumulation process in the metropolitan countries to proceed even though the masses of consumers have inadequate purchasing power.

Not only does the maintenance of a large military establishment promote imperial wars in support of the interests of the transnational corporations, but the vast expenditures required to finance such a military machine require extensive military propaganda and occasional small imperial wars in order to secure and maintain popular support.

Denying that the drive for capital export is the motive force of imperialism, this tradition instead argues that some combination of the need to control sources of cheap raw materials, the need to find protected export markets, the drive to make profits to repatriate to the advanced countries, and the need to justify an expensive (and profitable) military establishment are the primary motive forces. Frank, Baran, and Amin suggest that the primary motive force is the appropriation of wealth by the advanced countries from investments and unequal trade.

Magdoff adopts a more eclectic approach. He argues that because the interconnections between imperialism and monopoly capitalism are so multitudinous and complex it is impossible to separate the two phenomena:

> Our point of view is that the separate parts must be understood in the context of their interrelations with the social organism of world monopoly capitalism. Further, it is important to recognize the essential unity of the economics, politics, militarism, and culture of this social organism. We reach the conclusion that imperialism is the way of life of capitalism. Therefore, the elimination of imperialism requires the overthrow of capitalism (Magdoff 1970, p. 29).

Magdoff compares the question of the necessity of imperialism to the question of the necessity for the United States of keeping Texas and New Mexico:

> Does the U.S. Economy Require Imperialism? Imperialism, however, is so intertwined with the history and resulting structure of modern capitalist society—with its economics, politics, and ruling ideas—that this kind of question is in the same category as, for example, "Is it necessary for the United States to keep Texas and New Mexico?" We could, after all, return these territories to the Mexican people and still maintain a high-production and high-standard-of-living economy. We could import the oil, mineral ores, and cattle from these territories and sell U.S. goods in exchange. Any temporary decline in our Gross National Product would surely be a small price to pay for social justice. And given our growth rate and supposed ability to regulate our economy, continued economic growth should soon make up any losses resulting from the return of stolen lands (Magdoff 1970, p. 20).

Magdoff, to a considerable extent, emphasizes that imperialism at root is motivated by the "urge to dominate" of the monopoly corporations *and* by the imperatives of modern technology. He gives special attention to the importance of raw materials:

> The urge to dominate is integral to business. Risks abound in the business world. Internal and external competition, rapid technological changes, depressions, to name but a few, threaten not only the rate of profit but the capital investment itself. Business therefore is always on the lookout for ways of controlling its environment—to eliminate as much risk as possible. . . .
>
> The most obvious first requirement to assure safety and control in a world of tough antagonists is to gain control over as much of the sources of raw materials as possible—*wherever these raw materials may be, including potential raw material sources* (Magdoff 1969, pp. 34-35).

There is a strong component of technological determinism in Magdoff's argument:

> . . . the advance of transportation and communication technology and the challenge to England by the newer industrial nations brought two additional features to the imperialist stage: an intensification of competitive struggle in the world arena and the maturation of a truly international capitalist system. . . . The struggle for power by the industrialized nations for colonial and informal control over the economically backward regions is but one phase of this economic war and only one attribute of the new imperialism (Magdoff 1969, p. 15).
>
> The new industries, the new technology and the rise of competition among industrialized nations gave a new importance to the role of raw materials (Magdoff 1969, p. 32).

Magdoff also argues that securing export markets is an important motive of imperialism:

> Foreign markets are pursued (with the aid and support of the state) to provide the growth rate needed to sustain a large investment of capital and to exploit new market opportunities. In this process, the dependence on export markets becomes a permanent feature, for these markets coalesce with the structure of industrial capacity (Magdoff 1969, p. 36).

Magdoff downplays the role of foreign investment in the capital accumulation process by interpreting such investments primarily as a way to expand demand for exports:

> Foreign investment is an especially effective method for the development and protection of foreign markets. The clearest historic demonstration of this was the export of capital for railways, which stimulated at the same time the demand for rails, locomotives, railway cars, and other products of the iron, steel, and machine industries (Magdoff 1969, p. 36).

THE CONTRADICTIONS IN IMPERIALISM

The *Monthly Review* tradition argues that most of the less-developed countries are not feudal, semifeudal, or prefeudal as is argued by the Communist International and those like Mao Tse-tung who have accepted its analysis. Marxian-dependency theory maintains instead that most such countries are capitalist. Frank, for example, argues that all the multitudinous forms of payment and labor control in Latin America are produced by the logic of the world capitalist system, and thus, that they are *all equally* capitalist:

> If all non-cash nexus relations in agriculture are by definition noncapitalist and all money-contract payments capitalist, then the traditional Marxist theses about the conditions of agricultural employment are of course true by definition. But in that case they teach us nothing about reality. And the reality of Brazilian agriculture is that the thousand and one variations and combinations of agricultural working relations are intermixed in all areas. Any number of forms of tenancy and hired labor may be found in the same region, the same farm, the same part of a single farm; and they exist almost entirely at the pleasure of the farm owner or manager. . . . These relationships, rather than being caused by feudal mentality or colonial traces, are determined by hard economic and technological considerations. They differ by crop, for instance. Thus, permanent and semi-permanent harvest plants, like trees and bananas, evidently do not permit harvest sharing; and in their cultivation sharecropping is accordingly not found. It is common that a family will be paid in two or more forms for work on different crops. And changes in the form of employment and payment will follow shifts in the crops or livestock produced (Frank 1967, p. 234).

Because the Marxian-dependency tradition sees the less-developed countries as thoroughly capitalist, instead of largely feudal, semifeudal, or prefeudal, it sees no need as did the Comintern for a two-stage process of revolution, in which the first stage essentially duplicates the achievements of classical bourgeois revolutions. As in capitalist countries, only a thoroughgoing socialist revolution is on the agenda. Likewise, the adherents do not think a national bourgeoisie that has a fundamental interest in getting rid of the domination of the landlords and foreign imperial interests and their collaborators in the comprador bourgeoisie exists. What bourgeoisie exists in these countries, Frank argues, is thoroughly integrated into imperialism:

> The bourgeoisie, both in Latin America and in the metropolis is, of course, the principle beneficiary of the system. Although there are conflicting interests and shifting alliances, the supposed fundamental contradictions between the "national bourgeoisie," the "feudal landlords," the "comprador bourgeoisie," and the "imperialists" are, as Sweezy and Huberman quite rightly point out and all talk to the contrary notwithstanding, very largely a myth. In the first place, . . . the Latin American economies got to be what they are as part and parcel of the capitalist—first colonialist and now imperialist—system. Secondly, outside of Argentina, Mexico and Brazil, there is no national bourgeoisie to speak of because the countries' role in the larger system left no room for national industry. Their bourgeoisies, far from being independent in the classical European sense, are the domestic groups which are the clients of foreign interests and the domestic beneficiaries of the whole capitalist system stretching from New York to the most "isolated" provincial farm or village. Far from being in fundamental conflict with any of these foreign imperialist or domestic "feudal" exploiters, the bourgeoisies intimately link them to each other, extracting their toll at the economic, political, and social crossroads of the system (Frank 1969, pp. 358-59).

The mainstream Marxist tradition, from Marx through Mao and the contemporary Soviets, has looked to the proletariat as the leading revolutionary agent in the less-developed countries, even when regarding the peasantry as the primary force. The *Monthly*

Review tradition, on the other hand, denies a leading role to this class, instead arguing that the peasantry, and to an extent the "lumpen proletariat," or semiemployed urban poor, are the most revolutionary and antiimperialist group in the less-developed countries. For example, Frank argues:

> The peasants and, in some cases some expeasant urban unemployed, are the ones who have nothing at all to lose from revolution and everything to gain. . . . In fact, these "peasants" are the real proletariat—the dependent, unsecure, often bureaucratized, residual-earning, exploited source of labor, whether they are still on the land or are now cast off into the city slums. It is on their shoulders that the entire "decrepit castle" rests. Paradoxically, however, most of the talk about revolution comes from the relatively more far-sighted and more privileged labor, middle, intellectual, and even army groups. These people, when the chips are down and often even before, tend to back out of the revolution and to be content with reforms. That is, the talk about revolution is, so far, mostly just talk. The rural and slum proletarians, in contrast, tend to be quite nearsighted and to see only the land and the jobs which they want but don't have (Frank 1969, pp. 359-60).

The Marxian-dependency tradition sees the fundamental contradiction in the world not between the working class and the capitalist class, but rather between the wealthy advanced and the less-developed capitalist countries. They further see at least most of proletariat of the advanced countries sharing in the wealth of their nations at the expense of the less-developed countries:

> What Marx did not foresee was that this "new and international division of labor" might harden into a pattern of development and underdevelopment which would split mankind into haves and have-nots on a scale far wider and deeper than the bourgeois/proletarian split in the advanced capitalist countries themselves. If Marx had foreseen this momentous development, he could have easily conceded the existence of meliorative trends within the advanced countries without for a moment giving up the prediction of inevitable revolutionary overthrow for the system as a whole (Sweezy 1972b, p. 143).

Further, the *Monthly Review* tradition generally maintains that the interimperialist rivalry that Lenin saw as one of the basic contradictions is no longer a major aspect of the world capitalist system. Because of the growing threat of socialist revolution, because they do not in fact need to compete over scarce protected zones for the export of their capital (since capital export is not a principal motor of imperialism), and perhaps because the bourgeoisie of the various countries have interpenetrated investments from which all mutually profit, their mutual antagonisms have been contained. In the post-World War II period the advanced capitalist countries have come to accept the hegemony of the United States. Intercapitalist unity, under the leadership of the United States, is expressed in such institutions as NATO, the World Bank, the International Monetary Fund, and the General Agreement on Tariffs and Trade (GATT). According to Sweezy:

> . . . The primary or principle contradiction of the system in the present period has not been, as Marx clearly believed it to be in his time, between the bourgeoisie and the proletariat in the developed capitalist metropolis, nor yet, as history proved it to be in the period 1870-1945, among the advanced imperialist powers themselves. Rather the primary contradiction in the post-Second World War period has been between the metropolis dominated by the United States and revolutionary national liberation movements in the Third World (Sweezy 1972, p. vi).
>
> [The] relative weakening of the other imperialist powers, taken together with the socialist and national liberation challenges to the imperialist system as a whole, resulted in the establishment and willing acceptance of U.S. hegemony over the entire capitalist system. Militarily, this meant that the United States had to bear the greater part of the burden of "protecting" the "free world" . . . (Sweezy 1972, p. 12).

Frantz Fanon *cannot* be considered a member of the *Monthly Review* tradition proper (although Monthly Review Press is the English-language publisher of some of his books). However, he articulately expresses what can be fairly categorized as the position most compatible with the *Monthly Review* analysis of the principal agents of antiimperialist revolution. For Fanon, a Martinique black who worked with the National Liberation Front in Algeria during that country's war against French colonialism, it is the lumpen proletariat of the cities and the peasantry in the countryside that are the most revolutionary classes:

> It is within this mass of humanity, this people of the shanty towns, at the core of the lumpen-proletariat that the rebellion will find its urban spearhead. For the lumpen-proletariat, that horde of starving men, uprooted from their tribe and from their clan, constitutes one of the most spontaneous and the most radically revolutionary forces of a colonized people (Fanon 1963, p. 103).
>
> They won't become reformed characters to please colonial society, fitting in with the morality of its rulers; quite on the contrary, they

> take for granted the impossibility of their entering the city save by hand-grenades and revolvers. . . . The prostitutes too, and the maids who are paid two pounds a month, all the hopeless dregs of humanity, all who turn in circles between suicide and madness will recover their balance, once more go forward, and march proudly in the great procession of the awakened nation (Fanon 1963, p. 104).

Together with the lumpen proletariat, Fanon sees the peasants as the leading revolutionary force because they are less integrated into the imperial world:

> For the propaganda of nationalist parties always finds an echo in the heart of the peasantry. The memory of the anti-colonial period is very much alive in the villages, where women still croon in their children's ears songs to which the warriors marched when they went out to fight the conquerors (Fanon 1963, p. 92).

Fanon dismisses the local proletariat as a revolutionary force. He argues that they are "bought off" by the imperialist regime and thus cannot be expected to play a leading antiimperialist role. He argues that the more oppressed a group is, the more likely it is to be revolutionary:

> It cannot be too strongly stressed that in the colonial territories the proletariat is the nucleus of the colonized population which has been most pampered by the colonial regime. The embryonic proletariat of the towns is in a comparatively privileged position. . . . In the colonial countries the working-class has everything to lose. . . . it includes tram conductors, taxi drivers, miners, dockers, interpreters, nurses, and so on. It is these elements which constitute the most faithful followers of the nationalist parties, and who because of the privileged place which they hold in the colonial system constitute also the "bourgeoisie fraction of the colonized people" (Fanon 1963, p. 88).

There is a tendency within the *Monthly Review* tradition to argue that the working class of the advanced countries as a whole, rather than as Lenin argued merely a small percentage ("the aristocracy of labor"), benefits from the profits of imperialism, and consequently, then, tends to be supportive of the imperialist system. For example, Magdoff argues that in the latter part of the nineteenth century ". . . the standard of living of workers and the profitability of industry in European nations came to depend on maintenance of overseas supplies. . . " (Magdoff 1969, p. 32). Arghiri Emmanuel makes one of the strongest arguments for the position that the high-

living standards of workers in the advanced countries are subsidized by the exploitation (through unequal trade) of the producers of the less-developed countries:

> Once a country has got ahead, through some historical accident, even if this be merely that a harsher climate has given men additional needs, this country starts to make other countries pay for its high wage level through unequal exchange. From that point onward, the impoverishment of one country becomes an increasing function of the enrichment of another, and vice versa. The superprofit from unequal exchange ensures a faster rate of growth (Emmanuel 1972, p. 130).

IMMANUEL WALLERSTEIN AND WORLD SYSTEMS THEORY

In recent years Immanuel Wallerstein has developed a theoretical system very close to that developed around the journal *Monthly Review*. His "world systems" theory shares most of the basic ideas central to the *Monthly Review* tradition, especially as contrasted with the classical imperialist theory of Marx, Lenin, the Comintern et al.

Wallerstein's world systems perspective sees an integrated world capitalist system existing in the twentieth century, encompassing even the socialist countries. Market forces integrate all countries, primarily through trade but also through the flow of capital and labor, generating and reproducing three interdependent tiers: the rich industrial core where wage labor is predominant, the poor raw-materials-exporting periphery where a variety of "labor control systems" coexist, and the semiperiphery, intermediate between the two, which plays an essentially political role in holding the system together. All three are equally capitalist in their relations of production.

Wallerstein sees the world capitalist system, which originated around 1500, going through four stages: first, the emergence of the European world economy that encompassed the Western European dominated parts of the world (1450-1640); second, the period of retrenchment caused by a systemwide depression characterized by the dominance of mercantilism and the emergence of a single dominant state within the system (1640-1730); third, the industrial revolution in which the European world system eliminated other world systems to incorporate the entire globe (1730-1917); and fourth, the period of consolidation of the world capitalist system and the upsurge of revolution (1917 to the present). Although only in the last two stages has the core specialized in industrial goods in its trade with the periphery, in all phases the core has appropriated wealth from the periphery. Wallerstein is in agreement with Frank that the European world has been capitalist since around 1500 and that there has been essential continuity in the direction of resource flow during the entire period.

Wallerstein talks about the "spatial hierarchy" of economic specialization—core versus periphery—in which

> . . . there was an appropriation of surplus from the producers of low-wage (but high supervision), low profit, low capital intensive goods by the producers of high-wage (but low supervision), high profit, high capital intensive, so-called "unequal exchange" (Wallerstein 1979, p. 162).

In the tradition of the *Monthly Review*, Wallerstein sees a continuity in the systematic flow of economic surplus away from the periphery to the core in which the strong states of the core play the decisive role in using their political power to guarantee unequal exchange:

> Once we get a difference in the strength of the state machineries, we get the operation of "unequal exchange" which is enforced by strong states on weak ones, by core states on peripheral areas. Thus capitalism involves not only appropriation of the surplus value by an owner from a laborer, but an appropriation of surplus of the whole-world-economy by core areas. And this was as true in the stage of agricultural capitalism as it is in the stage of industrial capitalism (Wallerstein 1979, pp. 18-19).

Wallerstein sees the flow of the economic surplus from the poor periphery to the wealthy core mediated by the more powerful states of the core that control the flow of the surplus. This results in the specialization in raw materials and the relative underdevelopment of the periphery, with the rich getting richer and the poor poorer:

> . . . in the peripheral areas of the world-economy, both the continued economic expansion of the core . . . and the new strength of the semiperiphery has led to a further weakening of the political and hence economic position of the peripheral areas. The pundits note that "the gap is getting wider" . . . (Wallerstein 1979, p. 34).

Thus, we see that while the mainstream of the *Monthly Review* tradition emphasizes the monopolization of markets by the metropolitan economic enterprises as the cause of the transfer of value to the metropolis, Wallerstein emphasizes the role of the metropolitan

state. However, Wallerstein sees the state operating principally *through* its effect on markets. He argues (concurring with Emmanuel) that the existence of a world capitalist economy, integrated through markets rather than by tribute extraction (as in world empires), necessarily depends on unequal exchange:

> Such a system [of unequal exchange] is *necessary* for the expansion of a world market if the primary consideration is *profit*. Without *unequal* exchange, it would not be *profitable* to expand the size of the division of labor. And without such expansion, it would not be profitable to maintain a capitalist world-economy, which would then either disintegrate or revert to the form of a redistributive world-empire (Wallerstein 1979, p. 71).

Wallerstein does not go so far as to maintain that capitalism in the core countries could not survive without its periphery. He is thus in agreement with the *Monthly Review* tradition rather than with Lenin in arguing that imperialism is generated by, but is not a necessary condition for the survival of, the capital accumulation process. However, Wallerstein does argue that overseas expansion is accelerated by economic downturns (in good part crises of overproduction) in the core countries:

> The mechanism by which the capitalist system ultimately revolves its recurrent cyclical downturns is expansion: outward spatially, and internally in terms of the "freeing" of the market—remember the basic ambivalence about the free market, good for the buyer and bad for the seller—via the steady proletarianization of semiproletarian labor and the steady commercialization of semimarket oriented land (Wallerstein 1979, p. 162).

Wallerstein defines capitalism, as do Sweezy and Frank, as production for exchange, rather than does classical Marxism as the mode of production in which exploitation occurs through wage labor:

> A capitalist mode is one in which production is for exchange; that is, it is determined by its profitability on a market, a market in which each buyer wishes to buy cheap . . . but in which each seller wishes to sell dear . . . (Wallerstein 1979, p. 159).
>
> Capitalism thus means labor as a commodity to be sure. But in the era of agricultural capitalism, wage labor is only one of the modes in which labor is recruited and recompensed in the labor market. Slavery, coerced cash-crop production (my name for the so-called "second feudalism"), sharecropping, and tenancy are all alternative modes (Wallerstein 1979, p. 17).

Wallerstein, agreeing with both the Trotskyist and *Monthly Review* traditions, essentially sees capitalist relations of production as predominant in most of the less-developed countries throughout the twentieth century. He denies that areas integrated into the world system can be considered to be feudal or semifeudal, as the tradition of the Comintern, including both Mao Tse-tung and the Soviets, maintains:

> If we utilize a "formal" definition of feudalism, we can believe that areas within a capitalist world-economy still exhibit a feudal "mode of production." However, the *formal* relations of land controller to productive worker are not in fact what matters. The so-called reciprocal nexus we identify with feudalism, the exchange of protection for labor services, constitutes a feudal *mode of production* only when it is *determinative of other social relations.* But once such a "nexus" is contained *within* a capitalist world-economy, its autonomous reality disappears. It becomes rather one of the many *forms* of bourgeois employment of proletarian labor to be found in a *capitalist* mode of production, a form that is maintained, expanded or diminished in relation to its profitability on the market (Wallerstein 1979, p. 147).
>
> . . . the modern world comprises a single capitalist world-economy . . . (Wallerstein 1979, p. 53).

Following from this, Wallerstein attacks the traditional Marxist notion that the reason the less-developed countries are less developed is because the growth of capitalism is blocked by the reinforcement of feudal and semifeudal relations of production. He further criticizes the idea that a bourgeois or national-democratic revolution, which would release capitalist forces, is both progressive and a necessary first stage in a two-stage revolutionary process:

> If we take modes of payment of agricultural labor and contrast a "feudal" mode wherein the laborer is permitted to retain for subsistence a part of his agricultural production with a "capitalist" mode wherein the same laborer turns over the totality of his production to the landowner, receiving part of it back in the form of wages, we may then see these two modes as "stages" of a development. We may talk of the interests of "feudal" landowners in preventing the conversion of their mode of payment to a system of wages. We may then explain the fact that in the twentieth century a partial entity, say a state in Latin America, has not yet industrialized as the consequence of its being dominated by such landlords. If we take each of these successive steps, all of which are false steps, we will end up with the misleading concept of a "state dominated by feudal elements," as though such a thing could possibly exist in a capitalist world-economy (Wallerstein 1979, p. 4).

Following his analysis of the lack of dominant semifeudal or feudal relations of production and thorough integration into the world capitalist system is his partial agreement with Frank and most of the *Monthly Review* tradition in downplaying a role for a national bourgeoisie with interests contradictory to those of imperialism and the local landlords:

> While nearly all [the semiperipheral states] have an indigenous bourgeoisie, it tends to be smaller and weaker than comparable groups in core countries, and it tends to be located only in certain sectors of national economic activities. The degree to which this indigenous bourgeoisie is structurally linked to corporations located in core countries varies, but the percentage tends to be far larger than is true of the bourgeoisie within any core country . . . (Wallerstein 1979, p. 102).

Wallerstein, however, does not go as far as most of the *Monthly Review* school in his analysis of the national bourgeoisie. He maintains that under some conditions in the semiperiphery the national bourgeoisie does play a radical and antiimperialist role:

> The indigenous property-owning bourgeoisie, known as the "national bourgeoisie" in much literature, has been underestimated in recent writings. In reaction to an older tradition of both liberals and Marxists to see in such a national bourgeoisie a sort of heroic figure who would one day turn on the imperialist outsiders and lead the country through its phase of nationalist bourgeois democratic development, there has been drawn a counter-picture of an inefficacious, stunted, irreducibly comprador bourgeoisie, incapable of identifying its interests with those of the nation, and having missed its historical calling. This critique is far closer to the mark than the older mythology (Wallerstein 1979, pp. 103-4).
>
> . . . there is also a competition *between* semiperipheral states, and it is this fact that may on occasion push the indigenous bourgeoisie and professional strata of a particular country to a more politically "radical" stance. Fearing that they may lose out in a game of "each on his own" against the core powers, they may come to favor a strategy of collective transnational syndicalism which inevitably pushes them "leftward," more in terms of international policy, but with perhaps some carryover in terms of internal redistribution (Wallerstein 1974, p. 106).

Wallerstein agrees with the ideas of Frank, and especially Fanon, that the most oppressed—lumpen, semiproletarians, and perhaps peasants—of the less-developed countries are the leading revolutionary force:

> In this process [of proletarianization] those who are only semiemployed during their working *life* must scrounge to survive. They are at

> once more desperate and more mobile than the permanently employed, however much the latter are exploited. It seems difficult not to agree that the semiproletarians are indeed the "wretched of the earth," and that they are the most likely group to engage spontaneously in violence (Wallerstein 1979, p. 265).
>
> Movements of the left have tended to be based either in the proletarian sector, which in the long run has pushed them in a reformist direction, or in one wing of the semiproletarian sector, which has pushed them towards subnationalism, or "adventurist" uprisings (Wallerstein 1979, p. 107).

Again, in the *Monthly Review* tradition, Wallerstein suggests that most workers in the core countries benefit economically from imperialism. From the last part of the nineteenth century capitalism has shared part of the economic surplus with the core working class:

> By expanding the purchasing power of the industrial proletariat of the core countries, the world-economy was unburdened simultaneously of two problems: the bottleneck of demand, and the unsettling "class conflict" of the core states—hence, the social liberalism or welfare-state ideology that arouse just at that point in time (Wallerstein 1979, p. 30).

Wallerstein is somewhat ambivalent about the question of inter-imperialist rivalry. For example, in places he argues that economic downturns lead to increased cooperation among the core countries:

> But will not the economic difficulties lead to increased strife among the core countries? Curiously, as we so clearly see, it does not. It leads them to limit their strife in order to face, each in its turn, the harder bargaining it must do with its dependent semiperipheral clients (Wallerstein 1979, p. 90).

But he mostly argues that

> When the core producers face a situation of "over-supply," they begin to compete intensely with each other to maintain their share in a comparatively shrinking world market for their finished goods (especially machinery) (Wallerstein 1979, p. 99).

Contending that the position of leading state in the world system is unstable and that other core competitors are ever likely to replace the leader, he maintains:

> While the advantages of the core-states have not ceased to expand throughout the history of the modern world-system, the ability of a

> particular state to remain in the core sector is not beyond challenge. The hounds are ever to the hares for the position of top dog. Indeed, it may well be that in this kind of system it is not structurally possible to avoid, over a long period of historical time, a circulation of the elites in the sense that the particular country that is dominant at a given time tends to be replaced in this role sooner or later by another country (Wallerstein 1974, p. 350).

In discussing the second period of the developing world capitalist system, the period of consolidation, Wallerstein argues that in this period of world depression there was room for only one dominant state, and thus that there was a period of intense competition from which England emerged dominant:

> For the recession forced retrenchment, and the decline in relative surplus allowed room for only one core state to survive. . . . In this struggle England first ousted the Netherlands from its commercial primacy and then resisted successfully France's attempt to catch up (Wallerstein 1979, pp. 26-27).

The position that economic problems produce increased interimperialist rivalry because of competition over a scarce economic surplus from the semiperiphery and periphery seems to be the fundamental argument within Wallerstein's system. Thus, here, he seems to side more with classical Marxism than with the *Monthly Review* tradition. But since Wallerstein sees the primary rivalry in the world today as among the United States, the USSR, and China (with each having its satellites) his concrete analysis seems to reduce to that of Marxian-dependency theory. For the most part, Wallerstein's world systems theory very closely parallels the basic ideas of the *Monthly Review* school and can thus be justly categorized with it.

SUMMARY

The ideas of those who have been grouped here as Marxian-dependency or *Monthly Review* theorists—Paul Sweezy, Paul Baran, Andre Gunder Frank, Harry Magdoff, Samir Amin, Frantz Fanon, Arghiri Emmanuel, and Immanuel Wallerstein—all show strong parallels with each other and clear contrasts with the more orthodox Marxist tradition of Marx, Luxemburg, Trotsky, Lenin, the Communist International, Mao Tse-tung, and contemporary Soviet Marxists. However, we have seen that there are some differences within the former tendency, just as there are within the latter. For example, Frank and to a slightly lesser extent Baran are the most extreme in asserting that there have been no stages in the development of imperialism and that the direction of resource flow has always been from the poor to the rich. Sweezy and Magdoff, on the other hand, seem to argue that such a direction of resource flow is principally characteristic of *monopoly* capitalism. Wallerstein, moreover, argues that there have in fact been four stages of the imperialist system (although the direction of resource flow was the same in each).

But for the most part, these theorists are very similar. They all stress that the poorer countries have systematically been deprived of their wealth by the advanced countries with the consequence of the rich getting richer and the poor poorer. They all downplay a revolutionary role for the working class in either the less-developed or developed countries. They all claim a leading revolutionary role for the "most oppressed" in the less-developed countries (the lumpen, semiproletariat, and peasantry). They all maintain that what classical Marxism defined as interimperialist rivalry among the capitalist countries has been largely contained by the contemporary primacy of the contradiction between the expanding socialist countries and the common front of capitalist countries. They are all pessimistic about an antiimperialist role for the national bourgeoisie in the less-developed countries. They disagree with the Communist International tradition of seeing most of Africa, Asia, and Latin America as in good part feudal, semifeudal, patriarchical, or semicapitalist because their predominant relations of production are not essentially those of free laborers relating to capital. Last, the Marxian-dependency tradition differs from the Leninist mainstream in maintaining that imperialism is not driven by the need to export capital in order to continue the capital accumulation process. Since those affiliated with the journal *Monthly Review* maintain that imperialism results essentially in a flow of capital from the periphery to the core of the world capitalist system they cannot of course argue the traditional Leninist thesis.

In most of these respects the Marxian-dependency school differs systematically with the mainstream of the Marxist tradition, which, except for the (post-1928) Comintern and Mao Tse-tung, has *not* argued that imperialism blocks economic development in the less-developed countries, has *not* argued, except for the contemporary Soviets, that interimperialist rivalries have been contained, and has *not* argued that any other than the working class *is* the leading revolutionary force in the less-developed countries. The Marxian-dependency tradition does, however, agree with the Trotskyist school of Marxism that the less-developed countries are (and have been for some time) essentially capitalist because of their economic integration into a unified world capitalist market.

The remainder of this book is, for the most part, organized around addressing the central questions raised by both the mainstream of the Marxist tradition and by Marxian-dependency theory. Special focus is given to the issues that divide these two traditions: especially the question of stages in the evolution of Western imperialism, the dynamic of imperialism, the effect of imperialism on economic growth, the relations between imperialism and the class structure of the less-developed countries, the question of interimperialist rivalry, and the effect of imperialism on the working class in the developed countries.

4 THE HISTORICAL DEVELOPMENT OF IMPERIALISM

The relationship between the core European countries and the peripheral countries of Asia, Africa, and Latin America has undergone fundamental alterations since 1500, with changes in both the motive of imperialism and the effect of imperialism on the peripheral countries in the last 500 years. Imperialism has gone through four qualitatively distinct stages: first, noncapitalist mercantile imperialism from around 1500 to around 1800; second, competitive capitalist imperialism from around 1840 to around 1880; third, early monopoly capitalist imperialism from around 1890 to around 1960; and fourth, late monopoly capitalist imperialism since the 1960s. The dates given for these periods are, of course, rough approximations. Moreover, the time of transition from one to another form has varied considerably from one colonial empire to another because of the unequal development of the modes of production of the different countries of the European world.

The fundamental characteristic of mercantile imperialism was the securing of what essentially amounted to tribute or luxury goods at considerably below their value through the use of coercion and politically guaranteed trade monopolies. The fundamental characteristic of competitive capitalist imperialism was the export of manufactured goods within a relatively free market. Fundamentally characteristic of the early phase of monopoly capitalist imperialism was the export of capital, both in the form of loans for, and direct investment in, infrastructure (especially railways) and raw materials, together with the import of raw materials. Direct political domination was an essential aspect of the economic subordination of the peripheral countries in this period. The fundamental characteristic of the late phase of monopoly capitalist imperialism has been the export of industrial capital, the continued import of raw materials, and increasingly labor-intensive industrial goods; characteristic of this period is also the political independence (increasingly real) of the periphery. The elimination of the political and monopoly blocs to economic development, which is occurring in this later stage, is allowing the economic growth and industrialization of the less-developed countries.

PRECAPITALIST MERCANTILE IMPERIALISM*

Essentially capitalist relations of production did not become *predominant* in western Europe until around 1800 in Great Britain and the mid-nineteenth century on the Continent. By this time Europe had *already* achieved commercial hegemony in the world.

The mode of production of Western Europe in the *precapitalist* imperialist period from the late fifteenth to the early nineteenth centuries was private landlord peasantry. Although the European economy became increasingly commercialized during this period, the economic surplus, produced primarily by peasants, went to the landlords and their state as rent or tax normally in kind or money. The guild system and handicrafts in the home were the basis of production of manufactured commodities.

During this period of primitive accumulation imperialism was motivated by the combined logic of merchant capital and private landlord production—a logic that drove merchants to make more and more money, but generally was indifferent to peripheral modes of production, that was interested in the import of luxury goods and accumulating money wealth, and that was, for the most part, satisfied with investing profits in land or commerce rather than in capitalist industrial enterprises.

The pressure for the political expansion of Europe came primarily from the desire of the landowning class to increase their consumption, wealth, and power. The dynamic of this logic was based in the military and status competition between the lords together with the propensity of the landlords to produce more than

*For analyses of precapitalist mercantile imperialism see Anderson 1974; Brown 1974; Cipolla 1966; Davidson 1961; Dobb 1963; Hacker 1940; Hecksher 1935; Hilton 1976; Pirenne 1957; and Wallerstein 1974.

one son. The aristocracy encouraged the commercial bourgeoisie and its desire to accumulate wealth.

The industrial raw materials required by Europe in this period, mainly wood (for fuel and building) and small amounts of basic metals such as iron and copper, were available in Europe (increasingly in Eastern Europe) at prices much cheaper than what it would have cost to transport them great distances in small ships from the peripheral countries of Asia, Africa, and Latin America. There was no massive surplus of goods seeking markets. In fact, there was a shortage of goods and any additional production of the peasants could easily be absorbed in higher consumption by the peasants themselves or by the landlords and their states through higher rents or taxes. There was no need to export money wealth or capital goods overseas to make a profit; plenty of opportunities existed in shipbuilding, land, and state monopolies in the advanced countries.

World trade between the periphery and Europe primarily took the form of luxury goods: precious metals, spices, quality textiles, tea, coffee, and sugar. The *import* of luxury goods and precious metals was the criterion that guided trade. In parts of the world the European demand for imports took the form of plunder, as with the Incas and Aztecs. It sometimes took the form of forcing natives or slaves to produce the luxury goods and precious metals demanded by Europe (as in the Americas) and sometimes merely took the form of trading less valuable (in terms of incorporated labor power) European goods for more valuable African and Asian goods (e.g., guns or cloth for spices or slaves).

In this period Europe did not politically dominate the (rather advanced states of the Near East, Asia, and Africa. Its political hegemony was limited to the Americas and to small coastal trading posts and islands around the world. Outside of the Americas, Europe's involvement was largely limited to trading with the local peoples. Although Europe had naval superiority, it was not generally able to project superior military power on land. The European economic system was not generally more productive than that of the Near Eastern or Far Eastern societies. Europe's conquests in the Americas were only possible because of the technological backwardness of the native inhabitants of this region. The conquest of the Americas and the trading posts around the rest of the world could just as well have been achieved by China or the Ottoman empire, at the *same time*, had these countries had the navy and the drive to do so.

In the Dutch, English, and French dominated areas in America and the East Indies, the metropolitan state granted monopolies in certain areas to private trading companies, guaranteeing them the exclusive right to exploit a given area, e.g., the Hudson Bay Company and the Dutch East India Company. These companies engaged in a combination of trade and plunder, colonization (with settlement, often by indentured servants as in North America), and conquest, as in the East Indies, of islands and coastal cities.

The price of commodities, the cost of labor, patterns of trade, the direction of resource flow, and investment patterns were for the most part determined by the policies of the mercantile states and trading companies rather than by the laws of the market.

Precapitalist European imperialism often stimulated traditional handicraft production in the European periphery. The expanding European demand for luxury goods produced in the Middle and Far East generally resulted in the strengthening of their traditional modes of production. It was not until the growth of distinctively *capitalist* relations of production in Europe, a development which required massive export markets, that there was a need, according to Marx and Engels, to "batter down the Chinese walls" and "create a world after its own image."

It was the economic opportunities provided by commercial expansion in this precapitalist period of primitive accumulation that played a central role in creating the conditions for the economic development of capitalism in Europe. Markets were developed on a world scale for the products of developing capitalist enterprise. The new Atlantic trading ports were relatively free of guild restrictions on production. Here merchant profits from the slave and luxury trade and shipbuilding could be used to finance industrial capitalist enterprises. The foreign export markets (e.g., for textiles and clothing) accelerated the displacement of the European peasantry from the land and thus the rapid formation of a proletarian labor force. Precapitalist mercantile imperialism was in good part responsible for the qualitative transformations of European relations of production and consequently of qualitative transformations in both the dynamic and effects of imperialism.

COMPETITIVE CAPITALIST IMPERIALISM*

The logic of capitalism, which became predominant in Europe around the beginning of the nineteenth century, had very different consequences than the logic of the peasant mode of production for the relationship between Europe and its periphery. Europe now often sought to politically dominate Asia and Africa as well as to integrate Latin America (and further was now in such a superior economic and military position that it was able to realize its will). The new capitalist system meant that, for the first time, Europe was interested in mass export markets for its industries.

Markets became predominant in this period, not because of any inherent natural necessity or superiority of production; but rather because of the logic of the now predominant capitalist relations of production, and because they were now coming to operate in the interests of the Western European ruling classes (especially Great Britain). The dominant states (in varying degrees and at varying paces to be sure) came to institute market principles, thus allowing the "natural laws of markets" to operate. Between the period 1740-59 (a typical mercantile period) and 1860-79 (a period of competitive capitalism and free trade) the ratio of British imports to exports from/to the periphery *declined* significantly while the ratio of British exports to the peripheral countries to its GNP increased from 2 to 9 percent* (Brown 1974, pp. 104-5; Mitchell 1962, pp. 312, 319). For the United States total exports rose from an average of 6 to 7 percent of the GNP in the 1840s and 1850s to around 9 percent in the 1870s and 1880s (Brown 1974, p. 111). The evidence indicates that in the period of early industrialization every capitalist economy's exports rise as a share of its national product.

A secondary dynamic of imperialism in this stage was the growing need for raw materials to satisfy the increasing demands of the new factory system (especially for cotton) and to feed the rapidly growing urban population (e.g., sugar, cattle, wheat). The role of imports from the peripheral regions in the British economy increased significantly from around 3.5 percent of the GNP in the middle of the eighteenth century (a period of mercantile imperialism) to roughly 7 percent in the middle of the nineteenth century (a period of competitive capitalism). However, the share of the less-developed countries in total British imports declined from the first period to the second. In the middle of the eighteenth century imports

---

*For analyses of the competitive stage of capitalist imperialism see Brown 1974; Dobb 1963; Hobsbaum 1975; Polanyi 1944; and Williams 1944.

*It should be noted that because of the way British export values were computed through most of the eighteenth and nineteenth centuries official statistics over time increasingly overestimated their value, and thus the officially reported export to GNP ratio in the latter period is exaggerated, while computations of the ratio of imports to exports is increasingly underestimated (Mitchell 1962).

from Asia, Africa, and Latin America represented approximately 55 percent of total British imports. In the last half of the nineteenth century such imports represented roughly one-third of total British imports. While the role of imports in the British economy was increasing significantly, the importance of imports from the relatively developed countries increased even more rapidly (Mitchell 1962, Tables 11, 12; Brown 1974, Table 3).

In this period, Europe's exports to the periphery exceeded its imports with the consequence of the accumulation of debts to Europe by the less-developed countries. These debts were in good part eventually liquidated, especially in the next stage of imperialism, through the purchase of land, mineral rights, and other resources in the peripheral countries.

To secure export markets it was necessary to force the natives to accept European wares. The new imperialism of the nineteenth century thus conquered and politically subordinated India, forced China and then Japan to trade with the West, moved into Africa, removed Latin America from the semiisolation of Spanish and Portuguese colonialism, and opened up, and more or less dissolved, the Ottoman empire.

In order to purchase European imports, local export commodities had to be developed in the periphery. Raw materials production was promoted. Many of the richer natives were transformed into capitalists and commercial landlords. New metropolitan-based corporations increasingly established themselves in the periphery.

Directly and indirectly the new capitalist logic required the transformation of the local modes of production. The penetration of cheap Western commodities meant the destruction of local handicrafts, home industries, and artisan production. The elimination of supplemental income provided by such industries, the increasing need for money income to purchase life's necessities, as well as the rising rents and taxes imposed on the peasants (due to the increased commercial value of their land and the increasing demands of the landlords and states for luxury goods and a modern military) and the actual legal displacement of the peasantry from the land, forced peasants to either move to the cities to seek employment as wage laborers, but where they were often forced to subsist as a subproletariat, or to become sharecroppers and, increasingly, rural wage workers.

In the first phase of *capitalist* imperialism, the quantitative difference between the metropolitan European countries and the peripheral countries of Latin America, Africa, and Asia was created.

Before the seventeenth century the living standards in China, Latin America, India, much of Africa, and the rest of the present less-developed countries were generally at least as high as (and probably higher than) that in Europe. Except in Latin America, the tributary nature of precapitalist imperialism had had relatively little effect in producing relative impoverishment in these regions. However, during the first phase of capitalist imperialism the gap in wealth per capita between the present less-developed and developed countries was created. By the middle of the nineteenth century the developed countries had, on the average, a living standard about 50 percent higher than the less-developed countries (Galeano 1973, p. 13; Brown 1974, p. 119).

But the difference between the two sets of countries was at the same time *qualitatively* decreased. The peasant and tribal modes of production in the peripheral areas were in good part dissolved and replaced by semicapitalist relationships. By the late nineteenth century the rate of growth of capitalist relationships in the periphery became more rapid than in the advanced countries because both the periphery was starting from a much smaller base and it was so heavily impacted by forces inducing (distorted) capitalist development.

Precapitalist European imperialism combined elements of plunder (as in the Spanish robbery of Aztec and Inca gold), the forced mining of precious metals and their import into Europe, and the exchange of European items of low value for high-value Oriental goods, and resulted in a transfer of wealth from the periphery to Europe. But during the early phase of capitalist imperialism when Europe became more interested in getting rid of goods (the export of commodities) than in the import of luxury goods and precious metals *no* systematic transfer of *value* from the periphery to the metropolis occurred.

European terms of trade (net barter) declined drastically from the period of mercantilism to the period of pure competition. British terms of trade deteriorated from 1796-98 to 1854-55 (a period when pure competitive capitalism was dominant) to 46 percent of their earlier value (Brown 1974, pp. 246-47). This means that a given amount of British exports in 1855 bought a little less than half the imports it would have bought around 1797. The exploitation through unequal trade by Europe characteristic of the mercantile period of primitive accumulation appears to have ended.

The peripheral areas did not get poorer and the metropolitan areas richer because of the trade of the industrial products of the latter for the raw material of the former. Cotton was *not* imported from the United States or Egypt because it was cheap, but rather because this was the only available source. Further, the industrial goods of Europe were not imported in spite of their high price. They were imported because they were considerably cheaper than traditional goods. In fact, in the more or less free market of the mid-nineteenth century, raw materials, such as cotton, appear to have pretty much exchanged at their full value for the industrial exports of Western Europe. Both were produced in the socially necessary labor time using the most advanced techniques available. They tended to be sold at more or less competitive prices. Further, the subsistence provided the producers in Asia, Africa, and the Americas, whether slaves or contract laborers, was not significantly different from that of nineteenth-century industrial workers in Europe (at least for most of the century). This was born witness to by the massive migration out of Europe in the nineteenth century as well as by the decreasing use of coercive labor systems (i.e., the abolition of slavery) in the peripheral areas.

The growing poverty of the peripheral areas in the nineteenth century was induced by changes in the mode of production forced by the expansion of capitalism, not by a transfer of their wealth to Europe. The undermining of artisan production and traditional handicraft manufacture impoverished the peasantry while also undermining the industrial basis of the cities, creating a desperate mass of unemployed and semiemployed. Rents could thus be increased and wages established at subsistence levels. Industrialization was inhibited by both the difficulty of competing with economically superior Western imports and the policies of the colonial states that discouraged local industries that might compete with metropolitan interests. Local fortunes in the periphery were channeled into land, commerce, or luxury consumption, not into industry. Traditional modes of production were often politically encouraged both in agriculture and in the cities in order to secure support for imperialism among the older privileged classes. Capitalist development in general, and industrial development in particular, were thus blocked, or at least greatly inhibited, by the logic of the nineteenth-century world capitalist system. While in good part dissolving precapitalist modes of production, this logic inhibited the development of industrial capitalism. This stage of imperialism generated a growing mass of semiserfs, semiproletarians, lumpen proletarians, and lumpen petty bourgeois as well as a small class of very wealthy landlords and merchants, the "compradors."

THE EARLY PHASE OF MONOPOLY CAPITALIST IMPERIALISM*

In the last years of the nineteenth century and the first years of the twentieth, capitalism in Europe and the United States underwent an important transformation. The competitive capitalism of many small enterprises and relatively free markets gave way to a monopoly capitalism where each commodity market tended to be dominated by a very few giant corporations. Monopoly pricing, where a handful of giants set prices to maximize profits independently of the laws of free competition, came to be the rule. The transnational giants were able to secure the raw materials of the smaller, weaker, and more competitive suppliers below their value while selling their products to them above their value. This logic came to apply both to domestic and international markets.

The development of monopoly capitalism in Europe had a major effect in the periphery. The superprofits obtained by charging more than the value of products meant that more money than could be profitably invested domestically came into the hands of the monopoly capitalists at the same time as domestic investment outlets became constricted by the necessity of limiting output (on penalty of undermining the monopoly position that was generating such great profits). Unless the great profits accruing to the new monopoly corporations could find profitable investment outlets, however, the advanced countries would face a serious underconsumption crisis. The profits of the corporations would not be realized. Serious economic crises of this kind occurred both in the later years of the nineteenth century, and again in the 1930s. One attempted solution to this problem became the export of capital. If sufficient outlets for capital investment were not available at home, the profits from the new monopoly corporations could be transferred overseas, where a preexisting monopoly structure would not be destroyed.

In the later part of the nineteenth century, European capital increased its outward flow to the peripheral regions. This occurred mostly in the form of loans or direct investment in infrastructure (especially railways) and raw-materials-producing enterprises. Either form of investment was able to provide profitable outlets for the domestic surplus without undermining the monpoly structure of

*For analyses of the monopoly phase of capitalist imperialism see Baran and Sweezy 1966; Brown 1974; Communist International 1928; Dobb 1963; Faulkner 1951; Hayes 1941; Kay 1975; Kolko 1967, 1968, 1969, 1972; Magdoff 1969; Perlo 1951, 1973; and Sutcliffe 1972.

the home market. Nonindustrial investments were preferred by European capital in part because these would not result in the development of peripheral industries in competition with core country production. Also, at least during the earlier part of this stage of imperialism, the cheaper costs of production due to low wages in the periphery were not sufficient to offset the greater costs of training a labor force, transportation, securing necessary inputs, and so forth, which were generally required for profitable investment in manufacturing.

Between the period 1856-66 (the core of the period of competitive capitalism domestically and free trade internationally for Great Britain) and the period 1900-13 (a period of monopolization) the export of capital increased considerably in importance as compared to the export of goods. British capital export to the peripheral countries increased by 75 percent in relation to the export of goods to these regions. Likewise, the ratio of capital exports to both the gross national product and gross domestic fixed capital formation increased by a comparable factor (see Table 4.1).

Between 1862 and 1913 the value of British overseas investments increased from $1.9 billion to $18.3 billion; from 1874 to 1913 that of France increased from $1 billion to $8.7 billion; from 1900 to 1913 that of Germany grew from $1.5 billion to $5.6 billion; and from 1897 to 1914 that of the United States climbed from $1.7 billion to $3.5 billion (Lewis 1938; Brown 1974, p. 171).

TABLE 4.1: Export of British Capital

	1856-66	1900-13
All Capital Exports		
Capital Exports/GNP	.037	.061
Capital Exports/GDCF*	.460	.740
Capital Exports/Exports to the Periphery (Estimated)		
Capital Exports of Goods to Periphery	.400	.690
Capital Exports/GNP	.028	.049
Capital Exports/GDCF*	.360	.590

*Gross domestic capital formation.

Source: Imlah 1958, Table 4 for exports of capital; Mitchell 1962, Tables 3 and 12, pp. 366, 368, 373, 374, for estimate of GNP, GDCF, and export of goods; Brown 1974, Table 10, for estimates of the proportion of capital goods exported to the less-developed countries.

Overseas direct investments in the first part of the early stage of monopoly capitalism tended to be principally in transportation (mostly railroads) and infrastructure designed to facilitate the export of raw materials. Thus, unlike the export of principally consumer goods (especially textiles) in the previous phase of imperialism, the exported capital goods (mostly railway equipment) in this period directly resulted in local exports to Europe. It has been estimated that about 70 percent of British overseas investments before 1914 were in infrastructure—especially railways, but also other public utilities and public works (either in the form of loans to purchase British equipment or direct investment). About half of British overseas investments were in the form of loans to governments or to joint private-public enterprises—loans which were, more often than not, utilized to purchase railway or other infrastructure capital goods from Britain. Virtually all German and French overseas investments in the pre-1914 period were in the form of loans to local governments (likewise mostly used to purchase German- and French-produced capital goods to facilitate transportation, and hence local exports) (Brown 1974, p. 173). In 1900 42 percent of all British investment in Latin America was in local government bonds and 64 percent of all direct investments was in railways (see Table 4.2). This pattern changes between the World Wars with foreign investment increasingly coming to take the form of private direct investment by metropolitan-based transnational corporations. By the post-World War II period, foreign direct investment had become the predominant form of overseas investment. The largely privately owned transnational corporations came to invest heavily in raw materials production (increasingly petroleum) and associated infrastructure in the less-developed countries and in manufacturing enterprises in other advanced capitalist countries. While in 1914 90 percent of international capital movements was in the form of loans and portfolio or indirect investment, around 1970 about 75 percent was in the form of direct investments (Nabudere 1977, p. 186).

In the 1920s and 1930s bank loans to other countries averaged between 35 to 45 percent of total U.S. overseas investment; however, from its peak around 1930 the share of bank loans continually declined, bottoming out at around 10 percent of the total in the 1960s (to rapidly rise again, it should be noted, to over one-third the total in the late 1970s). From the end of the nineteenth century through the 1960s the bulk of U.S. direct investment was in raw materials. The total for mining plus petroleum was 41 percent in 1908, 38 percent in 1919, 36 percent in 1935, 38 percent in 1950, and 44 percent in 1960 (shrinking to 24 percent in 1978). Manufacturing's share of direct investment increased from around 18 percent

TABLE 4.2: British Investments in Latin America, 1880-1949 (in millions of British pounds)

	Total Investments	Government Bonds	Direct Investments	Of which (in percent)		
				Railways	Public Utilities	Mining
1880	£179.5	£123.1 (68.6%)	£56.4 (31.4%)	61.0	19.7	6.0
1890	425.7	194.4 (45.7)	231.3 (54.3)	63.5	8.6	5.4
1900	540.0	228.0 (42.2)	312.0 (57.8)	64.2	9.7	6.3
1913	999.2	316.4 (31.7)	682.8 (68.3)	67.1	—[b]	3.8[a]
1928	1,211.0	343.8 (28.4)	867.3 (71.6)	56.6	13.3	2.6[a]
1939	1,127.9	—[b]	—[b]	—[b]	—[b]	—[b]
1949	560.4	—[b]	—[b]	—[b]	—[b]	—[b]

[a]These estimates are from a different original source and are computed on a different basis from statistics on mining investments for earlier years and therefore are not strictly compatible with them.

[b]Data not available.

Source: Rippy 1959, pp. 25, 37, 45, 56, 68, 75, 78, 85.

of the total in the pre-World War I period, approximately 25 percent during the interwar period, around one-third in the 1950s, about 40 percent in the 1960s, to 44 percent of the total in 1978. The pattern of overseas investments from the first to the second stage of monopoly capitalist imperialism switched from emphasis on investment in infrastructure, designed to facilitate the export of raw materials to the advanced countries, to emphasis on direct investment in industrial production (see Table 4.3).

The increased importance of investment in the less-developed countries meant that greater political security and economic stability was required to maintain profitability, whether to merely guarantee the repayment of loans or (increasingly) to guarantee direct investments. Protection against expropriation, disruption, and local restrictions, the creation and maintenance of necessary infrastructure and favorable governmental policies, and often the import and regulation of laborers working under semislavery conditions required increased political control of the peripheral countries by the industrial capitalist states. Direct colonial rule was considerably expanded, as were both formal and informal protectorates and limitations on local sovereignty. The later years of the nineteenth century saw the rapid expansion of colonialism as virtually the entire periphery was formally divided among the European states.

While the greatest increase in Britain's colonial empire occurred in the mid-nineteenth century with the incorporation of India, for the other major capitalist imperialist powers the areas under their control increased the most rapidly in the last decades of the nineteenth century. The total area of British colonies increased from 8.7 to 12.6 million square miles and of French colonies from .4 to 4.0 million square miles in the period of 1876 to 1900. Meanwhile both the United States and Germany became colonial powers. Germany gained a million square miles of Africa and the Pacific while the United States conquered the remains of Spain's once great empire as well as such Pacific islands as Hawaii. Belgium and Italy also become colonial powers in the later nineteenth century (Brown 1974, p. 185).

While for some countries the rapid expansion of peripheral areas under their control occurred simultaneously with the rapid expansion in their capital exports (e.g., Britain and France), for others territorial expansion preceded the growth in their capital exports (e.g., Germany and the United States) (Brown 1974, p. 184). This suggests that in a world which was rapidly being divided up into colonies and spheres of influence, countries, especially those who in the mid-nineteenth century had no colonial empire, had to move rapidly to secure colonies or risk being cut out of the division of the world. Such preemptive moves were necessitated by the anticipated

TABLE 4.3: U.S. Overseas Investments, 1897-1978 (in millions of current U.S. dollars)

	Total Investments (including indirect and other private assets)	Private Bank Loans	Direct Investments	Of which (in percent) Petroleum	Mining	Manufacturing	Percentage of All U.S. Direct Investment in Asia, Africa, and Latin America
1897	$684.5	$50.0 (7.3%)[a]	$634.5 (92.7%)[a]	13.5[b]	21.1[b]	14.7[b]	52.4
1908	2,524.8	774.7 (30.7)	1,638.5 (64.9)	13.6	27.1	18.1	50.9
1919	6,955.6	2,428.7 (34.9)	3,879.5 (55.8)	15.6	22.6	20.5	56.5
1929	17,009.6	7,394.0 (43.5)	7,553.3 (44.4)	17.8	16.2	24.1	56.5
1935	13,693.7	5,176.2 (37.8)	7,219.2 (52.7)	19.1	16.9	25.9	53.6
1950	19,004.0	6,041.0 (31.8)	11,788.0 (62.0)	28.8	9.6	32.5	48.4
1960	49,310.0	5,292.0 (10.7)	31,865.0 (64.6)	34.4	9.2	34.0	36.5
1970	117,517.0	12,451.0 (10.6)	78,090.0 (66.4)	26.2	7.2	41.1	25.4
1978	377,185.0	129,573.0 (34.4)	168,081.0 (44.6)	19.8	4.2	44.1	24.1

[a]Percentage of *total* U.S. investment.
[b]Percentage of U.S. *direct* investment.
Sources: Lewis 1938, pp. 605-6; U.S. Department of Commerce 1961a, 1980a.

future need for secure places for investment (of however marginal value) as well as for sources of profitable raw materials.

Between the 1860s and the 1911-13 period the proportion of total British overseas capital invested in the British empire increased from 36 percent to 46 percent. In the empire plus Latin America, much of which (especially Argentina, Chile, Brazil, and Uruguay) could be considered to be virtually British protectorates in this period, it grew from 47 percent to 68 percent. The proportion of British *exports* to these same regions on the other hand increased only very slightly. Exports increased from 32 percent to 36 percent for the empire and from 44 percent to 48 percent for the empire plus Latin America. On the other hand, there was no change in the proportion of imports from the empire. It was 23 percent in 1860s and 24 percent in the 1911-13 period (including Latin America it was 34 percent and 34 percent) (Brown 1974, pp. 190-91). These figures and their changes strongly suggest that formal colonialism as well as the policy of protectorates were especially important in securing territory for profitable foreign investments and, somewhat less importantly, for securing export markets. Obtaining raw materials, on the other hand, did not appear to be an important function of British colonialism.

Investment in raw materials production and transportation was designed, in large measure, to make profits through providing raw materials to the core countries (not necessarily to the actual colonizing country). Such profits were especially high because of monopoly pricing facilitated by colonialism. Prices in petroleum and minerals were typically forced up by monopolies artificially constricting supply and establishing agreements to sell only at a high price.

It is important to note that most of the profits of the petroleum and mining transnational corporations were realized in the advanced capitalist countries which bought the monopolized commodities. Thus, value was in fact transferred from the purchasing countries to the country in which the raw materials transnational corporations were based. In order not to undermine the monopoly position (i.e., not to flood the market and force prices down), the huge profits of the raw materials (and infrastructure) corporations could not generally be invested in the peripheral countries.

Although a significant portion of the profits from direct investments *were* reinvested (mainly the profits from British capital, these in good part in India) most of the European income from investments and loans was repatriated back to Europe. In the 1874-1914 period repatriated profits and repayments on foreign loans more or less equaled new investments and loans for Great Britain, France, and

Germany (Brown 1974, p. 173). After World War I repayments (enforced by military action when necessary) on past loans and repatriated profits on foreign investments came to generally exceed new loans and investments.

During the early monopoly phase the net flow of value through trade in the *raw materials* sector was toward the metropolitan countries in the labor-intensive commodities, largely owned by less-developed countries, especially foodstuffs and raw materials for textile products. Here highly competitive production and depressed costs of labor, together with inhibiting factors on industrialization, meant that such goods tended to be depressed below their value. Because of the increasing monopolization of world markets that occurred with the formation of giant corporations and cartels in the later years of the nineteenth and early years of the twentieth century, the core capitalist countries were increasingly able to charge more than their value for manufactured exports (by constricting supply and setting prices) as well as able to secure raw materials more cheaply (because of their political domination of the periphery). Thus, the terms of trade tended to change in favor of the monopoly capitalist core countries.*

Between 1876-80 and 1896-1900 the terms of trade between the manufactured exports of the developed countries and the primary goods exports of the less-developed countries increased by 27 percent (in favor of the more-developed countries), while the overall net barter terms of trade between the two sets of countries increased by 11 percent in favor of the developed (Brown 1974, p. 251). This suggests the new importance in this period of "exploitation" through trade, caused primarily by the monopoly power of the new transnational corporations, but caused also by the policies of the core states that established tariffs, provided subsidies, inhibited immigration, and otherwise acted to turn the terms of trade in their favor.

While the terms of trade generally moved in favor of the developed countries from the middle of the nineteenth century through the turn of the century, between 1900 and 1913, there was a radical improvement in the trade position of the less-developed countries due to a considerable increase in the price of the raw materials exports of the less-developed countries (Brown 1974, p. 251). This

*In this period, the wages of the industrial working class in the monopoly capitalist countries tended to rise. This occurred for two reasons: first, pressure from unions and Socialist Parties, together with the shortage of labor and the need to secure a stable, skilled, and reliable labor force; and second, the ability of the monopolies to pass wage increases (greater than increases in productivity) on to consumers and the competitive sector.

doubling of the unit value of the raw materials exports of the less-developed countries in this period, and the consequent considerable improvement in their terms of trade, reflected the contemporary monopolization of raw materials production and transport in the less-developed countries by the transnationals and banks based in Europe as well as the considerable increase in the demand for raw materials in the rapidly growing and militarizing European economies. However, from 1913 through the mid-1960s, there was a systematic, long-term tendency for both the overall net barter terms of trade between the developed and less-developed countries, and the net barter terms of trade between the manufactured goods exports of the developed countries and the primary exports of the less developed, to move in favor of the developed countries. Between 1913 and 1962-63 the net barter terms of trade improved by 77 percent overall—and 85 percent when just the exchange of manufactured goods for primary products is considered—in favor of the developed countries (Brown 1974, p. 251). This indicates a considerable and growing exploitation through trade due to the control of world markets by transnational corporations based in the advanced capitalist countries.

In balance, in the early phase of monopoly capitalist imperialism there was a net transfer of wealth from the less-developed periphery to the European core. This appropriation of value by the advanced countries occurred principally because of "unequal exchange" (largely caused by monopolization of world markets).

During the early phase of monopoly capitalist imperialism the natural tendency of *industrial* capital to flow to where wages were the lowest and the rate of profit the highest was, for the most part, *blocked* by a number of essentially economic factors: first, economies of scale existed that made the construction of an efficient industrial plant in a peripheral country with a limited market unprofitable; second, the lack of skilled workers in the less-developed countries willing and able to sell their labor power to capital; third, the high costs of transporting products made with the cheap labor of the periphery back to the advanced countries; and fourth, the desire of the metropolitan-based transnationals to keep control of advanced technology so as to prevent the peripheral countries from becoming competitors.

In addition, a number of political factors operated to hinder the industrial growth of the peripheral regions during this period: first, barriers, imposed by the advanced countries for reasons of legitimation and to minimize social disruption, to the migration of labor from the low-wage to the high-wage areas; second, barriers to the migration of capital from the high-wage to the low-wage areas (imposed for similar reasons); third, high protective tariffs against industrial imports, as well as state subsidies to industry, in the advanced countries; and fourth, colonial and neocolonial policies forced on the local political administrations that discouraged local industrialization and encouraged raw materials exports so as to complement the economies of the colonizing or neocolonial powers.

The net results of both the exploitation of the less-developed countries and especially the structural blocks on their development imposed by imperialism resulted in a tremendous widening of the gap in living standards between the imperialist and colonized and semicolonized world during this early stage of monopoly capitalist imperialism. While it has been estimated that in the middle of the nineteenth century the living standards in Western Europe were about 50 percent higher than in Asia, Africa, and Latin America, by 1960 the gap had grown to 11 times (Galeano 1973, p. 13; United Nations 1978a, Table 1A). It was not surprising then that the Communist International in 1928 revised the Marxist theory of imperialism, now arguing that imperialism primarily blocked the industrialization of the less-developed countries, expropriating their wealth in the form of raw materials for the benefit of Europe, and resulted in increased immiseration for the masses of the colonized people.

Although industrialization was blocked and poverty became endemic during this stage of imperialism, distinctively capitalist relations of production grew apace. The processes, predominant in the previous phase of competitive capitalist imperialism, of destroying local handicraft production through selling metropolitan goods to native peoples created both the need to produce goods to export to the core countries and a potential proletariat (of displaced peasants and artisans). Partly under local and partly under metropolitan corporate ownership, enterprises grew up in transport, raw materials production, and eventually light industry, which utilized this displaced population as wage laborers. Capitalist relations of production gradually became predominant in the periphery because of the logic of capitalist imperialism.

THE LATE PHASE OF MONOPOLY CAPITALIST IMPERIALISM

During the late phase of monopoly capitalist imperialism that began around 1960 (marked by the political independence of most less-developed countries) the predominant *tendencies* have become the evening out of the general level of industrialization as well as a

homogenization of the class structures of the core and the periphery of the world capitalist system. These tendencies are occurring because the political independence of the peripheral states allows them to encourage their industrial development through state ownership of industry, subsidies, tariffs, and other developmental policies, and to change the terms of trade in their favor through international cartels and commodity agreements (the Organization of Petroleum Exporting Countries, or OPEC, being the primary example). It is also occurring because of the increasing flow of industrial capital from the core to the periphery (to take advantage of cheaper labor and expanding markets).

Industrial capital flows across international boundaries because of differential wage levels and the lack of sufficiently profitable investment possibilities in the core countries as well as market opportunities in the less-developed countries. Although factors, such as the skill level of workers in the periphery, distance from markets, and unfavorable political climate tend to inhibit the outward flow of industrial capital from the core, these factors appear to be increasingly overridden by the pressures of both domestic and international competition that force capital to ever reduce its costs (especially wages) in order to stay competitive. Metropolitan capital has increasingly come to be invested in manufacturing, utilizing the uprooted peasantry and semiproletarians as its labor force. By the mid-twentieth century an *industrial* proletariat had been created in the peripheral countries by the logic of capitalist imperialism.

The flow of industrial capital from high-wage to low-wage countries in the second stage of monopoly capitalist imperialism *tends* to equalize the level of the development of the productive forces throughout the world system. However, the concomitant tendency for wages to rise in the periphery is for the most part suppressed or even reversed by the massive reserve of unemployed labor built up by peasants forced off the land by agricultural mechanization, which is occurring more rapidly than new industrial jobs are created, as well as by anti-working class military dictatorships that suppress labor organizations.

The flow of industrial capital from the core countries has a much greater effect than its absolute size might suggest because: first, it mobilizes local capital in its projects, often in the form of joint enterprises; second, it inspires local capital by example and forces it to innovate by competition; third, it brings advanced technology and organizational techniques to the peripheral countries; fourth, it has spin-off effects on locally owned industries because of its demand for locally produced products, its outputs to other industries, and the skills it requires in its labor force; and fifth, a large part of its profits are reinvested rather than repatriated.

Not only is there a tendency for capital to flee high-wage areas, but there is also a tendency for workers in the low-wage areas of the world to migrate to the higb-wage areas. From the late nineteenth into the twentieth century there has been a massive population transfer from the rural and poorer regions of the world. At first this flow was from Southern and Eastern Europe, but in the later stages it has been from Asia, Africa, and Latin America. The expansion of capitalism throughout the world has displaced peasants from the land, forcing them to the advanced urban and industrial areas such as North America and Western Europe. The effect of this international migration of workers is to decrease the massive reserve of labor in the poorer countries while expanding the reserve army of labor in the advanced. This tends to decrease the rate of increase in wages in the metropolis. At this same time it accelerates the tendency for the rate of profit and the tendency of the level of productive forces to equalize in the two regions.

Between the first and second phases of monopoly capitalist imperialism there has been a radical change in the importance of investments in manufacturing by the advanced countries in the periphery. U.S. direct investment in manufacturing in 1950 accounted for only 12 percent of total U.S. direct investments in the less-developed countries, but by 1978 it accounted for 35 percent while investments in finance and insurance, much of which finds its way into loans to local industry, increased from 2 percent to 27 percent. Meanwhile U.S. direct investments in mining and petroleum decreased from 51 percent to 17 percent of the total during the same period (U.S. Department of Commerce 1960, Table 5; 1980a, Table 1). In the period 1952-59 new U.S. direct investment from the United States in manufacturing industries in the periphery averaged \$70 million a year. By the 1970-78 period it averaged \$340 million a year (U.S. Department of Commerce 1961, Table 50; 1980a, Table 2).

During the period of late monopoly capitalist imperialism value is increasingly being transferred from the core to at least some periphery countries through trade (as in the last half of the 1970s with the oil-exporting countries). As many of the peripheral countries gain control of their raw materials exports, increase prices through international cartels, and take a higher share of the profits for themselves they are turning the terms of trade in their favor and thus obtaining a considerable transfer of wealth from the countries that buy their raw materials. Unlike the early phase of monopoly

capitalist imperialism, where the sale of raw materials by transnational corporations resulted in the transfer of value from the purchaser to the transnational corporation's home country, many of the peripheral countries are now diverting the value transfer to themselves. Only where monopolized capital-intensive products of the core are traded for the competitive labor-intensive products of the periphery (as was more the case in the earlier period of monopoly capitalism) is there a transfer of value to the advanced capitalist countries.

The terms of trade of the developed capitalist countries vis-à-vis the less-developed capitalist countries deteriorated significantly in the period 1970-77. In this period the unit value of the exports of the developed capitalist countries declined by 11 percent while those of the less-developed countries increased by 51 percent. Thus the overall net barter terms of trade of the less-developed capitalist countries in relation to the developed improved by 70 percent (i.e., they could secure 70 percent more with the same exports) from 1970 to 1977. Virtually the entire improvement occurred from 1972 to 1974, indicating that the radical shift in the terms of trade is almost entirely due to the OPEC petroleum cartel (United Nations 1978a, Table 13; 1978).

In fact, when fuels are excluded the net barter terms of trade between the developed and less-developed areas remained virtually constant between 1960 and 1977. The effect of the considerable increase in petroleum prices is borne witness to by the radical increase in the net barter terms of trade between all primary and all manufactured goods, which increased by 63 percent from 1970 to 1977 (almost entirely in the 1972 to 1974 period) (see Table 9.4.).

In the late phase of monopoly capitalist imperialism a considerable proportion of profits in the centrally important manufacturing sector of the less-developed countries is reinvested by the transnational corporations. In this sector more funds flow to the less-developed countries than are repatriated. Similarly, in the post-1973 period considerably more has been loaned to the less-developed countries by both international agencies and private transnational banks than is collected in repayments. In general, considering both the effects of trade and investment, during the late stage of monopoly capitalist imperialism the direction of value transfer within the world capitalist system is from the developed to the less-developed areas.

During the early monopoly phase of capitalist imperialism the economic gap between the poor and rich capitalist countries was *accentuated*; in the later period it is being *diminished*. This is occurring because the newly independent states of the less-developed countries have increasingly been actively pursuing development policies and because the transnational corporations and banks are increasingly taking advantage of the opportunities, cheap wages, and expanding markets present in these countries.

The political domination of the core countries and the monopoly power exercised by the transnational corporations in the peripheral countries has been significantly weakened. This means that the various governmental and corporate policies that systematically block industrialization have largely been undermined and state policies in the periphery are becoming increasingly supportive of local industrial development (e.g., through state ownership, subsidies, and high tariffs).

In the period of late monopoly capitalist imperialism, the barriers put up for political reasons, such as to maintain a high level of core domestic employment or wages, against labor immigration and capital outflow (so as to keep the loyalty of the core country's working class to the system) have proven insufficient to stop both from operating to exert pressure to even out the level of development within the world system. This is probably the case primarily because of the force of international competition. Each country's corporations are forced to remain competitive in the international market and, hence, to reduce their costs by the competition from the corporations of other countries.

Nearness to markets is becoming a less important factor in inhibiting the export of industrial capital as the cost of transportation (e.g., containerized cargo) becomes cheaper. Economy of scale is likewise now less of an inhibiting factor because of the rising purchasing power of people in the periphery. State establishment of industries and subsidies (as was the case with Japan) and joint public-private enterprises have proven to be considerably more effective as sources of primitive accumulation than the availability of regions to plunder. And while there may still be a desire on the part of the metropolitan corporations, other things equal, to keep control of key technologies within metropolitan regions, when faced with the pressures of international competition, it can give way.

In the period of late monopoly capitalist imperialism the economic gap between the rich core countries and the poor peripheral countries has been decreasing no matter how it is measured. While between 1950 and 1960 the rate of growth per capita in the advanced capitalist countries was 2.8 percent and in the less-developed capitalist countries 2.4 percent, in the period 1970-77 it was 2.3 percent in the former and 3.6 percent in the later, i.e., the rate of growth per capita

of the peripheral countries in the later period was over 50 percent greater that in the core countries. In the later period the overall rate of growth of GDP was 1.9 times greater in the periphery than in the core. The rate of growth in manufacturing in the less-developed countries was 2.5 times that in the core. (In tbe 1950s it had been only 15 percent greater.) The more industrialized the peripheral countries become, the more rapid their rate of industrialization both in absolute terms and in relation to the advanced capitalist countries (see Table 4.4).

The rapid rate of industrial growth in the peripheral countries in the late phase of monopoly capitalist imperialism has been reflected in the rapid expansion of their industrial working class. Between the years 1960 and 1976 the number of workers in manufacturing increased by 100 percent in the peripheral countries (compared to only a 15 percent increase in the core countries). The rate of increase in the number of workers in *heavy industry* was even greater—146 percent compared to 21 percent in the developed countries (see Table 4.5).

Because of the rapid rate of growth of the industrial working class in the peripheral countries, the class structure of these regions is becoming more like that of the core countries. By 1977 in the

TABLE 4.4: Economic Growth in the Less-Developed Capitalist Countries (percent)

	Developed Market Economies	Less-Developed Market Economies
Annual Increase in GDP		
1950-1960	4.0 (1.00)*	4.6 (1.15)
1970-1977	3.2 (1.00)*	6.1 (1.91)
Annual Increase in GDP/Capita		
1950-1960	2.8 (1.00)*	2.4 (0.86)
1970-1977	2.3 (1.00)*	3.6 (1.57)
Annual Rate of Growth in Manufacturing		
1950-1960	6.3 (1.00)*	6.9 (1.10)
1970-1977	3.0 (1.00)*	7.4 (2.47)

*The figures in parentheses show the ratio of the main figure to its value for the developed market economies.

Sources: United Nations 1967, Table 4A; 1978a, Table 6A.

TABLE 4.5: Increase in Manufacturing Employees, 1960-1976 (percent)

	All Manufacturing		*Heavy Industry Only*	
	1960-76	*1968-76*	*1960-76*	*1968-76*
Developed market economies	15	1	21	3
Less-developed market economies	100	51	146	65

Source: United Nations 1978a, Table 10.

peripheral countries the ratio of salaried and wage workers in manufacturing to the economically active population was approximately half of its value in the advanced countries. Those less-developed capitalist countries for which data was available and which had at least 500,000 persons in their economically active labor forces had 12.5 percent of their labor force employed in manufacturing as wage or salaried workers. This compares to the average of the United States, West Germany, and Japan of 25.1 percent (International Labor Organization 1979, Table 2A).

In summary, all indicators clearly reflect the rapid industrialization of the less-developed countries that is occurring in the late stage of monopoly capitalist imperialism. Although the countries on the periphery of the world capitalist system are in fact industrializing, their economies are not becoming replicas of those of the core countries. As will be shown in Chapter 10, there are a number of fundamental differences, most importantly: first, relatively more of the economic benefits from their economic growth accrue to the capitalist and upper middle classes and relatively less to the working class; and second, the economics become dependent on the transnational corporations based in the leading capitalist countries that own or control the key economic sectors, supply technology, capital equipment, and spare parts, purchase most exports, and supply most imports. It should also be noted that the rates of growth, industrialization, and especially the development of the most modern economic sectors are significantly lower than those of the socialist countries, and thus, that their capitalist development is significantly less than what is technologically possible. These elements, together with the rising expectations of the working people in these countries promoted by intense exposure to Western media, create considerable pressure on the system to satisfy growing material demands—demands

that are typically met by military dictatorships and repression. These differences increase the cogency of both nationalist and socialist analyses in these countries, especially among their rapidly growing working-class populations. As a result, the possibilities of successful radical nationalist and socialist revolutions with the central involvement of the working class (e.g., Iran, Nicaragua) are considerably enhanced. The possibilities of the level of *capitalist* industrialization in the less-developed countries approaching that of the United States or Western Europe are few.

THE ROLE OF POLITICAL DOMINATION OF THE PERIPHERY

There is nothing inherent in the logic of markets that reinforces or aggravates gaps among regions. Generally markets will only behave in this way: first, when systematically *monopolized* in favor of the areas that are, or are destined to become, the core of a world system; or, second, because of *political* domination of satellites, or areas destined to become satellites, by the metropolitan states that block the forces leading to economic growth in the periphery.

The chief block of industrialization of the less-developed countries has been the direct or indirect political domination of an area by metropolitan capital. Colonial and neocolonial domination creates obstacles to local capital and the local state, preventing the employment of people released from peasant relationships and traditional handicrafts in modern industrial enterprises. The political domination of the less-developed countries became prevalent as it became necessary to transform the peripheral economies' modes of production. Once the modes of production had been reorganized and oriented to the world market, political control, although not as essential as before, remained important to ensure maximum profitability (and thus adequate supplies of cheap labor, economic stability, law and order, the absence of restraints on profit making, and so forth), to prevent the natives from getting the lion's share of the superprofits of the monopolized raw materials sectors, and to inhibit only local industrialization that would compete with either metropolitan exports or local production by the transnationals.

Political independence was only reluctantly granted when it became apparent that the costs of maintaining formal empires were becoming prohibitive and that the longer the rising independence movements were fought, imperial economic interests would worsen after independence (because of the growing radicalism of national liberation movements). It was soon realized that considerable profits could still be made after formal independence if friendly nonradical regimes could be installed in the old colonies. A period of neocolonialism thus ensued.

Increasingly, national bourgeois (or "bureaucratic authoritarian") forces interested in obtaining an increasing share of the superprofits of imperial monopolies (e.g., in petroleum) have become more influential while revolutionary or radical governments of various forms have become more prevalent. In the postcolonial period the states in the less-developed countries increasingly insist on a greater share of the monopoly profits of raw-materials-producing transnational corporations, high tariffs to encourage local industry, the import of technically advanced capital goods, the nationalization of industries, participation in joint enterprises with the transnational corporations, and subsidies and other measures to encourage industrialization and all-around economic growth at the expense of the metropolitan countries. The absence of effective political controls over the less-developed countries, especially as the initially established "puppet" regimes collapse or "turn greedy," shows itself in the economic interactions between the less-developed and advanced capitalist countries becoming more advantageous to the former. As the obstacles to capitalist accumulation in the less-developed world dissolve, as the political obstacles to local capital accumulation—imposed or reinforced by metropolitan interests—come down, as the skill levels of local working people grow, and as world trade becomes less expensive to engage in, the gap between the advanced and the less-advanced countries decreases. However, the tremendous social dislocations produced by this process can be expected to produce massive political upheavals on the order of Iran and Nicaragua before even an approximation of an equal level of world development is reached.

CONCLUSION

Grouping all types of commercial imperialism, including the mercantilism of the fifteenth through the eighteenth centuries, nineteenth-century competitive capitalist imperialism, and both early and late monopoly capitalist imperialism, under one category, as Marxian-dependency theory does, is mistaken. Such a categorization is so broad as to lose all value in helping us understand the radical differences in the dynamic and effects of imperialism over time.

Each phase of the development of European imperialism has been characterized by a fundamentally different relationship between the European core and the periphery. The motive for expansion has been different in each period, as has the direction of the transfer of value and the effect on the social structures and economic development of the peripheral countries. During the period of precapitalist imperialism (the period of primitive capitalist accumulation in Europe) Europe related to the rest of the world in essentially the same way as did the classical Asian empires, desiring tribute and the import of luxury goods, for the most part without transforming the peripheral relations of production. The distinctively capitalist imperialism of the nineteenth and twentieth centuries, however, has radically transformed the social structures and economies of the peripheral countries, establishing the social and political *conditions* for both capitalist industrialization and socialist revolution.

A careful examination of the transformations in the relationship between the European and other core countries and the less-developed countries of Asia, Africa, and Latin America from 1500 to the present essentially supports the ideas of Marx and Lenin both about the stages of imperialism and the effect of the export of capital in industrializing the poorer regions. It appears that Marx was basically correct in arguing that imperialism went through three stages: first, the stage of plunder during primitive accumulation in Europe; second, the export of goods, which resulted in the undermining of peripheral social structures; and third, the capitalist development of the less-developed countries promoted by the export of capital. Likewise, Lenin's analysis that the dynamic of advanced capitalism necessitates the export of capital, which then results in the rapid industrialization of the less-developed regions of the world system, seems to be coming to pass. However, the predictions of both Marx and Lenin were premature. Both failed to grasp the inhibiting effects on capitalist industrialization that formal colonialism and monopolization of world markets were able to impose for two generations after the institutionalization of monopoly capitalism (a fact essentially grasped by the Communist International in its 1928 theses). It appears that only since the 1960s, in an essentially new stage of imperialism qualitatively different from the earlier monopoly capitalism, is the kind of logic outlined by Marx and Lenin finally being realized.

5

THE DYNAMIC OF IMPERIALISM

In this chapter the dynamic or motive force behind imperialism is analyzed. The claim of theorists such as Lenin and Luxemburg that capital accumulation or profitability would be impossible without imperialism is scrutinized especially carefully. The role of capital exports, export markets, and the control of raw materials sources is examined. It is concluded that although imperialism is most profitable for the transnational corporations, it is not a necessary condition for the continuation of the capitalist accumulation process, or the viability of profit making, in the advanced capitalist countries. The motive force behind capitalist imperialism is found to be the maximization of profits by the transnational corporations that dominate the foreign relations of the major capitalist states. Maximum profits are obtained through a worldwide integration of transnational operations that includes domination of raw materials supplies and monopolization of raw materials markets, utilization of inexpensive labor in the less-developed countries, securing markets for the exports of the megacorporations, and selling equipment to the military.

THE NECESSITY OF IMPERIALISM

Persistent debates have occurred about the necessity of imperialism as an aspect of monopoly capitalism and about the relationship between imperialism and capital accumulation on a world scale. Although recently these debates have often tended to occur separately, they in fact address much the same issue. The controversy among Luxemburg (1913), Lenin (1917), and such Social Democrats as Hobson (1902) and Kautsky, which peaked around World War I, centered on the question of whether or not imperialism was a necessary *condition* of the capital accumulation process (and thus whether or not capitalism could function without imperialism) or fundamentally a *policy* (which could be changed without abolishing capitalism). At the heart of this early debate was the question of capital accumulation on a world scale and the role of imperialism in this process. In the late 1960s and 1970s there was a renewed debate around both the question of the necessity of imperialism and the question of capital accumulation on a world scale (see, for example, Miller et al. 1970, Magdoff 1970, and Ehrlich 1973).

Much confusion has occurred in the debate around the question of the necessity of imperialism because it is frequently posed that either imperialism is a necessary condition for the existence of capitalism (i.e., advanced capitalism could not exist without it) *or* that imperialism is merely a policy that can be changed by a progressive state administration *without* changes in the fundamental economic and social organization of society. When the question is posed in this dichotomous way it is relatively easy for the proponents of the first position to prove their case by showing that imperialism is not merely a policy *and* for proponents of the second position to prove their case by showing that advanced capitalism is indeed not irredeemably dependent on imperialism (i.e., that only a relatively small proportion of the GNP, total profit, investments, trade, and so forth, can be attributed to imperialism). Consequently, much of the debate is rather futile, with neither side really coming to grips with the strong arguments of their opponents.

There is another position on the relationship between advanced capitalism and imperialism, a position which sees imperialism as growing organically from the very logic of advanced capitalism (and in that sense a *necessary outgrowth* of capitalism) *but not* as a *necessary condition* for the continuing existence of capitalism, i.e., advanced capitalism could survive and the capital accumulation process continue even if there were no imperialism. According to this argument, in the event that forces such as the universal victory of national liberation movements were to defeat imperialism, advanced capitalism would nevertheless remain viable and the capital accumulation process would continue in the metropolitan countries, although in all probability only with some rather important political and economic reorganization. In fact this is the argument actually proven by Magdoff (1970) and others in the *Monthly Review* tradition (although they themselves confuse their argument with their suggestion that imperialism is a necessary condition for the existence of capitalism).

The capital accumulation process results in the expansion of the *total value* encompassed in the capitalist system since by its very nature it implies the reinvestment of profits above and beyond the mere replacement value of capital equipment. The failure to find sufficient new investment outlets for profits necessarily results in economic stagnation and contraction of the system. The process of capital accumulation must thus either expand or wither. Logically, there are two directions in which capitalist expansion can occur: intensively, i.e., within the geographical limits of a metropolitan capitalist area; and extensively, i.e., by expanding into other areas. Intensive capital accumulation assumes a sufficiently rapidly growing source of purchasing power in the metropolitan country to permit the realization of profits from new domestic investments. The extensive capital accumulation process does not rely on the growth of purchasing power in the metropolitan countries. The debate about the relation of capital accumulation on a world scale to the necessity of imperialism in good part focuses on the relative possibilities of extensive and intensive capital accumulation.

The position that capital accumulation cannot proceed without imperialism (i.e., that imperialism is a necessary condition for the existence of monopoly capitalism) tends to focus on three major arguments: first, the *absolute need* of advanced capitalist countries to export capital in order to avoid underconsumption and economic stagnation; second, their *absolute need* to secure export markets (dictated by the same considerations); and third, their *absolute need* to control sources of raw materials. The first two arguments are variants of the same general theory that is based on the underconsumptionist argument. These both maintain that capitalism during its monopoly phase is absolutely unable, because of the low living standards of the masses and the inability of the state to spend enough, to find sufficient domestic markets for all it produces and that consequently outlets for otherwise unrealizable profits must be found in ways that result in the domination of the less-developed countries. The structure of the third argument, while it does not assume underconsumption, can also be interpreted as arguing that capital accumulation in the metropole will not occur without the control of essential raw materials at their source.

A fourth Marxist argument maintains that imperialism is caused by the tendency for the rate of profit to decline. The declining rate of profit is seen as caused by the tendency of the "organic composition of capital" to rise more rapidly than the rate of exploitation in the developed countries. Declining profits result in capital investment overseas where costs are lower and hence the rate of profit higher. Imperialism also generates imports that cheapen costs, especially raw materials (lowering the organic composition of capital), thus increasing the rate of profit. Imperialism could well be considered to be a necessary condition of capitalism (or the capital accumulation process on a world scale) because of this factor.

It should be noted that *parallel* arguments are also given in support of the position that imperialism is an organic product of the capitalist mode of production but not a necessary condition for its existence. We must be careful not to confuse the indispensability with the organic position.

This chapter deals primarily with the United States, the leading imperialist power in the generation after World War II. If it can be shown that capital accumulation in the United States is not irredeemably dependent on U.S. imperialism vis-à-vis the less-developed countries, then it is also shown that the proposition that imperialism is an indispensahle aspect of advanced capitalism, and specifically that it is a requisite of the world capital accumulation process, can not be valid. This should he true whether we take an approach that considers all the advanced capitalist countries as essentially *one* unit (the metropolis) within which the United States plays the leading military and political role, or whether we consider each major advanced capitalist country to be autonomous, in which case the United States is merely the largest example.

If imperialism is a necessary condition of capital accumulation, then we would expect to find: first, that there is considerably more capital export out of the metropolitan countries than is repatriated to them; *and/or* second, that there is considerably more export of goods to peripheral countries than is imported from them. If it cannot be shown empirically that net capital flows or the balance of trade serve as the principal mechanisms to allow the capital accumulation process to proceed, then it cannot be maintained that capitalism in the advanced metropolitan countries could not continue without imperialism (unless it was shown that essential raw materials imports could not be obtained and as a result capital accumulation could not go on in the metropolis or that the rate of profit in the metropolis was approaching zero).

In the period 1975-78 the ratio of repatriated profits on U.S. direct investments in the less-developed countries (measured in balance of payment terms) to new investment flows from the United States was about 2.0 (U.S. Department of Commerce 1980a, Tables 2 and 4). In this period more funds were repatriated on U.S. investments in the less-developed countries than were newly invested in these countries. Thus such investments could not possibly have served as an outlet for funds, which unless they found profitable investment would have stopped the capital accumulation process. Investment in the less-developed countries, in balance, aggravated rather than alleviated the problem of investment funds seeking profitable outlets.

Let us examine Table 5.1, which compares two key indicators of the economic surplus seeking investment, aftertax corporate profits and domestic capital investment (nonresidential, private fixed investment), with the appropriate measures of capital flows and trade, as well as with the size of state military and nonmilitary spending over the years 1950 to 1978.

The total new capital outflow from the United States is very small in relation to either corporate profits or private nonresidential fixed investment (in 1975-78 it represented only 2.8 percent of corporate profits and only 1.5 percent of domestic capital investment). Thus, even if the effect of repatriated profits is not suhtracted out the total effect of new capital outflow could barely be considered to have any effect at all on the surplus seeking investment, never mind be (as the orthodox Leninist tradition argues) the primary mechanism of capital accumulation on a world scale.

The U.S. balance of trade was positive with the less-developed countries from 1950 to 1974, i.e., some surplus was realized by exporting more than was imported from the peripheral countries (it represented around 3 percent of corporate profits and roughly 2 percent of nonresidential fixed investment during this period). However, this was hardly enough to create more than the slightest of effects on the capital accumulation process on a world scale. Even if exports were not discounted by imports, until 1973 they averaged only about 25 percent of corporate profits and 15 percent of domestic investment, clearly not the greater part of either profits or investments as the argument that imperialism is a necessary condition of the capital accumulation process suggests.

As of 1974 the United States began importing more than it exported from the less-developed countries. The net effect of trade with them became the same as the net effect of investment, *to aggravate*, rather than alleviate, any problem of finding outlets for investment funds in the metropolis. Neither investment nor trade, then, in fact, acts to facilitate the continuation of the capital accumulation process by acting as mechanisms for extensive capital accumulation.

TABLE 5.1: Ratio of U.S. Foreign Investments, Exports, and Military and Nonmilitary Expenditures to Corporate Profits and Domestic Capital Investment (period averages in percent)

	New Overseas Investments	Net Capital Flow	Exports	Balance of Trade	Military Expenditures*	Nonmilitary Expenditures
Ratio to Corporate Profits (after taxes)						
1950-54	1.0	-3.8	27.3	1.2	203.7	262.8
1955-59	2.6	-3.2	29.5	5.0	189.8	328.5
1960-64	1.5	-5.3	29.1	6.3	193.5	435.2
1965-69	1.7	-3.5	23.5	5.0	155.6	406.2
1970-74	-.9	-8.5	34.1	-.6	157.8	577.3
1975-78	2.8	-3.4	45.2	-14.2	115.7	586.6
Ratio to Domestic Capital Investment (private)						
1950-54	.7	-2.6	18.4	.8	136.1	175.6
1955-59	1.5	-1.8	16.7	2.8	107.5	186.0
1960-64	.8	-2.8	15.6	3.4	103.7	233.3
1965-69	.9	-1.9	12.6	2.7	83.3	217.4
1970-74	-.4	-3.9	15.6	-.3	72.0	263.5
1975-78	1.5	-1.8	24.2	-7.6	62.0	310.8

*Military expenditures are here defined as federal expenditures for "national defense plus veterans benefits and services."

Sources: U.S. Department of Commerce 1960a, 1975a, 1979a, 1980a, 1980b.

Table 5.1 suggests that both the state's military and nonmilitary spending play central roles in the capital accumulation process. The importance of military spending, however, has declined considerably from averaging 200 percent of total corporate profits and 120 percent of total nonresidential fixed private investment in the 1950s to 115 percent of total corporate profits and 60 percent of domestic capital investment in 1975-78. In spite of this decline, military spending continues to be far more significant than either exports or new overseas investment, and unlike either one of these factors, at least in the post-1973 period, has a net effect of providing investment outlets for the corporations.

In the period 1950-54 total government expenditures on all levels (local, state, and federal) in the United States was almost evenly balanced between military and nonmilitary spending. Military spending had only very recently come to play a predominant economic role. It made the difference between the stagnation of the 1930s and the prosperity of the 1950s. However, nonmilitary spending has become more and more important in the economy, until in the later part of the 1970s, it grew to over five times military spending. Nonmilitary spending in the period 1975-78 was 590 percent of corporate profits and 310 percent of domestic capital investment. The evidence thus strongly suggests that the most dynamic element in facilitating the capital accumulation process in the advanced capitalist countries is now *nonmilitary* state spending, especially on social expenditures.

Instead of showing that imperialism is a necessary condition for capital accumulation in the metropolitan countries, the data show instead merely that there are multifaceted links between the developed and the less-developed capitalist countries that are very profitable for the transnational corporations based in the United States. The evidence suggests that imperialism is a product of capitalism, but it fails to show that the capital accumulation process could not continue without imperialism. Capitalism *could* exist without imperialism. But it is most unlikely that processes immensely profitable for the dominant economic interest will be voluntarily given up.

THE EXPORT OF CAPITAL AND CORPORATE PROFITS

While foreign investment cannot realistically be seen as crucial for the continuance or the profitability of the capital accumulation process in the United States it nevertheless is most central for the major corporations that dominate the U.S. economy. U.S. investment in other countries has increased considerably over the years.

From a total in 1897 of a little less than $700 million, total U.S. investments overseas rose to $7 billion in 1919 and $17 billion in 1929, but declined during the depression and World War II (by about 50 percent in relation to total U.S. business capital), not recouping their former position (considering inflation) until the early 1950s. After World War II, U.S. overseas investments once again began to grow rapidly. From $19 billion in 1950, they increased to $49 billion in 1960, $118 billion in 1970, and $377 billion in 1978 (see Table 4.3). The relative significance of foreign investment has been steadily increasing. In 1950 it represented 5.1 percent of fixed, nonresidential business capital and in 1978 11.8 percent (U.S. Department of Commerce 1979a, p. 558; 1975a, p. 259).

From 1897 through 1950, roughly between 50 percent and 55 percent of all U.S. direct overseas investments were in Asia, Africa, and Latin America (see Table 4.3). After World War II, however, U.S. investment became increasingly concentrated in Canada and Europe. By 1978 only 24 percent of all U.S. direct investments were in Asia, Africa, and Latin America. Nevertheless, the U.S. investment stake in the less-developed countries has grown considerably in the post-World War II period. From $5.7 billion in 1950 it increased to $40.5 billion in 1978. Especially rapidly growing have been U.S. investments in manufacturing in the less-developed countries. Manufacturing investments increased from $1,836 million or 1.1 percent of total domestic manufacturing capital in 1960, to $14,071 million or 2.0 percent in 1978 (U.S. Department of Commerce 1961, Table 58; 1980a, Table 1). The declining share of the total U.S. overseas investment in less-developed countries is due to the very rapid expansion of investment in other advanced capitalist countries, not a stagnation in new investments in the less-developed countries.

In the 1960s and early 1970s, direct investments averaged approximately 60 to 65 percent of *all* U.S. investment both in the less-developed countries and in the world as a whole. Private bank loans during this same period represented about 10 to 15 percent of total world investment and about 20 to 30 percent of investments in the less-developed countries. Indirect or portfolio investments meanwhile averaged around 15 to 20 percent of total U.S. investment in the world as a whole and less than 10 percent in the less-developed countries (see Table 5.2). In the generation after World War II, the U.S. overseas stake in both the advanced and less-developed countries was primarily in enterprises controlled by the U.S. transnational corporations (principally in manufacturing in the advanced countries and in raw materials in the less developed). However, in the mid-1970s the postwar pattern changed with private bank loans rapidly increasing in importance. Private bank loans to Asia, Africa, and Latin America increased from a total of about $10 billion in 1972, to roughly $78 billion in 1978, compared to a rise in direct investment of from roughly $30 billion to $50 billion in the same period. In 1978 private loans accounted for 35 percent of total U.S. overseas investments, and over 50 percent in Asia, Africa, and Latin America (see Table 5.2). Lending by U.S. banks to the less-developed countries (especially short-term loans to pay for their imports) had by the late 1970s become the primary investment stake of U.S. business in the less-developed countries.

Some U.S. industrial sectors are considerably more involved in overseas investment than others. While in 1970 the ratio of the value of overseas investment to domestic investment for the U.S. economy as a whole was only 11.5, for motor vehicles it was 94.9 percent, petroleum 78.9 percent, mining 53.6 percent, chemicals 57.0 percent, machinery 48.4 percent, wood products 34.8 percent, and rubber 33.5 percent (Musgrave 1975, p. 13). In banking in 1960, the ratio of the assets of overseas branches to total assets of all domestic U.S. commercial banks was 1.4 percent. In 1970 this had increased to 9.1 percent, and by 1975 to 18.5 percent. The total number of U.S. overseas branch banks increased from 131 in 1960 to 536 in 1970 to 732 in 1974 (U.S., Congress, House 1976a, p. 812). This reflects the rapid growth of overseas involvement in both lending and overseas branches by U.S. transnational banks.

The changing composition of U.S. investments in the less-developed countries is reflected in the form of repatriated profits. In 1966 repatriated profits (not including fees and royalties) were $2.3 billion on direct investments in the less-developed countries and $.4 billion on portfolio investments and interest on private loans. After 1973 interest on bank loans increased very rapidly, until in 1978 the total of repatriated income from indirect investments plus interests on bank loans in the less-developed countries came to exceed repatriated income from direct investments ($7.6 billion for interest and indirect income and $6.0 billion for repatriated income on direct investment) (U.S. Department of Commerce 1979c). Total *repatriated* income on investments in the less-developed countries amounted to 5.9 percent of aftertax corporate profits in 1966 and 13.0 percent in 1978. This underlines the growing centrality of foreign investment in the less-developed countries for the total profits of the leading corporations.

TABLE 5.2: U.S. Private Overseas Investment (Direct and Indirect) (in millions of U.S. dollars)

	1965		1972		1978	
	World	Excluding Canada and Europe[a]	World	Excluding Canada, Europe, and Japan[b]	World	Excluding Canada, Europe, and Japan[b]
Direct investment	49,328 (60.9%)	18,135 (59.2%)	94,337 (62.3%)	30,631 (62.9%)	168,081 (44.6%)	49,295 (33.5%)
Foreign securities	15,213 (18.8)	2,578 (8.4)	24,915 (16.5)	3,871 (8.0)	53,422 (14.2)	9,182 (6.2)
Private bank loans	12,052 (14.9)	8,464 (27.6)	20,705 (13.7)	10,100 (20.7)	129,573 (34.4)	77,828 (52.8)
Long term	4,317 (5.3)	2,573 (8.4)	5,029 (3.3)	3,467 (7.1)	17,700 (4.7)	14,150 (9.6)
Short term	7,735 (9.5)	5,891 (19.2)	15,676 (10.4)	6,633 (13.6)	111,800 (29.6)	63,670 (43.2)
Total private	81,051 (100%)	30,627 (100%)	151,310 (100%)	48,688 (100%)	377,185 (100%)	147,287 (100%)

[a]Includes Japan, Israel, Australia, and New Zealand as well as all of Asia, Africa, and the socialist countries.
[b]Includes Israel, Australia, New Zealand, the socialist countries, as well as all of Asia and Africa.
Sources: U.S. Department of Commerce 1967a, 1974a, 1979b.

Foreign investment is immensely profitable for the transnational corporations. It is in such profitability that the motive behind imperialism is found. The profits on overseas operations of U.S. corporations have steadily increased in comparison to total corporate profits since the end of World War II. In the 1975-78 period the ratio of profits on all foreign investments to domestic profits averaged 20.9 percent and for investments in the less-developed countries 7.9 percent. The corresponding figures in the 1950-54 period were 10.3 percent and 5.9 percent respectively (see Table 5.3). The ratio of profits from manufacturing investments in the less-developed countries to domestic manufacturing profits increased by two and one half times from 1.4 percent to 3.7 percent (a rate of increase much more rapid than either that for total world investments or total investments in the less-developed countries (see Table 5.3). It should be noted that the big jump in profits in the less-developed countries in the 1970-74 period was mostly caused by the windfall profits accruing to the petroleum companies by the OPEC oil price increases in 1973 and 1974. The long-term tendency for an increasing share of U.S. corporate profits to be generated overseas continued unabated through the 1970s.

Only one form of realizing profits from their subsidiaries in the less-developed countries is from reported earnings. Another major source of profit for the transnational corporations lies in the fees and royalties they charge their subsidiaries as well as nonassociated companies for the use of their technology, equipment, and services. The proportion of total profits generated through such fees and royalties charges has increased over time, in good part because such payments are treated as (nontaxable) *costs* by subsidiaries in other countries. Reported profits plus fees and royalties increased from 10.9 percent of domestic profits in the early 1950s to 24.9 percent in the last part of the 1970s. In the less-developed countries they increased from 6.1 percent to 8.7 percent. In 1972 the ratio of foreign to domestic profits (before tax) for all U.S. corporations was 21.9 percent, for those in manufacturing 19.8 percent, and for petroleum companies 167.7 percent (Musgrave 1975, p. 16). Transnational corporations in some manufacturing sectors of the U.S. economy received an especially high proportion of their profits from their overseas operations. For example, one study showed that the ratio for firms in the metals industry was 51.2 percent and in nonelectrical machinery 45.0 percent (Newfarmer and Müller 1973, p. 39).

A U.S. government survey of 298 leading transnational corporations in 1970 found that their rate of profit (aftertax net income divided by total assets) on their operations in the less-developed

TABLE 5.3: Profits from Foreign Direct Investments of U.S. Transnational Corporations as a Proportion of Total Corporate Aftertax Profits

	World Total		*Less-Developed Countries Total*		*Manufacturing in Less-Developed Countries*[a]	
	Reported Profits Only	*Including Fees and Royalties*	*Reported Profits Only*	*Including Fees and Royalties*	*Reported Profits Only*	*Including Fees and Royalties*
1950-54	10.3%	10.9%	5.9%	6.1%	1.4%	—[b]
1955-59	12.4	13.4	6.7	7.2	1.1	—[b]
1960-64	14.2	16.1	6.5	7.1	1.5	—[b]
1965-69	13.5	16.4	5.9	6.6	1.7	2.2%
1970-74	22.5	26.5	8.4	9.3	3.3	4.0
1975-78	20.9	24.9	7.9	8.7	3.7	4.2

[a]As a percentage of total corporate profits in manufacturing.
[b]Data not available.
Sources: U.S. Department of Commerce 1961a, 1979a, 1980a; U.S. Bureau of Economic Analysis 1975.

countries was 14.5 percent, compared to 4.7 percent domestically (see Table 5.4). Another U.S. government study of U.S. manufacturing transnational corporations operating in Brazil and Mexico (which together account for over half of all the U.S. investment in this sector in the less-developed countries), found that in 1972 their average rate of profit (broad profits over equity) was 15.3 percent in Brazil and 16.2 percent in Mexico (Newfarmer and Müller 1973, pp. 90, 140). In summary, it is clear that the overseas operations of the transnational corporations tend to be considerably more profitable than their domestic operations.

Many analysts have come to the conclusion that the reported rate of return on may investments in the less-developed countries is artificially low. A study on Colombia showed that in the period 1960 to 1968 the official rate of return for transnational corporations in manufacturing was 6.4 percent while nationally owned firms were showing a much higher rate of profit (around 18 percent). Some transnational corporation executives admit that their investments in less-developed countries are considerably more profitable than reported earnings figures suggest (Barnet and Müller 1974, p. 161).

An important mechanism that the transnational corporations could use to repatriate profits to the parent corporation without their being reported as either earnings on their subsidiaries' books or as balance of payments income for the parent is "transfer pricing." Because the managers of the transnational corporations have considerable discretion (in spite of regulatory legislation in most countries) to set the prices one branch charges for the products of another, they have considerable power to decide in which subsidiary's books the profits will appear. The transnationals are able to overcharge subsidiaries for their imports from the parent corporation, while undercharging the parent for its imports from the subsidiaries. This could have the effect of making book profits artificially low in the less-developed countries and artificially high in the advanced. This might be done either to reduce the taxes on the subsidiary profits or to deflect local criticism against "unreasonable" profits, thus undercutting political pressure for higher taxes, restrictions, or even nationalization. It is not at all clear to what extent transnational *manufacturing* companies in general used transfer pricing in the 1970s to reduce book profits in the less-developed countries. There is in fact evidence that manufacturing transnational corporations in contrast to those in raw materials sometimes use transfer pricing to transfer investment funds *to* the less-developed countries (see Chapter 9).

The tremendous profits made by the transnational corporations in the raw materials sector (especially petroleum) in the less-develop-

TABLE 5.4: Aftertax Profits of 298 Transnational Corporations, 1970 (in millions of U.S. dollars)

	All Industries	*Manufacturing*	*Petroleum*	*Mining and Smelting*
Domestic operations				
Total	$16,398	$9,078	$3,972	$438
Rate of profit	4.7%	4.5%	5.8%	8.6%
All foreign operations				
Total	$7,273	$2,208	$3,499	$343
Rate of profit	7.1%	5.1%	10.0%	8.5%
Operations in less-developed countries				
Total	$3,308	$265	$2,600	$123
Rate of profit	14.5%	4.0%	23.5%	10.3%

Source: U.S. Department of Commerce 1972a, pp. 19, 23, 41.

ed countries come mostly from their monopoly power in the world market. The monopoly power of a few giant petroleum companies in collusion (since 1973 in collaboration with OPEC as well) results in the transfer of considerable value from the major purchases of petroleum to the countries in which the major transnational corporations are based (in good part the United States).

The rapidly increasing profits made in the manufacturing sector of the less-developed countries, on the other hand, come from the utilization of extremely cheap labor, as well as from securing a growing share of local markets, thus avoiding tariffs on exports by producing locally.

Wage levels are considerably lower in Asia and Latin America than in the United States. Disparities of around 10 times are typical. For example, around 1970 the consumer-oriented electronics industries paid an average wage of 14¢ an hour in Taiwan while paying $2.56 for the same work in the United States. The semiconductor industry paid an average wage of 33¢ an hour in Korea for work that received $3.32 in the United States. The clothing industry paid an average of 53¢ an hour to its Mexican workers for labor costing $2.29 an hour in the United States (Barnet and Müller 1974, p. 127). In 1977, when the average industrial wage was $5.67 in the United States, it was $1.20 in Brazil (21 percent of the U.S.), $1.12 an hour in Mexico (20 percent of the U.S.), 63¢ an hour in Hong Kong (11 percent of the U.S.), 75¢ an hour in South Korea (13 percent of the U.S.), 76¢ an hour in Taiwan (13 percent of the U.S.), and 28¢ an hour in the Philippines (5 percent that of the U.S.), as shown in Table 5.5.

It is not only the very cheap wages but also the existence of a more compliant work force in many less-developed countries that attracts transnational corporate capital. In most less-developed capitalist countries authoritarian regimes outlaw or greatly inhibit strikes, independent unions, and other forms of working class resistance. Such regimes thus provide the transnational corporations with both a cheap and responsive labor force.

U.S. corporations involved in labor-intensive products such as textiles, clothing, and electronic goods have been shifting their plants out of the United States to take advantage of labor conditions in the countries of Latin America and East Asia. Some U.S. corporations make electronic components in East Asia or Mexico then ship them back to the United States for assembly. Sometimes the entire product is manufactured overseas and then imported to the United States. For example, General Electric has shifted a large proportion of its production overseas. Fairchild Camera, Texas Instruments, RCA, Admiral, Zenith, and Motorola have shifted large parts of their operations to Hong Kong. Timex and Bulova make many of their watches in Taiwan (Barnet and Müller 1974, pp. 29, 30, 41, 306-7).

TABLE 5.5: Wages in Manufacturing: Selected Less-Developed Countries, 1977

	Average Wages/Hour	*As Percent of U.S. Wage*
Brazil	$1.20	21
Chile	.55	10
Colombia	.56	10
Guatemala	.75	13
Honduras	.75	13
Hong Kong	.63	11
India	.19	3
Kenya	.56	10
Mexico	1.12	20
Nicaragua	.81	14
Nigeria	.29	5
Philippines	.28	5
Singapore	.67	12
South Korea	.75	13
Taiwan	.76	13
Thailand	.42	7

Note: In comparison for this period are the U.S. at $5.67, West Germany at $4.80, and Sweden at $6.82.
Source: Business International 1979a.

THE CONCENTRATION OF TRANSNATIONAL CORPORATE INVESTMENTS

The overseas investments of U.S. transnational corporations and banks are heavily concentrated in the hands of a relatively small handful of megacorporations, corporations which have both a tremendous stake in influencing the foreign policy of the U.S. state and tremendous resources for doing so. These relatively few giant corporations exercise their tremendous power throughout the world through their ability to monopolize raw materials distribution and marketing, high technology, access to investment funds, research and development facilities, experienced managerial and sales staff, and brand identification. In 1957 just 45 firms controlled 57 percent of all U.S. direct investments overseas. Fifteen petroleum companies controlled 86 percent of all investments in petroleum and six mining and smelting companies controlled 71 percent of total investment in this sector. Profits were considerably more concentrated. Just 25 companies received 63 percent of all profits on foreign investments. Nine companies received 97 percent of total petroleum earnings and six companies received 78 percent of all earnings in mining and smelting (see Table 5.6).

Similar levels of concentration were the case for other advanced capitalist countries as well. For example, in 1962 only 49 British firms accounted for 83 percent of all U.K. overseas investments in manufacturing and petroleum combined (Brown 1974, p. 205).

There seems to have been little change in the concentration of U.S. foreign investment between 1957 and 1972. In 1972 the largest 15 U.S. transnational corporations in manufacturing had 33 percent of total U.S. direct investments, compared to 35 percent in 1957, while the leading 39 had 47 percent compared to 53 percent in 1957. In Latin America, in 1972, the largest 15 U.S. transnational corporations accounted for 43 percent of all U.S. direct investment in manufacturing and the largest 50 for 69 percent (Newfarmer and Müller 1975, p. 43).

Another study showed that 187 transnational corporations account for almost 80 percent of total U.S. private direct investment overseas (U.S. Department of Commerce 1972b, Vol. 1, Pt. 2, p. 2). It has been estimated that in 1970 the income from overseas investments of just the top ten U.S. transnational corporations (heavily represented by petroleum companies) accounted for 30 percent of all the foreign earnings of all U.S. corporations (Edwards et al. 1978, p. 481).

In 1976 37 percent of the largest 223 industrial corporations in the United States had a foreign content of over 25 percent. The 199

TABLE 5.6: Concentration of U.S. Foreign Investment, 1957

	Value of Direct Investments		Net Foreign Earnings	
	Number of Corporations	Percentage of Total Value of Firms in Sector	Number of Corporations	Percentage of Total Net Earnings of Sector
Agriculture	4	75	1	76
Mining and smelting	6	71	6	78
Petroleum	15	86	9	97
Manufacturing	79	69	52	69
Public utilities	9	83	10	85
Trade	12	77	4	72
Finance and insurance	15	69	14	78
All industries	45	57	25	63

Source: U.S. Department of Commerce 1960, pp. 144-45.

largest non-U.S. corporations had a similar foreign content. Foreign content is defined as sales of foreign affilitates to third parties as a percentage of total consolidated sales (or in the absence of information on sales, foreign net assets, or foreign employment as a percentage of total assets or employment—United Nations Economic and Social Council 1978, p. 213). The U.S. government study of 298 leading transnational corporations' overseas activities in 1970 found that overseas assets were 29 percent of the domestic assets of all industrial corporations, 21 percent for manufacturing companies and 51 percent for petroleum companies. The ratio of overseas to domestic income and the number of overseas to domestic employees was considerably higher than the asset ratio for all three sets of companies. The ratio of net aftertax income obtained from overseas operations to that obtained from domestic operations was .45 for all corporations, .24 for manufacturing corporations, and .88 for petroleum corporations. For operations in the less-developed countries only, the ratio of aftertax profits in Asia, Afriea, and Latin America to total domestic profits was .20 percent overall, .03 percent for manufacturing corporations and .67 percent for petroleum corporations (see Table 5.7). It can clearly be seen that the major corporations have a tremendous stake in overseas investments.

Table 5.8 lists the 30 largest corporations in the world (one-half of them based in the United States), showing the extent to which each is transnational, i.e., is involved in foreign sales and investment. In 1976 the world's largest industrial corporation, Exxon, had 54 percent of its total assets overseas. Its overseas sales accounted for 72 percent of its total sales. Comparable figures hold for all 13 petroleum corporations among the largest 30. It should be noted that 7 of the 13 largest petroleum companies are based in the United States, and two of the others, the Venezuelan and Iranian petroleum companies, were in 1976 integrally linked to the U.S. petroleum companies (see Table 5.8). These statistics indicate the tremendous wealth and power of the transnational petroleum companies, as well as the overwhelming importance of foreign activities in their profit making. Although the transnational petroleum companies are generally the most deeply involved of all industrial corporations overseas, most of the world's largest nonpetroleum corporations are also very heavily involved in overseas economic activities. Forty-five percent of the Ford Motor Company's profits were made overseas in 1976, as were 55 percent of IBM's, 37 percent of GE's, and 39 percent of ITT's (see Table 5.8).

The major U.S. corporations' overseas involvement has been rapidly growing. A study by Business International Corporation of 125 corporations which accounted for about 40 percent of U.S.

TABLE 5.7: Significance of Overseas Majority-Owned Foreign Affiliates of U.S. Transnational Corporations: Sample of 298, 1970 (in billions of U.S. dollars)

	All Industries	Manufacturing	Petroleum
World Total			
Assets	$102.4 (.292)*	$42.9 (.214)	$35.0 (.512)
Gross income	117.5 (.380)	52.9 (.254)	43.7 (.916)
Net income after taxes	7.3 (.445)	2.2 (.242)	3.5 (.897)
Number of employees (mil)	3.0 (.340)	2.2 (.350)	.3 (.600)
Employee compensation	14.5 (.170)	10.4 (.160)	1.8 (.320)
Less-Developed Countries Only			
Assets	$22.81 (.065)*	$6.61 (.033)	$11.08 (.162)
Gross income	28.07 (.090)	7.02 (.033)	17.48 (.366)
Net income after taxes	3.31 (.202)	.27 (.030)	2.60 (.667)
Number of employees (mil)	.65 (.073)	.41 (.065)	.10 (.200)
Employee compensation	2.11 (.025)	1.15 (.018)	.55 (.098)

*Ratio of overseas to domestic.
Source: U.S. Department of Commerce 1972a, pp. 19, 23, 41.

manufacturing investments overseas showed that the ratio of the fixed overseas investments of these companies to their fixed investment in the United States between 1960 and 1970 rose from 21 percent to 41 percent (Barnet and Müller 1974, p. 259). The transnational corporations are growing considerably more rapidly than other U.S. enterprises. In the 1960s the 298 leading transnational corporations studied by the U.S. government had an annual worldwide rate of growth in employment of 5.3 percent. This compares to the overall U.S. rate of increase in domestic employment of 2.7 percent. In 1970 more than one-quarter of the employees of the 298 transnational corporations were located outside the United States (Barnet and Müller 1974, p. 260; Table 5.7 herein).

Overseas banking is considerably more concentrated than investment in either manufacturing or raw materials. In 1975 just three U.S. banks, the Bank of America, First National City, and Chase Manhattan had 61 percent of all overseas branches in the less-developed countries and in 1974 52 percent of all overseas assets of all U.S. banks. The nine banks with the greatest overseas investments in 1974 accounted for 83 percent of the total overseas assets of all banks (U.S., Congress, House 1976a, pp. 889-907).

The major U.S. banks are heavily and increasingly involved in overseas activities. The nine U.S. banks most involved in overseas investment had an average of 34 percent of their assets overseas in 1974. In general, the larger the bank, the higher the percentage of its total assets that are overseas. It should be noted that nine of the ten largest U.S. banks (in terms of total assets) are among the ten U.S. banks with the greatest overseas investments. There is a virtual correspondence between the larger banks' rankings on the domestic assets and on overseas investments. The U.S. bank with the largest overseas stake, First National City, had over half of its assets in overseas branch banks in 1974, while the Bank of America, Chase Manhattan, and the Morgan Guarantee Trust Company each had 36 percent of their assets in overseas branch banks (see Table 5.9).

The transnational banks are considerably more reliant on profits from their overseas activities (including interest on foreign loans, commissions, and other activities in addition to overseas branch profits) than the figures for branch assets indicated. Fifty percent of the total profits of the nine largest transnational banks were made from their overseas activities in 1976. Foreign profits represented over half the total profits for four of the largest five banks in the United States: First National City, the Morgan Guarantee Trust, Chase Manhattan Bank, and Manufacturers Hanover Trust (see Table 5.10). The largest U.S. banks are thus seen to have at least as great a stake in U.S. imperial activities as that of the transnational petroleum companies.

TABLE 5.8: Foreign Content of the World's 30 Largest Industrial Corporations

Rank	Company	Nationality	Major Industry	Total Consolidated Sales (millions of dollars)	Foreign Sales[a] as Percentage of Total Consolidated Sales	Foreign Assets as Percentage of Total Assets	Foreign Earnings as Percentage of Total Earnings	Foreign Employment as Percentage of Total Employment
1	Exxon	United States	Petroleum	48,631	72	54	—[b]	—[b]
2	General Motors	United States	Motor vehicles and parts	47,181	24	12	18	—[b]
3	Royal Dutch/Shell Group	Netherlands-United Kingdom	Petroleum	36,087	62	50	64	49
4	Ford Motor	United States	Motor vehicles and parts	28,840	31	40	45	51
5	Texaco	United States	Petroleum	26,452	—[b]	54	45	—[b]
6	Mobil	United States	Petroleum	26,063	—[b]	49	38	—[b]
7	National Iranian Oil	Iran	Petroleum	19,671	—[b]	—[b]	—[b]	—[b]
8	Standard Oil of California	United States	Petroleum	19,434	59	43	48	—[b]
9	British Petroleum	United Kingdom	Petroleum	19,103	83	—[b]	—[b]	52
10	Gulf Oil	United States	Petroleum	16,451	55	43	46	—[b]
11	IBM	United States	Office equipment	16,304	50	36	55	—[b]
12	Unilever	United Kingdom-Netherlands	Food	15,762	48	36	51	44
13	General Electric	United States	Electrical	15,697	38	27	37	30
14	Chrysler	United States	Motor vehicles and parts	15,538	28	33	22	47
15	ITT	United States	Electrical	11,764	49	36	39	—[b]
16	Standard Oil (Indiana)	United States	Petroleum	11,532	25	34	22	13
17	Philips	Netherlands	Electrical	11,522	37	26	—[b]	78
18	ENI	Italy	Petroleum	9,983	—[b]	—[b]	—[b]	17
19	Française des Pétroles	France	Petroleum	9,928	54	65	—[b]	—[b]
20	Renault	France	Motor vehicles	9,353	45	—[b]	—[b]	—[b]
21	Hoechst	Germany, Federal Republic of	Chemicals	9,333	67	—[b]	—[b]	43
22	BASF	Germany, Federal Republic of	Chemicals	9,203	45	—[b]	41	21
23	Petroleós Venezuela	Venezuela	Petroleum	9,084	96	—[b]	—[b]	—[b]
24	Daimler-Benz	Germany, Federal Republic of	Motor vehicles and parts	8,938	60	—[b]	—[b]	17
25	United States Steel	United States	Metal refining	8,604	—[b]	—[b]	—[b]	—[b]
26	Volkswagenwerk	Germany, Federal Republic of	Motor vehicles and parts	8,513	62	—[b]	—[b]	32
27	Atlantic Richfield	United States	Petroleum	8,463	17	6	7	—[b]
28	E. I. Du Pont	United States	Chemicals	8,361	27	17	21	—[b]
29	Bayer	Germany, Federal Republic of	Chemicals	8,298	75	44	28	62
30	Nippon Steel	Japan	Metal refining	8,090	32	4	—[b]	1

[a]Exports from home country plus sales of overseas affiliates to third parties.
[b]Data not available.
Source: United Nations Economic and Social Council 1978. pp. 289-90.

TABLE 5.9: Overseas Branches of the Nine Largest U.S. Transnational Banks, 1974

	Foreign Branch Assets 1974 (in billions of dollars)	Rank on Total Assets of All U.S. Banks	Foreign Branch Assets as Percentage of Total Assets	
			1971	1974
First National City	29.9	2	46.9	50.9
Bank of America	20.4	1	31.6	35.9
Chase Manhattan	15.6	3	33.2	36.3
Morgan Guarantee Trust	9.3	5	27.4	36.5
Chemical Bank	7.4	6	16.3	32.4
Manufacturers Hanover Trust	6.7	4	17.4	26.2
First National Bank of Chicago	6.3	8	26.1	33.0
Bankers Trust	6.1	10	28.5	32.2
Continental Illinois National Bank	4.4	7	24.5	23.4
Average of the nine/Total	$127.8*		28.0	34.1

*Total of all U.S. banks.
Source: U.S. Congress. House 1976a, pp. 891, 892, 907

TABLE 5.10: Ten Largest U.S.-Based Transnational Banks: Share of Foreign Earnings in Total Earnings, 1970-76

Bank	Share of Foreign Earnings in 1970 (percentage)	Net Earnings in 1976	Annual Growth Rate of Foreign Earnings 1970-75
Citicorp	40.0	72.0	33.2
Bankamerica Corp.	15.0	40.0	37.7
J. P. Morgan and Co.	25.0	53.0	35.2
Manufacturers Hanover Corporation	13.0	56.0	42.7
Continental Illinois Corporation	.2	23.0	64.0
Chase Manhatten Corp.	22.0	78.0	26.9
First Chicago Corp.	2.0	17.0	97.0
Chemical New York Corp.	10.0	44.0	42.0
Security Pacific Corp.	.4	7.0	112.0
Wells Fargo and Co.	9.0	12.0	21.5

Note: Ranked by consolidated net earnings in 1976.
Source: United Nations Economic and Social Council 1978, p. 218.

As can be seen from both Tables 5.9 and 5.10, the involvement of the transnational megabanks in overseas activities has been increasing rapidly. Foreign branch assets, as a percentage of the total assets, of the largest nine transnational banks increased from 28.0 percent to 34.1 percent from 1971 to 1974. The average annual growth rate of foreign earnings in the 1970-75 period for the ten most profitable U.S. banks was 51 percent.

Although imperialism is not necessary to ensure the profitable accumulation of capital in the advanced capitalist countries, it is nevertheless extremely profitable for the megacorporations, especially for the transnational banks and petroleum companies. These giant corporations and banks are able to transform their tremendous domestic and international wealth into political power, turning the state into an instrument that guarantees their profits.

EXPORTS

In the past, the U.S. government would intervene, forcibly if necessary, as it did in the mid-nineteenth century in both Japan and China, to make the less-developed countries purchase goods from the United States. Wide areas of the earth were made formal or informal protectorates by the leading European countries, the United States and Japan, in part to secure privileged access to export markets. In the post-World War II world the principal mechanisms to ensure export markets have become: first, foreign aid, aid which is almost always tied to products produced by the transnational corporations; second, preferential trade agreements and common markets; and third, the maintenance of currency blocs.

After a long-term decline U.S. exports to the less-developed countries both as a percentage of total U.S. GNP and as a percentage of total exports rose significantly in the 1970s (concurrently with the large increase in petroleum prices). In 1950 it was 1.5 percent of GNP and in 1978 it was 2.5 percent (see Table 5.11). Markets in the less-developed countries are increasingly important to U.S. transnational corporations (see Table 5.11). U.S. transnational corporations' exports to the less-developed countries are in fact greater than the figures reported suggest. Many of the goods imported by the less-developed countries are produced by subsidiaries of U.S. transnational corporations located in *other* advanced capitalist countries such as Great Britain and Canada. For example, in 1976 53 percent of Canada's and 20 percent of Great Britain's exports were produced by subsidiaries of U.S. transnational corporations (see Table 15.7).

TABLE 5.11: U.S. Exports to the Less-Developed Countries

	As Percentage of U.S. GNP	*As Percentage of All U.S. Exports*
1950	1.5	42.4
1955	1.5	38.8
1960	1.4	34.7
1965	1.3	32.8
1970	1.3	30.1
1975	2.6	36.4
1978	2.5	36.8

Sources: U.S. Department of Commerce 1975a, pp. 224, 903; 1979a, pp. 435, 862

The trend observable for U.S. exports to the less-developed countries reflects the general trend for all trade between the advanced capitalist and less-developed countries (see Table 5.12). Overall, the percentage of all exports of the advanced countries that went to the less-developed countries shrank through the 1950s and 1960s, but increased considerably after 1972 (with the rapid increase in OPEC petroleum prices), as shown in Table 5.12.

The percentage of all manufactured goods exports of the developed capitalist countries that went to the less-developed countries increased from 20.5 percent in 1970 to 25.8 percent in 1976. This is a considerably higher proportion than for any other sector. Manufactured goods represented 65.9 percent of all exports to the less-developed countries in 1955 and 76.0 percent in 1976. It is the *manufacturing* corporations in the advanced countries that have the greatest stake in the export trade with the less-developed countries.

Although not quite to the same extent as foreign investment, the metropolitan export trade is heavily concentrated in the hands of a relatively few giant corporations. In 1970 U.S. transnationals accounted for about 70 percent of all U.S. exports (Barnet and Müller 1974, p. 260). Again, it is the largest transnationals, those with the greatest economic and political power, that obtain the bulk of the profits from exporting goods to the less-developed countries, and who, thus, have the greatest stake in imperialism. Foreign aid creates a considerable export market for U.S. heavy industry (as well as agriculture). Virtually all U.S. aid is "tied" to purchases in the United States, i.e., it takes the form of the export of goods from U.S. corporations to the recipients in the less-developed countries. This means that foreign aid acts like an export subsidy for the U.S. corporations that receive prompt payment in dollars from the U.S. treasury for their exports. There is an important secondary effect of the financing of initial U.S. exports into a country since once U.S.-manufactured goods have been placed, a permanent market for replacement parts and further exports of the same kind develops.

Since the OPEC oil increases of 1973, about 20 percent of U.S. exports to the less-developed countries have been financed through various U.S. assistance programs; before 1973 it had been around half (U.S. Department of Commerce 1979a, pp. 853, 862). U.S. foreign assistance has played an especially important role in certain U.S. industries. For example, in 1965 30 percent of all U.S. exports of railroad transportation equipment, 30 percent of U.S. exports of fertilizer, and 24 percent of the exports of iron and steel mill products were financed by foreign aid (Magdoff 1969, p. 130).

The benefits of the U.S. foreign assistance program are highly concentrated in a few corporations. For example, in 1972 and 1973

TABLE 5.12: Exports of the Advanced Capitalist Countries to the Less-Developed Countries

	Percentage Share of Different Commodity Groups among Exports to Less-Developed Countries			Percentage Share of All Exports that Go to the Less-Developed Countries		
	1955	1970	1976	1955	1970	1976
All products	100.0	100.0	100.0	27.7	18.7	22.9
Food	12.5	12.1	10.0	21.0	18.8	19.3
Agricultural raw materials	2.7	2.6	2.1	7.5	10.4	11.7
Ores and metals	8.8	8.8	8.0	19.1	13.3	18.4
Fuels	3.0	1.5	1.4	15.6	8.2	6.2
Manufactured goods	65.9	71.9	76.0	34.3	20.5	25.8

Source: United Nations 1979a, p. 98.

83 percent of all the loans of the U.S. Export-Import Bank were to fund the exports of just 25 U.S. companies, and 60 percent went to just four: Boeing, McDonnell Douglas, Westinghouse, and G.E. (Mattelart 1979, p. 68).

A considerable proportion of total U.S. exports are intracompany transfers within a transnational corporation. In 1963 33 percent of all U.S. exports were from U.S. transnational corporations to their overseas subsidiaries (88 percent of such intercompany shipments were of the parent companies' own products). Intracorporation transfers are more important in the manufacturing sector than overall. In 1966 these accounted for 36 percent of all U.S. exports of manufactured goods (U.S. Department of Commerce 1975b, p. 82).

A considerably higher proportion of the exports of the larger transnational corporations are to their subsidiaries than the U.S. average. A study of 125 U.S. transnational corporations, which accounted for over 70 percent of foreign investment flows, showed that in 1970 57 percent of their total exports were made to their overseas affiliates (Barnet and Müller 1974, p. 267).

The high proportion of U.S. exports to the overseas subsidiaries of the transnational corporations indicates the central role of overseas investments in imperialism. A considerable proportion of the transnationals' exports to their subsidiaries are equipment and semiprocessed materials that are essential for operation of overseas affiliates. Exports, in good part, support foreign investments.

Further confirming the central importance of foreign investment compared to exports in imperialism is the fact that the foreign sales of U.S. subsidiaries in the less-developed countries are greater than U.S. exports to these countries. In 1966 subsidiary sales in the less-developed countries were 2.2 times larger than U.S. exports to them. In 1967 subsidiary sales in manufacturing were 2.0 times greater than U.S. manufactured exports. In 1976 the overall ratio of subsidiary sales to U.S. exports increased to 4.1 times. But the ratio of subsidiary manufacturing sales to manufacturing exports had decreased to 1.3 times (see Table 5.19). These changes largely reflect the changing role of petroleum. On the one hand, rapidly rising petroleum prices have meant that the total overseas sales of the U.S. transnational petroleum corporations have risen more rapidly than total U.S. exports. On the other hand, the United States has had to step up its export of manufactured goods to pay for its increasingly expensive petroleum imports.

In 1966, 59.6 percent and in 1976 43.4 percent of the total sales of U.S. subsidiaries in the less-developed countries were local sales, rather than exports. In the manufacturing sector the percentages were 91.6 percent and 90.6 percent respectively. In 1966 only 10.0 percent and in 1976 only 9.7 percent of the total sales of all U.S. subsidiaries were exports back to the United States. For manufacturing the figures were 3.1 percent and 3.5 percent respectively (see Table 5.13). U.S. investments in manufacturing industries in the less-developed countries are clearly oriented to local markets, not to supplying U.S. or other advanced capitalist markets. The sales of U.S. transnational corporations in petroleum are oriented to "third countries." Profits in this sector are made mostly from providing the petroleum of the less-developed countries to Japan and Western Europe.

The evidence presented in this section demonstrates both that the export of manufactured goods is a source of considerable profit for the transnational corporations and that overseas investment is considerably more important than the export of goods as a source of profit. There are a number of advantages to exporting productive capital rather than the industrial goods produced within the advanced capitalist countries. These include: the lower wage and construction costs in the less-developed countries; the incentives, such as tax holidays, offered by many less-developed states; lesser transportation costs of shipping goods from their point of manufacture to buyers outside the metropolitan countries; the ability to slip under the tariff and other import barriers of the less-developed countries; and avoiding the problem of having to purchase the imports of the countries to which metropolitan exports are sent so that they can acquire metropolitan currency with which to purchase metropolitan exports (this is crucial in the argument of those who argue that a balance of trade surplus or the export of capital is necessary to avoid underconsumption and consequent economic stagnation in the advanced countries). It is clear that foreign investment is more important than the export of goods for the profit making of the transnational corporations in the less-developed countries.

THE IMPORT OF RAW MATERIALS

Some who reject both the argument that imperialism is a necessary condition for the continuation of the capital accumulation process and that it is motivated primarily by the pursuit of high profits by the transnational corporations argue instead that imperialism is indispensable in order to obtain the raw materials which are required by the technologically advanced economies of the metropolitan countries.

TABLE 5.13: Sales by Majority-Owned Foreign Affiliates of U.S. Transnational Corporations in the Less-Developed Countries, 1966/67 and 1976 (percent)

	All Industries		*Mining*		*Petroleum*		*Manufacturing*	
	1966	1976	1967	1976	1967	1976	1966	1976
Local Sales								
Total	59.6	43.4	15.3	40.3	45.4	25.3	91.7	90.6
Latin America	67.0	69.5	14.0	42.6	59.2	44.3	93.8	93.6
Middle East	27.4	13.2	—*	—*	11.1	11.0	85.4	72.4
Asia	75.1	56.2	—*	—*	67.0	45.5	76.8	78.5
Exports to the U.S.								
Total	10.0	9.7	34.5	29.5	8.3	11.9	3.2	3.5
Latin America	12.6	10.6	34.9	32.6	14.1	19.3	2.2	2.4
Middle East	6.3	6.2	—*	—*	7.4	6.7	—*	1.4
Asia	6.4	13.2	—*	—*	3.5	21.5	9.8	8.3
Exports to Third Countries								
Total	30.4	46.9	50.2	30.1	46.3	62.8	5.1	5.9
Latin America	20.4	20.0	51.1	24.8	26.7	36.4	4.0	4.0
Middle East	66.3	80.5	—*	—*	81.5	82.3	—*	26.3
Asia	18.5	30.6	—*	—*	29.6	33.0	13.4	13.2

*Data not available.
Sources: U.S. Department of Commerce 1974a, Pt. 2, pp. 28-29; 1976a; 1978a.

Heather Dean has made one of the most straightforward and important statements of this position. Rejecting the arguments of Hobson, Lenin, and Luxemburg, she argues that intensive processes within the metropolitan countries are fully adequate to allow the capital accumulation process to proceed and thus that the root cause of imperialism is the drive to obtain raw materials:

> . . . the development of capitalist economies has shown an almost limitless capacity for internal expansion. Legalized unions, welfare, public works, defense spending, planned obsolescence, space programs, consumer credit, ad created markets and fad spending—techniques beyond the wildest dreams of the Social Democrats [of Lenin's times]—lead one to suspect that the last cataclysmic convulsion of capitalism just isn't coming.
>
> Not only have capitalist economies succeeded in expanding internally, but they have observably not exploited market and investment opportunities in the underdeveloped countries. The feudal economic and political structures of the Third World provide neither purchasing power nor opportunities for investment in industry. . . .
>
> American investors do make a tidy sum each year on their overseas investments, and it would be naive to suppose that the corporations involved would be too altruistic to fight to maintain them. But the degree of expansion has been so limited, the profits so peripheral to the American economy, that it takes a peculiar sort of demonology to believe that they are in themselves adequate justification of the three wars and countless lesser military actions by which the United States has gained and maintained control of the Third World (Dean 1971, p. 140).

Gabriel Kolko (1969) and Harry Magdoff (1969) have made similar arguments. According to Magdoff:

> The economic control, and hence the political control when dealing with foreign sources of raw material supplies, is of paramount importance to the monopoly-organized mass production industries in the home country. In industries such as steel, aluminum, and oil the ability to control the source of raw material is essential to the control over the markets and prices of the final products, and serves as an effective safety factor in protecting the large investment in the manufacture and distribution of the final product (Magdoff 1969, p. 195).

Like the arguments about the relationship between capital flows and exports, arguments about the role of import of raw materials from the peripheral countries can be made either in the defense of the position that imperialism is a necessary condition for the exis-

tence of capitalism or that imperialism is an organic product of capitalism. To maintain the first, it would have to be shown that there could be no other way to obtain a secure source of raw materials at a price that would allow profits to be made and the capital accumulation process to continue other than through the imperial domination of the peripheral countries. To maintain the second, it need only be argued that it is *more* profitable and more *secure* to obtain raw materials through imperialism. This latter position is in fact what Magdoff (1969, 1970) shows (although he takes an unjustified jump in suggesting that he has proven necessity). Magdoff rightfully argues that imperialism allows the metropolitan countries, and more importantly the transnational corporations based in them, to guarantee themselves a cheap and secure source of raw materials. In fact, this drive to guarantee raw material supplies at their source is motivated by the transnational corporations' pursuit of profits vis-à-vis transnational corporations based in other countries rather than to ensure that necessary raw materials will be available in their home country. Magdoff himself weakened his original position in his response to S. M. Miller et al.:

> The concentration of economic power in a limited number of giant firms became possible in many industries precisely because of the control by these firms over raw materials sources. The ability to maintain this concentrated power, to ward off native and foreign competitors, to weaken newcomers, and to conduct its affairs in accordance with monopolistic price and production policies depended on alertness and aggressiveness of the giant firms to obtain and maintain control over major segments of the supplies of raw materials—*on a world scale*. This has been the underlying rationale of foreign investment in the extractive industries during the era of modern imperialism: not only in oil but in a spectrum of products, especially minerals.
>
> The issue, therefore, is not dependency of the United States on foreign mineral supplies, but the dependency of monopoly industry qua "monopolies" on the control of these supplies (Magdoff 1970, p. 28).

The position that the control of raw materials at their source is a necessary condition for the maintenance of profitability and capital accumulation in the metropolitan countries would have to demonstrate: first, that the only source of at least some crucially necessary raw materials is the less-developed countries; second, that there are no, more expensive, substitutes available in the metropolitan countries, and thus that it is essential that supplies come from the less-developed countries; third, that there is a motive for the less-developed countries to not supply the metropolitan countries with their essential and unsubstitutable raw materials at a price which would allow profitable capital accumulation to continue in the metropolis; and fourth, that the solidarity necessary among the politically highly diverse less-developed countries to run an effective and long-term boycott could be maintained. The position that the control of raw materials at their source is merely highly profitable for the transnational corporations, on the other hand, need only demonstrate that imperialism results in considerably greater profits for the raw-materials-extracting corporations than would otherwise be the case.

Magdoff, like others who focus on the raw materials argument, tends to: overemphasize the importance of the peripheral countries as sources of supply for raw materials; confuses the reality of raw materials imports from these countries with the question of whether such imports are the *only* way to obtain such materials, or are merely the cheapest; neglects the possibilities of the development of substitute materials that would be more expensive but would nevertheless perform the functions of materials available only from peripheral countries; falsely suggests that the peripheral countries have an interest in stopping the flow of crucial raw materials to the metropolitan countries, while in fact they merely have an interest in increasing their price; and neglects the fact that effective long-term boycotts require more or less complete adherence, under great pressure, on the part of a large number of nations, some of which are socialist, others progressive noncapitalist, and some capitalist, nations which are at different economic levels, have different needs and interests, are differentially under the influence of different metropolitan powers, and have great antagonisms among themselves.

There has been a sharp increase in both the percentage of total U.S. imports that are from the less-developed countries, and the ratio of imports from the less-developed countries to the U.S. GNP (mostly due to the increased reliance on more expensive petroleum). However, imports from the less-developed countries in 1978 amounted to less than 3.4 percent of the U.S. GNP (see Table 5.14). The United States is the most self-sufficient of all the world's capitalist countries. Most of the raw material inputs (agricultural and mineral) necessary for its economy are generated within the United States. Further, the majority of its raw materials imports are secured from other developed capitalist countries. Forty-three percent of all U.S. raw materials imports are from the less-developed capitalist countries (see Table 5.15).

In 1978 two-thirds of all food and animal imports to the United States originated in the less-developed nonsocialist countries (including 81 percent of vegetable and fruit imports). Eighty-four percent

TABLE 5.14: U.S. Imports from the Less-Developed Countries

	As a Percentage of All U.S. Imports	*As a Percentage of the U.S. GNP*
1955	50	1.43
1960	41	1.19
1965	33	1.05
1970	26	1.06
1975	41	2.57
1978	41	3.38

Sources: U.S. Department of Commerce 1974b, Table 1326; 1975a, Series U335-52; 1979a, Tables 714, 1511.

of all mineral fuel imports (including 90 percent of petroleum imports) were from these same countries. On the other hand, only 29 percent of crude mineral imports (excluding fuels) were imported from the less-developed countries (including 34 percent of nonmetalic minerals and 44 percent of base metals). However, 54 percent of imported *nonferrous* metals were from the less-developed countries. Almost one-half of all U.S. imports from the less-developed countries were mineral fuels (virtually entirely petroleum). Foods and animals amounted to 12 percent of total U.S. imports from the less-developed countries. Crude minerals (excluding fuels) accounted for less than 4 percent of the total value of all U.S. imports from the less-developed countries (see Table 5.15).

In 1970 imports from the less-developed countries accounted for 18 percent of the total imports of the developed capitalist countries, but in 1976 they accounted for 27 percent. Dependence on these countries as a source of fuel has continually increased. In 1955 57 percent of all their fuel imports and in 1976 75 percent were from the less-developed countries. In 1976 fully 62 percent of all the imports of the developed countries from the less developed were fuels (mostly petroleum), while in 1955 fuels represented only 21 percent of total imports. Meanwhile, food declined from 40 percent of total imports from the less-developed countries in 1955 to only 14 percent in 1976. In 1976 only 30 percent of total food imports of the developed countries were from the less-developed countries, compared to 46 percent in 1955 (see Table 5.16). Reliance on imports from the less-developed countries for the developed capitalist economies as a whole shows a pattern similar to that of U.S. imports from such countries.

TABLE 5.15: U.S. Raw Materials Imports from the Less-Developed Capitalist Countries, 1978

Raw Materials	Value (millions of dollars)	Percentage of Total U.S. Imports from the Less-Developed Countries	Percentage of All Imports from the Less-Developed Countries Represented by Each Commodity Category
Food and animals	9,042	66.9	12.3
Vegetable and fruit	1,488	81.0	2.0
Crude materials (excluding fuels)	2,746	29.4	3.7
Nonmetalic minerals	128	33.9	.2
Base metal ores	1,249	43.8	1.7
nonferrous	844	54.2	1.2
Mineral fuels	35,539	84.4	48.4
Petroleum	35,359	90.4	48.2
Chemicals and related products	604	9.3	.8
Others (tobacco, animal oils, beverages)	690	25.3	.9
Total	73,363	42.6	66.1

Source: U.S. Department of Commerce 1978b.

The minerals listed in Table 5.17 include all those stockpiled by the U.S. government in 1978 plus those listed in the summary tables of the 1976 edition of the *Minerals Yearbook* of the U.S. Bureau of Mines for world and U.S. raw materials production and for U.S. imports of major minerals. Of these 52 minerals the U.S. imports at least half of its consumption for 25 and at least one-third for a total of 29. However, of these 52 minerals the U.S. imports at least half of its consumption from the less-developed nonsocialist countries for only 13 and at least one-third for a total of only 16. The 13 minerals on which the United States is dependent on imports from the less-developed countries for at least half of its consumption are bauxite, beryllium, bismuth, chromium, cobalt, columbium, feldspar, graphite, manganese, mica, strontium, tantalum, and tin. The additional three that account for between one-third and one-half of U.S. consumption are: antimony, petroleum, and platinum. It should also be noted that the United States is totally self-sufficient in 10 of the 52 minerals and relies on imports from the less-developed countries for less than 10 percent of total consumption for 25, half of the total. Thus, it can be seen that the United States produces domestically the bulk of the raw materials its economy uses and that it secures most of the remainder from elsewhere than the less-developed nonsocialist countries. Nevertheless, for a set of crucial materials, imports from the less-developed countries *are* the primary source for the U.S. economy.

For the 16 materials for which the United States relied on the less-developed countries for at least one-third of its consumption in 1978, it significantly increased its dependence on this source of supply for eleven between 1965 and 1978: bauxite, bismuth, cobalt, graphite, platinum, mica, tin, petroleum, columbium, strontium, and tantalum; while it significantly decreased its reliance for three: antimony, beryllium, and manganese (see U.S. Bureau of Mines 1965; Table 5.17 herein).

While the aggregate value of mineral imports other than petroleum is small and the percentage of minerals imported from the less-developed countries not overwhelming, it might very well be argued that the United States and other developed capitalist economies may be dependent on rather small amounts of key metals and nonmetalic minerals for the most part *only* available in Asia, Africa, and Latin America, and thus that imperialism is indispensable in order to obtain materials *qualitatively* necessary for technologically advanced industry.

Much of the U.S. import of raw materials from the less-developed countries does not occur because potential supplies do not exist elsewhere but because much richer deposits of the imported minerals

TABLE 5.16: Imports of the Advanced Capitalist Countries from the Less-Developed Countries

	Percentage Share of Different Commodity Groups among Imports from the Less-Developed Countries			*Percentage of All Imports That Come from the Less-Developed Countries*		
	1955	*1970*	*1976*	*1955*	*1970*	*1976*
All products	100	100	100	28.1	18.3	27.2
Food	40.2	26.7	13.8	46.3	32.5	29.9
Agricultural raw materials	21.1	8.8	4.0	39.2	26.2	23.0
Ores and metals	13.2	15.6	5.7	26.6	20.7	17.8
Fuels	20.6	34.5	61.9	56.6	64.6	74.9
Manufactured goods	4.8	14.1	14.3	4.0	4.8	7.8

Source: United Nations 1979b, Table 3.3.

exist in these areas than in the United States or in the other advanced capitalist countries; that is, much raw material import occurs because it is more *profitable* to import than to mine or recycle in the United States. For example, cobalt is readily available domestically (as well as in offshore manganese nodules) but only in deposits that would presently be more costly to utilize than importing. Nickle and tungsten, readily available outside of the less-developed countries, also serve as well as cobalt for many alloying purposes. The effects of these two situations mean that a 10 percent price rise by the suppliers of cobalt would result in a 17 percent reduction in sales within a three- to five-year period, and thus that the possibilities of the less-developed countries significantly increasing the price of cobalt would backfire (Rose 1976, p. 150).

Unlike cobalt, there are no feasible substitutes for manganese in alloying and desulfurizing in the production of high-grade steel (except materials that are far costlier and not nearly as desirable). However, Australia and the ocean bottom (as well as the Soviet Union and China) have large manganese reserves. Further, there are immense low-grade manganese deposits in Arizona, Arkansas, Maine, and Minnesota, which, if the world price got high enough, or if external supplies were cut off, could be utilized.

Ferronickel, the cheapest and most readily available satisfactory substitute outside of the less-developed countries for chromium in the production of stainless steel costs 3.5 to 4.0 times as much. If supplies of chromium were to be cut off, or if the price of chromium were to rise more than 3.5 to 4.0 times, ferronickel would be substituted for imports from the less-developed countries.

There are immense bauxite reserves in the United States. Domestic reserves of alumina-bearing clays are adequate for 10,000 years at current rates of consumption. An increase of 60 percent in the world price would make domestic production profitable (Rose 1976, p. 154).

If the cost of petroleum rises high enough (or if foreign supplies were cut off) it would become commercially feasible to convert the immense U.S. deposits of oil shale and coal into petroleum products, as well as to increasingly convert to the direct use of coal, wood alcohol, and other forms of energy.

In sum, neither quantitatively *nor* qualitatively does the United States appear to depend so heavily on raw materials imports from less-developed countries as to justify claims of the indispensability of imperialism.

The allied blockade of Germany in both world wars was premised on the assumption that cutting Germany off from raw material supplies would lead to the destruction of its military capacity. This

TABLE 5.17: U.S. Dependence on Raw Materials Imports from the Less-Developed Countries, 1978

Mineral	*A* Imports/Consumption (in percent)	*B* % of Imports from Major Suppliers from the Less-Developed Countries	*A x B* (in percent)	*Major Less-developed Country Suppliers*
Antimony[a]	48	49	24	South Africa, Bolivia, Mexico
Asbestos[a]	84	3	3	
Bauxite[a]	93	100	93	Jamaica, Guyana, Surinam
Beryllium[a]	57	100	57	Brazil, South Africa
Bismuth[a]	100	55	55	Peru, Mexico
Cadmium[a]	66	19	13	Mexico
Cement	7	20	1	
Chromium[a]	92	78	72	South Africa, Philippines, Turkey
Coal	net exporter	—	net exporter	
Cobalt[a]	97	63	61	Zaire, Zambia
Columbium[a]	100	91	91	Brazil, Thailand
Copper[a]	19	61	12	Chile, Peru, Zambia
Diamonds (industrial)	net exporter	—	net exporter	
Feldspar	82	80	66	Mexico, South Africa
Feldspar	net exporter	—	net exporter	
Gas, natural and manufactured	5	6	0	
Graphite[a]	100	97	97	Mexico, Republic of Korea
Gypsum	34	24	8	
Iodine[a]	81	15	12	Chile
Iron ore	29	46	13	Venezuela, Brazil
Kyanite[a]	net exporter	—	net exporter	
Lead[a]	11	48	5	
Magnesium[a]	net exporter	—	net exporter	
Manganese[a]	98	54	53	Gabon, Brazil, South Africa
Mercury[a]	57	43	25	Algeria, Mexico
Mica[a]	100	98	98	India, Brazil
Molydenum	net exporter	—	net exporter	
Nickel[a]	77	18	14	New Caledonia, Dominican Republic
Nitrogen	1	15	0	
Petroleum[a]	47	91	43	South Arabia, Nigeria, Indonesia
Phosphate Rock	net exporter		net exporter	
Platinum[a]	91	49	45	South Africa
Potash	61	0	0	
Quartz Crystal[a]	net exporter	—	net exporter	
Rare Earth Metals[a]	net exporter	—	net exporter	
Rutile[a]	89	4	4	
Salt	9	63	6	

TABLE 5.17: continued

Mineral	A Imports/Consumption (in percent)	B % of Imports from Major Suppliers from the Less-Developed Countries	A x B (in percent)	Major Less-developed Country Suppliers
Silicon[a]	18	0	0	
Silver[a]	41	48	20	Mexico, Peru
Strontium[a]	100	90	90	Mexico
Sulfur	10	44	4	
Talc[a]	net exporter		· net exporter	
Tantalum[a]	97	75	73	Thailand. Malaysia
Tellurium	45	33	15	Peru
Thorium[a]	100	0	0	
Tin[a]	81	100	81	Malaysia, Bolivia, Thailand
Titanium[a]	9	0	0	
Tungsten[a]	50	63	32	Bolivia, Peru, Thailand
Vanadium[a]	27	90	24	South Africa, Chile
Uranium[a]	18	0	0	
Zinc[a]	62	13	8	
Zirconium	54	2	1	

[a]Stockpiled by the U.S. government in 1978.

Note: Minerals included are all those stockpiled by the U.S. government in 1978 plus those listed in the summary table on world and on U.S. production and imports of principal minerals and mineral fuels in the *Minerals Yearbook*, 1976.

Sources: Most data are from U.S. Bureau of Mines 1979. Where appropriate data are not available in this source, comparable data are taken from U.S. Bureau of Mines 1976 and U.S. Department of Commerce 1978b and 1979a.

assumption proved wrong in both cases. The Germans were able to develop adequate, although sometimes expensive and inefficient, substitutes for all the purposes necessary to maintain their fighting machine and keep German industry rolling at full capacity. The resource base available to the United States, even if it were cut off from all the rest of the world except Canada, is significantly greater than that available to the Germans in either war. This together with the more efficient and resourceful technologies presently available to the United States would seem to more than counterbalance the increased demand for a few esoteric metals required by the more sophisticated technologies of the 1970s.

It would seem to be demagogic to argue, with the apologists for imperialism, that there is a real likelihood of all the less-developed countries banning together in order to indefinitely cut off the supply of raw materials to the advanced capitalist countries. The less-developed countries are for the most part more dependent on the industrial exports of the advanced countries than the advanced countries are on their raw materials. The preservation of the privileges of the local propertied groups and/or the prosperity and economic order of the less-developed countries is thoroughly dependent on the continuation of raw materials exports. What the less-developed countries (whether socialist, capitalist or otherwise) are interested in, is not in cutting off the supply of raw materials (which would destroy their own economies), but rather in securing significantly better terms of trade for themselves. Even if the average cost of petroleum and mineral imports from the less-developed countries to the United States increased by a factor of 5 times over their 1978 prices—hardly likely because alternatives are developed when the cost becomes too high—such imports would represent only about 8 percent of the GDP of the United States.

Even if a majority of the less-developed countries tried to band together to cut off raw materials exports it is most unlikely that they could long maintain a solid front given the tremendous political diversity in their regimes and the tremendous domestic pressures that would develop to break ranks and make extraordinary profits (as the OPEC oil boycott of the 1970s showed). It should also be noted that historically it has been the advanced capitalist countries that have been able to effect disciplined boycotts against the poorer countries, far more than the reverse, e.g., the boycotts of the Soviet Union in the 1920s, China by the United States in the 1950s and 1960s, Iran in 1953-54, and Cuba by the United States after 1960. In all these cases it was the industrially backward countries that, because they were hurt more by suspensions of trade, sought the hardest to normalize trade relations. In summary, the argument that raw materials imports require imperialism cannot be substantiated.

While it is not true that the drive to secure otherwise unobtainable raw materials is the motive force behind imperialism, it *is* true that tremendous profits are made by the transnational corporations which control so much of international raw materials supply and distribution. Even now that the major sources of raw materials such as petroleum and copper are formally nationalized, the major transnational corporations still do the bulk of exploration, work on contract to produce the oil and provide managerial and technological expertise and high technology equipment to the nationalized companies at a healthy profit, dominate refining and processing, and largely control world distribution and sales. Their profits, far from suffering from nationalization, have in fact increased.

That it is transnational corporate profit maximization and not the necessity for U.S. industry to secure raw materials which is the dynamic behind imperialism is born witness to by the fact that until the mid-1970s very little Middle Eastern petroleum was imported into the United States, even though U.S. transnational corporations had controlled the petroleum consortiums in the area for a generation. During this time, U.S. transnational corporations took the oil out of the ground and sold it to Europe and Japan (as well as to the less-developed countries) making tremendous profits, which they in good measure repatriated to the United States. Petroleum was used as a mechanism to transfer wealth from Japan and Europe to the U.S. petroleum companies. The same was true of U.S. copper companies in Chile that sold most of their exports to Western Europe and Japan.

In 1976 U.S. petroleum companies in the less-developed countries exported only 12 percent of their production to the United States while exporting 63 percent to third countries. U.S. petroleum companies in the Middle East exported less than 7 percent of their output to the United States while selling 82 percent to third countries. The pattern in 1976 was little different from ten years before. In 1967 the U.S. petroleum companies in the less-developed countries sold 8 percent of their total production to the United States (7 percent of their Near East production) and sold 46 percent (82 percent from the Near East) to third countries. The subsidiaries of U.S. mining companies in the less-developed countries in 1976 exported only 30 percent of their production to the United States, selling another 30 percent to third countries (40 percent was sold domestically in the countries where the mines are located). The percentage

of total production exported to the United States declined from 35 percent to 30 percent from 1967 to 1976 (see Table 5.13).

Much has been made of supposed U.S. reliance on the Persian Gulf area for petroleum. But while tremendous profits are made by U.S.-based petroleum corporations that continue to dominate the petroleum industry in this region, the United States is not in fact especially reliant on petroleum imports from the Gulf. In 1977 no country in this region exported more than 18 percent of its petroleum to the United States (only one, the United Arab Emirates, exported more than 10 percent). Saudi Arabia, the principal supplier of U.S. petroleum in the area, exported only about 9.5 percent of its petroleum to the United States. The United States took over 20 percent of the petroleum exports of five countries in 1977: Algeria, Indonesia, Libya, Nigeria, and Venezuela (in each case the United States took between 28 percent and 52 percent of their exports). In the 1976-78 period the five leading suppliers of U.S. petroleum imports were in order: Saudi Arabia with 20.7 percent of total U.S. imports, Nigeria 16.9 percent, Libya 9.7 percent, Indonesia 8.6 percent, and Algeria 8.6 percent (U.S. Department of Commerce 1979a, p. 606; United Nations 1979b).

Transnational corporations are centrally involved in raw materials exploitation and distribution, not in order to obtain raw materials for their home country's industries, but to make monopoly profits from securing access to relatively cheap (or at least highly profitable) raw materials. They care little which countries buy, selling to the highest bidder, in order to make a maximum profit. The petroleum companies among the 298 transnational corporations studied by the U.S. government in the early 1970s showed a rate of profit of 23.5 percent on their operations in the less-developed countries compared to a domestic rate of 5.8 percent. Mining companies showed a rate of 10.3 percent compared to a domestic rate of 8.6 percent (see Table 5.4). A 1975 study for the Senate Committee on Foreign Relations found that the ratio of foreign to domestic profits (before tax) in the petroleum industry was 167.7 percent (Musgrave 1975, p. 16). The rate of profit on the direct investment of all U.S. petroleum companies in the less-developed countries from 1960 to 1970 averaged around 25 percent a year, while the rate of profit on U.S. mining investments averaged around 18 percent for the same period. In the 1970s the officially reported rate of profit on U.S. petroleum investments in the less-developed countries averaged over 50 percent a year. In the 1975-78 period, the official rate of profit on U.S. direct investment in petroleum in the less-developed countries was 96 percent. However, the rate of profit on investments in mining declined to an average of about 12 percent in the 1970-78 period (U.S. Department of Commerce 1980a). These overseas rates of profit for the petroleum and mining corporations should be compared with the domestic rates of profit for the 500 largest corporations in the United States, which in 1965 was 8.0 percent, in 1975 5.7 percent, and in 1977 6.5 percent (U.S. Department of Commerce 1978c, p. 573).

Transnational corporations make tremendous profits from the distribution of raw materials of the less-developed countries. These corporations handle the bulk of the petroleum and mineral exports of the less-developed countries to the advanced. For example, in 1974 37 percent of all U.S. imports from the less-developed countries were sales by majority-owned foreign affiliates of just U.S.-based companies (including 40 percent of all imports from Asia and Africa) (United Nations Economic and Social Council 1978, p. 220).

In summary, it is clear that the involvement of the petroleum and mineral transnational corporations in the less-developed countries is oriented to making megaprofits, not to supplying the U.S. economy with the inputs of a technologically advanced economy which could be obtained in no other way than through imperialism. It is profit making, not the requisites of technology, that drives U.S. imperialism.

MILITARY SPENDING AND IMPERIALISM

Another important motive force behind imperialism is the tremendous profit made by the giant corporations from sales of military equipment (primarily but not exclusively to their own governments). In order to maintain high levels of government spending on military hardware, and the consequent high profits that result (and avoid the spread of the "tax revolt" to highly profitable military sales) it is necessary to maintain the ideological hegemony of militarism. Most people must be persuaded and remain convinced that a huge military is necessary. This occurs in part through a massive multimedia campaign of persuasion about the "Soviet threat" (supplemented until recently, by the "Yellow Peril"), or other threats to "our interests," such as the attempts of various nationalist regimes in the less-developed countries to nationalize transnational corporations or otherwise impinge on U.S. corporate interests, e.g., in Guatemala in 1954, and Iran in 1953 and 1979. Militarist ideology is also maintained by occasional actual military

actions such as those in Korea, Vietnam, and the Dominican Republic that made the "need" for a strong military credible. When a strong military exists, it must be justified by its occasional use (or at least threat of its use), which almost always is in the interest of the very transnational corporations who profit so greatly from equipping the military. The interest of the giant corporations in heavy military expenditures is a major contributing cause of imperialism that acts independently of any direct economic stake transnational firms have in economically dominating and exploiting the less-developed countries.

Military contracts are exceptionally profitable for the corporations. The U.S. Defense Department provides much of the working and fixed capital for the major contractors, and subsidizes the costs of research and development. "Cost-plus" contracts that virtually guarantee corporations against any losses are standard. Cost overruns are the norm. It has been estimated that actual costs average 320 percent of initial estimates (Edwards et al. 1978, p. 412). The cost-plus procedure encourages inefficiency and padded costs. Each contractor does what it can to charge the costs of as much as possible of its operations to the Department of Defense (DOD) no matter how marginally related or unnecessary for fulfilling a given contract. Since profits are generally a fixed percentage of *actual* costs, the greater the cost overrun the higher the profits. It is standard practice for the prime contractor of major weapons systems to subcontract out many of the major component parts, and in turn often for the subcontractors to sub-subcontract. The profits of each subcontractor become part of the costs of the contractor. Thus the actual profit made from a contract is typically considerably higher than the cost-plus profit at the final stage. In general, the lucrative real and guaranteed profits of military contracting are a considerable force behind a large segment of U.S. industry's economic interest in imperialism. It has been estimated that in the 1960s approximately 50 percent of the profits of the largest U.S. corporations came from either military contracts or overseas investments (Brown 1974, p. 218).

Just the top five military contractors accounted for a total of 17.7 percent of all DOD contracts, the top 25 for 47.3 percent, and the top 100 for 67.7 percent (U.S. Department of Defense 1977a). Profits from military contracting are concentrated in the hands of a relatively few corporate giants. These politically powerful firms thus have a special interest in imperialism. Of the 25 top Defense Department contractors in 1977, 18 were on the Fortune list of the top 100 industrial corporations in the United States (see Table 5.18).

TABLE 5.18: Top Military Contractors in 1977 (millions of dollars)

Rank on Fortune's 500 Top Industrial Corporations	Value of Contracts Signed	Percentage of Total Sales to DOD	Sales to Military as Percentage of the Total Sales of the Corporation[a]
McDonnell Douglas (64)	2,574	5.11	72.6
Lockheed (71)	1,673	3.32	49.6
United Technologies (34)	1,585	3.15	28.6
Boeing (49)	1,580	3.14	39.3
General Electric (9)	1,520	3.02	8.7
Rockwell International (31)	1,480	2.94	25.3
Grumman (161)	1,428	2.83	92.0
General Dynamics (85)	1,372	2.72	47.3
Hughes Aircraft	1,093	2.17	—
Northrop (153)	1,047	2.08	65.4
Raytheon (89)	1,040	2.07	36.9
Westinghouse (26)	802	1.59	13.1
Tenneco (19)	744	1.48	10.0
Sperry Rand (75)	651	1.29	19.9
Chrysler (10)	620	1.23	3.7
Litton Industries (69)	609	1.21	17.7
IBM (7)	547	1.09	3.0
Todd Shipyards (668)	468	.93	—[c]
AT&T (#1 utility)	457	.91	1.2
Honeywell (82)	457	.91	15.7
Textron (90)	455	.90	16.2
Fairchild Industries (455)	429	.85	108.0
Martin Marietta (177)	426	.85	29.6
General Motors (1)	380	.75	.7
RCA (30)	364	.72	6.3
Total of 25 Top Contractors	23,801	47.26[b]	38.8

[a]Data are for contracts signed in fiscal year 1977 and sales are for 1977, thus the two series actually overlap by only six months. These figures should be taken to be only approximations of the impact of military spending.

[b]The top 100 account for 67.7% of all military sales.

Sources: U.S. Department of Defense 1977a; *Fortune*. May 8, 1978, pp. 238-90. June 19, 1978, pp. 171-96.

TABLE 5.19: Sales by Overseas Subsidiaries, Exports, Sales to the U.S. Military, and Increase in Private Bank Loans (in billions of dollars)

	Foreign Sales by Subsidiaries in the LDCs[a]		Exports to the LDCs		Sales to U.S. Military (Procurement)		Total		
	1 Total Sales	2 Manu- facturing	3 Total Exports	4 Manu- facturing	5 As % of Total Sales	6 As % of Manufac- turing Sales	7 Total (1 + 3 + 5)	8 Manu- facturing (2 + 4 + 5)	9 New Private Bank Loans (Net) to LDCs
1966 total	23.5	6.9	10.5	—[b]	38.2		72.2	—[b]	+.3
% of total sales	(2.2)	(1.3)	(1.0)		(3.7)	(7.1)	(6.9)		
1967 total	26.6	7.9	10.3	5.6	44.6		81.5	58.1	+.6
% of total sales	(2.5)	(1.4)	(1.0)	(1.0)	(4.1)	(8.0)	(7.6)	(10.4)	
1968 total	29.7	9.1	11.2	6.0	43.8		84.7	58.9	+.2
% of total sales	(2.6)	(1.5)	(1.0)	(1.0)	(3.8)	(7.3)	(7.3)	(9.8)	
1969 total	33.0	10.5	11.7	6.5	42.0		86.7	59.0	+.0
% of total sales	(2.7)	(1.6)	(1.0)	(1.0)	(3.4)	(6.5)	(7.0)	(9.2)	
1970 total	35.8	11.5	13.0	7.7	36.0		84.8	55.2	+.3
% of total sales	(2.8)	(1.8)	(1.0)	(1.2)	(2.8)	(5.6)	(6.6)	(8.7)	
1971 total	44.6	13.2	13.4	7.6	34.5		92.5	55.3	+.8
% of total sales	(3.3)	(2.0)	(1.0)	(1.1)	(2.6)	(5.1)	(6.9)	(8.3)	
1972 total	51.4	15.1	14.6	8.7	38.3		104.3	62.1	+2.0
% of total sales	(3.3)	(2.0)	(.9)	(1.1)	(2.5)	(5.1)	(6.7)	(8.2)	
1973 total	74.0	19.7	21.0	11.5	36.9		131.9	68.1	+2.5
% of total sales	(4.1)	(2.3)	(1.2)	(1.3)	(2.0)	(4.2)	(7.2)	(7.8)	
1974 total	148.3	26.4	32.7	17.9	40.1		221.1	84.4	+8.8
% of total sales	(7.0)	(2.6)	(1.6)	(1.8)	(1.9)	(3.9)	(10.5)	(8.3)	
1975 total	146.6	30.0	39.2	23.3	45.8		231.6	99.1	+11.2
% of total sales	(6.8)	(2.9)	(1.8)	(2.2)	(2.1)	(4.4)	(10.7)	(9.5)	
1976 total	163.9	32.9	40.4	25.9	46.9		251.2	105.7	+16.7
% of total sales	(6.8)	(2.8)	(1.7)	(2.2)	(1.9)	(4.0)	(10.4)	(8.9)	

[a]Less-developed countries.
[b]Data not available.
Sources: U.S. Department of Commerce. 1974a. pp. 26, 30; 1974b. pp. 312, 482, 792; 1975a, V. 78-107, 903; 1976a; 1978a, pp. 32, 35; 1979a, pp. 370, 561, 862: 1979c and various; 1979e, p. 29.

In general, there is a high degree of overlap between the largest U.S. corporations and the leading military contractors. Military sales account for an important proportion of the profits of many of the largest U.S. corporations. Many of the same megacorporations with a stake in trade or investment in the less-developed countries also have a stake in military contracting.

Military contractors are concentrated in certain key sectors of the economy. Of the top 100 Defense Department contractors for 1977 18 percent were electronics companies, 15 percent petroleum companies, 15 percent aircraft companies, 12 percent missile companies (U.S. Department of Defense 1977a). In 1977 58 percent of all shipments of all transportation-equipment-producing companies in the United States were to the U.S. federal government—mostly for the Department of Defense (U.S. Department of Commerce 1979a, p. 372). These corporations then have a special interest in militarist policies.

In 1966 corporate sales to the U.S. military (Defense Department expenses for "procurement") totaled $38.2 billion or 3.7 percent of all U.S. sales. Military procurement as a percentage of total U.S. sales declined through the 1970s to only 1.9 percent of total sales in 1976, half of its earlier total. Meanwhile, total subsidiary sales of U.S. transnational corporations in the less-developed countries increased from $23.5 billion (2.2 percent of total U.S. sales) to $164 billion in 1976 (6.8 percent of total U.S. sales) while U.S. exports to the less-developed countries grew from $10 to $40 billion (and from 1.0 percent to 1.7 percent of U.S. sales), as shown in Table 5.19.

Through the 1970s the role of bank loans to the less-developed countries has increased considerably. The net annual increase in such loans grew from $800 million in 1971 to $16.7 billion in 1976. In 1976 the net increase in private bank loans represented approximately half of all the sales of U.S. manufacturing subsidiaries in the less-developed countries and one-third of total sales to the U.S. military.

In the ten-year period 1966-76 sales to the military declined considerably, from a position as important as foreign sales plus exports to the less-developed countries combined to being about one-fourth as important as just subsidiary sales in the less-developed countries alone. The sources of profit making of the transnational corporations have shifted away from military contracting toward subsidiary sales (primarily of raw materials but also of locally produced manufactured goods) and to a lesser degree exports and interest on bank loans. Nevertheless, sales to the U.S. military in 1976 were still greater than total U.S. exports to the less-developed countries. They continued to be responsible for considerable profits for many of the largest U.S. corporations.

SUMMARY

In this chapter it has been shown how tremendously profitable imperialism is for the giant megacorporations and banks that dominate the U.S. economy and state. The corporations dominate military sales to the Pentagon, U.S. exports to the less-developed countries, the world trade in raw materials (especially petroleum), and U.S. direct investments in, and loans to, the less-developed countries. While all the means of profiting from imperialism are important, overseas investment has clearly become the most important source of profit in the 1970s, far surpassing exports and military sales in importance. Especially profitable has been investment in raw materials (above all in petroleum) and to a lesser degree the interest from rapidly expanding bank loans and the profits from growing manufacturing investments. The profits from imperialism grew considerably in relation to domestic profits through the 1970s, led by the rapidly growing profits from direct investments. Lenin was right that the export of capital is the primary motive force of imperialism. Imperialism is not a policy.

As profitable as imperialism is for the transnational corporations, it is not essential for the continuation of the capital accumulation process. Investment in the less-developed countries results in more funds being repatriated to the United States than are newly invested. Thus imperialism does not serve as an outlet for capital that cannot find a profitable investment in the advanced countries. Further, total new investment in the less-developed countries amounts to only a tiny portion of total domestic investment. Likewise, the balance of trade with the less-developed countries since 1973 has been negative (with total exports to them representing a small part of the total U.S. output). In summary, it is clear that Lenin's view on the continuation of the capital accumulation process was wrong. Imperialism is not a necessary condition for the continuation of the capital accumulation process. Although capitalism inherently generates imperialism (i.e., imperialism is not a policy), capitalism in the advanced countries could be profitable without imperialism.

6
THE STATE AND MILITARY INTERVENTION

This chapter examines the centrality of the state in the advanced capitalist countries to imperialism. The various functions performed by the state for the transnational corporations are outlined, and the "instrumentalist" and "structuralist" mechanisms by which the needs of the transnational corporations are transmitted to the state are treated. The contradictory interests of different segments of the transnational corporations as well as the contradictions among the state functions as they affect capital export are examined. The latter half of the chapter surveys the various forms of military intervention used by the imperialist states in an attempt to ensure the interests of the transnational corporations in the less-developed countries. Before World War II the imperialist states largely guaranteed the interests of their propertied classes by military conquest, direct colonization, and periodic military interventions. Since World War II mechanisms of imperial domination have become more sophisticated. Military force is now exercised mostly by proxy through friendly "subimperialist" states supported by the advanced capitalist countries and through the local armed forces of the less-developed countries, which are supplied, advised, trained, and equipped by the advanced capitalist countries.

THE IMPERIAL FUNCTIONS OF THE STATE*

The economic imperialism of the transnational corporations can only be realized with the support of the states of the advanced countries. The military, ideological, and economic power of the core states is an essential condition for the maintenance of the economic domination and exploitation of the less-developed countries. For this reason, talk of multinational corporations transcending states and becoming independent of their base state is nonsense. Regardless of the proportion of its profits coming from overseas, each transnational corporation must be able to count on the support of a powerful state apparatus to provide foreign aid, diplomatic pressure, military support (direct and indirect), and so forth to secure and advance its economic intercsts. The capitalist state supports the imperialist activities of its transnational corporations in order to enhance "business confidence" and hence capital accumulation as well as legitimacy within the corc countries themselves.

The imperialist state acts to protect and gain export markets through trade treaties, pressuring countries to accept U.S. exports on favorable terms (what once was called the "opcn-door policy") and funding U.S. exports through foreign assistance (approximately half of U.S. exports to thc less-developed countries in the 1960s were funded through various foreign-assistance programs of the U.S. government). The state, more importantly, acts to secure the conditions for the favorable investment of thc capital of its transnational corporations. It prcssures the less-developed countries through foreign assistance (both its own and through multilateral agencies such as the International Monetary Fund and the World Bank) and through partial and complete trade boycotts to follow policies that facilitate foreign investment and the repatriation of profits. Through its various cultural and educational programs the capitalist state attempts to build up the legitimacy within the less-developed countries of capitalism as a system and foreign investment in particular. Through its military assistance programs as well as through the threat of direct or indirect military intervention (including covert CIA destabilization or support for coups d'etat) it installs and keeps in power regimes friendly to transnational business interests.

*For general discussions of the functions of the capitalist states in the advanced countries see Baran and Sweezy 1966; O'Connor 1973; Perlo 1957, chap. 15; Poulantzas 1968; Szymanski 1978; and Wright 1978, chap. 3. For discussions more focused on the imperial function of the capitalist state see Chomsky and Herman 1979; Horowitz 1969; Kolko 1969; and Magdoff 1969.

The U.S. state intervenes in support of the economic interests of the transnational corporations on many different levels. On the most fundamental level it acts to preserve and advance basic capitalist "free-market" principles that allow the transnational corporations to operate. On a more specific level it acts to advance the general expansion of transnational interests. The state insures foreign investors against expropriation. U.S. government agencies, in good part, center their activities on providing transnational corporations with trade and investment information; U.S. embassies and consulates largely serve as support agencies for private U.S. trade and investment interests; and the U.S. government pressures other governments to lower trade restrictions on U.S. imports as well as eliminate restrictions on both the investment of U.S. capital and the repatriation of profits. On the most specific level, U.S. day-to-day diplomacy in good part focuses on advancing *particular* business interests. For example, the U.S. government has pressured Brazil to restrict the export of instant coffee into the United States because the profits of domestic U.S. instant coffee firms were being hurt. It pressured the Indian government to allow U.S. pharmaceutical companies to operate under more favorable conditions and it put great pressure on Chile in the 1970-73 period when it nationalized U.S. copper companies. The government played a key role in securing petroleum concessions in Iraq in the 1920s, in securing Aramco's interests in Saudi Arabia in the 1940s, and in gaining the bulk of Iran's oil for U.S. companies in 1953-55 (pushing British companies out) (Edwards et al. 1978, p. 489; Perlo 1957, chap. 15).

It should be stressed that the activities of the states of the advanced capitalist countries, on the most general level, are primarily oriented to advancing the interests of the imperialist system in general (i.e., to creating the most favorable world conditions for the profit making of the transnational corporations). Basic imperial policy is *not*, then, geared to a one-to-one correspondence between political or military pressure and the principal areas of investment or trade. In contrast, the foreign policies of the leading imperialist states focus on preserving a general climate favorable to profitable investment and trade. It is often necessary to militarily defend an area in which the transnational corporations of the intervening state have no significant economic stake. Not to do so might well cause anti-transnational sentiments and policies to spread and vital interests to be undermined elsewhere; this is the well-known domino theory of the Vietnam War Era. The United States, in fact, spent considerable resources in attempting to prevent the victory of the Communists in Indochina even though, at the beginning of the war, U.S. transnational corporations had a negligible economic stake there (most foreign capital was French).

THE MECHANISMS OF TRANSNATIONAL DOMINATION OF FOREIGN POLICY

The imperatives of the capitalist economy of the advanced countries, such as the United States, as well as the class interests of those associated with the top positions in the transnational corporations are manifested in the foreign policies of the advanced states. These imperatives and interests are transmitted to the state through various mechanisms, including: first, the placement of leading business figures in top foreign-policy-making positions; second, the influencing of governmental decision makers by organizations (such as the Council on Foreign Relations) that have considerable respect and influence in top government circles; third, the funding of campaigns of leading politicians, the promising of jobs for top government officials (including regulatory commission members, friendly members of Congress, and top military officers) upon retirement from the government, extensive lobbying, ideological hegemony of probusiness and proimperialist values and information in the mass media and education (which is largely controlled by the capitalist class); and fourth, various structural mechanisms that ensure protransnational decisions are made and policies are implemented by governmental leaders. These mechanisms have been extensively discussed elsewhere, and will not be elaborated here. The interested reader not familiar with these sources is strongly encouraged to examine them.*

The close connection between corporate interests and the direction of U.S. foreign policy is suggested by the backgrounds of those who have been secretary of state in the United States. Those chosen to direct U.S. foreign policy are almost always closely integrated into the key institutions of the capitalist class. What is true for the leading foreign policy positions is generally also true for associate

*For a general discussion of the first three mechanisms, which have been referred to as "instrumental" mechanisms, see Domhoff 1967, 1971, 1979; Miliband 1969; Perlo 1957, chaps. 16, 17; Shoup and Minter 1977; and Szymanski 1978, chap. 10. For a general discussion of the fourth type of mechanism, the "structural" mechanism of domination, see Block 1977; Gold et al. 1975; Offe 1973; Poulantzas 1968; and Szymanski 1978, chap. 11.

and subordinate positions such as secretary of defense, the secretaries of each of the services, the under secretaries of state as well as the presidential national security and foreign policy advisors.

In the immediate post-World War II years (the 1944-52 period), when U.S. foreign policy was primarily directed toward Europe (to stop the Communist tide), the U.S. State Department was dominated by individuals who had close ties with the Morgan financial interests—interests that traditionally were European-oriented because of their long-term and heavy economic involvement in that region. Three of the four secretaries of state during this period had such connections: Edwards R. Stettinius was the son of a Morgan partner and chairman of the board of directors of U.S. Steel (a central Morgan company); James F. Byrnes was a director of Newmont Mining (Morgan Investment Trust); and Dean Acheson was a senior lawyer for Covington and Burling, a Morgan-associated law firm. Acheson had impeccable old-line, upper-class credentials—membership in the Century Club (New York) and Metropolitan Club (Washington) (Perlo 1957, p. 288; *Who Was Who in America*, various years; *Who's Who in American Politics*, various years).

After the political situation in Europe stabilized, U.S. attention turned to the less-developed countries, where antiimperialist movements were on the rise. In the post-1952 period the leading foreign policy personnel of the U.S. state have tended to be associated with the Rockefeller interests. The Rockefeller wealth has been based in its traditional association with the Standard Oil companies and Chase Manhattan Bank, both of which have enormous economic stakes in the less-developed countries. In 1954 Nelson Rockefeller was appointed as Eisenhower's foreign policy advisor, which entailed his participation in the meetings of the Cabinet, the National Security Council, the Council on Foreign Economic Policy, and the Operations Coordinating Board (i.e., all the main strategy-making bodies of the U.S. state) (Perlo 1957, pp. 283-84). The National Security Council, the primary foreign-policy-making body during the Eisenhower years, was dominated by individuals with strong links to various Rockefeller institutions (Perlo 1957, pp. 290-91).

John Foster Dulles, the secretary of state during most of the Eisenhower presidency, had been chairman of the board of trustees of the Rockefeller Foundation, was on the board of the Bank of New York (controlled by a group of Rockefeller-connected families), and was a partner in Sullivan and Cromwell, a leading Wall Street law firm that specialized in representing the overseas interests of transnational corporations (especially Rockefeller-connected companies such as Exxon and First Boston Corporation) (Perlo 1957,

p. 286). Dulles' *Social Register* credentials were confirmed by his membership in the Century Club and the Metropolitan Club.

The U.S. secretary of state through the Kennedy and Johnson years was just as closely connected to the Rockefeller interests as his Republican predecessor. Dean Rusk was president of the Rockefeller Foundation from 1952 to 1961 (*Who's Who* 1979-80). The return of a Republican administration saw no change in those central to the foreign-policy-making process. Henry Kissinger, at first Nixon's national security advisor and later his (and Ford's) secretary of state, has always been closely associated with the Rockefeller family. For many years before his appointment as Nixon's national security advisor he had been employed by Nelson Rockefeller as his *personal* foreign policy advisor. He worked for the Rockefeller Brothers' Fund from 1956 to 1958. In 1977 he was employed by Nelson's brother David to chair the International Advisory Committee of Chase Manhattan Bank (i.e., he was the principal foreign policy consultant to the principal Rockefeller bank). In 1977 he also became a trustee of the Rockefeller Brothers' fund. Kissinger, too, has had a long-term and close relationship with the Council on Foreign Relations (chaired in the 1970s by David Rockefeller). In 1979 he was a member of the board of directors of the Council on Foreign Relations (*Who's Who in American Politics* 1979-80). Cyrus Vance, Kissinger's successor as secretary of state, had connections with both the Rockefeller interests and traditional Morgan-related firms. This suggests a more balanced approach to U.S. foreign policy. From 1975 until his appointment, he, like John Foster Dulles before him, was chairman of the board of trustees of the Rockefeller Foundation. However, he was also a director of IBM, a traditionally Morgan-associated and European-oriented firm (*Who's Who in America* 1979-80). It should be noted that he, along with Andrew Young and Carter himself, were members of the Rockefeller-instituted Trilateral Commission.

The most important figure in the making of U.S. foreign policy during the Carter administration was Zbigniew Brzezinski, the President's national security advisor. Brzezinski was, for years, the principal figure in Columbia University's Russian Institute, which was established by the Rockefeller Foundation. Before his appointment as principal foreign policy advisor to the U.S. president, Brzezinski had been employed by David Rockefeller of Chase Manhattan Bank to perform essentially the same function Kissinger was to perform after him. Brzezinski was the director of the Trilateral Commission from 1973 to 1976 that was chaired by David Rockefeller, who was also a member of the board of directors of the Council on Foreign Relations (*Who's Who in American Politics* 1979-80).

The record is most impressive. Not only does the U.S. transnational-based upper class and its close associates have a virtual monopoly on the top foreign policy positions, but that segment of transnational interests with the greatest stake in U.S. foreign policy at a given time seems to predominate. This can not be a coincidence.

The Council on Foreign Relations (CFR) has, since World War II, played a central role in formulating the foreign policy of the U.S. government. The CFR in 1970 had 1,450 members, 48 percent of whom were listed in the *Social Register* (i.e., were from families which inherited their wealth); 41 percent were corporate executives and bankers; and 21 percent were corporate lawyers. Twenty-two percent of the membership consisted of prominant university presidents and scholars. The president of the CFR in the 1970s was David Rockefeller of Chase Manhattan Bank. The CFR publishes the influential journal *Foreign Affairs*, sponsors committees on foreign relations in cities throughout the United States, serves as a training ground for new foreign policy leaders, runs study groups and discussions that bring together top government and corporate people, and produces well-argued research papers that are circulated in high government circles. The CFR exerts its immense influence, in good part, by placing its people in top government jobs. For example, in both the Kennedy-Johnson and in the Nixon administrations there were more than 25 CFR members in crucial positions (Domhoff 1967, chap. 3; Szymanski 1978, pp. 230-33; Shoup and Minter 1977).

From its founding at the end of World War I through the end of the 1940s individuals closely connected with the Morgan financial interests played a predominant role in the Council on Foreign Relations. Among the initiators of the organization was Thomas W. Lamont, a Morgan partner. John Davis, the council's first president (who served from 1921 to 1933), was the senior partner in the principal law firm of the Morgan group. Russell Leffingwell, an executive of J. P. Morgan and Company became president of the CFR in 1944. He also served as chairman of its board from 1946 to 1953. In the early 1950s the predominant position in the CFR, as with the U.S. foreign policy establishment in general, passed into the hands of those associated with the Rockefeller interests. Three Rockefeller brothers—Nelson, David, and John D. III—joined the CFR in the late 1930s and early 1940s. David became a director in 1949 and vice-president in 1950. John J. McCloy, the chairman of Chase Manhattan Bank (the leading Rockefeller bank) replaced Leffingwell as chairman of the CFR in 1953. Throughout the 1950s and 1960s a number of new CFR directors had Rockefeller ties. In 1969 David Rockefeller himself became chairman of the council (Shoup and Minter 1977, pp. 105-7).

The Trilateral Commission, an international version of the Council of Foreign Relations, was set up in 1973 on the initiative of David Rockefeller, who chaired both the Chase Manhattan Bank and the Council on Foreign Relations. Rockefeller himself provided the necessary initial financing for the commission. Its first meetings were held at Pocantico, the Rockefeller family's New York estate. The Trilateral Commission brought together *180* top leaders from the three principal advanced capitalist regions of the world—North America, Western Europe, and Japan—in order to facilitate the development and implementation of common policies in the common interest of all the advanced capitalist countries. The Trilateral Commission is closely linked to the Council on Foreign Relations. The majority of the U.S. "commissioners" were CFR members. Eleven members of the CFR board of directors were members of the commission. David Rockefeller in the 1970s played the central role in both organizations. Zbigniew Brzezinski, the first director of the commission, was on the board of the CFR (Shoup and Minter 1977, p. 260).

Henry Kissinger as well as Brzezinski have been closely associated with the commission. Other U.S. commissioners in the 1973-76 period included President Carter, Vice-President Mondale, Cyrus Vance, Andrew Young, Secretary of Defense Harold Brown, Secretary of the Treasury W. Michael Blumenthal, and Paul Wanke, Carter's appointee as chair of the U.S. Arms Control and Disarmament Agency (Trilateral Commission 1979). The Trilateral Commission obviously has had many individuals most influential in formulating U.S. foreign policy.

There has been considerable debate whether or not the capitalist class directly controls U.S. foreign policy through the instrumentation of organizations such as the Council on Foreign Relations and the Trilateral Commission and the placement of business figures in top positions (this position has been labeled "instrumentalism") or whether the structural logic in which state officials find themselves compels them to act in the long-term and fundamental interests of the corporations, whether or not the majority of the capitalist class endorses state policies that are in their long-term interests. Proponents of the first position take the evidence presented on the backgrounds of the chief foreign-policy makers as well as the key role of institutions such as the CFR as *proof* that the transnational corporations run U.S. foreign policy. The proponents of the second, or "structuralist" position, maintain that *at best* the credentials of those in top positions are an indicator (but not a cause) of the nature of U.S. foreign policy.

A more balanced view suggests that while structural mechanisms derived from the logic of capital accumulation on a world scale in the long run and in the most fundamental sense direct state policy, in something as crucial and delicate as foreign policy it is too dangerous to allow decision making to rest outside of those who closely share the transnational way of thinking (and who are thus highly sensitive to its concerns). Thus the principal transnational interests effectively implant their people in the top positions of the foreign policy agencies of the U.S. government. It should be noted that structural forces play their greatest role in compelling the state to advance imperial interests on the most general level—in securing the general conditions for transnational profitability. The direct interventions and linkages stressed by the instrumentalists, on the other hand, would appear to center on the more specific intervention of the imperialist state in favor of the special interest of a given transnational corporation.

It is difficult to deny that individuals such as John Foster Dulles, Dean Rusk, Henry Kissinger, and Zbigniew Brzezinski have played a key role in formulating U.S. foreign policy. It is just as difficult to deny that their connections to leading transnational institutions are closely related to the content of the foreign policy they implement. There is legitimate debate, however, about the nature and significance of the tie. A mechanical approach would argue that: first, the foreign-policy makers have a direct material interest in protransnational policies and act primarily in their own narrowly defined self-interest; and second, the transnational corporations primarily impact foreign policy by putting their people into the top positions. A more accurate approach would be to understand that narrow material self-interest is not usually the principal motive force behind policymaking, and that the structure of the capitalist system in the last instance, not direct intervention, determines who is selected by the state to make and implement policies. Authors such as Eugene Genovese (1967, 1968, 1969, 1974) have shown for the slaveholding aristocracy of the antebellum South that because a ruling group's consciousness is shaped by its economic position does not imply that it necessarily acts to maximize its income. The economic logic of a mode of production (whether slavery or advanced capitalism) generates certain conceptions of honor, self-worth, nationalism, and so forth that may or may not also result in profit maximization. It is possible that the economic logic of imperialism could produce a state leadership advocating policies for reasons of national honor and belief in the superiority of imperialism as a system while pursuing policies that *undermine* profitability (just as was the case in the slave system). For instance, the belief in the superiority of capitalist development over socialism (a belief generated in the capitalist class by its need to legitimate its position) might lead it to seriously underestimate the potentialities of Soviet-style development in the less-developed countries, and thus cause it to make some serious misjudgments about how to relate to countries attempting a socialist path.

It is not that individuals such as Kissinger, Rusk, and Brzezinski (who have had little personal material stake in imperialism) act in the interest of their class. Nor is it so much that they are trying to increase their income and advance their careers by working for the Rockefellers. Such individuals, as a rule, are sincerely motivated by conceptions such as "national honor" and "anticommunism" that are deeply rooted in their own feelings of self-worth. The logic of capitalism acts to ensure that the leaders of the foreign policy establishment implement the interests of the system primarily by structuring the environment in which conceptions of national honor and anticommunism are shaped and rooted in conceptions of self-worth as well as by structuring the possibilities of career advancement. By essentially structuring the media and education and, very importantly, by offering the rewards of good jobs and international recognition, it is able to shape the ideological development and sense of self-worth of large parts of the intelligentsia who thus come to accept the policies of capital as their own. Those that tie their conceptions of self-worth to antiimperialist theories simply do not get jobs in the State Department, with Chase Manhattan Bank, or even teaching at Harvard. And this fact of life means considerable and pervasive pressure to develop proimperialist feelings, sincerely identifying with the interests of the transnational corporations.

The fundamental logic of the capitalist system, both domestic and international (i.e., the logic of the world capitalist system) produces a convergence of interests between the leading officials of the state and the corporations. In general, the more favorably inclined state officials are to actively pursue policies that secure and maintain markets and investment opportunities overseas, the higher the level of "business confidence" in the administration, and hence the more likely business is to invest *domestically*, bring profits back into the country (rather than attempt to export their earnings), and hence create maximal conditions (within the logic of capitalism) for economic prosperity and a low level of unemployment. The higher the level of exports, and especially the greater the trade surplus, the higher are domestic profits, the lower is the rate of unemployment, and the more rapid is the rate of domestic

capital accumulation. The more profits brought into the country from overseas investments, the more funds available for domestic investment, the higher are distributed and undistributed corporate profits, and the lower the rate of unemployment. High levels of military spending likewise generate both high profits and jobs. In all these cases the position of state managers is enhanced by support from the capitalists who benefit from such policies as well as from the economic prosperity that in normal times leads to support from most of the working and middle classes (in the absence of a mass-based socialist alternative)—groups which are grateful for good jobs and would be likely to oppose the reelection of officials accused by the corporations of implementing antibusiness policies that result in massive unemployment because of the loss of "confidence" of businesses and hence their failure to reinvest.

Another key structural mechanism that acts on the state through its central role in public opinion formation on foreign policy questions is the integration of the mass media and leading educational and policy research institutions with the transnational corporations. Maintaining ideological hegemony through "defining" the international situation, establishing the legitimate range of responses to international events, is crucial both for determining how the makers of foreign policy perceive the world and what they feel it is necessary to do *and* in persuading the people to actively support foreign policies in the interest of the transnational corporations. The capitalist class in the United States owns and controls the major television and radio networks, the newspaper chains, and the major news weeklies, and is most influential in educational institutions. Their key role in the media corporations, together with the pressure of corporate advertisers on any who waver on defining the international situation in ways favorable to the transnational corporations, plays a key role in both building up protransnational/proimperialistic values and identifications, and in mobilizing such patriotic and chauvinistic values for support of specific policies favorable to the imperial interests of the transnational corporations. In the twentieth century it has been fairly easy for the capitalist class and the capitalist state to mobilize popular enthusiasm behind imperialist activities—such as the Spanish-American War, the suppression of the independence movement in the Philippines, various interventions in the Caribbean, the Korean War, the Vietnam War in its early stages, the Dominican intervention, and so forth—as well as to maintain a high level of popular identification with the overseas stake of the transnational corporations—as the case of Iran in 1979 once again graphically demonstrated.

CONTRADICTIONS

By no means are the interests of the transnational corporations on foreign-policy questions monolithic. There are considerable differences among the transnational corporations of any given country. The interests of the banks do not always coincide with those of manufacturing firms; the interests of the larger, more established transnational corporations do not always coincide with those of the newer up-and-coming businesses; and the interests of the major petroleum companies with their special concern for certain areas of the less-developed world do not always coincide with those transnational corporations primarily involved with exporting manufactured goods to other areas of the world. As a result, there are continuing debates, disagreements, and compromises worked out in such policy research and formulating groups as the Council on Foreign Relations *and* in the State Department and the Office of the President. These debates and compromises reflect divergent interests, generally on secondary questions, among the transnational corporations.

The period between the two world wars was one of rather considerable disagreement among U.S. transnational interests. Much of the internal antagonism in this period centered on the competition between the Rockefeller and Morgan financial interest groups. The Morgans, who were both stronger economically and generally more influential politically through the end of the 1940s, were connected mainly to Europe (especially Great Britain). The House of Morgan in the pre-World War I period served as a primary conduit for European capital investing in the United States and during the twentieth century became a primary conduit for a reverse flow. Corporations in which it has traditionally had a central role, such as IBM, ITT, and GE, have had especially heavy commitments in Europe. Morgan-connected financial institutions have been the principal U.S. bankers in both England and France (Perlo 1957, chap. 17; Wilson 1971).

Because of their strong European links, especially with British banks, the Morgans in the interwar period argued that expanding U.S. financial interests should work primarily through British interests, rather than in competition with them. The Rockefellers, in contrast to the Morgan interests, had relatively few European links, but enormously profitable investment possibilities through the Standard Oil companies in the less-developed countries. They therefore favored creating a separate banking system around the world as well as competition with British interests, which in their colonies and protectorates of the Middle East were attempting to exclude U.S. petroleum interests (Wilson 1971).

In the immediate post-World War II period the Rockefeller interests became predominant over those traditionally connected with Morgan. The profits associated with the petroleum boom propelled the Rockefellers forward. Increasing U.S. investments in the less-developed countries made Rockefeller concerns more central. U.S. banking did establish its own network, and U.S. capital in fact came to dominate areas formerly controlled by British capital, e.g., Iran. In 1953 the CIA, headed at the time by John Foster Dulles' brother, Allen, organized a coup in Iran that resulted in the formerly predominantly British-owned Anglo-Iranian Petroleum Company being mostly handed over to the U.S. petroleum companies (with Standard Oil interests playing a key role). Chase Manhattan, the leading Rockefeller bank, became the chief banker of the Shah of Iran (Perlo 1957, pp. 308-9; Wilson 1971). With the predominance of Rockefeller interests came a preoccupation with the less-developed countries, where their interests have been concentrated, rather than Europe, the primary concern of the Morgan-related interests. Further, Rockefeller predominance has meant increased militarization and an aggressive foreign policy necessitated by the need to actively intervene in the less-developed countries in defense of transnational investment.

There were many other divisions among transnational interests in the interwar period. The other principal antagonism was between the banks and manufacturing capital. Manufacturing interests wanted the U.S. government to impose requirements on U.S. private bank loans, stipulating that a certain proportion of such loans had to be spent on U.S. goods. Bankers generally opposed such requirements on the grounds that the profitability of such loans would be lowered if recipients had to purchase goods from higher cost producers.

The principal bankers tended to favor the cancellation of World War I debts for which enforcement of payment might result in a financial collapse in Europe, and thus the loss of their outstanding private loans. Manufacturing interests, on the other hand, tended to favor repayment since without such flows into the U.S. treasury their taxes, hence export prices, would be higher. Bankers and investors involved in Latin America were at loggerheads over the question of how actively the U.S. government should help drive out European competition. Industrialists wanted more U.S. loans to these countries while the private banks were reluctant to expand their lending because of previous defaults.

There was also an important difference between banking interests and investors in East Asia. The banking interests, especially Morgan, were generally pro-Japan. The House of Morgan was a major Japanese creditor. The banking community generally felt that it would gain from Japanese domination of China. On the one hand stability would be insured and China's ability to pay off its debts to the banks guaranteed, and on the other, Morgan-financed interests in Japan would become more profitable. U.S. industrial investors in China, however, were hostile to Japanese expansion since Japanese dominance meant that they were pushed out as the Japanese imposed a "closed door" in areas they dominated (Wilson 1971).

A contradiction between major importers and the bankers also developed. Private bankers were loaning money to facilitate the establishment of international cartels to monopolize certain basic commodities. Importing interests persuaded the government to put restrictions on loans for such purposes in order to lower the costs of imports (Wilson 1971). By 1947 fundamental consensus was reached among transnational interests. The United States would maintain a strong military presence everywhere in the nonsocialist world and the U.S. state would actively support the rapidly expanding transnational interests throughout the world. The differences between the more European and the more Asian-Latin American oriented interests were relatively minor compared to the fundamental unity achieved in the wake of World War II. It should be noted, however, that the interests of investors, especially manufacturing investors in Europe and raw materials investors in the less-developed countries, became hegemonic as international banking retreated from its former preeminent role.

Minor antagonisms nevertheless continued to divide the transnational corporations. Those industrial sectors, such as the rapidly growing aircraft industries, joined the petroleum companies as the most "hawkish" because they were the primary beneficiaries of Department of Defense spending (Perlo 1957, pp. 258-60). Other interests such as those around Cyrus Eaton (based in Cleveland) tended to be relatively less militaristic. The North West lumber interests (associated with Wayne Morse) tended to be relatively less militaristic because of the lost export opportunities they saw resulting from hostility to the Soviet Union and China. Relatively moderate policies have also been advocated by the European and consumer goods oriented industries that make relatively little profit from the domination of the less-developed countries but pay some of the cost of hawkish policies through suffering the negative effects of balance of payments crises, devaluation, increased taxation, and foregone opportunities of trading with the socialist countries. The major automobile companies as well as General Electric officials have been prominent in this section of the capitalist class (Perlo 1957, pp. 218-20, 312).

All the structural forces operating on the capitalist state in the advanced countries do *not* operate in the direction of facilitating the overseas interests of the transnational corporations. There are inherent structural contradictions. The greater is capital export in relation to total capital accumulation, the more the legitimation function of the state in the advanced capitalist countries is undermined because of the domestic economic problems capital export causes. The export of industrial capital means the export of jobs and, consequently, increases in unemployment. A net export of capital aggravates the balance of payments. This might well have the detrimental effects of both decreasing living standards and increasing the costs of smaller business. Deterioration in the exchange rate of the dollar to resolve balance of payments crises caused by net capital export undermines the position of U.S. investors. It makes the costs in local currency of the necessary inputs of U.S. business operations overseas more expensive.

Individual corporations are driven by the logic of the capital accumulation process to invest where costs (especially labor) are less. But the capitalist state, acting in the interests of the capitalist class *as a whole*, might well have to counter this tendency in order to prevent domestic economic stagnation and the political and social disruption that this might entail. As long as parliamentary forms in which the working class has a formal franchise exist, there would appear to be limits to the rate at which capital could be transferred overseas—limits imposed by the state's need to maximize both business confidence and legitimation. In fact, in the late 1960s and early 1970s the U.S. state imposed formal restrictions on the export of capital. In times of serious domestic recession it should be expected that such restrictions would be reimposed because of popular pressure to "keep jobs at home" and avoid deterioration in the international purchasing power of the dollar (and the negative consequences this entails for large segments of the internationally oriented corporations).

Problems of domestic stagnation and social unrest caused by state support of transnational activities could result in a general cutback in state support. Massive military spending, which undermines increases in productivity and takes money away from welfare funds necessary for legitimation purposes, may well be cut back in the interests of both domestic capital accumulation and preserving private property. Expensive military interventions and massive foreign assistance (economic and military) are also subject to cutbacks to minimize balance of payments crises and the resultant hardships they impose on significant sectors of capital. In fact, the maintenance of a competitive international economic position might well require a paring down of state-supported interventions and massive budgets. It is no accident that Japan, which spends relatively little on its military or imperial support, has consistently been the most rapidly expanding advanced capitalist economy. Different segments of the transnational corporations tend to articulate different policies, i.e., increases or decreases in foreign assistance, military spending, and so forth, depending on how they are differentially affected by imperialism and state policies. The contradictory processes are thus in good part manifested in political battles within the state among different factions of capital.

It is by no means automatic that the contradictions of massive capital exports and heavy state involvement in imperialism will necessarily be manifested in cutbacks in such activities. Both the transnational corporations and the state are in a contradictory position. There are strong forces creating considerable tensions within both the economy and the state. Significant cutbacks in military expenditures may result in unemployment and thus pressures for increases in such expenditures. Significant cutbacks in foreign economic and military assistance and decreased willingness to intervene directly can well result in a snowballing of nationalizations of, and restrictions on, foreign investment in the less-developed countries. It would seem that contemporary imperialism is in a truly contradictory situation which only a qualitatively different economic organization would be able to resolve. The remainder of this chapter as well as parts of the next two chapters outline the principal mechanisms by which the capitalist state is used in the interests of the transnational corporations to dominate the less-developed countries in guaranteeing transnational profits.

THE MECHANISMS OF IMPERIAL DOMINATION

There are numerous ways by which one nation or state can dominate another. There are many different mechanisms of imperial control, only the most blatant and thorough of which is direct rule by an imperial power—formal colonialism. For as long as there has been imperialism, imperial power has also been exercised (at some times and by some types of imperialist states more than others) through various informal or less direct means. These mechanisms encompass a wide range of military, economic, and ideological processes of domination.

A country can be dominated by another if a high proportion of the resources utilized by its institutions comes from a metropolitan power—a single imperialist country, or perhaps set of countries, or transnational corporate institutions that are either private or public, e.g., the World Bank and International Monetary Fund. The formally independent less-developed countries are today dominated as they have been in the past by the United States and the other advanced capitalist countries through a combination of mechanisms that act both through the metropolitan states and through private entities, including the transnational corporations themselves as well as the major educational institutions, foundations, churches, and trade unions. The metropolitan ruling class uses its domination of the state's foreign policies as well as of the other major institutions of metropolitan society to guarantee that these institutions act in the interests of the profit making of the transnational corporations.

Direct Military Intervention

The preservation and growth of metropolitan economic interests requires a sympathetic economic and political environment. Social order and profit opportunities must be maintained. Local prometropolitan interests must be supported. Radical threats to reorganize society and exclude transnational interests must be defeated. It generally makes little difference to the metropolis what the nature of the threat is to the prometropolitan local dominant groups. Nationalists, interested "only" in expropriating all transnational economic interests and following a neutralist foreign policy, have traditionally been considered almost as much an enemy as bona fide Communists who affect U.S. economic interest in more or less the same way, thus the U.S. hostility to Goulart in Brazil, Arbenz in Guatemala, Bosch in the Dominican Republic, and Mossedegh and Khomeini in Iran. U.S. military force (direct and indirect) has long played a central role in ensuring the necessary sympathetic economic and political climate for the transnational corporations.

Traditionally the most effective mode of imperial domination was military conquest and occupation either with direct colonial administration or indirect rule (a protectorate) through traditional rulers that agreed to collaborate with imperialist interests. Such direct military intervention by the armies of imperialist powers, of course, still occurs. But since World War II and especially since the Vietnam War they have become rarer, giving way, in good part, to more subtle forms of domination. The corollary of direct military occupation is the *threat* of such direct military intervention. The knowledge that an imperial power would or might intervene militarily can place a damper on developments in a dominated country. Occasional actual military interventions in one or another country are probably a necessity for maintaining the credibility of possible military intervention, and hence the effectiveness of indirect domination through the threat of military force.

Military force is also exercised by a metropolitan power through surrogates, the militaries of subaltern or (subimperialist) regional powers that act in the interest of the metropolis in return for receiving considerable grants of foreign assistance, military and economic, as well as other favorable treatment. Iran under the Shah (e.g., in Oman, Afghanistan, Pakistan, Somalia), Thailand, the Philippines and South Korea (in Indochina), and Brazil (e.g., in Uruguay and the Dominican Republic) have all acted in this role for the United States in recent years either by military intervention or the threat of it.

Military power can be exerted covertly through such organizations as the U.S. Central Intelligence Agency, which has organized coups d'etat by bringing together local rightist forces and providing them with leadership and promises of support (e.g., Kermit Roosevelt's role in overthrowing Mossedegh in Iran in 1953) or actively organizing, equipping, and training armies to overthrow governments hostile to transnational interests (e.g., the Bay of Pigs in 1961 and the overthrow of Arbenz in Guatemala in 1954).

Military power is also exercised in dominating a less-developed country through building up and supporting the local military establishments of these countries. The militaries of less-developed countries are typically trained, advised, and equipped by metropolitan powers. Their officers are sent to the metropolis for training, where metropolitan military advisors are present at many levels of command. Virtually all their sophisticated equipment and often all their modern weapons are supplied (through sales or grants) by a metropolis. On the one hand, this makes a less-developed country highly dependent on the metropolitan supplier and, on the other hand, tends to build up a "fifth column" of supporters of metropolitan interests in the officer corps with loyalty to their benefactor. The United States has been very careful to build up gratitude and promote pro-U.S. values among the military establishments of its satellite states, e.g., when most U.S. economic aid was cut off to the Allende government in Chile in 1970-73, military assistance was increased.

The United States maintains the most powerful military machine in the world. One of its principal, if not its primary, functions is to protect the economic interests of the transnational corporations throughout the world. This is especially true in those areas where the investments, supplies, and markets are most endangered—since the 1950s in the countries of Asia, Latin America, and, to an increasing extent, Africa. The U.S. state has been the hegemonic military power in the less-developed world since the end of World War II and the exhaustion of the imperial power of the British state. Throughout the 1960s and 1970s the United States spent roughly twice as much on its military as did all the other advanced capitalist countries combined and approximately three times as much as all the less-developed nonsocialist countries of Asia, Africa, and Latin America.

The U.S. military is structured to exert power ashore in any part of the world where U.S. corporate interests are threatened. The U.S. military, thanks to its highly developed airlift and aircraft carrier capabilities, is highly mobile. The U.S. Navy has 13 operational aircraft carriers with a total of 1,200 combat planes that can be shifted to virtually any area of the world to project U.S. power. The U.S. Navy is in good part designed to support and carry through amphibious operations anywhere in the world (International Institute for Strategic Studies 1976).

In addition to its considerable strategic aircraft carrier and amphibious capacities, it has been estimated that around 1970 the United States maintained over 400 major military bases around the world (North American Congress on Latin America 1970; Greene 1971, p. 226). The United States in 1978 had a significant number of troops (more than 100) stationed in 35 different countries outside of the territory of the 50 U.S. states. The major concentrations of U.S. bases and troops are in Guam (8,000), Panama (9,000), Puerto Rico (4,000), Germany (234,000), the U.K. (23,000), Greece (3,700), Iceland (2,800), Spain (9,000), Turkey (5,000), Japan (46,000), the Philippines (14,000), South Korea (41,000), Diego Garcia (1,000), Portugal (1,400), Bermuda (1,300), the Netherlands (2,200), Italy (12,000), Belgium (2,000), and Guantanamo Bay, Cuba (2,300) (U.S. Department of Defense 1978b, p. 36). It is clear that U.S. bases (major and minor) surround the USSR as well as encircle the globe. In addition, after developments in the Middle East in 1979 the United States made strenuous efforts to expand its bases around the Near East (Kenya, Oman, Somalia, Diego Garcia). In contrast, Soviet troops as of 1980 were stationed in approximately six foreign countries.

The frequency of direct U.S. military interventions to protect U.S. business interests in the pre-World War II period is documented in the selected list of U.S. military interventions in Table 6.1.

TABLE 6.1: Selected List of U.S. Military Interventions in the Less-Developed Countries, 1890-1930

Year	*Country*	*Reason for Intervention*
1891	Haiti	To protect American lives and property on Navassa Island when Negro laborers got out of control.
1894	Nicaragua	July 6 to August 7—To protect American interests at Bluefields following a revolution.
1898	Spain	The Spanish-American War declared.
1899	Nicaragua	February 22 to March 5—To protect American interests at San Juan del Norte and at Bluefields a few weeks later in connection with the insurrection of Gen. Juan P. Reyes.
1899	Samoa	March 13 to May 15—To protect American interests and to take part in a bloody contention over the succession to the throne.
1899-1901	Philippine Islands	To protect American interests following the war with Spain, and to conquer the islands by defeating the Filipinos in their war for independence.
1900	China	May 24 to September 28—To protect foreign lives during the Boxer rising, particularly at Peking. For many years after this experience a permanent legation guard was maintained at Peking and was strengthened at times as trouble threatened. It was still there in 1934.
1903-14	Panama	To protect American interests and lives during and following the revolution for independence from Columbia over construction of the isthmian canal. With brief intermissions, the U.S. Marines were stationed on the isthmus from November 4, 1903 to January 21, 1914 to guard American interests.
1904	Dominican Republic	January 2 to February 11—To protect American interests in Puerto Plata and Sosua and Santo Domingo City during revolutionary fighting.
1904	Tangier, Morocco	"We want either Perdicaris alive or Raisuli dead." Demonstration by a squadron to force release of a kidnapped American. Marine guard landed to protect consul general.

TABLE 6.1: continued

Year	*Country*	*Reason for Intervention*
1906-09	Cuba	September 1906 to January 23, 1909—Intervention to restore order, protect foreigners, and establish a stable government after serious revolutionary activity.
1907	Honduras	March 18 to June 8—To protect American interests during a war between Honduras and Nicaragua; troops were stationed for a few days or weeks in Trujillo, Ceiba, Puerto Cortez, San Pedro, Laguna, and Choloma.
1910	Nicaragua	February 22—During a civil war, to get information of conditions at Corinto; May 19 to September 4—to protect American interests at Bluefields.
1911	Honduras	January 26 and some weeks thereafter—To protect American lives and interests during a civil war in Honduras.
1912	Cuba	June 5 to August 5—To protect American interests in the Province of Oriente and in Havana.
1912-25	Nicaragua	August to November 1912—To protect American interests during an attempted revolution. A small force serving as a legation guard and as a promoter of peace and government stability, remained until August 5, 1925.
1912-41	China	The disorders that began with the Kuomintang rebellion in 1912, which were redirected by the invasion of China by Japan and finally ended by war between Japan and the United States in 1941, led to demonstrations and landing parties for protection in China continuously and at many points from 1912 on to 1941. The guard at Peking and along the route to the sea was maintained until 1941. In 1927, the United States had 5,670 troops ashore in China and 44 naval vessels in its waters. In 1933 we had 3,027 armed men ashore. All this protective action was in general terms based on treaties with China ranging from 1858 to 1901.

TABLE 6.1: continued

Year	Country	Reason for Intervention
1914	Dominican Republic	June and July—During a revolutionary movement, U.S. naval forces stopped by gunfire the bombardment of Puerto Plata, and by threat of force maintained Santo Domingo City as a neutral zone.
1914-17	Mexico	The undeclared Mexican-American hostilities following the Dolphin affair and Villa's raids included capture of Vera Cruz and later Pershing's expedition into northern Mexico.
1915-34	Haiti	July 28, 1915 to August 15, 1934—To maintain order during a period of chronic and threatened insurrection.
1916-24	Dominican Republic	May 1916 to September 1924—To maintain order during a period of chronic and threatened insurrection.
1917-33	Cuba	To protect American interests during an insurrection and subsequent unsettled conditions. Most of the U.S. armed forces left Cuba by August 1919 but two companies remained at Camaguey until February 1922.
1918-20	Soviet Russia	Marines were landed at and near Vladivostok in June and July to protect the American consulate and other points in the fighting between the Bolshevik troops and the Czech Army, which had traversed Siberia from the western front. A joint proclamation of emergency government and neutrality was issued by the American, Japanese, British, French, and Czech commanders in July and the U.S. party remained until late August. In August the project expanded. Then 7,000 men were landed in Vladivostok and remained until January 1920 as part of an Allied occupational force. In September 1918, 5,000 American troops joined the Allied intervention force at Archangel, suffered 500 casualties, and remained until June 1919. All these operations were to offset effects of the Bolshevik revolution in Russia and were partly supported by czarist or Kerenski elements.

TABLE 6.1: continued

Year	Country	Reason for Intervention
1919	Honduras	September 8 to 12—A landing force was sent ashore to maintain order in a neutral zone during an attempted revolution.
1920	Guatemala	April 19 to 27—To protect the American legation and other American interests, such as the cable station, during a period of fighting between Unionists and the government of Guatemala.
1924	Honduras	February 28 to March 31; September 10 to 15—To protect American lives and interests during election hostilities.
1925	China	January 15 to August 29—Fighting of Chinese factions accompanied by riots and demonstrations in Shanghai necessitated landing American forces to protect lives and property in the International Settlement.
1925	Honduras	April 19 to 21—To protect foreigners at La Ceiba during a political upheaval.
1925	Panama	October 12 to 23—Strikes and rent riots led to the landing of about 600 American troops to keep order and protect American interests.
1926-33	Nicaragua	May 7 to June 5, 1926; August 27, 1926 to January 3, 1933—The coup d'etat of General Chamorro aroused revolutionary activities leading to the landing of the U.S. Marines to protect the interests of the United States. U.S. forces came and went, but seem not to have left the country entirely until January 23, 1933. Their work included activity against the outlaw leader Sandino in 1928.
1927	China	February—Fighting at Shanghai caused U.S. naval forces and marines to be increased there. In March a naval guard was stationed at the American consulate at Nanking after Nationalist forces captured the city. American and British destroyers later used shell fire to protect Americans and other foreigners. Following this incident additional forces of marines and naval vessels were ordered to China and stationed in the vicinity of Shanghai and Tientsin.

Source: U.S., Congress, Senate 1969.

U.S. military action in furtherance of U.S. business interests (mostly in the Pacific and Caribbean areas) reached its peak in the period of 1890-1920. The United States took Spain's colonies (Cuba, Puerto Rico, Guam, and the Philippines); annexed Somoa and Hawaii; bought the Virgin Islands; occupied Haiti, the Dominican Republic, Cuba, and Nicaragua; actively intervened in China, Panama, Honduras, and Mexico in support of U.S. business; and suppressed local independence and nationalist movements (e.g., the Philippines). The role of the U.S. military during this time has been aptly summed up by a leading participant, Major General Smedly D. Butler of the U.S. Marines:

> There isn't a trick in the racketeering bag that the military gang is blind to . . . .
>
> It may seen odd for me, a military man, to adopt such a comparison. Truthfulness compels me to do so. I spent thirty-three years and four months in active military service . . . . And during that period I spent most of my time being a highclass muscle man for Big Business, for Wall Street and for the bankers. In short I was a racketeer, a gangster for capitalism.
>
> I suspected I was just a part of a racket at the time. Now I am sure of it. Like all members of the military profession I never had an original thought until I left the service. My mental faculties remained in suspended animation while I obeyed the orders of the higher-ups. This is typical with everyone in the military service.
>
> Thus I helped make Mexico and especially Tampico safe for American oil interests in 1914. I helped make Haiti and Cuba a decent place for the National City Bank boys to collect revenues in. I helped in the raping of half a dozen Central American republics for the benefit of Wall Street. The record of racketeering is long. I helped purify Nicaragua for the international banking house of Brown Brothers in 1902-12. I brought light to the Dominican Republic for the American sugar interests in 1916. In China in 1927 I helped see to it that the Standard Oil went its way unmolested.
>
> During those years, I had as the boys in the back room would say, a swell racket. I was rewarded with honors, medals and promotion. Looking back on it, I feel I might have given Al Capone a few hints. The best *he* could do was to operate his racket in three city districts. I operated on three continents (Greene 1971, pp. 106-7).

The motive and spirit of the U.S. state's role during this early period of monopoly capitalist imperialism, which focused at first on securing export markets for the new U.S. monopoly corporations,

was Senator J. Beveridge of Indiana. In 1898 he argued in a public speech:

> American factories are making more than the American people can use. American soil is producing more than they can consume. Fate has written our policy for us; the trade of the world must and shall be ours. And we shall get it as our mother, England, has told us how. We will establish trading posts throughout the world as distributing posts for American products. We will cover the ocean with our merchant marine. We will build a navy to the measure of our greatness. Great colonies, governing themselves, flying our flag and trading with us, will grow about our posts of trade. Our institutions will follow our trade on the wings of our commerce. And American law, American order, American civilization, and the American flag will plant themselves on shores hitherto bloody and benighted, by those agencies of God henceforth made beautiful and bright (Greene 1971, p. 105).

American intervention, however, turned increasingly to support of U.S. foreign investments, a policy captured by Leo D. Welch, treasurer of the Standard Oil Company of New Jersey, in 1946:

> Our foreign policy will be more concerned with the safety and stability of our foreign investments than ever before. The proper respect for our capital abroad is just as important as respect for our political principles, and as much care and skill must be demonstrated in obtaining the one as the other (Greene 1971, p. 106).

Fortune magazine in 1942 articulated the form that post-World War II U.S. imperialism would take. Unlike the formal colonialism prevalent in the previous period, the new imperialism would be largely indirect:

> American imperialism can afford to complete the work the British started; instead of salesmen and planters, its representatives can be brains and bulldozers, technicians and machine tools. American imperialism does not need extra-territoriality; it can get along better in Asia if the tuans and sahibs stay home. . . . So long as Asia does not try to foist an economic feudalism of the Jap type on its neighbors, the U.S. can believe in Asia for the Asiatics too (Gardner 1964, p. 176).

Indirect Military Domination

The U.S. in the post-World War II period, in contrast to the century before, has rarely actually intervened with its own armed forces in order to preserve U.S. corporate interests. For the most part it has attempted to preserve transnational interests primarily by a policy of supporting the military establishments of its client states, combined with massive economic assistance and ideological domination. It has in most cases kept its own massive military in reserve, using it as a threat against revolutionary movements and as an assurance to compliant local ruling groups. Although there have been a number of military shows of forces, such as the landing of the U.S. Marines in Lebanon in 1958, since 1945 there have only been two major involvements (Korea and Indochina) and a few relatively minor involvements (e.g., the Dominican Republic in 1965) of the U.S. military in actual combat operations against revolutionary movements in the less-developed countries.

The decline of direct military intervention by the imperialist countries in the post-World War II world, especially for the French and British since the Suez War of 1956 and for the United States since the Vietnam War, reflects the radically increased costs of such interventions. Previously there was relatively little effective opposition in the countries where troops were used, little international outcry, and generally mostly patriotic support in the metropolitan countries themselves. Increasingly in the post-World War II world nationalist antiimperialist movements have gained strength and become increasingly effective at militarily resisting European and U.S. military expeditions. This was decisively demonstrated by the success of the Vietnamese, first against the French and then against the Americans. With the independence of virtually all the former colonies and protectorates of the classical imperialist powers in the post-World War II period there has been an increased outcry (and an increasingly effective means of protest through such means as influencing petroleum exports and providing assistance) against the use of European or American troops in the countries of Asia, Africa, and Latin America.

An especially crucial obstacle to the use of direct military intervention has been the existence, and growing strength, of the socialist countries. This is not so much because of the possibility of their direct military intervention on the opposing side from the Europeans or Americans, but rather: first, because of their economic support and supply of weapons to antiimperialist movements; and second, probably more importantly, because of the possibility seen by the United States, France, Great Britain et al. of driving nationalist movements into the "socialist camp" if direct military force is used against such movements. The simple existence of a strong alternative source of assistance and an alternative political and economic

model from Western capitalism has placed considerable constraints on the military options open to imperialism.

When direct military interventions have been required, the United States, especially after Vietnam, has preferred whenever possible to promote the use of the troops of a relatively strong "client state" such as Brazil (e.g., in the Dominican Republic after the United States withdrew), Iran (e.g., in Oman against the Dhofar rebellion), Thailand and South Korea (in Indochina). But most of all indirect U.S. military intervention has come to assume the form of building up strong and supportive military establishments in the less-developed countries that are willing to protect U.S. interests against popular movements in their own countries. The use of the militaries of the less-developed countries themselves has the advantage of reducing opposition to imperial interventions in both the metropolitan countries (no casualties, draft, or antiwar movement to contend with) and in the less-developed countries (no European or U.S. troops to stir nationalist sentiments).

The disparity in the living conditions between the classes, the severity of economic exploitation, and more importantly its transparence are generally much greater in the less-developed countries than in the advanced. This reality, together with the activities of the transnational corporations and banks in exploiting and controlling these countries, with the consequent affront to nationalist sentiments, makes them especially vulnerable to social unrest. This volatile situation requires the existence of local military forces that can prevent the disintegration of the social structure and the system of privilege enjoyed by both the local propertied class and the transnational corporations.

The CIA and Covert Paramilitary Activities

There have been numerous instances of varying degrees of covert organizing or support for coups d'etat mostly involving the U.S. Central Intelligence Agency (CIA) against popular antiimperialist regimes (e.g., the overthrow of Arbenz in Guatemala in 1954, the overthrow of Mossedegh in Iran in 1953, the "destabilization" of the Allende regime in Chile in the early 1970s, support of the invasion of Cuba by refugees in 1961, assistance to conservative factions in the Angola Civil War of 1975, and in the former Belgian Congo through 1967).

The Central Intelligence Agency has played an important role in the post-World War II world short of actually organizing the overthrow of governments. It has systematically assisted the establishment and strengthening of domestic conservative and antirevolutionary forces through subsidizing right-wing and centrist politicians and publications, trade unions, parties, student groups and other organizations as well as radio stations. In 1953 it was estimated by a U.S. Senate Committee that there were major covert CIA activities of this kind in 48 different countries, mostly concentrated in Western Europe, the Middle East, and the Far East. After the Cuban revolution central attention began to be placed on the Western Hemisphere. Between 1961 and 1975 "several thousand" covert action projects were undertaken by the CIA (U.S., Congress, Senate 1976, pp. 144-53).

In addition to such covert "political action" programs, the CIA has also regularly engaged in paramilitary actions. Beyond organizing coups d'etat and invasions intended to overthrow antiimperialist governments, as it did in Iran, Guatemala, and Cuba, it has been deeply involved in training and supplying right-wing armies (Laos), attempting to assassinate foreign leaders (Patrice Lumumha, Fidel Castro), and destabilizing countries through activities such as Operation Mongoose undertaken against Cuba in the 1960s. This latter project attempted to disrupt the Cuban regime by a wide variety of measures, including making Castro's beard fall out and sabotaging the Cuban economy (U.S., Congress, Senate 1976, pp. 147-56). Actual and presumed CIA interventions could be documented and speculated on at great length. But the central concern here is with the structural mechanisms of imperialism.

The Military Assistance and the Support of Military Dictatorships

Considerable imperial power is exercised through the supply of equipment (grants and sales) and the training of the officers of less-developed countries. The operation of this imperial process was candidly revealed during the 1960s when the ideology of U.S. military assistance was more explicit than in the "post-Vietnam" atmosphere when the public military statements were in tune with the general rhetoric of human rights, nonintervention, and economic development. Those that ran U.S. foreign policy in the 1960s talked openly about the importance of mobilizing the militaries of the less-developed countries in the defense of U.S. state and transnational interests:

> The U.S. is the focus of power in the free world struggle for national independence and economic progress; but the U.S. cannot be everywhere at once, doing everything the best. The balance of forces and the option necessary in today's challenging world can be achieved only with staunch friends, well armed and ready to do their part of the job.*
>
> . . . without a military assistance program we would not be in as influential a position to shape and influence the form of the military forces in these developing countries.†

The U.S. military assistance effort is directed to suppressing radical movements that would establish noncapitalist economies, whether Communist or nationalist:

> There are . . . those groups which see a chance to seize power in the atmosphere of dissatisfaction and unrest which results from unsatisfactory social and economic progress. These latter groups are usually but not always aided and abetted from abroad.
>
> It is for this reason that our military assistance program for Latin America continues to be oriented toward internal security and civic action. . . . Governments must be able to eliminate violence if peaceful change through democratic processes is to be achieved. Accordingly, the specific objectives of the military assistance programs for Latin America are to encourage and support the development of indigenous forces capable of maintaining internal security against threats of violence and subversion and of dealing effectively with guerrilla warfare and the clandestine movements of men and armaments across land, sea, and air borders. . . . ††

The Colombian army was unable on its own to crush peasant uprisings during the 1950s. It was only after extensive counterinsurgency training by the United States in the early 1960s that peasant resistance was defeated. Similar U.S. training and supplies to Venezuela, Guatemala, Peru, Bolivia, and Uruguay allowed the militaries in these countries to effectively put down guerilla movements during the 1960s and early 1970s. The training, advice, and supply of the local armed forces has probably made the difference between successful popular uprisings, such as those in Cuba and Nicaragua, and their effective suppression in a number of countries.

---

*Testimony of Robert McNamara, Secretary of Defense, U.S., Congress, Senate, Committee on Foreign Relations, *Foreign Assistance 1966, Hearings . . .*, 89th Cong., 2d sess., 1965, p. 160.

†Ibid., p. 225.

††Testimony of Robert McNamara, Secretary of Defense, U.S., Congress, Senate, Committee on Appropriations, *Foreign Assistance and Related Agencies Appropriations for FY 1967, Hearings . . .*, 89th Cong., 2d sess., 1966, pt. 1:6.

One of the most important parts of the military assistance program in the less-developed countries is military training. Cadets and military officers are brought to the United States or the Canal Zone for training. The intent of this program is to create a large pool of critically placed persons who will constitute a bloc that is sympathetic to imperial interests:

> Probably the greatest return on our military assistance investment comes from the training of selected officers and key specialists at our military schools and training centers in the U.S. and overseas. These students are handpicked by their own countries to become instructors when they return home. They are the coming leaders, the men that will have the know-how and impart it to their own forces. I need not dwell upon the value of having in positions of leadership men who have first hand knowledge of how Americans do things and how they think. It is beyond price to us to make friends of such men.*

The potential leaders, who will have contact with large numbers of other troops in their instructional capacity, are kept in close touch with the U.S. military missions in their countries after their return.

Military officers are brought to the United States in good part in order to win them to pro-U.S. values. This exposure can not but impress the soldiers. There are two kinds of such "orientation visits": those that are a part of the more general military training program and those designed purely for ideological purposes. These latter tours are *not* included in the statistics of military trainees but leave their impact nonetheless:

> We do . . . bring officers to the U.S. In the last two or three years there has been a substantial effort while these men are here to expose them to more than simply the military training . . . but to . . . let them see something of our society and how our economy works, to visit people in their homes, to visit businesses, farms, and so on, so that they get a much broader impression of the American society then they would simply from their attendance at the military school.†

In addition to training military cadres, the United States maintains groups of military advisors throughout the less-developed

---

*Testimony of Robert McNamara, Secretary of Defense, U.S., Congress, House, Committee on Appropriations, *Foreign Operations Appropriations for FY 1963. Hearings . . .*, 87th Cong., 2d sess., 1962, pt. 1:359.

†Testimony of David Bell, Agency for International Development, U.S., Congress, Senate, Committee on Foreign Relations, *Foreign Assistance and Related Agencies Appropriations for FY 1965, 88th Cong.*, 2d sess., 1964a, p. 211.

countries. The functions of these military missions include: first, teaching military skills to large numbers of local soldiers, encompassing both the handling of equipment and increasingly the techniques of counterinsurgency; second, advising the local military establishments on every aspect of their military programs, particularly on matters dealing with the acquisition of new equipment and the organization of training programs; third, managing all the local aspects of the overseas military training programs including screening and follow-up; and fourth, creating goodwill between the local military leaders and the United States, increasing solidarity between the militaries, and increasing the probability that the local military elites will act in the U.S. interest (Estep 1966).

Most of the modern military equipment used by the less-developed countries is produced by the United States, Great Britain, and France (with most of rest coming from the Soviet bloc). A good share of this was traditionally provided gratis as U.S. surplus to such countries but increasingly sales are replacing grants.

The world strategy of the U.S. use of military power to advance the interests of its transnational companies is revealed by the distribution of U.S. government military aid and arms sales in the 1950-79 period (see Table 6.2). In East Asia and the Pacific the total amount of U.S. military assistance plus arms sales in this 30-year period represented 149 percent of the 1974 military budgets of all the nonsocialist countries in this region. In the same period in South and Southwest Asia it represented 245 percent. On the other hand, in Latin America it amounted to 41 percent and in Africa to 31 percent. It is clear that the U.S. government in this period saw imperial interests most threatened in the Near and Far East and thus emphasized building up the local militaries in these regions. In some areas where the United States was most involved, i.e., Southeast Asia, the bulk of military supply was in the form of grants. In the Far East in the 1950-79 period military assistance was over four times that of military sales. But in other areas where there was considerable profit to be made by U.S. private arms suppliers, i.e., the Middle East, the bulk was in the form of sales. In this region in the 1950-79 period military sales exceeded military assistance by 23 times.

The use of military training also varies considerably by area. In Latin America in the 1950-79 period the ratio of total number of military personnel trained in the United States or the Canal Zone by the U.S. military represented 8.7 percent of the (1974) size of their militaries. In Southeast and East Asia it was 3.7 percent. But in South and Southwest Asia and in Africa it was approximately 1 percent. It appears that ideological indoctrination has played an especially important role in building up pro-U.S. sentiments in the

TABLE 6.2: U.S. Military Assistance to the Less-Developed Countries (in millions of U.S. dollars)

	Military Aid 1950-79	*Military Sales Agreements 1955-79*	*Trainees 1950-79 (in numbers of trainees)*
East and Southeast Asia	$27,790.2 (123.2%)[a]	$5,884.4 (26.1%)[a]	261,555 (3.7%)[b]
Indonesia	194.7 (27.6)	212.5 (30.1)	5,614 (2.1)
Korea	5,129.4 (668)	2,241.7 (291.9)	34,464 (5.5)
Laos	1,460.1 (5,840)	—[c]	44,497 (70.6)
Philippines	560.2 (228)	196.9 (80.0)	16,363 (29.8)
Taiwan	2,554.2 (334)	2,114.5 (227)	25,593 (5.2)
Thailand	1,158.2 (328)	821.0 (233)	17,764 (9.1)
Vietnam	14,773.9 (2,955)	1.2 (—)	47,743 (8.5)
South Asia and Middle East	2,145.1 (10.0)	50,353.6 (235)	27,257 (1.0)
Iran	766.7 (12.7)	14,672.3 (242)	11,025 (4.6)
Morocco	29.6 (15.1)	488.8 (249)	2,660 (4.8)
Pakistan	650.3 (94.3)	457.6 (66.3)	4,891 (1.2)
Saudi Arabia	23.9 (1.4)	30,790.7 (1,803)	1,425 (3.3)
Africa	220.1 (7.4)	700.5 (23.7	6,857 (1.2
Ethiopia	185.8 (277)	134.9 (201)	3,912 (8.7
Kenya	—	119.8 (300)	121 (1.7
Liberia	5.3 (133)	4.5 (112)	677 (13.5)
Latin America	669.6 (13.7)	1.352.6 (27.6)	82,977 (8.7)
Bolivia	33.4 (81.5)	2.1 (5.1)	4,861 (20.3)
Brazil	207.2 (10.1)	289.7 (14.1)	8,659 (3.4)
Chile	80.5 (38.2)	190.3 (90.2)	6,883 (11.5)
Colombia	83.2 (70.5)	39.6 (33.6)	7,907 (12.6)
Dominican Republic	21.7 (45.2)	2.3 (4.8)	4,218 (26.4)
Guatemala	16.3 (62.7)	32.4 (124.6)	3,334 (30.3)
Nicaragua	7.7 (35.0)	5.3 (24.1)	5,673 (81.0)
Peru	75.0 (19.5)	186.3 (48.4)	7,966 (14.8)

[a]As a percentage of each country's military budget in 1974.
[b]As a percentage of each country's armed forces in 1974.
[c]Data not Available.
Sources: U.S. Department of Defense 1979b, pp. 1-3, 17-18, 31-33: Sivard 1977, pp. 21-23, for military budgets and size of armed forces.

Latin American militaries, which in the 1970s came to rule virtually every Latin American country and almost universally implemented policies highly favorable to the U.S. transnational corporations and banks.

The United States has been especially active in building up the militaries of certain key countries. In the Philippines in the 1950-79 period the ratio of U.S. military assistance to the 1974 military budget was 228 percent, in Thailand 328 percent, and in Taiwan 334 percent. Of course, the United States has also heavily backed up the South Korean, South Vietnamese, and Laotian militaries during this period. In the Middle East the ratio in the 1950-79 period of military *sales* to the 1974 military budget for Iran was 242 percent, for Morocco 249 percent and for Saudi Arabia 1803 percent. In Africa the United States was most involved in Ethiopia, where in the 1950-79 period U.S. military assistance represented 277 percent of the 1974 military budget and military sales represented another 201 percent. In Latin America the U.S. material commitment has been most heavily to Bolivia, Chile, Colombia, and Guatemala. In the 1950-79 period U.S. military assistance to Bolivia totaled 82 percent of its 1974 budget, Colombia 71 percent, and Guatemala 63 percent. Military sales totaled 90 percent of Chile's military budget and 125 percent of Guatemala's. U.S. ideological influence in local militaries has been especially high in Bolivia, where the ratio of total U.S. trainees in the United States or the Canal Zone from 1950 to 1979 represented 20 percent of the total 1974 strength of the military; the Dominican Republic, where the ratio was 26 percent; Guatemala, where it was 30 percent; and Nicaragua, where it was 81 percent. It has also been exceptionally high in the Philippines, where the ratio was 30 percent. It is no coincidence that the militaries have played a central role in directly ruling or propping up probusiness and especially repressive regimes in all of the countries in which U.S. assistance has been focused except Colombia (where the primary concern has been on suppressing long-term peasant insurgency).

U.S. government policy has normally been to encourage and back up military dictatorships favorable to U.S. transnational interests in the less-developed countries through both military and economic assistance. Table 6.3 demonstrates the pattern. When military coups occur that overthrow regimes hostile to U.S. economic interests, the U.S. state typically increases its economic and military assistance to the new repressive regimes. For example, total U.S. and multinational assistance increased by 112 percent after the Brazilian military overthrew the progressive Goulart government in 1964; by 770 percent after the Chilean military overthrew the Allende government in 1973; by over 50 times after the CIA-supported military intervention overthrew the anti-U.S. Arbenz government in Guatemala in 1954; by 900 percent after the CIA-organized coup restored the Shah of Iran to the throne in 1953; and by 161 percent after Marcos declared martial law in the Philippines in 1972 (see Table 6.3).

Since the Cuban revolution the United States has given considerable emphasis to building up effective counterinsurgency-oriented police forces in the less-developed countries. Especially after the United States got bogged down in Vietnam, U.S. strategic thought on counterinsurgency came to stress early and massive action against insurgents or potential insurgents before they had a chance to root themselves in the population. Highly trained paramilitary police and efficient intelligence apparatuses, such as the ex-Shah's U.S.-trained Savark, were built up that had the capacity to "identify and neutralize" dissidents *before* they had an effective mass movement behind them (and without causing major disturbance). In 1971 U.S. Under Secretary of State U. Alexis Johnson stated: "Effective policing is like 'preventive medicine.' The police can deal with threats to internal order in their formative stages. Should they not be prepared to do this, 'major surgery' would be needed to redress these threats. This action is painful and expensive and disruptive in itself" (Klare and Arnson 1979, p. 157).

The U.S.-encouraged police policies of heavy use of informants, widespread detentions and systematic torture, and assassination of political leaders have been the essence of "preventive medicine." The United States both trains and equips the political police and antiriot squads in the less-developed countries. In the 1973-76 period the United States sold 24,000 handguns, three quarters of a million rounds of ammunition, over 20,000 tear-gas grenades, 3,000 gas guns, and 3,000 containers of Mace to Latin America police (Klare and Arnson 1979, p. 162).

There have been considerable changes over time in U.S. military support for the transnational corporations in the less-developed countries. Through the 1970s the United States radically reduced its military assistance program to the less-developed countries as well as significantly reduced its involvement in the training of military officers. On the other hand, the sale of U.S. military equipment has increased considerably. The general replacement of grants of U.S. military equipment by purchases in good part reflects the declining economic position of the United States. The United States must rely more on sales than grants in order to help its balance of pay-

TABLE 6.3: U.S. Aid, Investment Climate, and Human Rights in Ten Countries.

	Brazil	Chile	Dominican Republic	Guatemala	Indonesia	Iran	Philippines	South Korea	Uruguay
Strategic political dates (military coups or repressive regimes installed)	1964	1973	1965	1954	1965	1952	1972	1972	1973
Positive (+) or negative (-) effects on parliamentary democracy	-	-	-	-	-	-	-	-	-
(-) means an increased use of torture or death squads	-	-	-	-	-	-	-	-	-
(-) means an increase in number of political prisoners	-	-	n.a.*	n.a.	-	-	-	-	-
Improvement in investment climate: tax laws eased (+)	+	+	+	+	+	+	+	+	+
Improvement in investment climate: labor repressed (+)	+	+	+	+	n.a.	+	+	+	+
Total economic and military aid—U.S. and multinational (% change)	+112	+770	+133	+5,300	+62	+900	+161	-9	+21

*Data not available.

Sources: Information on torture and political prisoners mostly from the Amnesty International Report on Torture, 1975 and the Amnesty International Report, 1975-76, 1976, supplemented with data from newspaper articles, journals, and books on the specific countries. Data on investment climate largely from articles, journals, and books on the specific countries. Data on aid taken from U.S. Agency for International Development, *U.S. Overseas Loans and Grants and Assistance from International Organizations*, 1972 and 1976 editions, for years 1962-75. Data previous to 1962 taken from U.S. Department of Commerce, Historical Statistics of the U.S., Bicentennial Edition, 1975a. Adapted from Chomsky and Herman 1979, p. 43.

ments. It also reflects the radically increased purchasing power of the Middle Eastern OPEC countries, which have been spending tremendous sums on arming their militaries.

In East Asia since the end of the Indochina War U.S. military assistance and training has declined significantly in each year. In 1979 the United States provided only $29 million dollars worth of assistance and trained only 762 officers in this region. On the other hand, U.S. arms companies sold $1.5 billion worth of equipment in this same year. In the Near East, where neither military assistance nor military training has ever been very important, U.S. arms manufacturers sold an average of over $7 billion worth of arms in each year from 1976 to 1979—a lucrative business indeed. In Latin America, where U.S. military assistance and training peaked in the 1960s in the wake of fear of the spread of the Cuban revolution, there has been a steady decline in both military assistance and training (see Table 6.4). In general, these trends suggest that the U.S. ability to influence the officer corps of other countries through training in the United States has declined considerably. The militaries of the less-developed countries have been taking increasing responsibility for educating and training their own officers within their own countries (although very often with technical advisers from the United States or other advanced capitalist countries playing a role in their programs).

As Table 6.5 reveals, there has been no decline in the proportion of the modern arms of the less-developed countries supplied by the United States since the 1950s. In fact, after 1973 the U.S. share was higher than ever. While in the 1950s the United States supplied approximately one-third and in the 1960s approximately 31 percent of all major weapons imports, in the 1973-77 period it was 41 percent. In the 1973-77 period the United States supplied 74 percent of the major arms imports of the countries of the Far East, 35 percent of those of the Middle East, and 18 percent of those of Latin America. It should be noted that the traditional position of the United States as the major arms supplier to Latin America has been largely eroded and the position of the United States in Africa has declined relative to what it was in the 1960s. The principal change has been that in the pre-1974 period most military equipment was provided as military assistance, but since 1974 most has been provided through military sales. In the 1950-67 period the ratio of total military assistance to military sales was 3.1; in 1979 it was .008 (see Table 6.5).

TABLE 6.4: Trends in Average Annual U.S. Military Assistance to the Less-Developed Countries (millions of dollars and numbers of trainees)

	1950-67	1968-69	1970-71	1972-73	1974-75	1976-77	1978	1979
East Asia								
Military assistance	$ 534.1	$1,721.7	$2,378.1	$3,594.8	$1,145.4	$ 83.8	$ 42.0	$ 29.1
Military sales	47.4	110.5	126.4	274.6	450.1	1,444.6	1,378.8	1,445.0
Trainees	6,233.0	9,616.0	17,203.0	39,822.0	5,948.0	1,236.0	953.0	762.0
Near East								
Military assistance	92.2	23.1	21.5	39.7	56.1	54.6	55.4	41.0
Military sales	170.4	410.1	561.4	2.180.5	7,425.6	7,915.8	6,063.8	7.446.4
Trainees	1,022.0	1,171.0	990.0	495.0	404.0	542.0	914.0	741.0
Latin America								
Military assistance	32.9	14.2	7.5	5.6	6.5	4.4	.2	.4
Military sales	62.9	24.9	37.0	108.7	202.5	87.1	80.7	33.2
Trainees	2,377.0	4.393.0	3.806.0	3,336.0	3.492.0	3,279.0	1,847.0	1,742.0
Africa								
Military assistance	7.3	12.2	10.8	9.2	11.5	1.8	0.0	0.0
Military sales	.2	.2	8.2	2.7	20.5	152.5	221.9	113.0
Trainees	189.0	322.0	417.0	274.0	247.0	269.0	195.0	208.0
All Less-Developed Countries								
Military assistance	666.5	1,771.2	2.417.9	3.649.3	1.219.5	144.6	97.6	70.5
Military sales	217.9	545.7	733.0	2.539.5	8.098.7	9,600.0	7.745.2	9,037.6
Trainees	9,821.0	15,502.0	22,416.0	43.927.0	10,091.0	5,326.0	3.909.0	3,453.0

Sources: U.S. Department of Defense 1977b, pp. 1-3, 17-18, 31-33; 1979b, pp. 1-3, 17-18, 31-33.

TABLE 6.5: U.S. Major Weapons Exports as a Percentage of All Major Weapons Exports to the Less-Developed Countries

	1950-54	1955-59	1960-64	1965-69	1969-73	1973-77[a]
Total	36.0%	32.4%	32,1%	30.7%	31.2%	41.3%
Far East	48.2	52.3	53.6	56.9	69.3	74.4
South Asia	19.1	22.4	29.6	1.1	1.3	4.6
Middle East	13.2	18.4	15.2	32.2	34.6	35.1
North Africa	—[b]	6.6	3.9	19.3	13.5	
Sub-Saharan Africa	26.2	8.8	19.6	15.9	7.1	6.5[c]
Central America	67.7	63.5	6.8	45.2	27.3	
South America	40.4	36.2	58.5	49.0	44.9	18.3[d]

[a]1973-77 percentages for all but the total are based on the value of all arms transfers to less-developed countries, not the value of exports of major weapons.

[b]Data not available.

[c]Data for all of Africa.

[d]Data for all of Latin America and West Indies.

Sources: Stockholm Peace Research Institute 1973, pp. 150-51, 159-67; U.S. Arms Control and Disarmament Agency 1977, pp. 155-58.

SUMMARY

The transnational corporations and banks cannot operate in the less-developed countries without a strong imperialist state behind them. Such an imperial state acts to preserve the basic ground rules that allow them to trade and invest profitably and intervenes in the interests of specific corporations in concrete situations. Both structural and instrumental mechanisms appear to play an important role in ensuring that the state in the advanced countries serves the interests of transnational capital. There are contradictions among transnational interests that in good part reflect these contradictions of the imperialist system. The states in the advanced countries can be expected to continue to actively support their transnational corporations even while there are fluctuations in the degree of that support—fluctuations that result from oscillating social pressures and shifts in the dominant power bloc or governing coalition in the developed countries.

Military power has long been and continues to be a primary instrument of imperialism in the less-developed countries. In the pre-World War II period the imperialist countries frequently used their militaries in direct support of their business interests. But in the post-World War II world with the rise in nationalist consciousness and the growing strength of both national liberation movements and the socialist countries that give assistance to them, Western imperialism has found it more difficult to use direct military intervention (especially in the post-Vietnam world). As a result, military power has largely come to be exercised through surrogates who are armed and advised by imperial powers like the United States (e.g., the Shah of Iran) and through building up strong pro-Western militaries throughout the less-developed countries that can make coups d'etat in support of their local ruling classes and the transnational economic interests when necessary to prevent social revolution as well as progressive social drift. However, as military assistance programs and the training of officers of the less-developed countries in the West declines, the ideological and military influence of the Western militaries over those of the less-developed countries would seem to be declining. The possibilities of increasingly independent policies on the part of the militaries of the less-developed countries seem to be increasing.

7 THE ECONOMIC DOMINATION OF THE LESS-DEVELOPED COUNTRIES

It is not only through the threat of military intervention and the building up of conservative proimperialist military establishments in the less-developed countries that the domination of the advanced capitalist countries is guaranteed. There is in addition a whole range of economic and ideological mechanisms of domination. This chapter examines the domination of the local economies, especially their most advanced and key economic sectors, by foreign-owned transnational corporations, the trade dependence that subjects the less-developed economies to enormous pressures from the wealthy countries which buy almost all their exports and from which they get almost all their imports, the foreign assistance from both national and multinational agencies that requires the local governments to follow policies agreeable to the transnational corporations as a condition for credit, and the debt dependence that can amount to a form of debt bondage.

FOREIGN INVESTMENT AS A MECHANISM OF DOMINATION

The greater the involvement of transnational corporations in a less-developed country the greater the economic power that the transnational corporations have in that country. Four central aspects of domination can be distinguished. First, the greater the overall proportion of an economy directly controlled by transnationals the less the ability of the less-developed country to control its own destiny. Second, the more concentrated foreign investment is in the hands of one metropolis (a single transnational corporation, a single advanced capitalist country, or a coordinated set of transnational corporations or countries) the less able the less-developed economy is to govern itself. If there are noncoordinated competing transnational corporations (e.g., Italian or Japanese petroleum companies competing with the U.S.-British majors) the less-developed country is more independent since it is able to play one set off against another. Third, the more central the transnational investment is to the economy, the more it is concentrated in sectors with the maximum linkages to other parts of the economy and thus has the greatest effect on overall growth and development patterns (e.g., high-technology capital goods, finance); the less-developed country is more vulnerable since a given action of a metropolis is magnified through its linkages with the rest of the economy. Fourth, the more total the concentration of decision making of the transnational corporations is in the hands of officials of the transnational corporations, the greater the metropolitan power is over the economy. Transnational corporations prefer total or at least majority ownership of their operations in the less-developed countries, a legal status equivalent to local citizens, and the lack of restrictions on what they can import, export, manufacture, repatriate, and so forth. However, under some conditions, transnational corporations invest in minority-owned projects or even, as in many socialist countries where they can secure no ownership rights at all, essentially sell their technology and organizational know-how for a set amount or share of sales for a fixed period. Under these latter conditions, foreign investment is essentially subordinated to an overall economic plan whose goals are established locally. Even when transnational corporations agree to invest with minority ownership or no ownership rights at all, however, the fact that their continued involvement is determined by worldwide profit considerations makes the local economies vulnerable to them, although less so than if they had the majority ownership that implies essential decision-making powers.

Transnational corporations invest in the less-developed countries in order to maximize their profits on a world level. They are oriented to the world, not to the individual countries where they invest. Consequently all their decisions to invest, repatriate profit, what to produce, what prices to charge, how to produce, to expand, and so forth are *not* made out of considerations for the all-around development or social goals of the local countries. This is especially true of export-oriented investments, such as raw materials, whose production is governed by the conditions of the international market and thus is largely a product of demand and monopolization in

the advanced capitalist world. In manufacturing investment, which is geared to selling goods in local markets, local demand and government regulation (such as tariff policy and restrictions on certain kinds of imports) play an important role, yet, nevertheless, transnational corporate decisions are still made within the international framework of profit maximization.

Foreign firms typically strive to maximize their profits by establishing monopolies in the relatively technology-intensive industries where their advantage is most pronounced. Transnational firms have advantages in competition with local firms beyond their technological sophistication. Because of their international resource base they have superior market power, a superior ability to weather setbacks and survive competition. Because of their international position they often have easier access to local credit from private sources than do local businesses—metropolitan firms are considered better credit risks. In addition, they have access to funds from metropolitan foreign assistance programs (such as the U.S. Export-Import Bank) that are often denied to local businesses. Metropolitan firms also have the advantages of control over patents, licenses, expertise, public relations, advertising, brand identification, and political influence with the metropolitan states, which exert pressure on the local governments (see, for example, dos Santos 1968).

The Forms of Transnational Investment

The transnational corporations have historically preferred to wholly own their overseas subsidiaries and to be granted raw materials concessions so that they can exercise full control over their operations. However, in the period since formal independence there has been a tendency for the "host" countries to press for joint enterprises with local capital, or even, in some cases, total ownership with various forms of service or managerial or technical assistance contracts with the transnational corporations to run, or at least aid in, production. For the most part, in spite of various forms of local participation in transnational enterprise, fundamental control over economic decision making remains in the hands of the transnational corporations. Local participation is in fact largely limited to a growing share of the profits.

The tendency toward local participation has mostly occurred in raw materials, especially petroleum, and has been only a minor current in manufacturing (at least since 1950). A study of the manufacturing affiliates of 180 U.S.-based transnational corporations in the less-developed countries showed that in 1975 67 percent of those that had been established before 1951 (and for which data was available) were wholly owned suhsidiaries and another 14 percent were majority owned. While those estahlished in the 1950s were 48 percent wholly owned and 23 percent majority owned, those established in the 1960s were 42 percent wholly owned and 18 percent majority owned, and those established between 1971 and 1975 were 44 percent wholly owned and 17 percent majority owned. Thus ahout 60 percent of the new subsidiaries established in the 1960s and 1970s were legally controlled by the transnational corporations, down from 70 percent in the 1950s hut not a very significant decline (United Nations Economic and Social Council 1978, p. 228).

Of the transnational suhsidiaries that were initially formed as wholly owned suhsidiaries 15 percent since came to be jointly owned. Half of this 15 percent remained majority owned, and only in 4 percent of the cases did locals come to ohtain majority equity. Of those transnational corporations that were initially estahlished as joint ventures, 10 percent later became wholly owned suhsidiaries of the U.S. transnational corporations. Thus the trend for initially wholly owned subsidiaries to involve local private and state capital is mostly neutralized by the tendency for such capital to be withdrawn from joint ventures (United Nations Economic and Social Council 1978, p. 230).

The trend toward local ownership has been considerably more significant in the petroleum sector. Between 1973 and 1975 many of the OPEC countries nationalized (with agreeahle compensation), or bought a majority interest in, the major transnational petroleum companies operating within their borders. While in 1972 the transnational petroleum companies owned 88 percent of the crude oil production in the market economies, this was reduced to 38 percent in 1975. However, the transnational companies continued to dominate production, refining, and marketing. In 1972 the transnationals had 83 percent of refining capacity and owned 85 percent of the distribution network, while in 1975 they still owned 76 percent of refinery capacity and 79 percent of marketing. In addition they generally continued to manage production and exploration in the OPEC countries (United Nations Economic and Social Council 1978, p. 55).

Within the OPEC countries the transnational petroleum companies' share of crude petroleum production in 1972 was 91.7 percent, hut hy 1977 had been reduced hy 24.9 percent. Petroleum refining in the OPEC countries was largely nationalized in the mid-1970s as well. While in 1972 65 percent of refining capacity in the less-developed countries was owned by the transnational petroleum

companies, in 1977 only 16 percent was. However, since throughout the 1970s only about 15 percent of the petroleum produced in the OPEC countries has been refined there (85 percent being exported as crude, mostly to the developed capitalist countries), this has made little difference for the world control of refining, which has remained in the hands of the major petroleum companies.

The transfer of formal ownership of the bulk of both petroleum production and refining within the OPEC countries did not negatively affect the transnational petroleum companies. While their average annual profit in the less-developed countries was $1.9 billion a year and their rate of profit on total investment 28 percent in the 1970-72 period, in the 1976-78 period their average profit was $3.2 billion a year and their average rate of profit 90 percent. Their considerably increased profit position was reflected in their annual new investment (including reinvested earnings) in the less-developed countries. It increased from around $475 million a year in the 1970-72 period to around $900 million a year in the 1977-78 period. It should be noted that the increase in the profits of the transnational petroleum companies occurred in spite of the value of their *direct* investments in the less-developed countries shrinking from $7.4 billion at the end of 1972 to $2.5 billion at the end of 1975 (expanding to $4.5 hillion at the end of 1978). In 1973 and 1974 a *net* total of $8.6 billion was withdrawn from petroleum investments in the less-developed countries because of the nationalizations of those years (U.S. Department of Commerce 1980a, Tables 1, 2, 4). The transnational petroleum companies have demonstrated that formal nationalization of petroleum resources and their replacement by majority-owned joint enterprises (as in Saudi Arabia) or technical and managerial contracts without equity (as in Iran and Venezuela) together with their continued domination of world refineries and the marketing network makes their operations in the less-developed countries *more* profitable than ever.

It should also he noted that the nationalization of petroleum resources in the less-developed countries was followed by a douhling in the annual rate of profit of the U.S. transnational petroleum companies' operations in the other developed capitalist countries (from 4.4 percent to 8.9 percent) and an increase in the average annual profit in the 1971-72 period to the 1976-78 period of from $570 million to $2,200 million. This indicates that the U.S. petroleum companies are now taking a much higher proportion of their overseas profits in the *developed* countries, approximately 40 percent of the total in the 1976-78 period as compared to 26 percent in the 1970-72 period. They thus appear to be taking advantage of their continued domination of refining and marketing to realize relatively more of their profits on the European and Japanese end of their most profitable business of selling OPEC oil.

Not only should it be stressed that local participation in ownership in no way hurts the profitability of the transnational corporations, it should also be noted that majority participation by the local government in a joint enterprise with a transnational corporation does not necessarily imply that the transnationals lose control over fundamental decision making. Joint enterprise agreements often contain stipulations that the transnational representatives on the joint board, although a minority, must approve of certain key decisions (i.e., they have veto rights). It is also common for the local state with majority equity to entrust the management of the joint enterprise to the transnational corporations under management contracts, with the board relegated to a perfunctory role. In fact, the transnational corporations have found considerable advantages in local participation, including the diffusion of nationalist hostility against them, easier access to government subsidies, qualification for privileges available only to locally owned enterprises (e.g., import licenses and governmental permits to operate in certain sectors), and generally good relations with local governments. Even total ownership by locals, with the transnational corporations simply being given a contract to manage or provide technical services, leaves considerable power in the hands of the transnational corporations that continue to have control over international marketing and high technology (United Nations Economic and Social Council 1978, pp. 102-22).

The Degree of Control Exercised through Transnational Investment

The total flow of new overseas direct investment to the less-developed countries increased rather rapidly from an annual average of $2.2 billion a year in 1965-67 to $9.0 billion in 1975-76, indicating that new investment from the developed countries was playing an increasingly important role in the economies of the less-developed countries. The U.S. share remained at approximately one-half of the total (United Nations Economic and Social Council 1978, p. 249).

In 1967 affiliates of the U.S. transnational corporations overseas accounted for a total of 10.3 percent of all sales of all foreign countries outside of the socialist world. In the same year they accounted for 8.7 percent of the GDP of the less-developed capitalist countries. These shares have increased considerably, especially in the less-developed capitalist countries. By 1976 14.5 percent of the GDPs of other nonsocialist countries and 15.8 percent of the GDPs of the less-developed capitalist countries were accounted for by the sales of U.S.-based transnational corporations (see Table 7.1). This represents almost a twofold increase in the share of just the U.S.-based transnational corporations in the economies of the less-developed countries in just ten years.

The impact of U.S. transnational corporations was greatest in the Middle East and Latin America, where their sales accounted for 30 percent and 16 percent of the regional GDP respectively in 1976. U.S. transnational impact increased most dramatically in South and East Asia (from 3 percent to 9 percent) and the Middle East (from 13 percent to 30 percent) (see Table 7.1). The fact that U.S. investments alone accounted for 8.7 percent of the total GDPs of the less-developed countries in 1967 while representing 50.4 percent of assets of all foreign investment from the developed countries suggests that total transnational sales must have accounted for roughly one-sixth of the GDPs of all the less-developed countries. Since the U.S. share of total world foreign investment declined from 53.8 percent to 47.6 percent between 1967 and 1976 we can infer that in 1976 total transnational sales must have accounted for approximately one-third of *all* sales in the less-developed regions (see Table 15.9). This represents a very rapid rate of growth.

Overall transnational penetration of various national economies varies considerably. Table 7.2 reports available data for foreign control of manufacturing in selected countries of the world. Transnational economic dominance has been greatest in Nigeria (in 1968 70 percent of total assets in manufacturing), Canada (in 1973 56 percent of total sales), Malaysia (in 1971 50 percent of assets), Ghana (in 1970 50 percent of sales), Brazil (in 1974 49 percent of sales), Peru (in 1967 46 percent of sales), Turkey (in 1974 41 percent of assets), and South Africa (in 1972 40 percent of assets). Among the less-developed countries with the least transnational involvement in manufacturing are India (in 1973 13 percent of sales), South Korea (in 1974 11 percent of sales), Hong Kong (in 1971 11 percent of employment), and Thailand (in 1970 9 percent of employment).

Transnational investments tend to be concentrated in the most technologically intensive and central parts of the economies of the less-developed capitalist countries. This implies concentrations in the largest most modern enterprises with the greatest linkages to the rest of the economy. A study of the role of transnational corporations conducted by the U.S. Congress in the early 1970s provides a very good picture of the real economic impact of U.S. transnational corporations on the economies of the less-developed countries. The results of this study of the impact of transnational corporations on

TABLE 7.1: Impact of Direct Foreign Investment of the U.S. on the Less-Developed Countries

	1967		1976		1967
	Total Sales (in billions)	As % of GDP	Total Sales (in billions)	As % of GDP	U.S. as Percentage of Direct Investment of All Developed Capitalist Countries
All LDCs[a]	$25.9	8.7	$163.9	15.8	50.4
Latin America	15.8	14.0	60.6	15.5	63.8
Africa	2.3	5.4	13.2	8.2	20.8
Middle East	4.2	12.8	66.5	30.2	57.1
South and East Asia	3.7	3.4	23.6	9.0	35.7
World outside U.S.	108.5	10.3	514.7	14.5	57.1[b]

[a]Less-developed countries.
[b]As percentages of total investment in all other countries.
Sources: United Nations Department of Economic and Social Affairs 1973. Table 12; U.S. Department of Commerce 1976a, 1978a.

TABLE 7.2: **Estimated Shares of Manufacturing Held by Foreign Enterprises, Selected Countries, and Territories, 1973**

Country or Territory	Percentage Foreign Share of:[a]			Year
	Sales	Employment	Assets	
Nigeria	—[b]	—	70	1968
Canada	56	52	—	1973
Malaysia	—	—	50	1971
Ghana	50	—	—	1974
Brazil	49	—	29	1974
Peru	46	—	—	1969
Australia	36	29	42	1972/73
Turkey	—	—	41	1974
South Africa	—	—	40	1972
Central American Common Market	31	—	—	1971
Argentina	31	—	—	1972
Singapore	—	30	—	1968
Mexico	27	—	—	1972
France	27	19	—	1973
Germany, Federal Republic of	25	22	—	1972
United Kingdom	14	10	16	1971
India	13	—	—	1973
Korea, Republic of	11	—	—	1974
Hong Kong	—	11	—	1971
Sweden	10	—	8	1974
Thailand	—	9	—	1970
Japan	4	2	—	1972
United States	4	3	—	1974

[a]These figures are not strictly comparable because the criterion of what counts as a foreign ownership of an enterprise varies considerably from country to country.
[b]Data not available.
Source: United Nations Economic and Social Council 1978, p. 263.

Brazil and Mexico are especially significant since it focuses on two of the three strongest economies and the two most populous countries in Latin America. It is relatively more difficult to economically dominate such countries than it is smaller countries, such as the tiny Central American and Caribbean countries where a single U.S. transnational corporation or bank can relatively easily dominate (and often has historically) the entire economy (economies whose GDPs are miniscule compared to the assets of the typical transnational corporation).

In Mexico in 1972 U.S. transnational corporations controlled 21 percent of the 500 largest nonfinancial corporations, while all transnational corporations controlled 32 percent. Foreign control was significantly more pronounced in manufacturing. Transnational corporations of all nationalities held 52 percent of the assets of the 300 largest manufacturing firms, while U.S. firms alone accounted for 36 percent. Transnational concentration, measured by the percentage of assets accounted for, was especially significant in the more modern industrial sectors such as chemicals (68 percent), fabricated metals (56 percent), nonelectrical machinery (95 percent), electrical machinery (60 percent), transportation equipment (79 percent) and instruments (100 percent). However, transnational corporations also predominated in such raw materials related sectors as lumber (100 percent) and rubber (100 percent) (see Table 7.3).

The economic domination of the transnational corporations has been growing rapidly in Mexico. In 1962 they accounted for 37.5 percent of all sales of manufacturing corporations with ten or more employees. By 1970 they accounted for 44.7 percent. The growth in transnational impact was most significant in food, printing and publishing, wood products, primary metals, and fabricated metals.

In Brazil in 1972 transnational corporations owned 32 percent of the 500 largest nonfinancial corporations and 50 percent of the assets of the 300 largest manufacturing firms. U.S. transnational corporations alone owned 12 percent of the top 500 nonfinancial corporations and 16 percent of the assets of the top 300 manufacturing corporations (see Table 7.4).

While the total assets owned by foreigners in manufacturing has held constant at about one-half of all the assets of the 300 largest manufacturing firms, the relative proportion of assets of manufacturing firms owned by U.S. transnational corporations declined from 21 percent to 16 percent between 1966 and 1972. Foreign ownership increased most markedly in metal fabrication, electrical machinery, motor vehicles, rubber, and plastics, while decreasing in nonmetallic ores, motors and industrial equipment, food and beverages, and petroleum refining. Throughout the period transnational corpora-

TABLE 7.3: Transnational Investment in the Mexican Economy: 1972 Transnational Corporation Share of Sales

		Control of the Largest Manufacturing Firms: Percent of Assets							
		Foreign		Mexican			Firms with 10 or More Employees	
Industry	Total	United States	Total	Private	State	Total	1962	1970
Mining	20	38	44	17	39	56	—*	—
Food	50	20	26	67	7	74	18.8	26.5
Tobacco	5	34	100	0	0	0	77.7	84.0
Textiles	18	0	5	73	22	95	5.8	7.1
Lumber	2	39	100	0	0	0	4.4	15.9
Paper	15	22	51	39	10	49	31.3	32.9
Printing	3	38	38	30	32	62	18.8	24.5
Chemicals	48	54	68	12	20	32	80.0	77.8
Rubber	3	100	100	0	0	0	100.0	100.0
Primary metals	27	31	41	35	24	59	20.0	27.6
Fabricated metals	17	48	56	33	11	44	42.6	67.6
Nonelectrical machinery	14	36	95	5	0	5	100.0	100.0
Electrical machinery	25	35	60	24	16	40	100.0	100.0
Transportation	18	70	79	8	13	21	100.0	100.0
Instruments	7	65	100	0	0	0	—	—
Total manufacturing	300	36	52	32	16	48	37.5	44.7
Ownership Distribution of the Largest Nonfinancial Firms								
Top 100 nonfinancial firms		—	33	37	30	67		
Top 500 nonfinancial firms		21	32	51	16	68		

*Data not available.

Source: Newfarmer and Müller 1975, pp. 53-57.

TABLE 7.4: Transnational Investment in the Brazilian Economy

	Control of the Largest Manufacturing Firms									
	1966 Percent of Total Assets Controlled					*1972 Percent of Assets Controlled*				
	Foreign		*Brazilian*			*Foreign*		*Brazilian*		
	United States	*Total*	*Private*	*State*	*Total*	*United States*	*Total*	*Private*	*State*	*Total*
Industry										
Nonmetallic ores	16	33	67	0	67	11	22	78	0	78
Metal fabrication	5	22	42	36	78	4	25	25	51	76
Iron and steel	0	4	34	62	96	0	15	16	70	86
Nonferrous metals	14	47	53	0	53	21	61	39	0	39
Machinery	40	79	21	0	21	34	74	26	0	26
Motors and industrial equipment	49	77	23	0	23	29	69	31	0	31
Electrical machinery	28	61	39	0	39	22	78	22	0	22
Transportation	46	82	18	0	18	37	84	12	4	16
Motor vehicles	50	92	8	0	8	42	100	0	0	0
Wood, paper, furniture	20	30	69	0	69	10	29	71	0	71
Rubber	40	92	3	5	8	100	100	0	0	0
Chemicals	38	69	25	7	32	34	69	19	12	31
Chemicals and petroleum	38	69	24	7	31	35	65	16	18	34
Plastics	49	49	52	0	52	41	71	29	0	29
Pharmaceuticals	52	100	0	0	0	35	100	0	0	0
Textiles	5	47	54	0	54	6	44	56	0	56
Food and beverages	15	43	32	0	32	2	32	67	0	67
Petroleum refining	19	25	11	64	75	8	12	6	82	88
Total top 300 including petroleum	21	47	36	17	53	14	42	28	30	58
Total top 300 manufacturing only	21	51	41	8	49	16	50	35	15	50
Ownership Distribution of the Largest Nonfinancial Firms										
Top 100 nonfinancial firms	—*	—	—	—	—	12	31	23	46	69
Top 500 nonfinancial firms	—	—	—	—	—	12	32	50	18	68

*Data not available.
Source: Newfarmer and Müller 1975, pp. 106, 108, 110.

tions tended to dominate the most modern and key sectors such as chemicals, electrical and nonelectrical machinery, and transportation equipment as well as such raw materials export-oriented industries as rubber.

The pattern of transnational dominance of the most technologically advanced sectors holds for India as well. In 1974, while transnational corporations held only 13 percent of total manufacturing assets, they held 33 percent of chemicals, 52 percent of rubber, 25 percent of nonelectrical machinery, and 41 percent of fabricated metals (United Nations Economic and Social Council 1978, p. 271).

Probably the sector in which transnational corporations most often dominate is pharmaceuticals. For example, in 1975 in this sector transnational corporations held 75 percent or over of market share even in the largest less-developed countries such as India, Iran, Mexico, Brazil, Venezuela, Colombia, and Nigeria (United Nations Economic and Social Council 1978, p. 272).

The transnational corporations generally play a considerably greater role in the export sector of the less-developed countries than they do in the domestic sector. In 1976 U.S.-based transnational corporations alone were responsible for *37 percent* of all the exports of all the less-developed capitalist countries (see Table 7.5).

Transnational corporations play an especially strong role, at least in Latin America, in the export of locally produced *manufactured* goods. In 1966, for example, U.S. transnational corporations accounted for 87 percent of all Mexico's and 42 percent of Brazil's exports of manufactured goods. In Latin America as a whole in 1966 U.S. transnational corporations accounted for 41 percent of total exports of manufactured goods. This compares to only 12 percent in 1957 (United Nations Department of Economic and Social Affairs 1973, p. 21).

TABLE 7.5: Foreign Sales of U.S. Subsidiaries/Total Exports of the Region, 1976

Country	Percent of Sales/Exports
Latin America	35.1
Africa (-S.A.)	14.7
Middle East	58.6
Asia (-Japan)	17 2
All less-developed capitalist countries	36.6

Sources: U.S. Department of Commerce 1978a; United Nations 1978b.

In summary it is clear that the transnational corporations, especially those from the United States, play a preeminent and rapidly expanding role in the economies of the less-developed countries. Transnational control of the economies of the less-developed countries is especially pronounced in the technologically advanced sectors such as chemicals (especially pharmaceuticals), fabricated metals, machinery (both electric and nonelectric), rubber, and transportation equipment as well as in the export sector. The transnational corporations use their preeminent position in pursuit of their *worldwide* profit maximization. They subordinate the economic processes over which they have such tremendous influence to extranational considerations that often conflict with the all-around economic and social development of the countries in which they operate.

TRADE AS A MECHANISM OF IMPERIAL DOMINATION

A metropolis (an advanced capitalist country, transnational corporation, or set of coordinated advanced countries or transnational corporations) can exercise considerable power over a less-developed country through dominating its trade. The supply of most imports, especially crucial materials such as fuels and high-technology manufactured goods, and the purchase of most imports are potent weapons. The metropolis exercises nonsymmetrical power because the less-developed countries are far more dependent on the advanced capitalist countries for both markets for their goods and sources of supply than the advanced capitalist countries are on them. This is true both quantitatively in terms of proportion of necessary inputs and qualitatively in terms of centrality to their economies.

The economies of the advanced capitalist countries are far more flexible and diverse than are those of the less-developed countries. The less-developed countries are typically heavily dependent on the export of a few raw materials or of labor-intensive manufactured goods, and are unable to develop substitutes if the capitalist countries inhibit or stop the flow of high-technology imports. According to Alfred Marshall:

> The rich country can with little effort supply a poor country with implements for agriculture or the chase which doubles the effectiveness of her labor, and which she could not make for herself, while the rich country could without great trouble make for herself most of the things which she purchased from the poor nation or at all events could get fairly good substitutes for them. A stoppage of trade would therefore generally cause much more real loss to the poor than to the rich nations (Hirschman 1945, p. 24).

The less developed the high-technology capital goods sector the more difficult it is for it to produce substitutes for goods cut off by a metropolis. As Albert Hirschman has stated:

> The mobility of resources includes the possibility of diverting capital goods to new purposes (i.e. their more or less 'specific' character), the geographically mobility of the factors of production, and, above all, the ability of labor to turn to new tasks. The inherent advantage with respect to all these aspects of the mobility of resources lies overwhelmingly with the great manufacturing and trading countries as opposed to countries in which agriculture or mining predominates (Hirschman 1945, p. 28).

The more reliant a country is on trade in general to provide necessary inputs and to secure the foreign exchange necessary to purchase such essential economic inputs, the more vulnerable it is to potential boycotts and restrictions on what it is able to buy and sell.

The higher the level of concentration of exports in a single commodity, or a relatively few commodities, the more vulnerable a country is to economic pressure. The higher the level of export concentration the more difficult it is to find alternative markets, the lower the probability that a great part of it could be consumed at home if the world market were cut off, and the greater the vulnerability to price fluctuations and market manipulations by metropolitan countries.

The more concentrated is a less-developed country's trade with a single metropolis, both in terms of the percentage of total imports and the percentage of total exports, the more vulnerable it is to control by that metropolis. This is because of the difficulty of finding substitutes for the loss of such a primary trade partner and because of the difficulty of securing spare parts for equipment already in place.

The United States has used the trade weapon both against Socialist revolutions and nationalist regimes in the twentieth century. The USSR was boycotted until the mid-1930s; China was boycotted from the time of its revolution until the mid-1970s; Cuba was boycotted from the time of its revolution to the present; and North Korea has been boycotted since the Korean War. The denial of, or cutbacks in, high-technology exports or food as well as total prohibitions on U.S. exports continues to be a central weapon in attempts to control both socialist and nationalist nations, as the examples of the USSR and Iran in 1980 demonstrated. Prohibitions on the purchase of the exports of the less-developed countries have also played an important role in the post-World War II period. Not only did the United States refuse to purchase Cuban sugar and Chinese products of any kind, but it also was the principal protagonist in the worldwide boycott of Iranian petroleum exports in the early 1950s after Iran nationalized the predominantly British oil interests in that country. The prohibition on, or constriction of, U.S. exports to a country as well as boycotts on the purchases of the less-developed country's exports can and has caused enormous economic problems for the smaller countries, such as Iran and Cuba, which are so heavily dependent on the foreign exchange earned through such exports. Prohibitions on U.S. exports to such countries also causes major dislocations because of the impossibility of securing spare parts for equipment already in place. Measures short of total boycotts are also effective, such as the refusal to sell goods on credit, prohibitions on the export of advanced machinery such as computers or oil drilling equipment that the less-developed countries desperately need to modernize their economies, and denial of "most favored nation" trade status.

As shown in Table 7.6, the less-developed countries have consistently sold between 70 percent and 75 percent of their total exports to the more-developed capitalist countries and consequently have been heavily dependent on them. They are in a most vulnerable position in the event of either economic recession in the advanced countries or politically motivated boycott on the purchase of their export commodities. On the other hand, the total percentage of their exports that has gone to the United States has declined somewhat, especially for Latin America. This indicates a somewhat increased independence caused by increasing diversity of trading partners. The rather significant increase in the total share of African and East and South Asian exports going to the United States also indicates an increased independence from their traditional heavy reliance on European, especially British and French, export markets.

While from 1955 to 1970 the proportion of the less-developed countries' imports coming from the advanced capitalist countries was identical to the proportion of exports sent to them (about 72 percent), in the course of the 1970s the proportion of total imports coming from these countries has declined, mostly because of their purchase of OPEC oil. The decline in trade dependence on the United States is more marked here than is the case of exports. This is especially the case in Latin America, where the percentage of total imports coming from the United States declined from 40 percent in 1955 to 28 percent in 1976 (see Table 7.7).

Trade dependence of the developed countries on the less developed is much less than that of the less developed on the developed. In 1976 only 22.9 percent of the total exports of the developed

TABLE 7.6: Structure of Exports of the Less-Developed Countries

	Percentage of LDC Exports That Go to Advanced Capitalist Countries			*Percentage of LDC Exports That Go to the U.S.*		
	1955	*1970*	*1976*	*1955*	*1970*	*1976*
All LDCs*	72.1	73.4	71.4	23.3	18.4	19.4
Latin America	76.5	73.6	68.3	40.3	32.2	35.9
East & South Asia	58.7	63.8	67.2	15.6	23.2	23.8
West Asia	71.5	75.7	70.8	7.9	2.9	6.0
Africa	83.7	81.7	82.5	10.0	6.6	23.7

*Less-developed countries.
Source: United Nations 1979a. Table 3.3.

TABLE 7.7: Structure of Imports of the Less-Developed Countries

	Percentage of LDC Imports That Are from the Advanced Capitalist Countries			*Percentage of LDC Imports That Are from the U.S.*		
	1955	*1970*	*1976*	*1955*	*1970*	*1976*
All LDCs*	72.0	72.2	67.1	24.8	21.7	17.8
Latin America	74.2	74.5	60.5	40.1	34.7	27.5
East & South Asia	63.3	70.9	59.5	20.6	21.2	16.6
West Asia	70.0	68.8	76.4	19.0	15.2	16.2
Africa	82.9	76.6	79.8	7.2	8.3	8.8

*Less-developed countries.
Source: United Nations 1979a, Table 3.3.

capitalist countries were to the less-developed countries, and only 27.2 percent of their imports were from them (these figures in 1955 were 27.7 percent and 28.1 percent respectively) (United Nations 1979a, Table 3.3). The advanced capitalist countries mostly trade with each other. Consequently, a boycott of the developed countries by the less developed is in general much less damaging than a boycott of the less developed by the developed.

In summary, the principal trend of the 1955-76 period was a diversification of the less-developed countries' trading partners among the *advanced capitalist* countries. This provided the less-developed countries with somewhat more room for maneuver. But except for the effect of the increased value of the exports of the OPEC countries, there appears to have been no significant diversification of either the imports or exports of the less-developed countries to either the socialist or to other less-developed (non-socialist) countries. Further, there has been no tendency for the dependence of the advanced countries on the less developed to grow.

More significant than the slight trend toward diversification of trading partners is the trend away from the concentration of exports in one or two commodities that had for so long been characteristic of the less-developed countries. Between 1968 and 1976 the diversification index of commodity concentration as computed by the United Nations increased for 75 of the less-developed countries and decreased for 33. The diversification index used by the U.N. takes into account both the share of each export commodity in the total exports of a country and the share of that export in total world exports (see United Nations 1979a, Table 4:5).

The clear overall trend in the direction of export diversification is shown in the selected list of countries presented in Table 7.8. In 1965 47 percent of Argentina's exports were either meat or wheat; by 1977 this had decreased to 21 percent. Coffee represented 44 percent of Brazil's exports in 1965, but only 19 percent in 1977. Chile's exports were 79 percent copper in 1965 and 54 percent in 1977. While in 1965 sugar was 49 percent of the Dominican Republic's exports, in 1977 it was only 30 percent. Cotton exports were 56 percent of the Egyptian total in 1965 and 27 percent in 1977. Malaysia's exports were 39 percent rubber in 1965 but only 23 percent in 1977. There are important exceptions to the predominant trend. For example, Kenya's concentration on coffee increased from 30 percent to 48 percent, Morocco's on phosphates increased from 25 percent to 36 percent, and the Sudan's on cotton from 46 percent to 69 percent (see Table 7.8). But the overall trend is clearly in the direction of export diversification, with the consequence that the less-developed countries are now somewhat less vulnerable

TABLE 7.8: Concentration of Exports of the Less-Developed Countries

	Percentage of All Exports Accounted for by Given Commodities 1965	1977	*Principal Exports*
Argentina	47.0	20.6	meat, wheat
Brazil	44.3	18.9	coffee
Chile	78.6	54.2	copper
Colombia	63.8	62.7	coffee
Dominican Republic	49.1	29.7	sugar
Guatemala	49.1	44.6	coffee
Honduras	59.3	58.5	coffee, bananas
Nicaragua	62.1	55.2	cotton, coffee
Peru	41.5	33.1	copper, fishmeal
Egypt	55.6	27.3	cotton
Kenya	29.9	47.6	coffee
Morocco	25.4	36.0	phosphates
Sudan	46.1	69.0	coffee
Tanzania	30.9	36.1	coffee, sisal
Zaire	56.0	40.7	copper
Burma	62.2	56.9	rice
India	32.8	8.6	jute fabrics, black tea
Malaysia	38.6	22.6	rubber

Note: This table lists the major countries of Latin America and the larger countries of Asia and Africa that are not petroleum exporters and for which data were available in the *I.M.F. Financial Statistics Yearbook* for 1979.

Source: International Monetary Fund 1979b.

to price fluctuations, market manipulations, and product restrictions and boycotts by the developed countries.

FOREIGN AID AS A MECHANISM OF DOMINATION

Foreign assistance by the U.S. government to the less-developed countries is a particularly effective mechanism of control (as well as a most profitable enterprise for the transnational corporations). Most foreign economic assistance is in the form of loans (with interest), repayable in dollars—dollars which can be earned only by increasing exports (which thus have the effect of encouraging export specialization). Foreign assistance is thus a major component in the growing debt problem of the nonpetroleum exporting countries.

The foreign assistance program of the U.S. government is consciously conceived as an instrument to direct the affairs of the less-developed countries in the economic interests of the transnational corporations and the political interests of the U.S. state. This point was made over and over again before congressional committees during the 1960s, a period in which frankness was more the rule than in the post-Vietnam 1970s, when official rhetoric stressed "human rights" and economic development. According to former Secretary of State Dean Rusk:

> Foreign aid is basic to U.S. security. Without it, many countries undoubtedly would have been subverted or overrun in the past two decades. . . . I am convinced that our foreign assistance programs have served us well. In fact, foreign assistance has been our primary means of helping to guide the economic, social, and political evolution of most of the countries of the non-Communist world.*

The same points were made more bluntly by a former director of the U.S. Agency for International Development (AID), the principal U.S. government agency for foreign aid:

> Foreign assistance, . . . is a primary instrument of U.S. foreign policy. It is carefully tailored to advance U.S. interests in each unique country situation. The world with which the U.S. must deal is restless,

*Testimony of Secretary of State Dean Rusk, U.S., Congress, Senate, Committee on Appropriations, *Foreign Assistance and Related Agencies Appropriations for FY 1966, Hearings . . .*, 89th Cong., 2d sess., 1965, p. 94.

> turbulent, and uncertain. The likelihood of a direct military confrontation of the two big powers may recede somewhat, but, there is an increasing and equally dangerous threat to the security, progress, and freedom of the less developed countries from the Communist World. . . . It is important to our own economic progress to help expand the economies of the developing countries, thus opening opportunities for large scale trade and productive investment.*

The foreign assistance program is clearly conceived as a mechanism by which the less-developed world can be dominated and directed in the interests of the U.S. state and transnational corporations. Aid is used to get the recipient countries both to pursue economic policies agreeable to the U.S. transnational corporations and to pressure them to adopt protransnational social and political policies:

> External aid is most effective when tendered at the optimum time to support and encourage national programs, not when it is given as a reward for some earlier accomplishment. For the first time, the U.S. aid program in Latin America can, by extending or withholding of assistance, have some influence over the actions of the nations' governments. We have, at last, a powerful combination to help the members of the Alliance to create economic and social development programs leading to political stability throughout the hemisphere. We have not been afraid to use this new tool.†

More AID project money has gone to agriculture than to any of the other categories of assistance except health and sanitation—far more than to industry. For example, in the 1971-73 period 13 percent of all AID project funds went to agriculture as compared to 4 to 5 percent for mining and industry (U.S. Agency for International Development 1971, p. 32; 1972, p. 28; 1973, p. 72). The official U.S. theory of economic development dictates that agriculture should have priority over industry. AID's efforts directly reflect this thinking, and, of course, the economic interest of the U.S. transnational corporations that want to avoid encouraging local competition.

Not only are AID's projects concentrated on agriculture, but the local governments are often forced to devote an increased pro-

*Testimony of AID head David Bell, U.S., Congress, Senate, Committee on Foreign Relations, *Foreign Assistance 1965, Hearings . . .*, 89th Cong., 1st sess., 1965, pp. 73-74.

†Testimony of Theodore Moscoso, U.S. Coordinator, Alliance for Progress, U.S., Congress, House, Committee on Appropriations, *Foreign Operations Appropriations for FY 1963, Hearings . . .*, 87th Cong., 2d sess., 1962, pt. 3:8.

portion of their effort to this same sector as a condition of receiving assistance. The U.S. economic assistance program acts to keep the economies of these countries supplemental to that of the United States.

Not surprisingly, U.S. state policy is oriented toward promoting private capitalism. U.S. assistance is not granted to state enterprises in competition with private enterprise. In the 1971-73 period 6 percent of all AID project funds were for the category of "private enterprise promotion." Former Secretary of State Rusk maintained:

> . . . we are increasing our efforts to stimulate the private sector in the developing countries and increase the role of U.S. private enterprise in our assistance program.
>
> This is a basic aspect of our aid program. For until the energies of all the citizens of a developing nation are involved in the job of building a better life and until all can share in that life, there is no true progress. Their own and foreign private enterprise can play a vital role in stimulating and releasing these energies.*

Further, in order to receive foreign assistance most countries are typically required to grant favorable treatment to U.S. transnational investments in their countries, i.e., not discriminate in favor of nationally owned businesses, allow the repatriation of capital, not expropriate U.S. interests, follow general economic policies designed to create a "positive business climate" such as limiting aid to industry, discouraging militant working class activity, cutting back on social welfare programs, decreasing business taxes, and removing constraints on private enterprise.

An important part of U.S. economic assistance goes to build up, train, and support the local police in the less-developed countries. It has been a tenant of official U.S. developmental theory that political and social unrest must be pacified before significant economic development can take place. Guerilla movements and other manifestations of discontent with the prevailing political and economic system must therefore be crushed. To this end AID has established numerous "public safety" programs for police training. In the 1971-73 period 3 percent of all AID project funds (half the amount spent on education) were spent on public safety.

Population control has been a significant part of AID activities. The official theory of development argues that a rapidly growing

*Testimony of Secretary of State Dean Rusk, U.S., Congress, Senate, Committee on Foreign Relations, *Foreign Assistance 1966, Hearings* . . . , 89th Cong., 2d sess., 1966, p. 98.

population undermines economic growth. The major obstacle to development is seen as "too many people." As part of its answer to the problem of poverty, AID has thus been engaged in programs designed to persuade the poor not to reproduce themselves. AID-supported programs were designed to develop an awareness of the population issue among government officials, educators, the clergy, and other community leaders (U.S. Agency for International Development 1965, p. 20).

The U.S. economic assistance program is specifically designed to facilitate the growth of U.S.-based transnationals. Economic assistance can not be furnished to any enterprise that competes with a U.S. business, unless the company concerned agrees to limit the export of its products to the United States to no more than 20 percent of its output (Morray 1968, p. 113).

A country that expropriates U.S. private investments must give compensation satisfactory to the U.S. corporation affected or face a total cutoff of U.S. assistance. Although not always enforced, this provision of the Foreign Assistance Act is an important support of U.S. corporate activities in the less-developed countries. AID directly insures the foreign business activities of U.S. corporations:

> AID seeks to increase investment by U.S. private enterprises in the economies of friendly less-developed countries by guaranteeing investors against certain political and business risks. . . . The purpose of the guaranty program is to encourage and facilitate those private U.S. investments abroad which further the development of the economic resources and productive capacities of such countries (U.S. Agency for International Development 1963, pp. 7-9).

There have been two different kinds of programs. The Specific Risk Guaranty Program guarantees against so-called "political" risks. This program insures against "inability to convert into dollars foreign currency representing earnings on, or return of, the investment, or compensation for sale or disposition of the investment, loss due to expropriation or confiscation of the investment," and "damage to the physical assets of the investment attributable to war, revolution or insurrection" (U.S. Agency for International Development 1963, p. 19). The other program is the Extended Risk Guaranty Program, which provides that "The extended risk guaranty can cover against loss due to all risks (excluding fraud or misconduct of the investor) up to 75 percent of an investment in a private foreign enterprise. Both loans and equity investment are eligible. . . . " (U.S. Agency for International Development 1963, p. 19).

There have been two types of direct loans from AID to private U.S. corporations operating abroad: local currency or "Cooley loans," and dollar loans. The local currency generated by the sales of U.S. surplus commodities is mostly loaned to local U.S. corporate subsidiaries, thus making these loans do double duty in expanding U.S. influence:

> A.I.D. seeks to stimulate economic activity by private enterprise in friendly less developed countries by lending to private firms local currencies generated from the sale of U.S. agricultural commodities. . . .
>
> Local currencies may be loaned to (1) U.S. firms or their branches, subsidiaries, or affiliates for business development and trade expansion in the foreign country, or (2) either U.S. firms or firms of the local country for expanding markets for, and consumption of U.S. agricultural products abroad.
>
> Cooley loans may not be made for the manufacture of products which would be exported to the U.S. in competition with U.S. made products, and they may not be made for the production of commodities which would be marketed in competition with U.S. agricultural products. Cooley loans to foreign firms (non-U.S. affiliated borrowers) may be made only if they will be used to expand markets for U.S. agricultural products (U.S. Agency for International Development 1963, p. 25).

Both U.S.- and foreign-owned businesses are also eligible for dollar loans from AID.

In addition to the various AID programs described above, the Export-Import Bank of the United States has a number of programs designed to facilitate overseas investment by U.S. private corporations, subsidize U.S. exports, and exercise control over the less-developed countries. The Export-Import Bank, in addition to its long-term lending and trade credit activities, also guarantees the credits issued by commercial banks in financing U.S. exports, loans to commercial banks against their holdings of export debt obligations, and assumes through the Foreign Credit Insurance Association all the political risks of many overseas insurance policies of many of the principal U.S. marine, casualty, and property insurance companies (Export-Import Bank 1968). As is the case with AID loans, Export-Import Bank loans are often made to U.S. corporations operating overseas. For example, from 1960 to 1968 over 35 percent of all Export-Import Bank credits going to the major countries of South America went to U.S.-based transnationals operating in these countries. The percentage of all loans granted to U.S. firms varies considerably from sector to sector. In the 1960s it was only 21 percent of the total for manufacturing as a whole, but around 60 percent for the heavy equipment and chemical industries—the more modern industrial sectors in these countries. It stood at over 90 percent in mining, an area generally dominated by U.S. firms (according to data provided by the Export-Import Bank). A substantial part of foreign aid is granted by the U.S. government to U.S.-based transnational subsidiaries in the less-developed countries.

U.S. economic assistance to the less-developed countries has declined since its peak in the mid-1960s. As a percentage of all economic assistance from the developed capitalist countries, as a percentage of the U.S. GNP, and as a percentage of the GNPs of the recipients, the decline has been marked. While in 1965 the United States accounted for 58 percent of all the economic assistance provided by the developed capitalist countries, in 1978 it was responsible for less than 30 percent. In 1965 U.S. foreign assistance amounted to .49 percent of the U.S. GNP but averaged around .25 percent from 1973 to 1978. The most precipitous decline has been in its quantitative impact on the less-developed countries. From representing 1.3 percent of the GNPs of the less-developed countries in 1965 it had shrunk to .35 percent by 1977 (see Table 7.9).

In the 1962-78 period 32 percent of all U.S. economic assistance went to the Near Eastern and South Asian countries, 30 percent to East Asian countries, 27 percent to Latin America, and 11 percent to Africa. In terms of quantitative impact, U.S. assistance had the most impact in the Near East and South Asia, where the 1962-78 total amounted to 13 percent of the 1974 GDP of these countries as compared to 11 percent for East Asia, 4 percent for Africa, and 6 percent for Latin America (U.S. Agency for International Development 1979, pp. 6, 9, 35, 67, 87).

In the 1960s about 45 percent of U.S. economic assistance was in the form of grants. There has been a slight decline in the role of grants. In the 1976-78 period about 40 percent was in this form. The proportion of total U.S. government economic loans and grants to the less-developed countries that took the form of "official assistance" and thus contained a significant subsidy component (either in grants or low interest loans)—mostly Agency for International Development programs—declined in relation to loans on relatively commercial terms explicitly designed to finance U.S. exports—mostly funded by the Export-Import Bank. In the 1962-69 period the latter category represented about 15 percent of the total and in the 1976-78 period about 33 percent (see Table 7.10).

While in the 1960s over 90 percent of total military assistance was in the form of grants, in the 1976-78 period only 36 percent was.

TABLE 7.9: Trends in U.S. Official Development Assistance

	Current Dollars	Constant Dollars[a] 1975	Percentage of All OECD Assistance[b]	Percentage of GNP U.S.	Percentage of GNP LDCs[c]
1960	2,702	5,004	58.4	.53	1.48
1965	3,418	5,893	58.2	.49	1.30
1970	3,050	4,236	44.8	.31	.77
1971	3,324	4,432	43.2	.32	.76
1972	3,349	4,239	39.2	.29	.69
1973	2,968	3,576	31.7	.23	.50
1974	3,439	3,779	30.4	.24	.42
1975	4,007	4,007	29.5	.26	.43
1976	4,334	4,128	31.7	.25	.42
1977	4,123	3,714	27.9	.22	.35
1978	5,492	4,577	29.2	.26	—[d]

[a] Constant dollars computed by using the GNP implicit price deflator. See U.S. Department of Commerce 1979a, p. 476.
[b] Organization for Economic Cooperation and Development.
[c] Less-developed countries.
[d] Data not available.
Sources: United Nations 1979a, Table 12, United Nations 1978c, vol. II.

TABLE 7.10: Components of U.S. and International Agency Foreign Loans and Grants, 1962-69 and 1976-78 (millions of U.S. dollars)

	Annual Average 1962-69	Annual Average 1976-78	Annual Average 1976-78 In 1965 Dollars
Total economic assistance (excludes Export-Import Bank)	4,174	5,511	2,870
of which Loans	1,928	2,219	1,156
of which Grants	2,246	3,292	1,715
Total military assistance	2,416	2,385	1,242
of which Loans	203	1,522	793
of which Grants	2,213	862	449
Total economic loans including Export-Import Banks	2,669	4,947	2,577
Total U.S. government loans and grants: economic	4,915	8,239	4,291
Total U.S. government loans and grants	7,330	10,624	5,533
Total assistance from international agencies	1,814	10,223	5,324
of which World Bank	840	5,434	2,830

Sources: U.S. Agency for International Development 1977, 1979.

As direct sales of arms by U.S. corporations to the less-developed countries have rapidly increased, the proportion of total U.S. government loans and grants that have taken the form of military assistance has declined from one-third in the 1960s to about 22 percent in the 1976-78 period.

In the 1960s the total economic assistance from international agencies such as the World Bank averaged only about 37 percent of U.S. economic assistance, by the late 1970s it came to exceed it. In the 1976-78 period it averaged 1.24 times as much—over one-half of it from the World Bank (see Table 7.10).

Far from being a "give-away program" or a humanitarian project, U.S. foreign assistance is an integral part of imperialism. It is designed not only to control the less-developed countries, ensuring that their economic policies favor the U.S. transnational corporations, but also to serve as a support for both the exports and the overseas investments of U.S. corporations.

The Role of the Transnational Foundations

The major U.S. foundations, especially the Ford and Rockefeller Foundations, play an important role in support of the policies and interests of the transnational corporations with which they share a common ancestry and pattern of control. The programs of these two transnational foundations, paralleling those of official governmental assistance agencies, focus on agricultural development, population control, and development of educational institutions in the less-developed capitalist countries.

The transnational corporations see themselves as initiating programs that official government agencies are unable to effectively pursue:

> Since private foundations are not subject to the multiple pressures brought to bear on government, they can be flexible, highly selective, and venturesome. The Foundation can provide specialists and other assistance which, for political reasons, one country would not ask of another government or which another government could not give. For several years, for example, the Foundation has been able to contribute foreign training and field-work assistance to government birth-control programs in India and Pakistan, while the United Nations, the United States Government, and otber official bodies were debating whether to participate in family-planning efforts. The Foundation has been able to help fill requests for consultants at high levels in civil-service reform, tax and fiscal policies, and economic planning. In the midst of tbe Congo's turbulent first weeks of independence the Foundation was able to set up training facilities for Congolese officials. Developing nations have accepted as free of political overtones the evaluations and recommendations of Foundation-financed consultant teams (Ford Foundation 1963, p. 3).

The transnational foundations are deeply engaged in the process of "institutional development"—that is, in the shaping of institutional structures in the image of what the foundations want these countries to be.

Both the Rockefeller and Ford foundations give high priority to agriculture rather than to industrial development:

> The Rockefeller Foundation's activities in agriculture have contributed to the development of certain new concepts that are radically affecting policy and action programs in developing areas. . . . .
>
> Some national leaders have shown that they can become enthusiastic promoters of agriculture, when it is clearly demonstrated to them, in most cases by agricultural scientists, that it is technically feasible to improve agricultural output substantially in a relatively short time. More and more, agriculture is being recognized as a basic industry in agrarian nations; leaders are realizing that orderly modernization of agriculture must proceed at the same pace as other forms of industrialization, If indeed it is not a prerequisite to all other development (Rockefeller Foundation 1968, pp. 16-17)..

The two foundations also believe and act on the assumption that what is wrong with the less-developed countries is in good part due to them having too many children. Thus, priority is given to a reduction in the number of people instead of to social reorganization:

> Economic progress is particularly eroded by the high proportion of children in rapidly populating countries. . . . Given all these needs, only massive sustained action can apply the brakes to onrushing population growth. . . . Since economists have maintained that a dollar invested in fertility control is many times more effective in increasing per capita income than a dollar invested in plant and equipment, fertility control must emerge as an integral component in the development process. . . . Since time is of the essence, and government response is still inadequate to the population challenge, private efforts will continue to play a major role (Ford Foundation 1964, p. 2).
>
> . . . population increase now stands as a formidable barrier to industrial and social development, and that even the largest inputs of aid and technology will be nullified unless lower rates of increase are achieved. The Foundation therefore is assisting projects which increase the effectiveness of national planning policies (Rockefeller Foundation 1964, p. 38).

Fully 49 percent of all Rockefeller allocations for grants and program support in 1978 went for projects in the less-developed capitalist countries. The most important Rockefeller effort was directed to building up universities and other educational institutions. Nineteen percent of all funding went for this purpose alone. The development of agriculture was closely behind, accounting for 15 percent of the total, while population control received 12 percent. The Ford Foundation in fiscal year 1978 allocated 32 percent of all of its money to its international division, predominately for activities related to the less-developed capitalist countries. Recipients in the less-developed capitalist countries themselves received approximately 17 percent of all grants and program support from the Ford Foundation, while population control received 4 percent, development studies 2 percent, and international affairs, in good part oriented to the less-developed countries, 7 percent.* It is not surprising that institutions so closely linked to the U.S.-based transnational corporations are so involved in helping to develop and secure the conditions favorable to their operation.

THE INTERNATIONAL FINANCIAL INSTITUTIONS AS MECHANISMS OF DOMINATION

The International Monetary Fund (IMF) and the World Bank together with various regional multinational financial institutions play a central and growing role in the economic domination of the less-developed countries. The loans of these institutions are closely coordinated with those of both official governmental assistance programs and the lending of the private transnational banks. In general, the IMF plays the leading role for the whole metropolitan system of lending and assistance. This multinational institution's decisions about extending or refusing "balance of payments" loans are the signal for individual governments and private banks to also extend or refuse credit. The IMF's "seal of approval" is typically decisive for a country badly in need of international funding or rescheduling of its outstanding debt. Its power to influence the economies of the less-developed countries is thus immense.

The International Monetary Fund is controlled by a handful of the wealthiest capitalist countries with the United States predominant. In 1979 the ten leading capitalist participants controlled

*These figures are computed from data presented in the 1978 annual reports of the Ford and Rockefeller Foundations.

54.9 percent of the votes (roughly proportionate to their financial contributions to the fund) while the United States alone controlled 19.9 percent. There has been a tendency for metropolitan control in general as well as the U.S. share to decline. But this tendency has not changed the power bloc within the organization. In 1960 the ten leading capitalist countries had 70.2 percent of the votes and the United States 28.9 percent (International Monetary Fund 1961, 1979a). Control of the World Bank is identical to that of the IMF. It should also be noted that the international headquarters of both organizations is in Washington, D.C.

The conditions for loans from the international financial institutions, particularly the International Monetary Fund and the World Bank, require that recipient countries adopt economic policies favorable to private enterprise in general and the transnational corporations in particular. Conditions for the short-term balance of payments loans of the IMF* or the longer term developmental assistance of the World Bank demand an "austerity program" to "stabilize" the economy that characteristically includes the following:

1. *Credit restrictions.* So as to slow inflation and reduce wages, the less-developed countries are pressured to raise their interest rates and otherwise limit credit. This has the effect of slowing new investment by locals and hence the economic growth of the domestically owned sector. In situations of tight credit, foreign firms that can bring in external financing, and often get preference in local finance markets as well, are at an advantage over local firms. Hence, this policy favors the takeover of industrial sectors by the transnational corporations.

2. *Emphasis on raw materials production.* The local governments are encouraged to lend economic assistance to their raw materials sectors, especially to agriculture. The loans of the World Bank itself are concentrated in the raw materials sector and its supportive "infrastructure."

3. *Decreasing government expenditures.* Again, ostensibly to counter inflation, the local governments are pressed to follow austerity programs. They are pressured to decrease their expenses, especially welfare and subsidies to local manufacturing industry. This has the effect of decreasing the ability of governments to mobilize the economic resources of the country and consequently expanding the influence of the transnational corporations. It also has the effect of lowering the living standards of the working class and peasants.

4. *Decreasing wages.* Metropolitan financial institutions press the governments of the less-developed countries to "freeze wages" (typically resulting in

*For discussions of IMF policies see Frenkel and O'Donnell 1979; Kenen 1964, chap. 5; and Kindleberger 1963, chap. 27.

a significant reduction in real wages) and eliminate price controls, particularly over agricultural commodities.

5. *Convertibility and repatriation of capital.* Pressure is put on the governments of the less-developed countries to guarantee that a foreign firm can repatriate as much of its income as it desires at any time, thus increasing the outflow of capital to the metropolis.

6. *Equality of opportunity for transnational corporations.* The local governments are pressured to eliminate all discrimination against foreign firms, i.e., to eliminate any favorable treatment for local companies, thus facilitating the growth of transnational corporations.

7. *Discouraging of high tariffs and exchange controls and encouraging devaluation.* The international financial institutions claim that high tariffs and exchange controls, along with "overvalued" local currency, distort the less-developed economies by moving resources from the "more efficient" export sector to the allegedly more inefficient import substitution sectors. Such policies facilitate the export of manufactured goods from the metropolitan countries while discouraging the development of all-around industrialization in the less-developed countries.

The consequence of these various measures is to encourage foreign investment, increase its profitability, discourage the indigenous industrialization of the less-developed countries, and increase the economic dominance of the less-developed countries by the advanced capitalist countries. The policies of the international financial institutions are geared to aiding the transnational corporations while lowering the living standards of working people. Greatly increased unemployment, cutbacks in welfare, and decreases in real wages are all typical consequences of IMF-approved policies. The experience of Peru, forced to turn to the IMF in the later 1970s, is characteristic. This country was faced with having further requests for credit from all international sources turned down and the massive economic disruption that would entail (whether the country decided to declare bankruptcy or simply paid its debts without any more borrowing). Peru was forced to implement measures that decreased the standard of living of working people as well as greatly increased unemployment. As a result large-scale rioting, demonstrations, and strikes occurred in protest of the government's action. In the face of such popular opposition the response of the Peruvian state was also characteristic. Committed to implementing the program insisted on by the international bankers, repression of the popular opposition movement was required as a condition of "economic stabilization." Martial law was declared, constitutional guarantees of free speech were suspended, elections were postponed, and hundreds of radical labor leaders were arrested (Klare and Arnson 1979, p. 167; Stallings 1979).

In general, IMF-imposed "stabilization" programs are almost impossible to implement without repressive and authoritarian regimes. In fact, IMF approval goes most often to the "bureaucratic authoritarian" regimes that have become commonplace in the less-developed countries since the 1960s—regimes that have been fairly effective in excluding the working class from politics, i.e., using repression instead of legitimacy to acquire the support of international lending agencies in realizing the state's capital accumulation function.

The International Monetary Fund operates by making short-term loans of hard currency (dollars, marks, yen) to the less-developed countries that are having serious balance of payments deficits, i.e., are unable to pay for their imports with the proceeds of their exports. The theory of such loans is that they allow a country the space to restructure its economy and increase its exports through allowing it to temporarily meet its bills. Lending by the IMF has increased considerably since the 1960s. In the 1965-69 period annual balance of payments loans to the nonoil exporting less-developed countries averaged $466 million a year, in the 1970-74 period $694 million a year, and from 1975 to 1978 $1,615 million (International Monetary Fund 1979a). Its role in *directly* influencing the less-developed countries has thus significantly increased.

Unlike the IMF, the World Bank loans money for specific projects; however, its involvement in the local economies is multifaceted. Through its program of technical assistance, the World Bank pressures the less-developed countries to follow the same pro-private enterprise and transnational economic policies pursued by the IMF and the U.S. government assistance agencies.

The World Bank's activities, like those of the IMF and the U.S. government, are directed to the preservation and expansion of the prerogatives of private enterprise:

> . . . the Bank believes that to the greatest extent practicable, competitive industry should be left to private enterprise. This is not to say that the Bank has an absolute ban against loans to government owned industries, but it will undertake such financing only in cases where private capital is not available, and if it is satisfied after thorough examination, that the government's participation will be compatible with efficient operation and will not have an unduly deterrent effect upon the expansion of private initiative and enterprise (World Bank 1960, p. 42).

The World Bank's role, like that of the IMF, has considerably increased since the 1960s. While in the 1962-69 period its loans to the less-developed countries averaged $1,017 million a year, in the 1976-78 period they averaged $5,434 million (U.S. Agency for International Development 1979).

DEBT AS A MECHANISM OF DOMINATION

The extensive borrowing of the less-developed countries from private transnational banks, individual governments, and the international financial institutions has resulted in the growing indebtedness of these countries. The increasing debt of the less-developed countries is used as a weapon by the public and private metropolitan institutions to exert pressure on them to follow economic policies favorable to the transnational corporations. The deeper in debt the less-developed countries become, the more dependent they become on further loans to pay off the interest and principal on past loans or on the granting of moratoriums or rescheduling of debt repayments. The alternative to complying with the demands of the metropolitan financial institutions in order to either secure money or better terms is to default on payments—a course of action with the immense economic problems default entails. Countries in default can well find it impossible to secure short-term credit to fund imports, their accounts blocked in other countries, and their overseas assets (including their exports) frozen or seized. Most less-developed countries are thus forced to comply with the economic demands of the metropolitan institutions in order to avoid the consequences of bankruptcy.

In 1976 the total outstanding debt of all the nonoil exporting less-developed countries was $146 billion, up from $44 billion in 1967 (Wachtel 1977; World Bank 1978, Table 11). The debt of many less-developed countries in 1976 was comparable to their GNPs. For example, international debt represented 63.8 percent of Zaire's GNP; 45.1 percent of Pakistan's; 35.7 percent of Tanzania's; 48.1 percent of Egypt's; 53.7 percent of Zambia's; 37.8 percent of Nicaragua's; 39.1 percent of Chile's; and 36.6 percent of Jamaica's. The debt to GNP ratio of most less-developed countries is rising. Some of the more radical increases in debt to GNP ratio have been in Zaire, Tanzania, Egypt, the Sudan, Nicaragua, and Mexico, where the ratio at least doubled from 1970 to 1976 (see Table 7.11).

A growing share of the total debt of the less-developed countries is to private metropolitan banks. While in 1970 and 1971 33 percent of all new loans (short term plus long term) were from private banks, in 1974 51 percent were (Wachtel 1977, p. 45). In 1974 36 percent of the total outstanding debt was to private banks (Wachtel 1977,

TABLE 7.11: External Public Debt/GNP: Selected Less-Developed Countries (millions of U.S. dollars)

	1970		1976	
	Total	*As % of GNP*	*Total*	*As % of GNP*
Ethiopia	$ 169	9.5	$ 431	14.9
Zaire	309	17.3	2,002	63.8
India	7,935	14.8	12,392	14.6
Pakistan	3,060	30.5	5,968	45.1
Tanzania	237	18.5	914	35.7
Indonesia	2,505	27.8	10,141	29.1
Kenya	284	18.5	688	22.2
Egypt	1,639	23.7	5,043	48.1
Sudan	293	11.0	1,268	27.4
Philippines	635	9.5	2,126	12.3
Zambia	548	32.0	1,184	53.7
Morocco	713	21.4	2,131	24.6
South Korea	1,904	22.8	6,690	26.7
Nicaragua	146	19.4	642	37.8
Peru	898	14.8	3,379	31.3
Malaysia	364	9.2	1,619	12.1
Turkey	1,841	14.4	3,569	8.8
Chile	2,066	24.0	3,527	39.1
Jamaica	129	10.3	855	36.6
Mexico	3,228	9.8	15,547	20.8
Brazil	3,680	8.0	14,852	11.7
Argentina	1,872	7.5	4,255	4.6

Source: World Bank 1978, Table 11.

p. 48). Private transnational banks appear to be once again, as in the pre-World War II period, coming to play the leading role in financing the less-developed countries.

Private banks are in a position to exert considerable economic power over the less-developed countries because of their ability to withhold or expand credit and loans. They are in an especially powerful position in relation to poor countries short of hard currency by which to purchase necessary imports. For example, when the Allende government came into office in late 1970, five leading U.S. banks cut off all short-term credit that had been used to finance imports from the United States (First National City, Chase Manhattan, Chemical, Morgan Guaranty, and Manufacturers Hanover) thereby causing considerable economic difficulties for the new regime (Barnet and Müller 1974, p. 142).

The increasing debt dependence of the less-developed countries can be seen in Table 7.12. Total new metropolitan loans increased by over four times in this period, while total repayments increased by six and one-half times. In 1977 total new lending to the less-developed countries was $52.7 billion (about equally divided between lending by public and private institutions), while total repayments were $50.5 billion, almost as much. In fact, repayments considerably exceeded new loans in the Near East and in South and Southeast Asia. In Latin America the ratio of debt repayment to export earnings increased from 16.7 percent in 1970 to 32.6 percent in 1977 while for the less-developed countries as a whole it increased from 14.5 percent to 17.5 percent. In the less-developed world as a whole the ratio of debt repayments to GNP increased from 2.0 percent to 4.8 percent while in Latin America it increased from 1.8 percent to 4.8 percent and in South and Southeast Asia from 1.8 percent to 4.3 percent. It is clear that the influence of the transnational banks, international financial institutions, and governmental assistance agencies has considerably increased because of their power to extend or refuse to extend further loans to the less-developed countries as they slip ever deeper into debt.

SUMMARY

It is clear that the less-developed countries have become increasingly economically dependent on the metropolitan countries. The role of foreign direct investment in them has increased considerably since the 1960s with the transnational corporations accounting for an ever-increasing share of their domestic sales and exports. The transnational corporations have been able to preserve their predominant decision-making role in their investments regardless of the degree of local participation. The less-developed countries have been becoming increasingly debt dependent, especially on the private transnational banks and, to a lesser degree, the international financial institutions. However, the role of the foreign assistance programs of the U.S. government in influencing the less-developed countries has declined considerably in both absolute and relative terms. The role of U.S. foreign assistance programs has decreased considerably in relation to those of the other advanced capitalist countries in relation to the international financial institutions and especially in relation to private banks; many of them headquartered in New York City. The less-developed countries do seem to have reduced their trade

TABLE 7.12: New Long-Term Loans and Repayments of the Less-Developed Countries

	Long-Term Loans								
	New Loans							Total Repayments as Percentage of	
	From Governments	Private	Total	Repayments on Principal	Short-Term Loans (net)	Interest Payments	Total Repayments	Exports	GNP
All LDCs*									
1970	6,741	5,841	12,582	-5,588	+1,015	-3,250	-7,823	14.5	2.0
1977	26,694	26,016	52,710	-23,681	-11,747	-15,020	-50,448	17.5	4.8
Latin America									
1970	1,993	3,171	5,164	-2,257	792	-1,405	-2,870	16.7	1.8
1977	11,895	13,559	25,454	-11,802	-952	-7,980	-20,734	32.6	4.8
Africa									
1970	1,129	397	1,526	-935	-12	-444	-1,391	10.8	2.4
1977	4,618	4,895	9,513	-3,761	-1,296	-1,807	-6,864	14.1	4.3
West Asia									
1970	1,005	219	1,224	-593	-203	-213	-1,009	11.0	2.5
1977	2,527	932	3,459	-2,099	-7,164	-1,342	-10,605	10.2	4.8
South and Southeast Asia									
1970	2,528	1,896	4,424	-1,686	518	-1,123	-2,291	16.1	1.8
1977	7,510	6,298	13,808	-5,673	-1,944	-3,738	-11,355	16.0	4.3

*Less-developed coutries, including those of Europe and the Pacific Islands.
Source: United Nations 1979a, Table 5.1.

dependence a bit, especially on the United States. However, their somewhat improved trade position (essentially limited to the OPEC countries) would appear rather minor as compared to the considerably increased power of the transnational corporations and banks exercised through investments and loans.

8 IDEOLOGICAL HEGEMONY AS A MECHANISM OF IMPERIAL DOMINATION

Ideological domination is another powerful mechanism of imperial control. Although perhaps, in the long run, not as reliable as economic and military power, it can be most effective. A metropolis exerts power over a less-developed country through educating its students (either by sending them to the developed capitalist countries or through programs set up in the local countries), providing its international news, television programs, magazines, films, books, clergy, training programs for its military officers and for trade union officials, and even through the "goodwill" it wins through seemingly disinterested charity and emergency relief programs. Metropolitan values, world view, and attitudes are transmitted to the future leaders of a less-developed country through education in metropolitan institutions (especially in the "social sciences" such as economics and in military training for officers). It is common for metropolitan foundations and universities to supervise the establishment of curriculum and university structure in the less-developed countries. A very high proportion of total films viewed, TV programs watched, magazines read, books sold, and so forth are translated or dubbed products of the metropolis permeated with capitalist and transnational values. Considerable power can also be exercised by the developed countries through training clergy and contributing funds ("missionary work") to the less-developed countries as well as influencing local labor unions and peasant associations by training their leaders and giving them economic assistance that has the effect of channeling them away from anticapitalist or antimetropolitan projects. All of these mechanisms influence people's world views, values, and attitudes, especially in relation to the metropolis, its transnationals, and the capitalist system, and have a considerable impact on social processes in the less-developed countries.

EDUCATIONAL INSTITUTIONS

The higher educational institutions of less-developed countries tend to be less expert, especially in technical subjects, than those of developed capitalist countries. A significant number of university-level students go abroad to study, mostly to the major advanced capitalist countries. While abroad they often adopt the ways and values of the metropolis. Overseas students tend to study those things, in those ways, that the developed countries deem important. They are channeled into such subjects as agriculture, education, and social science, all taught from the metropolitan point of view. Many return to serve as teachers, thus multiplying metropolitan influence.

Professors and metropolitan university resources are sent to the less-developed countries to reorganize their universities. Universities in the less-developed countries are made over into images of metropolitan universities, with similar kinds of organization, physical layout, and most importantly, similar kinds of subject matter.

The higher educational institutions of the less-developed countries typically rely on a continual input of ideas and personnel from the developed countries. This produces ideological "fifth columns" of prometropolitan professionals in the less-developed countries. Most of the metropolitan involvement is focused on universities, rather than on primary or secondary education, in order to reach the potential leaders, who will soon be in the influential positions in their countries. It is in its influence on the ideas of the "local elites" of the less-developed countries that the major impact of the metropolitan educational connection is realized.

The majority of the major university programs involving the United States in the less-developed countries are sponsored by the Agency for International Development, although others are sponsored by U.S. foundations such as Ford and run by various U.S. universities under contract to those organizations. To understand the function of such programs it is instructive to see how those who have played a key role have thought about them:

> From its beginnings in the early 1950's, the university contract program was in fact developed to work at one of the great political problems of our time—the necessity of 'evolutionizing' revolution all around the underdeveloped world. This turned out to be a heady challenge both to government and to its university partners. . . . The backdrop is world political, economic, and social ferment. The aim of the partnership is stabilization. . . .
>
> Perhaps the most significant point to stress about the A.I.D.-university collaboration is that it is engaged in highly political business . . . . Education is essentially a long-range, permeative process. In the "university contract program" it is called upon to help solve the short-range, potentially explosive problems of emerging nationhood (Humphrey 1967, pp. 1-5).*

The university program is conceived as playing a role in containing and preventing fundamental social change. U.S. university involvement works to build institutional structures and attitudes that function favorably to U.S. transnational interests.

U.S.-sponsored university programs in the less-developed countries cover a wide range of topics: agriculture, education, engineering, business administration, labor relations, public administration, university development, medicine, economics, and sociology. Economics has been one of the fields most emphasized. Other areas that have received special emphasis include engineering, education, agriculture, and business administration. These programs generally include sending students to the United States, development of curriculum, provision of library and research materials, and policy planning with local administrators.

The activities of U.S. universities are an important part of the overall U.S. program to influence the policies of the less-developed countries through guiding the training of their future leaders and technicians. These programs can have an impact far beyond their immediate effect because of both the future role of the students they train and the multiplier effect of example. Innovations introduced by North Americans at one school frequently spread to others.

Perhaps the most successful single example of the role of AID-financed university programs in the less-developed countries has been that of the University of Chicago Economics Department, whose AID contract with the Catholic University of Chile was in operation from 1956 until 1964. This program illustrates the role of the university contract program in all the social sciences.

Why were AID and its predecessor interested in sponsoring the restructuring of the economics department at Chile's second most important University?

---

*Richard Humphrey was the director of the Commission on International Education of the American Council on Education.

> In recent years, Chile has increasingly become a center in the field of economics among Latin American nations. Chile, because of its importance as an economics center, was having considerable influence in the economic thinking of Latin America, and also had some severe economic problems of her own to solve. Within Chile, almost all economists and thinkers about economic problems tended to place considerable emphasis on the importance of state planning and control in economic affairs and many subscribed to Marxian economic theory. [It was] felt that the technical assistance mission could make a real contribution by promoting the improvement of economic research and the training of economics teachers with a more objective and analytical background (Adams and Cumberland 1966, p. 203).

The purpose of the project was to promote classical economics, an approach most favorable to "free enterprise" and the interests of the transnational corporations, and to undermine nationalist and Marxist economic thinking. The University of Chicago was selected as the U.S. contractee because "the brand of economics they taught in Chile was congenial" (Adams and Cumberland 1966, p. 118). The most important aspects of the program were the "in-country training" of economists hy visiting members of the University of Chicago economics department and (most importantly) the training in Chicago of the most promising Chilean economics students. Numerous students were groomed to carry on the "Chicago tradition" in Chile as full-time faculty members. After the 1973 military coup against the Socialist Allende regime, the University of Chicago trained and influenced economists were put in charge of restructuring the Chilean economy according to Milton Friedman's brand of free-enterprise economics, while North American Chicago trained economists were brought into the country to serve as economic advisors.

The number of foreign students in the United States has rapidly increased since the 1950s. From the middle of the 1960s to the middle of the 1970s the number of students from the less-developed countries studying at U.S. institutions of higher educations almost tripled (it rose from 61,160 to 171,610). All regions of the less-developed countries have seen a rapid increase in the number of their students studying in the United States, but the most rapid rates of increase have been recorded by Africa and Southwest Asia. In 1976-77 41 percent of all students from the less-developed countries studying in the United States were from South and East Asia, 22 percent each from Southwest Asia and Latin America, and 15 percent from Africa. Iran led all countries in the total number of students with 23,310 (or 13.6 percent of the total from all the less-developed countries) followed by Taiwan with 12,100, Nigeria with 11,870, Hong Kong with 10,970 and India with 9,410. Other countries with especially large numbers of students included Mexico with 6,450, Thailand with 6,070, Venezuela with 5,750, Saudi Arabia with 4,590, and South Korea with 3,630. It appears that U.S.-trained returnees are in a position to exert considerable influence in all of these countries (although to a somewhat lesser extent in India and Mexico because of their size). The most popular fields of study for foreign students are engineering with 24 percent of the total, business and management with 17 percent, science 11 percent, and social science 10 percent (with 32 percent of these studying economics) (International Institute of Education 1967, pp. 13, 15, 23, 25).

The impact of the advanced capitalist countries on students from the less-developed countries seems to have been roughly constant throughout the 1960s and 1970s. In 1961 the 82,000 foreign students from Asia, Africa, and Latin America were studying in Europe, North America, and Japan. These students represented 3.2 percent of the total enrollment in third-level educational institutions in the less-developed countries. In 1975 the 352,000 students from these same countries were 3.3 percent of all those attending higher educational institutions in their countries. The impact of the advanced countries was clearly the greatest in Africa, where overseas enrollment in 1961 was 11 percent and in 1975 was 10 percent of local enrollment, and least in Latin America, where it was 1.8 percent in 1961 and 1.5 percent in 1975. The U.S. share of the total number of students from the less-developed countries receiving a higher education in the advanced capitalist countries has remained virtually constant. In 1961 it was 45 percent of the total, and in 1975 43 percent. In 1975 the U.S. share was highest for Latin America (57 percent) and lowest for Africa (29 percent). The relative U.S. impact on Latin America had declined significantly through the 1960s and 1970s while at the same time rising in Africa. This reflects the general loss of unchallenged U.S. hegemony in Latin America in the post-World War II period as other major capitalist powers assume a growing role in virtually all spheres, as well as the declining hegemony of the ex-colonial powers, especially Britain, in Africa (see Table 8.1).

THE TRANSNATIONAL MEDIA CORPORATIONS

Television

The major U.S. networks, ABC, NBC, and CBS, along with other U.S. media corporations such as Time-Life play a central role in TV

TABLE 8.1: Foreign Students from the Less-Developed Countries Studying in the Advanced Capitalist Countries by Region of Origin

	Year	Total Studying Overseas	As A Percentage of All Local Students	Percentage of All Overseas Students Studying in the U.S.
Africa*	1961	19,880	11.0	17.9
	1975	87,938	10.0	28.8
Asia*	1961	52,336	1.9	48.3
	1975	211,447	2.5	45.9
Latin America	1961	10,220	1.8	77.8
	1975	52,508	1.5	57.2
Total	1961	82,436	3.2	44.6
	1975	351,893	3.3	43.3

*Including students from Israel and Japan, but excluding students from the People's Republic of China, North Korea, and North Vietnam.

Sources: UNESCO 1964, Table 18; 1977, Tables 2.1, 5.7.

programming in the less-developed capitalist countries. They are thus a major conduit of procapitalist ideology in these countries. According to a former official of the U.S. Information Agency, Wilson P. Dizard:

> American TV products, for better and for worse, are setting the tone for television programming throughout the world in much the same way Hollywood did for motion pictures 40 years ago. The United States now leads all other countries combined twice over as a program exporter. . . . Foreign sales were, until a few years ago, a source of random profits peripheral to revenues from syndication at home. . . . Today, overseas sales account for 60 per cent of all U.S. telefilm syndication activities and represent the difference between profit and loss of the entire industry (Schiller 1969, p. 85).

U.S.-produced programs are commonly the most popular in most of the less-developed countries. Such programs as "Bonanza," "Chaparral," "Colombo," "McCloud," "McMillan," "The Bionic Woman," "Baretta," "Man from U.N.C.L.E.," "The F.B.I.," all loaded with U.S. values, have proven especially popular in their dubbed versions (*Broadcasting*, April 18, 1977, p. 48; Schiller 1969, p. 82).

In 1972 U.S. world exports in television series and documentaries ranged between 100,000 and 200,000 program hours, about one-third to Latin America and another one-third to East Asia. Between 1958 and 1973 sales of North American series abroad increased from $15 million to $130 million. Approximately 50 percent of Latin American programming in the early 1970s was of foreign origin and 30 percent was from the United States. Likewise, in the Middle East and Asia approximately half of all programs are imports (Mattelart 1979, p. 216; Nordenstreng and Schiller 1979, pp. 40, 127; Turnstall 1977, pp. 40, 278-79).

NBC has considerable transnational involvements. It owns interests in TV stations in the less-developed countries (e.g., in Venezuela, Mexico, and Jamaica). In 1966 it had affiliates in 93 foreign countries. In 1965 it syndicated 125 film series and services for more than 300 foreign TV stations. Its programs are dubbed into the major languages of the less-developed capitalist countries—Spanish, Portugese, French, and Arabic. NBC has been particularly active in giving technical and administrative expertise to the less-developed countries in developing their local TV programs. NBC played an active role in influencing the establishment of local TV in such countries as Mexico, Peru, the Philippines, Argentina, Jamaica, Kenya, Nigeria, and Sierra Leone (Schiller 1969, pp. 82-83).

CBS in the early 1970s distributed its programs to 100 foreign countries. It has claimed that 95 percent of the "free world's" households receive its news-film service. Ten percent of its employees are foreign nationals. Among the most popular TV shows in Latin America in the early 1970s were "Hogan's Heroes," "Mary Tyler Moore," "Perry Mason," "Gomer Pyle," "I Love Lucy," "Bonanza," and "Hawaii Five-0" (Barnet and Müller 1974, p. 144; Schiller 1969, p. 82-84). CBS in the late 1960s owned a significant share of at least three Latin American TV production companies: Proartel in Argentina, Proventel in Venezuela, and Pantel in Peru. In addition, in Argentina and Venezuela Time-Life has significant investments in local TV production companies (Barnet and Müller 1974, p. 144; Schiller 1969, pp. 82-84).

Of the three major U.S. networks, ABC has been the most heavily involved in overseas activities. In 1966 that transnational corporation reported its programs were sold in over 80 foreign markets. ABC owns the international television network known as World Vision. World Vision in the late 1960s reportedly reached about 60 percent of all TV sets outside of the United States where commercial TV exists. In 1966 World Vision operated in 26 countries, including Chile, Colombia, Argentina, and Venezuela, and sold its programs to many other countries where it does not directly operate. In the late 1960s it had investments in TV stations in many less-developed countries including Guatemala, El Salvador, Honduras, Argentina, Chile, Dominican Republic, Uruguay, Costa Rica, Panama, Colombia, Venezuela, Ecuador, Lebanon, and the Philippines (Schiller 1969, pp. 82-84; Nordenstreng and Schiller 1979, p. 35).

About three-fourths of foreign programs on Argentina and Colombian TV are from the United States. In Chile, Mexico, and Venezuela about one-third of TV programming originates in the United States (Mattelart and Siegelaub 1979, p. 360). In the early 1970s 40 percent of Peru's TV programs, 50 percent of Bolivia's, and 85 percent of Costa Rica's were bought from transnational corporations (Barnet and Müller 1974, p. 145).

The direct impact of canned and dubbed U.S. TV programs peaked in the mid-1960s. The U.S. share of TV programming has been declining as at least the larger countries, such as Mexico, Brazil, and Argentina, come to produce more of their own programming and as other advanced capitalist countries expand their syndication activities (Mattelart and Siegelaub 1979, p. 361; Nordenstreng and Schiller 1979, p. 127; Turnstall 1977, pp. 40-41). In the early 1960s the United States was virtually the only exporter of TV series, but by the mid-1970s the United States had major competition

from the other advanced capitalist countries. Increasingly the less-developed countries have restricted foreign ownership of television stations as well as programs of foreign origin. Some of the major countries such as Brazil have taken measures to restrict the role of foreign-produced media and now encourage locally produced products. Brazil has proposed a requirement that 70 percent of TV and radio programs be of domestic origin. That policies like Brazil's are becoming effective is indicated by the fact that in the late 1970s there were only one or two North American programs among Brazil's top ten (Mattelart 1980, p. 78). Audience surveys in Brazil, however, reveal that U.S.-produced programs are still quite popular (*Variety*, August 10, 1977, pp. 42, 50).

Locally produced T.V. programs are better suited to the reality of the less-developed countries, both in terms of working with locally popular themes and in transmitting the specific values that the various authoritarian regimes want to encourage. A number of production studies were set up in Latin America in the 1970s designed to produce "telenovelas" (serials) better suited to Latin American conditions than dubbed U.S. products. In Brazil the locally produced product is in good part an instance of its bureaucratic authoritarian regime's psychological warfare against its working people. The focus is on the "threat of subversion." Anti-Communist and conservative themes are more effectively presented than would be the case in imported products (Mattelart 1980).

In spite of these recent trends, Western, and especially U.S. programs, continue to play a leading role in television in most of the less-developed countries. There is very little flow in the opposite direction. For example, in the early 1970s less than 2 percent of U.S. television shows were imports (Nordenstreng and Schiller 1979, pp. 36, 127).

Film

Few of the less-developed countries produce many of their own feature-length films (Mexico, Brazil, India, Korea, Pakistan, Egypt, and the Philippines are prominent exceptions). Most of the less-developed countries rely principally on imports from the advanced capitalist countries, especially from the United States. U.S.-produced films in the 1970s occupied more than 50 percent of total world screen time and accounted for more than half of all international trade in film. The U.S. film industry derives a larger portion of its revenue from overseas than does any other large U.S. industry (Guback 1977, p. 21; Turnstall 1977, p. 299).

Approximately 55 percent of all films shown in Latin America in the early 1970s were North American productions (Nordenstreng and Schiller 1979, pp. 41-42). In Peru in the mid-1970s U.S. films accounted for about 60 percent of paid film attendance. In Chile at the same time the figure was 70 percent. In ten weeks during the winter of 1975-76 *Jaws* drew one million people. *The Towering Inferno* during the same period drew a third of a million. The two most popular pictures in Brazil in 1974 were *The Sting* and *The Exorcist* (*Variety*, March 31, 1976).

The leading markets for U.S. films (including sales of advertising materials) in the less-developed countries in 1976 were Brazil with \$25.4 million, Mexico with \$21.0 million, and Venezuela with \$9.0 million (Mattelart 1979, p. 227).

In 1975 Kenya produced no films and imported 337 (57 percent from the U.S.). Argentina produced 34 feature films, imported 215 (36 percent from the U.S.); Indonesia produced 41 feature films, imported 400 (33 percent from the U.S.), and Iran produced 68, imported 400 (28 percent from the U.S.).

Although U.S. film preeminence remains, its influence is declining somewhat. While 83 percent of Mexican imports were from the United States in 1961, only 40 percent were in 1975; while 50 percent of Argentina's were from the United States in 1961, 36 percent were in 1975 (UNESCO 1964; 1975; 1977, Tables 14.1, 14.2).

The role of U.S. film imports relative to the imports from other (mostly advanced capitalist countries) varies somewhat by region. In 1971-72 61 percent of Latin American imports were from the United States as compared to 38 percent for both the Middle East and South and Southeast Asia, and 26 percent for Africa (where French and Italian imports played a leading role) (Turnstall 1977, p. 280).

A number of countries have been increasingly subsidizing their domestic film industries (e.g., Mexico and Venezuela). Mexico and Egypt are already significant film exporters (to Central America and the Arab world respectively), as are Hong Kong and India. Turkey, Pakistan, and Indonesia are also building up important film industries. Argentina has had a significant local film industry together with considerable restrictions on foreign film imports for some time (Turnstall 1977, pp. 182-83, 242-43; *Variety*, September 3, 1975; March 31, 1976).

Magazines

U.S. magazines have a very wide circulation in the less-developed world. *Reader's Digest* is the most widely read magazine in the less-developed capitalist world. It is published in 15 languages and in over 40 different editions. It circulates in more than 100 countries. In Latin America alone its monthly circulation is approximately 1.3 million copies per issue (there are nine separate Spanish-language editions). A third of a million English-language copies are sold in East and Southeast Asia (150,000 in the Philippines), and a quarter of a million in Chinese and almost 200,000 in Hindi (Standard Rate and Data 1980). Most of the material printed in the overseas editions is simply translations from the U.S. original and thus carries all the conservative ideology and homilies of that journal. *Vision* (in Spanish and Portuguese editions) is the next most important U.S.-owned journal in Latin America. It has a circulation of approximately one-third of a million per issue. Other popular U.S. magazines that appear as Latin American editions include *Good Housekeeping* and *Cosmopolitan* (the circulation of each is approximately 350,000) (Mattelart 1979, pp. 218-24; Nordenstreng and Schiller 1979, p. 41; Standard Rate and Data 1980). Five of Colombia's six largest selling magazines in 1973 were owned by North Americans (Turnstall 1977, p. 172).

U.S. comic books and comic strips translated into the languages of the less-developed countries circulate in millions of copies throughout the world, especially in Latin America. The largest editor and distributor of comic books in Latin America is Western Publishing Company, which circulates millions of copies of "Archie," "Batman," "Superman," "Porky the Pig," and Walt Disney comics. Over 80 percent of the comic strips in the leading Colombian and Venezuelan newspapers and about two-thirds for Latin American papers overall are from the United States (Norderstreng and Schiller 1979, pp. 41, 61, and chap. 3).

U.S. films, TV serials, magazines, and comics are permeated with individualist, materialist, procapitalist, and proimperialist values. Content analyses of such periodicals as *Reader's Digest* and of such comic books as "Donald Duck" have revealed recurrent themes such as equal opportunity for success, that knowledge and science favor only those who are deserving, that the state of the less-developed countries is due to their strange—if not silly and backward—customs, sense of fatalism, bad climate and lack of great thinkers, and that development comes from knowledge. Popular U.S. periodicals also promote individualism, consumerism, racism, and violence (Nordenstreng and Schiller 1979, pp. 54-55, 61).

News

The U.S. news agencies, United Press International (UPI) and Associated Press (AP), are the principal suppliers of international news to much of the less-developed world, especially Latin America. UPI in the mid-1970s had 6,400 clients in 114 countries. Its releases were translated into 48 languages. In the mid-1960s UPI served 262 newspapers in Latin America, 163 radio stations, and 41 television stations. UPI in the early 1960s provided almost half of all the stories used by the major Latin American dailies. Approximately 80 percent of international news stories in Latin American daily papers in the 1960s originated from U.S. sources. The U.S. news agencies dwarf their major competitors France-Presse and Reuters. While UPI alone employes 10,000 people, the French news agency employes 2,000 and the British 1,635 (Mattelart 1979, p. 215; Nordenstreng and Schiller 1979, p. 39; U.S. Bureau of Cultural and Educational Affairs 1966, p. 67).

The control of news flow into the less-developed countries by news services in the advanced capitalist countries, especially in the United States, was reflected in the coverage of the Vietnam War, which in Latin America was reported almost exclusively from the U.S. point of view because of the virtual monopoly of UPI and API. A study of newspaper articles about OPEC in Venezuelean papers revealed that virtually all the information about this organization originated in petroleum-importing countries (Nordenstreng and Schiller 1979, pp. 51-53).

Advertising and Public Relations

The transnational corporations, especially those from the United States, are principal advertisers in the commercial media (TV, radio, newspapers, and magazines) in the less-developed countries. In Latin America most TV and radio stations (over 90 percent of both if Cuba is excluded) are commercial as are most newspapers. Almost half of their newspaper space is devoted to advertising while about 20 percent of their broadcast time is given to commercials. The transnational corporations are thus in a strong position to exert influence over the content and orientation of the mass media. In 1960 foreign advertisers represented between 30 percent and 45 percent of all Argentine television advertising. In Colombia four of the five top television advertisers are transnational corporations (Colgate-Palmolive, Lever Brothers, American Home Products, and Miles Laboratories). In 1969 in Peru the top TV and radio advertisers were Proctor and Gamble, Sears Roebuck, Sidney Ross, Colgate-Palmolive, Sherwin Williams, and Bayer, while Sears Roebuck and "supermarkets" were the leading newspaper advertisers. In that year just two U.S. corporations were responsible for 40 percent of

all advertising in one of Lima's leading papers (Nordenstreng and Schiller 1979, pp. 36-37; Barnet and Müller 1974, p. 146).

The largest transnational advertiser is Proctor and Gamble with a total of $265 million spent outside the United States in 1971. It was followed by General Foods with $170 million, Sears Roebuck with $130 million, and General Motors also with $130 million. In Peru in the first half of 1969 Proctor and Gamble spent $17 million and Sears Roebuck $12 million (Drinot Silva 1979, pp. 357-58).

The subsidiaries of U.S. advertising companies dominate world advertising. Seventeen of the 20 largest advertising agencies in the world in 1976 were U.S. agencies. In that year 45 percent of the billings of the largest ten U.S. advertising agencies were overseas, representing $3.4 billion. One of the two largest of these, J. Walter Thompson, had billings of $47 million in just four Latin American countries while the other, McCann Erickson, had billings of $41 million in just six Latin American countries (United Nations Economic and Social Council 1978, p. 219; Drinot Silva 1979, pp. 357-58).

In Latin America, approximately 10 to 15 percent of television program time is sold directly to the transnational advertising agencies. The program time is resold to their largely transnational clients. As nationalist pressures have increased against the import of "canned" products from the United States, the transnational advertising agencies have increasingly decentralized their operations. The U.S. headquarters, as a rule, no longer direct their subsidiaries in the writing of advertising copy, nor do they generally send pretranslated copies of U.S. programs already approved by U.S. advertisers (de Cardona 1977, p. 60).

The power that funding the mass media in the less-developed countries gives the transnational corporations has been documented in a number of case studies of pressure being applied to media that were hostile to transnational interests. In Venezuela in 1961 and 1962 there was an advertising boycott of *El Nacional* because of its somewhat sympathetic attitude to the Cuban revolution. The paper was forced to change its policies. In Peru prior to 1968 there was considerable pressure on those media that supported the nationalization of the Exxon-owned International Petroleum Company by transnational advertisers and advertising agencies. Other studies have been done of the firing of journalists in Brazil and pressure on the Argentine media because of stances hostile to the interests of the transnational corporations (Nordenstreng and Schiller 1979, pp. 49-50).

The transnational corporations engage in a variety of public relations activities in the less-developed countries that are designed to win goodwill for both the companies concerned and transnational operations in general. In addition to publications, films, advertisements, and various public programs, they sponsor a wide range of community and social welfare programs—supporting hospitals, schools, sports events, and local cultural events, presenting scholarships for the children of their employees, providing loans for housing, and offering savings programs, employee fiestas, libraries, classes, and even tours to the United States.

The International Petroleum Company (IPC) in Peru in an attempt to counter pressure for nationalization produced the magazine *Fanal*, supported the publication of several Peruvian books, sponsored numerous radio programs, and produced several documentary films. The IPC in 1961 produced a weekly TV program devoted to Peruvian history. The objectives of this public relations effort were:

> 1. To identify the company with national pride, culture, and history.
> 2. To improve the teaching and understanding of Peruvian history by using new visual techniques—to pioneer in a relatively new communications medium, namely television, and to demonstrate its educational potential while at the same time performing a useful service.
> 3. To strengthen the company's ties with educators and students. (U.S. Bureau of Cultural and Educational Affairs 1966, p. 515)

Although in this case the public relations effort failed to accomplish its purpose, (the sponsoring company was soon nationalized), the potential power of this kind of campaign can be understood.

There exists a powerful and coordinated effort on the part of various U.S. public and private agencies and corporations to control the thought of people in the less-developed countries. This multimedia effort encompasses the press, film, magazines, books, radio, TV, and just about everything else one can imagine. In general, the effect is to undermine the development of antiimperialist consciousness.

THE U.S. STATE AND IDEOLOGICAL WARFARE

The U.S. state directly engages in numerous activities designed to influence the values and attitudes of people in the less-developed countries. The principal medium for this ideological warfare is the U.S. International Communications Agency (USICA), which for the most part operates overtly or only mildly covertly. The USICA's activities are, however, supplemented by the deeply covert activities of the U.S. Central Intelligence Agency. The USICA was formed in 1977 out of a merger of its principal predecessor, the U.S. Information Agency (USIA), with the State Department's Bureau of Cultural and Educational Affairs (which had handled the domestic aspects of the international cultural exchange programs of the U.S. government).

The original USIA, and now the USICA, is organized to contribute to the achievement of U.S. foreign policy objectives of generating support for the U.S. state and U.S. transnational corporations, and to discredit socialism:

> The influencing of attitudes is to be carried out by the overt use of the various techniques of communication—personal contact, radio broadcasting, libraries, book publication and distribution, press, motion pictures, television, exhibits, English-language instruction, and others. . . .
>
> Agency activities should (a) encourage constructive public support abroad for the goal of a "peaceful world community of free and independent states, free to choose their own future and their own system so long as it does not threaten the freedom of others," (b) identify the United States as a strong, democratic, dynamic nation qualified for its leadership of world efforts toward this goal, and (c) unmask and counter hostile attempts to distort or frustrate the objectives and policies of the United States. These activities should emphasize the ways in which the U.S. policies harmonize with those of other peoples and governments, and those aspects of American life and culture which facilitate sympathetic understanding of U.S. policies (U.S. Information Agency n.d.).

USIA and USICA efforts have been directed to building support for both the U.S. state, the capitalist system, and foreign investment in general. Among the major themes stressed by USICA propaganda directed to working people have been the following.

> That the well being of working people depends essentially upon the maintenance of freedom and free institutions; while communism is a snare and a delusion which imprisons all under its control and threatens nonconformists with the horrors of the forced labor camp. That free labor unions are the vehicle through which free labor can and does make real progress for its members and their families; while Communist unions serve the state by exploiting their members. That American trade unionism has been particularly strong because it has been an economic labor movement, essentially non-partisan and non-denominational, while Communist infiltration will ruin labor unions unless exposed and repelled (U.S. Department of State 1951, p. 15).

In 1976, the USIA employed a world total of 8,775 people, 65 percent of them overseas. It spent a total of a quarter of a billion dollars in its effort to influence world public opinion, primarily in the less-developed capitalist countries. Approximately 25 percent of both its budget and employees were allocated to its overseas information projects (missions and information centers), mostly in the less-developed capitalist countries. Approximately 55 percent of both its staff and funds go into broadcasting, primarily into running the Voice of America (VOA) the U.S. government's overseas radio arm (U.S. Information Agency 1976, pp. 102-3).

In the late 1970s the U.S. government relied less on official government efforts to influence opinion in the less-developed countries than it did in the late 1960s. The USIA/USICA budget was reduced by 17 percent (in real dollars) between fiscal year 1969 and fiscal year 1976 and its staff was reduced by 24 percent.

The USICA runs a multimedia effort. It operates in virtually every conceivable media—radio, TV, books, newspapers, comic books, films, personal contacts, magazines, exhibitions, and information centers.

The USICA-run Voice of America in 1976 broadcast for a total of 778 hours a week in 35 languages from 123 stations scattered all around the world. It broadcast to the Mideast in Arabic for 49 hours a week, to Latin America in Spanish for 35 hours a week, to Africa and Brazil in Portuguese for 21 hours a week, to Africa in French for 37 hours a week, in Indonesian for 21 hours a week, and in English (broadcast mostly to the less-developed countries where English is either the main language or widely understood) for 202 hours a week. In 1969 the VOA broadcast in 36 languages (at that point, but no longer, including the Latin American Indian languages of Quechua, Aymara, and Guarani) for a total of 932 hours a week. Thus there was a 17 percent reduction in the total number of broadcast hours from 1969 to 1976 (U.S. Information Agency 1976a; U.S. Bureau of Cultural and Educational Affairs 1966, pp. 33-34; Mattelart 1979, p. 299).

Probably more important than the VOA in terms of impact is the placing of USICA-produced programs on local radio stations. In the late 1960s approximately 1,500 stations in Latin America broadcast USIA programs. These programs are provided gratis and are shown without charge to the agency. Altogether, USIA programs were broadcast in Latin America for a total of 10,000 broadcast hours per week.* Most popular are USICA-produced radio soap operas such as "La Trampa" (The Trap), whose 52 half-hour episodes tell the story of a person who "fell into the trap of communism", and "El Lobo del Mar" (78 episodes, 30 minutes), whose heroes, Captain Silver and Tex, combat "extremism" and "subversion" throughout Latin America (Nordenstreng and Schiller 1979, pp. 43-44).

*From the testimony of Hewson A. Ryan, Associate Director, USIA, U.S., Congress, House, Committee on Foreign Affairs, *Communism in Latin America Hearings* . . . , 89th Cong., 1st sess., H. Rept. 1965, p. 66.

In 1964 the USIA-produced program "Panorama Panamericano," a weekly 15-minute news show, appeared regularly on 114 Latin American TV stations. USICA TV programs in the late 1960s were shown in a total of 97 countries. Most USICA-sponsored radio and TV programs, it should be noted, are *not* identified as such when they are broadcast (Ryan 1965, p. 68; Schiller 1969, p. 81).

The USICA itself publishes a total of 35 magazines and 4 newspapers as well as comic books, pamphlets, posters, and the periodicals *Dialogue* and *Problems of Communism* from three large publishing plants in Mexico, Beirut, and Manila (Mattelart 1979, p. 299). Probably more important is the USICA success in feeding material into the local press, for example:

> Our daily wireless file to Latin America via radio teletype averaging 50,000 words per week in the Spanish language goes to all of our major posts. It consists of important texts, foreign policy pronouncements of our top people in government, interviews, features, and news stories of significance to our foreign policy.
>
> Our people in the field can make many uses of this output. Much of it is adapted for placement in foreign newspapers. It also provides background material for our officers in their daily contact with foreign news media—editors, writers and Government contacts.
>
> Our press office in Washington also sends, by mail, an average of 15,000 words of feature material and 2,000 photos weekly to our field posts. This consists of special packets, illustrated press features, picture stories, and items of special interest and significance to our student and labor audiences relating to the Alliance for Progress and anti-communism (Ryan 1965, p. 66).

The USICA subsidizes the translation and distribution of U.S. books in the less-developed capitalist countries:

> The information media guarantee program serves U.S. foreign policy interests by enabling important foreign countries with serious exchange problems to import U.S. books, periodicals, films, and other informational media. Under I.M.G. these materials are purchased from U.S. exporters by foreign importers through normal commercial channels. The materials are then sold for local currencies. . . . In this way, the American point of view is presented without the U.S. "official" label and at relatively low cost to the U.S. government. The program is operated under criteria which require that material sold under the

> program make a positive contribution in support of U.S. policy objectives and reflect favorably on the U.S. (U.S. Information Agency 1966b, p. 644).
>
> In FY 1962, the Agency supported the translation and publication in Spanish and Portuguese of 92 editions, in 856,000 copies. In the current fiscal year, we are supporting the translation and publication of 492 new titles in Spanish and Portuguese for a total of over six million copies.
>
> The emphasis during this period has been on publication of low-cost paperbacks that will find their way into the homes of people of modest means. We have, of course, primarily the student and labor audience in mind. . . (Ryan 1965, p. 66).

USICA-produced comic books are a very effective mechanism of communication, especially to semiliterate workers and peasants:

> We produce directly many types of publications, including our cartoon books which we have now printed and distributed in excess of 40 million copies during the past several years. We have found the cartoon book format to be particularly effective in reaching mass audiences in the areas where effective literacy is generally low. . . .
>
> The first books in this cartoon book series were devoted to anti-Castro themes and dealt with Castro's phony land reform program; his takeover of Cuban labor unions, the news media, and universities, his war on the Church; brainwashing of Cuban children; and his regime's economic failure. We have just finished another, dealing with Castro's schools to train youth of other Latin American countries in guerilla tactics and subversion (Ryan 1965, pp. 66-67).

USICA-produced comic books were widely circulated in Chile before the 1970 election as part of the U.S. attempt to prevent the election of Allende. One of these, "La Palmada en la Frente," portrayed a gigantic and arbitrary Soviet bureaucracy running Chile if Allende's Unidad Popular were to win. Another comic book widely distributed in Latin America entitled "El Desengaño," which was published anonymously, depicted the urban guerilla movement as a false solution to Latin America's social problems (Nordenstreng and Schiller 1979, p. 43).

USICA operates a number of public libraries and information centers in the major cities of Asia, Africa, and Latin America (in a total of 112 countries). USICA libraries maintain public reading rooms where procapitalist periodicals and books are available, loan books to local readers, and supply books and magazines to local libraries, schools, universities, and other institutions. In 31 countries (with a heavy concentration in Latin America) the USICA operates 127 cultural and information centers that perform the above functions

and also organize exhibitions, offer training in English, present lectures, conduct seminars for local leaders, and run various sorts of cultural programs. In 1972 over 200,000 Latin Americans studied English in USICA centers (Mattelart 1979, pp. 299-300).

The CIA and the Media

Most USICA productions are *not* identified as such. Most TV and radio programs appearing on local stations, most press copy appearing in local papers, and many comic books are not identified as agency productions. But for the most part its contributions are identifiable. The overt and mildly covert activities of the USICA are, however, supplemented by the covert activities of the U.S. Central Intelligence Agency, one of whose major activities over the years has been to subsidize anti-Communist and protransnational newspapers, magazines, radio stations, publishing houses, news services, research institutes, and student and trade union organizations. The CIA has maintained a network of foreign and U.S. journalists and other media personnel who provide them with direct access to a considerable number of foreign periodicals, newspapers, press services, news agencies, radio and television stations, and commercial book publishers. It has even maintained its own covertly operated radio stations, e.g., Radio Swan, a 50,000-watt anti-Communist station that broadcast from a Caribbean island in the 1960s and early 1970s (U.S., Congress, Senate 1976, pp. 187-99; Nordenstreng and Schiller 1979, pp. 44-45).

The CIA has given considerable emphasis to the covert publication of books designed to discredit communism because the CIA sees books as a particularly important medium of influence. According to the CIA official in charge of the covert action program:

> Books differ from all other propaganda media, primarily because one single book can significantly change the reader's attitude and action to an extent unmatched by the impact of any other single medium. . . this is, of course, not true of all books at all times and with all readers—but it is true significantly often enough to make books the most important weapon of strategic (long-range) propaganda (U.S., Congress, Senate 1976, p. 193).

According to the chief of the CIA's covert action staff, the goals of the CIA's covert book publishing program are to:

> 1. Get books published or distributed abroad without revealing any U.S. influence, by covertly subsidizing foreign publications or booksellers.

2. Get books published which should not be "contaminated" by an overt tie-in with the U.S. government, especially if the position of the author is "delicate."

3. Get books published for operational reasons, regardless of commercial viability.

4. Initiate and subsidize indigenous national or international organizations for book publishing or distributing purposes.

5. Stimulate the writing of politically significant books by unknown foreign authors—either by directly subsidizing the author, if covert contact is feasible, or indirectly, through literary agents or publishers. (U.S., Congress, Senate 1965, p. 193)

The U.S. Senate's 1975 investigation of CIA activities revealed that up to 1967 over a thousand books were subsidized or produced by the CIA.

The CIA was especially active in the Chilean media in the U.S. attempt to prevent Allende's election in both 1964 and 1970, and from 1970 to 1973 in the attempt to destabilize his regime. The CIA played a substantial role in *El Mercurio*, the most influential newspaper in Chile during these years, gaining substantial influence over its editorials and international news section. It provided $1.5 million in subsidies to this paper between 1970 and 1973. The C.I.A. supported numerous other projects including subsidizing right-wing news agencies and, in collaboration with local anti-Allende groups, producing and distributing anti-Allende wall posters and leaflets as well as public heckling. The multimedia CIA effort to prevent Allende's election in 1964 and in 1970 focused on attempting to create anti-Communist hysteria. Its themes including "images of Soviet tanks" and "Cuban firing squads," and equating an Allende victory "with violence and repression" (Nordenstreng and Schiller 1979, pp. 44-45).

Like USICA activities, it appears that after the exposures of CIA covert media activities in the post-Vietnam War disillusionment with such activities, CIA involvement in overseas media temporarily decreased. However, with the renewed proimperialist war sentiment of the post-Khomeini and post-Afghanistan era, the CIA has apparently been given back its traditional reign. It might well be expected that the deemphasis on USICA and CIA activities in the 1970s will be reversed with the renewal of the cold war and stepped up opposition to "the Communist threat" in the less-developed countries. In any event, it is clear that the U.S. government continues to play a powerful role in the media of the less-developed world.

In summary, U.S. institutions, public and private, shape the values and attitudes of the people of the less-developed countries.

The transnational foundations, U.S. university-USAID efforts to shape higher education, the increasing number of students that are trained in the United States, the effect of the transnational media corporations and news agencies that dominate the local media through much of the less-developed world, and the power that being principal advertisers in the commercial media gives the transnational corporations together with the activities of the USICA and the CIA would seem to exercise tremendous power in the process of public opinion formation throughout the less-developed world.

THE INTERNATIONAL ACTIVITIES OF U.S. TRADE UNIONS

The central role of the working class in social change in the less-developed countries has been recognized by both those who want to make social revolution and those who want to prevent it. Since the beginning of the cold war, U.S. unions have been mobilized to undermine the radicalism of workers and trade unions in other countries. U.S. trade unions have been an important auxiliary of imperialism, especially in Latin America.

The U.S. labor "movement" has had long experience in influencing events in other countries through structuring foreign trade union organizations. The most important early cases were in their involvement in post-World War II Europe:

> We were active in Italy. Some of our unions had very good connections in Italy. We brought about a coalition of the Christian unions which had as their political arm, of course, the Christian Democratic Party and then there were two or three wings of the Socialist movement. There was the para-Socialists—well, we managed to bring them together and get them into one non-Communist organization.
>
> Of course, the Communists still control the old Italian federation, the C.G.I.L., which is still in existence, but the other group—we brought the other groups together, and it was American Trade Union money that enabled these people to get together.*

Similarily, the AFL-CIO had early experience in Asia:

> The Asian Labor Education Center attached to the University of the Philippines in Manila was organized in 1954 for the purpose of training

---

*From the testimony of George Meany, President AFL-CIO, U.S., Congress, House, Committee on Foreign Affairs, *Winning the Cold War: The U.S. Ideological Offensive*, 88th Cong., 1st sess., H. Rept. 1963, p. 137.

local trade unionists. During this phase of its operation the center trained more than 12,000 trade union officers and members, and effectively influenced the direction and policies of the Philippine's labor movement by emphasizing self-reliance, voluntarism, and a pragmatic approach to industrial relations.*

The AFL-CIO in collaboration with the U.S. Agency for International Development (USAID) and some leading transnational corporations deeply involved in the less-developed countries have set up organizations to influence the trade union movements in each of the three less-developed continents: the American Institute for Free Labor Development (AIFLD) in Latin America, the African-American Labor Center (AALC) in Africa, and the Asian-American Free Labor Institute (AAFLI) in Asia. These organizations are primarily staffed by AFL-CIO people and primarily funded by the USAID (with supplemental support by the transnational corporations). From the early 1960s through the late 1970s the AFL-CIO has contributed at least $200,000 a year to the AIFLD. (In 1969 the USAID contributed almost $16 million to the AIFLD.) In 1976 and 1977 the AFL-CIO contributed about $150,000 a year to the AALC and the AAFLI over $110,000 a year. In addition, it has been contributing almost $100,000 a year to the Inter-American Regional Organization (which ties together conservative unions in Latin America). In the 1976-77 period the AFL-CIO spent approximately another $1 million a year on "international affairs." Altogether the AFL-CIO spends over $1.5 million a year, approximately 8 to 10 percent of its total budget on activities largely designed to influence the trade union movement in other countries (AFL-CIO 1965, pp. 10-11, 19-23, 27-34; 1977, pp. 30-38).

The American Institute for Free Labor Development set up in 1961 is the most important of the AFL-CIO projects for influencing the union movement in the less-developed countries. The officers and board of directors of this organization have been made up more or less equally of people from U.S. unions and transnational corporations. In the 1960s, the president of the AIFLD was George Meany and the chairman of the board was J. Peter Grace, president of W. E. Grace Company (a company with heavy investments in Latin America). Charles Brinckeroff, the president of Anaconda Mining Company and Eric Johnsten, president of the Motion Picture Association of America (both of which had a large stake in U.S. investments in the region) were also members of the board.* In 1965 U.S. corporations contributed 75 percent as much money as the AFL-CIO itself did to the operations of AIFLD (Morris 1967, p. 93).

*From the testimony of David Bell, Director, Agency for International Development, U.S., Congress, Senate, Committee on Foreign Relations, *Foreign Assistance for FY 1964*, 88th Cong., 2d sess., 1964a, pp. 141-42.

The purpose of, and the central focus for, all AIFLD activities is to help prevent revolution and channel the union movement in a conservative direction:

> The A.I.F.L.D. was first conceived back in 1959 by the A.F.L.-C.I.O. Executive Council, as an organization to help democratic trade unions in Latin America in their fight to grow stronger and to remain free in the face of pressures from Communism and other totalitarian elements. . . .
>
> The roots of unrest had sunk deep in Latin soil. The time was ripe for social change—and whether the change would take the form of violent revolution or constructive, peaceful development, hung in the balance. It was against this backdroup that the training program for union leaders in Latin America was conceived (American Institute for Free Labor Development n.d.).

The AIFLD encourages Latin American Union leaders to adopt a "positive attitude" to business, rather than an attitude of class conflict:

> Projecting keen and traditional A.F.L.-C.I.O. interest in strengthening democracy and combating totalitarianism in the hemisphere through free and strong unions, the A.I.F.L.D. seeks . . . to help the Latin American labor movement become full-fledged partners with management and national governments in shaping the democratic future of the area's social revolution (AFL-CIO 1967, p. 108).

In defending the AIFLD's trade union leader program George Meany argued:

> . . . we have to show them the relationship between wages and production. This is something that a few years ago they were completely ignorant about. The South American worker's attitude was, if you didn't get high wages it was because the boss wouldn't give it to you. He had it, but he wouldn't give it to you. The production had nothing to do with it. . . . They have no idea that labor has a contribution to make to production.

*From the testimony of Theodore Moscoso, U.S. Director, Alliance for Progress, U.S., Congress, House, Committee on Appropriations, *Foreign Operations Appropriations for FY 1963 Hearings* . . . , 87 Cong., 2d sess., 1962, pt. 3:162-3.

> We have shown them what has happened in this country where production has increased constantly over the years. . . . This is all foreign to these people. As I say, we teach them that (Meany 1963, p. 142).

Fighting "communism," social stability, increasing production, and maintaining harmonious labor relations are the focus of the AIFLD's activities. The most important of the AIFLD's activities are its trade union leader programs both in the less-developed countries and in the United States. During the 1960s the AIFLD trained an annual average of approximately 7,000 union leaders a year from just the six major countries of South America, about 175 a year at the institute's school in Fort Royal, Virginia. In 1975 and 1976 the AIFLD trained a total of about 23,500 individuals a year in 14 different Latin American countries, and another 250 a year at Fort Royal (AFL-CIO 1977, pp. 221-22).

Especially important is the Fort Royal program, which brings the most promising local union leaders to the United States for periods ranging from about three months to a year or two. The courses at Fort Royal stress (free enterprise) economics, political philosophy, international relations, and the American way of life as well as the nitty gritty of business unionism. Very important parts of the program are the organized tours of U.S. factories and working-class homes and communities, and discussions with U.S. union members and officials. This can not but deeply impress union leaders, whose only knowledge of working-class life has been that of workers who live and work under conditions much worse than their U.S. counterparts. Most can not help but also be impressed by the huge salaries of U.S. union officials, and the generally affluent condition of U.S. unions. They come from countries in which union officials usually serve without pay, and union organizations have very low budgets. The impression is easily gained, with the help of AFL-CIO ideological guidance, that all these great material benefits are the product of the capitalist system, and that the same benefits can come to Latin America if they follow in the path of the U.S.

Using returnees to influence others, thus multiplying their effect, is a central aspect of the program:

> We send them back to their own country, and for a period of nine months while they are still in their own country, we pay their living expenses and wages, and they in turn, then under our supervision, conduct classes to pass on to their fellows the things they have learned (Meany 1963, p. 144).

The AIFLD in addition to its training activities also has a number of programs designed to guide and advise local unions. U.S. labor people advise local labor leaders in Latin America. The AIFLD advisor program is designed to persuade local labor leaders to follow policies approved by the United States.

In 1975 a new program at the AIFLD's Fort Royal Institute was developed that trained 40 Latin American unionists a year in organizing techniques. On the completion of their training in the United States, they are provided with a "scholarship" that pays their salaries for a year of full-time organizing in Latin America. This program is partially funded by U.S. corporations that have a special interest in preventing the resurgence of revolutionary unionism in Latin America, and who are thus working to avoid such a development by attempting to build up U.S.-style business unionism as a prophylactic (AFL-CIO 1977, pp. 221-23).

One of the more significant AIFLD interventions in Latin America since its inception was its involvement in restructuring the Brazilian labor movement after the military coup d'etat in that country in 1964:

> After the popular revolution [sic] of April 1964 in Brazil, the Executive Council, at its May 1964 meeting, pledged its "allout effort and resources to help revitalize the Brazilian democratic labor movement and assure its progress on the path of freedom and independence." It is heartening to note that the Brazilian democratic labor movement is now participating in a national social and economic development and participating in an advisory capacity in the drafting of new labor legislation designed to guarantee trade union independence and freedom (AFL-CIO 1965, p. 106).
>
> A national conference of labor leaders, held in Brazil after its 1964 revolution aimed at orienting the Brazilian labor movement and aiding it during the trying period following the ouster of Goulart. The A.F.L.-C.I.O., O.R.I.T., the International Trade Secretariats, the A.I.F.L.D. and Brazil's three O.R.I.T. affiliated confederations were represented at this conference (AFL-CIO 1965, p. 111).

This involvement would seem to speak clearly to the AFL-CIO's commitment to "free trade unionism" and "human rights" in Latin America.

The Activities of the African-American Labor Center and the Asian-American Free Labor Institute parallel those of the American Institute for Free Labor Development. The AALC was set up in 1964 to perform the same role in Africa that the AIFLD was performing in Latin America. From its inception until 1976 the AALC carried out 340 projects in 41 different African countries, primarily in training trade union leaders. The AAFLI was set up in 1968 by the AFL-CIO to operate in Asia the way its two predecessors did in Latin America and Africa. From its beginning through 1976 the AAFLI-sponsored over 1,100 educational programs for more than 42,000 unionists in 17 different Asian countries including Indonesia, Korea, Thailand, Taiwan, the Philippines, and Singapore. The AAFLI has also been publishing numerous books and pamphlets. From 1968 to 1976 it published over 50 in six different Asian languages. Of all Asian countries the AAFLI is most involved in South Korea, where it has set up branch-level seminars for rank-and-file workers, funded medical facilities for workers, supported union-organized cooperatives and credit unions, and built community centers all as part of its effort to build up conservative business-oriented unions (AFL-CIO 1977, pp. 217-21).

In summary, we have seen that the AFL-CIO plays an important supplemental role to the efforts of the transnational corporations and U.S. government in influencing developments in the less-developed countries in support of imperialism. Its union leader training programs that have been established in conjunction with USAID play an especially important role in hindering the development of class-conscious militant unionism while building up conservative business unions that collaborate with the U.S.-based transnational corporations.

SUMMARY OF THE ROLE OF IDEOLOGICAL HEGEMONY

Independently of their immense military and economic might, the United States and the other advanced capitalist countries are able to exert tremendous power through influencing the values and attitudes of the people in the less-developed countries in ways favorable to the interests of the transnational corporations. U.S. universities, in conjunction with USAID and the major transnational foundations, play a strong and continuing role in this process both through their involvement in restructing higher education and especially in the training of a growing number of students from the less-developed countries. The transnational media corporations such as ABC, NBC, CBS, Reader's Digest, and Time-Life together with UPI, AP, and the motion picture industry working with the USICA are dominant forces in the radio, TV, newspapers, and magazines of the less-developed countries, transmitting protransnational values and attitudes. On the one hand, direct ownership of TV stations by U.S. transnational media corporations has been declining, and there has been a slight decline in the proportion of total TV programming and imported films that are from the United States. On the other hand, the ability of the transnational corporations to exercise power through control of advertising revenues has grown with the rapidly expanding sales of the transnational corporations in the less-developed countries (as well as with the billings of the U.S. advertising firms that dominate the advertising industry throughout the world). Although the various covert activities of the USICA and CIA in influencing public opinion through their multimedia efforts have declined somewhat, in the 1970s the changing international situation suggests a revival of such activities. The U.S. AFL-CIO has continued to play a strong role in reaching trade union leaders in the less-developed countries, undermining militant class-conscious attitudes and building up protransnational business unionism. The position of the United States in the mass media in the less-developed countries remains preeminent.

Other private nonprofit institutions in the advanced capitalist countries also play an important role in influencing attitudes and values in support of transnational interests. These include the missionary efforts and metropolitan ties to the various Christian denominations (especially in supplying priests, ministers, and other religious workers) that operate in the less-developed countries and the efforts of various charity organizations such as The Cooperative for American Relief Everywhere (CARE) whose charitable contributions to people in dire need can not help but win friends and influence people for those prominently identified as donors.

All in all, the developed capitalist countries in general, and the United States above all, are able to exert considerable ideological power in good part through the coordinated efforts of their corporate, governmental, and private nonprofit institutions' activities in the less-developed countries. Although there seems to have been some change in the relative importance of various components of the means of influencing attitudes and values, the strong role of the United States appears to be unweakened from the early 1960s through the end of the 1970s.

THE RELATIVE ROLES OF ECONOMIC, MILITARY, AND IDEOLOGICAL DOMINATION AND THEIR TRENDS OVER TIME

The domination of the less-developed countries by the developed countries, primarily the United States, occurs through a combination of military, economic, and ideological power. The specific components of the domination of any country at a given point of time vary from those of another as a result of the variations in numerous factors, including the resources of the imperial powers, the nature of the dominated countries, and the degree of resistance to imperialism. Imperial powers vary in their resources. Some are relatively stronger as exporters-importers, others as foreign investors, others as military powers, still others in their ability to project ideological influence. Generally, the strongest economy in the world, or in a region, e.g., Great Britain in the nineteenth century, the United States in the mid-twentieth century, needs to rely relatively little on direct colonial administration because of its ability to control or heavily influence international markets through its commanding position in imports and exports as well as its predominance in foreign direct investment and lending, that allow it to exert tremendous force. The relation of Great Britain and the United States to Latin America after the expulsion of the Spanish and Portuguese is a leading case in point. Their preeminent economic position vis-à-vis Latin America ensured highly profitable trade and investment opportunities without the need for permanent military occupation (although occasional military intervention was necessary to correct a situation that deteriorated to the point of jeopardizing foreign interests). Less powerful imperialist forces, such as Spain and Portugal in the eighteenth century, Germany and Russia in the nineteenth century, and Great Britain, France, Portugal, and Japan in the post-World War I period, on the other hand, have had to rely more on direct administration in order to guarantee their economic interests.

The relative role of various economic, military, and ideological factors also varies by the structure of the dominated countries. Ideological domination, for example, has been more important in the non-Islamic countries of Africa that have been largely Christianized, than in the Islamic world, which has remained relatively resistant to metropolitan values. Metropolitan ideological influence has been especially important in Latin America, where the local ruling groups have identified with France, Great Britain, and the United States (and to an extent Germany and Spain) and where the cultural and educational influence of these metropolises have been pervasive. Other countries, such as Vietnam in the 1950s and 1960s, were relatively little involved economically (either through trade or investment) with the United States, but were heavily dependent on the U.S. military (directly and indirectly) in order to maintain the existing regime.

There has been considerable modification over time in how the metropolitan countries as a whole relate to and dominate the less-developed countries. Traditionally, especially from the last decades of the nineteenth century through the 1950s, the advanced capitalist countries directly dominated the less-developed countries, ruling them as colonies or protectorates, or in some instances through the eminent threat of military intervention, if other mechanisms failed. The United States itself ruled the Philippines, Puerto Rico, Hawaii, Samoa, Guam, and the Virgin Islands as direct colonies and such areas as Cuba, Panama, Haiti, Nicaragua, Honduras and the Dominican Republic, and Liberia as de facto protectorates. Beginning in the late 1940s with the independence of India through the liberation of the Portuguese colonies in 1975, the world experienced rapid decolonization with the formal independence of most of Africa, Asia, the Pacific Islands, and the Caribbean. However, only in a few cases was this formal freedom, at least in the first instance, accompanied by real independence from imperial domination. The old forms of colonialism were replaced by new forms of neocolonial domination, more subtle but almost as effective as the earlier overt modes of rule.

The period of direct colonialism from the middle of the nineteenth century to the immediate post-World War II period was most advantageous for the major business interests in the advanced capitalist countries. Profitable investment outlets were fully guaranteed against expropriation and unfriendly restrictions, highly profitable monopolies of cheap raw materials were obtained, and export markets were protected from prohibitive tariffs or quota restrictions. As long as the natives could be taxed to pay for the state that guaranteed their exploitation and drafted them into the colonial army to preserve the colonizers rule, and the working class of the metropolitan country could be taxed to make up any deficit in the financing of the empire and be drafted to handle any crisis in colonial relations, then the economic benefits accruing to the powerful business interests in the colonizing country were greater than the costs.

But once a popular resistance movement grew up in response to imperialism, the costs of maintaining formal rule escalated. The advanced countries had to pour in vast sums of money as well as troops in order to maintain their domination. In the process of national liberation struggles, even when the natives consistently lose the majority of military battles, profitable investment outlets dry up, export markets evaporate, and raw materials cease to be cheap and secure. The costs of suppression are manifested in domestic inflation, balance of payments deficits, lower standards of living, and growing domestic opposition and instability. The colonial powers eventually were forced to recognize that the benefits of direct rule were outweighed by the costs. In order to cut their losses and maintain most of the profit possibilities from their investments, exports, and raw materials imports, the colonizers retreated to indirect rule or informal colonialism. Although imperialism now had to share its profits with local ruling groups, at least in its initial stages, indirect rule is less costly. Formal decolonization brought with it increasing economic control of the secondary economic sections by natives. But the economy as a whole tended to remain dominated by metropolitan-based transnational corporations and profitability remained high. Overt control and coercion have come to be relied on less, but in their place have been substituted manipulation, economic incentives, threats, and ideological domination. Direct colonialism has been superceded by neocolonialism.

In almost all of the new states created in the postwar period of decolonization a class of native rulers developed that came to serve as the intermediaries between the old colonizers (or in some cases the United States, which replaced them) and tbe vast majority of the native peoples. Imperial power came to be mediated through native power structures. There came to be a convergence in the interests of the local ruling group and imperialism. The feelings of freedom and self-determination that formal independence brought "cooled-out" the anticolonial movements for a time. At least at first, because of the appearance of local rule, resistance to imperialism decreases considerably. The loss of a clear structure of imperial control makes it much harder to mobilize an antiimperialist movement. Gradually, however, the reality of continuing de facto domination and exploitation by the advanced capitalist countries, together with the increasingly self-interested rule of the new native leaders, reawakens the old movements that come increasingly to join the struggle for de facto independence and authentically popular rule. This process is a principal characteristic of the present period of relations between the advanced capitalist and the less-developed countries.

The United States in recent years has been faced with growing worldwide opposition to its hegemony in the less-developed countries. It has become increasingly costly for the United States to maintain its informal empire. Once it became apparent that the United States could not win in Vietnam (more or less in 1968) the United States retreated from indirect rule to mechanisms that have been referred to as the "Nixon Doctrine" (Klare 1974). In order to further cut its losses, while at the same time trying to preserve the bulk of its profit-making opportunities from its activities in the less-developed world, the United States has tended to back a few relatively powerful conservative regimes around the world (e.g., Brazil, Iran, Israel, Indonesia, South Korea, Egypt, Saudi Arabia), which are expected to exert local hegemony to protect U.S. interests while at the same time, as with the OPEC countries, allowing the local governments to nationalize key sections of their economies while the transnational corporations keep overall control through their domination of both the world market and advanced technology. This new mode of imperialism saves U.S. troops and money, and tends to avoid the prohibitive social, economic, and political costs that direct intervention and outright ownership necessitate. Like its predecessor, the policy of indirect rule (neocolonialism), the Nixon Doctrine of indirect rule once removed accepts some loss in the share of its profits as the cost of hanging on to still tremendous and growing profit possibilities while reducing the prohibitive expenses of empire.

The basis of neocolonial rules has traditionally lain in the convergence of the interests of the politically dominant local groups with that of the transnational corporations. The local ruling class gains economically through their involvement with foreign enterprise and they often have their privileged positions guaranteed by military intervention by the metropolis when necessary. The imperial states are relieved of much of the burdens and problems associated with ruling a foreign population, imperial interests being made relatively secure by the local ruling group. Such protransnational regimes, however, can generally only stay in power through military rule. They maintain large standing armies, with military assistance from the United States or other metropolitan countries, with which to counter popular pressure to undermine their privileges as well as those of the foreign corporations.

The further retreat from direct colonialism and direct ownership of the key sectors of the peripheral economies reflected in the Nixon Doctrine has serious contradictions. On the one hand the local ruling classes cannot be expected to indefinitely do the dirty work of the United States. Eventually and perhaps gradually the more secure and powerful can be expected to use their position to further their own interests even at the expense of the U.S. business interests, either by acting on their own or, perhaps, by looking for a better deal with other advanced capitalist countries. The Nixon Doctrine thus tends in the long run to intensify interimperialist rivalries. On the other band, the working people of these countries cannot be expected to indefinitely pay taxes and die for the preservation of U.S. business interests. Their opposition to being used by the United States can be expected to mount. But such imperial mechanisms, while they are not as reliable as older more direct forms, at least hold out the short run hope of maintaining a good share of the profits of empire while cutting its costs.

Since the fall of the Shah of Iran, a principal "subimperialist" junior partner in 1979, and the wave of revolutionary movements in the less-developed countries—including Nicaragua, Grenada, Angola, Mozambique, Guinea-Bissau, Ethiopia, Afghanistan, and Zimbabwe as well as Indochina—the United States appears to have reevaluated the Nixon Doctrine in favor or at least a partial return to the direct use of military force to protect the transnational corporations' economic interests.

9 THE TRANSFER OF VALUE WITHIN THE WORLD CAPITALIST SYSTEM

This chapter treats the question of the direction of wealth or value transfer between the developed and less-developed capitalist countries. This is a question of central importance in the debate between classical Marxists (e.g., Marx, Lenin, Luxemburg, Trotsky) on the one side and the post-1928 Comintern, Mao Tse-tung, and Marxian-dependency theorists, including Frank, Amin, Baran, Sweezy, Emmanuel, and Wallerstein, on the other. While the former have insisted that the profit-maximization principle and/or the lack of profitable investment outlets in the most-developed countries force material resources to flow from the developed to the less-developed regions, the latter have argued that the monopolization of world markets operates to transfer real wealth or economic surplus from the relatively backward to the more advanced regions, thereby aggravating thc gap between them.

The question of the direction of wealth transfer is integrally linked to the issue treated in Chapter 10—the effect of imperialism on the relative rates of economic growth/industrialization of the advanced and less-developed capitalist countries. Those who argue that the direction of wealth transfer is from the advanced to the less-developed countries (e.g., Marx, Lenin, Luxemburg, Trotsky) generally also argue that one of the principal effects of that wealth transfer is to accelerate the economic growth and industrialization of the less-developed countries in relation to the developed. On the other hand, those who argue that the direction of wealth transfer is away from the less-developed countries toward the developed (e.g., Frank, Baran, Emmanuel, Wallerstein) generally also argue that this process is one of the principal mechanisms by which growth in the less-developed countries is *retarded* in relation to the advanced capitalist countries.

The question of the direction of wealth transfer is central in the analysis of the effects of imperialism. This is true not only for its effect on rates of economic growth, but also for its effects on class formation and the possibilities for revolutionary transformation. If more metropolitan capital, especially in the manufacturing sector, is being transferred to the less-developed countries than is being repatriated back to the developed countries in profits, then we would expect the growth of an industrial working class to be accelerated. If, on the other hand, the less-developed countries are being drained of their "economic surplus," funds which otherwise would have been productively invested, then we would expect the growth of an industrial working class to be obstructed by imperialism. In this latter case we might also expect that imperialism would reinforce semifeudal or peasant relations in the countryside, rather than undermine them, as would probably be the case if capital were being transferred to less-developed countries.

The impact of capital transfer on class formation affects the relative political role of various classes in the less-developed countries. If the growth of the working class is blocked while the peasantry is reinforced, and perhaps a large lumpen or marginal semiproletariat is created in the cities, then these latter classes are more likely to play a central revolutionary role. If on the other hand the export of capital from the advanced countries accelerates the growth of an industrial working class while undermining the traditional class structure, we would expect the working class to play a more central role in any antiimperialist or revolutionary movement than we would otherwise.

A country, in contrast to a transnational corporation, can be considered to exploit another when part of the latter's wealth, income, or economic surplus is appropriated and *transferred to* the former, i.e., the domination of one country by another in order to economically exploit the dominated can, but does not necessarily, result in the actual transfer of the dominated country's wealth to the dominating country. The dominant transnational corporations may well elect to keep the wealth they accrue through imperialism in the dominated countries—as indeed the arguments of traditional Marxism suggest.

Wealth transfer between countries could occur in a number of ways. In traditional precapitalist empires the subordinated nations were required to pay tribute or unrequited taxes to the imperial power. A subordinate country could be systematically plundered of its wealth in the manner of the Spanish conquistadors, or by forcing its people to produce raw materials such as gold and silver for export to the advanced countries. Such were the means by which the Spanish transferred wealth to Europe from their empires in Mexico and Peru. Less brutal and less overt mechanisms can be just as effective, such as repatriating profits on investments and interest on loans. The dominant country could invest in, or loan to, the subordinant country to take advantage of cheap labor and then repatriate most of its profits (in excess of any new investments or loans) to the imperialist country. The dominant country could also appropriate the dominated country's wealth through unequal trade by using its monopoly position in world markets or its political control over the local society to force the poor country to provide its products at artifically low prices while it pays artificially high prices for the industrial products of the imperialist powers. Further, an economically dominant country can impose various fees and royalties on the dominated countries for use of advanced technology as well as impose artificially high service charges of all kinds.

This chapter systematically examines the transfer of wealth through profits on investment, interest on loans, and various fees for services as well as the transfer of wealth through unequal exchange (i.e., imbalanced trade relations). First the net flow of funds from U.S. investments in the less-developed countries is examined, and new investments and loans are compared to repatriated profits, interest, and fees. The net flow of funds from all the developed capitalist countries to the less-developed world is then examined. Finally, the terms of trade between the advanced capitalist countries as a group and the less-developed countries are analyzed in order to determine if there is a systematic transfer of wealth through trade to the developed countries.

THE TRANSFER OF WEALTH THROUGH U.S. INVESTMENTS AND LOANS IN THE LESS-DEVELOPED COUNTRIES

In this section the export of private capital by the U.S. megacorporations and banks as well as U.S. government economic assistance is compared with the repatriated profits on direct and indirect investments, interest on loans, income from fees and services, and the interest on and repayments of principal from government loans. Official "balance of payments" statistics are reanalyzed to properly attribute income from petroleum investments. When this is done it is seen that from the mid-1960s to the late 1970s approximately twice as much wealth was transferred from the advanced capitalist countries to the less-developed countries as was repatriated to the United States. Private flows in the manufactured sector are also examined. Here it is found that after the mid-1960s slightly more funds were directly *transferred* to the less-developed countries than were repatriated to the advanced countries, but when funds that are first channeled through the banks of the less-developed countries are considered, considerably more was undoubtedly transferred to the less-developed countries than was repatriated.

In the 1976-78 period the U.S. balance of payments income of the private sector from the less-developed countries (including income on direct and indirect investments, fees, royalties, and loans) averaged $12.1 billion. During this same period total private outflow from the United States averaged $17.4 billion. Thus the private capitalist economy appears to have exported to the less-developed countries 44 percent more capital than it repatriated in profits on past investments.

However, to measure the real flow of material resources between the less-developed and the developed capitalist countries two additional factors must be included. First, the net economic assistance of the U.S. government, which in the 1976-78 period averaged $4.6 billion a year, must be considered. Added to total private outflow this means that an annual average of $21.9 billion was transferred to the less-developed countries in the 1976-78 period (see Table 9.1). Second, balance of payments income, which attributes the repatriated profits of the raw materials companies (which sell most of their product to advanced capitalist countries) as a transfer of income from the less-developed countries to the United States, misrepresents reality. The tremendous profits of the raw materials companies especially in petroleum are generated from their monopoly power on the world market that is used to charge Japan and Western Europe very high prices for their raw materials imports. The tremendous sums that these countries must pay for their petroleum imports are in good part transferred to the subsidiaries' parent corporations in New York. Thus a real value transfer *between* Europe and the United States is recorded in balance of payments statistics as a transfer between the raw-materials-exporting countries and the United States. What balance of payments transfers really measure is not the movement of actual value from the raw-materials-producing countries to the United States, but the sum that *would have* accrued to the less-developed country had they had total control over the export of their natural resources and their sale to the other advanced capitalist countries, which is something quite different.

In 1976-78 a total of $3.3 billion of repatriated profits was recorded in the raw materials sector. If this is removed from the balance of payments income from the less-developed countries and treated as a value transfer from the other advanced countries that purchased most of the products of the U.S.-based transnational corporations, total real income transfer to the United States from the less-developed countries is seen to have in fact averaged about $8.8 billion in this period. New private capital flows to the less-developed countries thus in fact represented almost twice the sum of repatriated profits during the 1976-78 period. When net government outflow to the less-developed countries is considered, in order to evaluate the total effect of wealth transfer, the total sum transferred from the United States to the less-developed countries in the 1976-78 period was two and one-half times larger than the profits repatriated by the transnational corporations and banks. It is clear that far more wealth is being transferred to the less-developed countries from the United States than is being transferred from the former to the later. The direction of real resource flow is clearly away from the United States (see Table 9.1).

Including net government transfers in measures of the effect of *private* income transfer is appropriate since virtually all government assistance goes to funding the exports of the advanced countries that provide it. Such government export subsidies to their corporations are thus manifested in a real transfer of material goods to the less-developed countries in order to increase the overseas sales of the domestic operations of the transnational corporations.

After 1973 the ratio of total capital outflow from the United States to repatriated income (whether including or excluding income on raw materials investments) considerably increased. While the ratio including raw materials repatriations was less than 1.0 in the pre-1973 period, it was greater than 1.0 after. The ratio excluding raw materials increased from slightly greater than 1.0 to almost 2.0 at the same time. The big increase in capital outflows from the United States after 1973 is mostly due to the rapidly expanding international lending of the U.S.-based transnational banks.

When total wealth transfers are measured, by taking into account both private and government income flows, it is seen that in all periods since 1967 significantly more wealth has been transferred out of the United States than has been repatriated. About 215 percent more (excluding the effect of raw materials profits) in the 1967-73 period, and 180 percent more in the 1973-78 period. Even including the balance of payments income on raw materials investments the United States exported 40 percent more than it repatriated in the first period and 80 percent more in the latter.

TABLE 9.1: Income and Outflow between the United States and the Less-Developed Countries: 1967-78 (in millions of current dollars)

	Income to U.S.					
	On Direct Investments		*On Fees and Royalties*	*On Other Assets*	*Total Income to U.S.*	
	Total	*Excluding Raw Materials*			*All*	*Excluding Raw Materials*
1967-69	$2,418	$ 449	$376	$ 596	$3,390	$1,421
1970-72	2,710	607	444	803	3,957	1,854
1973-75	4,652	1,316	624	2,328	7,604	4,268
1976-78	5,839	2,555	757	5,527	12,123	8,839

Outflow from U.S.

	Net New Direct Investment from U.S.	*Net Increase in Bank Loans*	*Net Increase in Foreign Securities*	*Net Increase in Other Loans and Assets*	*Total Private Outflow*	*U.S. Government Grants and Net Loans*	*Total Outflow from U.S.*
1967-69	$ 866	$ 241	$322	$ 188	+$1,618	$3,032	$4,650
1970-72	979	1,043	281	401	+2,704	2,921	5,625
1973-75	-564	7,487	552	965	+8,440	4,898	13,338
1976-78	2,433	13,321	329	1,277	+17,360	4,578	21,938

Net Flow of Funds

	Net Outflow on Private Investment Only		*Total Outflow on Private Investment*		*Total Net Outflow*		*Total Outflow as a Percentage of*	
	Including Raw Materials	*Excluding Raw Materials*	*As a Percentage of Total Income*	*As a Percentage of Income Excluding Raw Materials*	*Including Raw Materials*	*Excluding Raw Materials*	*Total Income*	*Income Excluding Raw Materials*
1967-69	-$1,772	+$ 197	48%	114%	$1,260	$3,229	137%	327%
1970-72	-1,253	+850	69	146	1,668	3,771	142	304
1973-75	+836	+4,172	111	198	5,734	9,070	175	313
1976-78	+5,237	+8,521	143	196	9,815	13,099	181	248

Sources: U.S. Department of Commerce 1980a, 1979c, and various.

Since at least the mid-1960s real wealth has been systematically transferred from the United States to the less-developed countries. Further, since 1973 the flow of resources in the direction of the less-developed countries has significantly accelerated.

For transnational investment in the manufacturing sector almost all sales are within the countries where production is located. Here profits clearly come from the labor power of local workers, rather than from the monopolization of world markets, and here balance of payments repatriated profits clearly indicate an actual transfer of wealth from the less-developed countries to the home country of the manufacturing transnational corporations. In 7 of the 12 years from 1967 to 1978 more funds were newly invested from the United States in manufacturing than were repatriated as profits back to the United States (see Table 9.2). The low ratio of new investments to repatriated profits in the 1974-78 period, uncharacteristic of the longer term trends, reflects a significant decrease in new direct investment from U.S. parent corporations rather than either an increase in profitability or in the proportion of total profit repatriated. This decline in new investment outflow from the United States in turn reflects the changed policies of financing new manufacturing investments, not a decline in the expansion of overseas investments. In this period the transnational corporations relied increasingly on using funds from financial institutions as well as from reinvested earnings.

In the 1975-76 period, 50 percent of all new investment in manufacturing subsidiaries was from reinvested profits, compared with 38 percent in the 1967-74 period. Further, 29 percent was financed by banks, compared to 17 percent in the 1967-74 period. In 1974-76 only 8 percent of all new investment in manufacturing was financed by new flows from the subsidiaries' parents in the United States. This compares with an average of 16 percent from 1967 to 1974 (see Table 10.9).

In the post-1973 period the transnational manufacturing corporations are increasingly funding their subsidiaries' new investments through borrowing from banks. In good part this borrowing has been from the rapidly expanding local subsidiaries of U.S. transnational banks. New capital for the expansion of U.S. manufacturing subsidiaries thus appears to be coming increasingly from the United States in the form of funds transferred by the banks to their subsidiaries and then loaned to the local subsidiaries of U.S. manufacturing corporations, rather than either through direct transfers within the transnational corporations or through direct loans from financial institutions in the United States. This changing mode of financing manufacturing subsidiaries seem to reflect the far greater funds

TABLE 9.2: Income and Outflow from U.S. Investments in Manufacturing, 1967-78

	New Investments from the U.S. (millions of dollars)	Profits Repatriated to the U.S. (millions of dollars)	Total Fees and Royalties (millions of dollars)	Total New Investments as a Percentage of Repatriated Profits	Ratio of Repatriated Profits to Total Earnings		Ratio of Repatriated Profits to Earnings in Manufacturing in the Developed Countries
					All Investments	Manufacturing	
1967	$264	$168	$121	157%	88%	59%	54%
1968	308	203	131	152	84	46	43
1969	286	206	122	139	86	39	36
1970	157	248	141	63	80	44	53
1971	284	258	143	110	83	46	49
1972	323	289	146	112	79	40	40
1973	433	353	186	123	73	36	38
1974	670	421	199	159	77	36	42
1975	379	453	211	84	54	33	45
1976	265	608	187	44	83	48	42
1977	64	539	160	12	71	39	55
1978	456	716	204	64	67	37	42

Source: U.S. Department of Commerce 1980a.

available to U.S. transnational banks from deposits from the OPEC countries since 1973, and the transfer of these funds to the rapidly expanding transnational bank subsidiaries in the less-developed countries.

The expanding profit possibilities of U.S. investments in manufacturing in the less-developed countries is seen by comparing the ratio of repatriated profits to total profits in this sector for the developed and the less-developed countries. In 7 of the 12 years between 1967 and 1978 a higher proportion of total profits was repatriated from the other advanced countries to the United States than from the less developed. Throughout this 12-year period the rate of repatriation was about 10 percent higher for manufacturing investments in Europe and Canada than for Asia, Africa, and Latin America. The higher rate of reinvestment of profits in the less-developed countries reflects the fact that the transnational corporations are taking advantage of the cheap labor and the rapidly growing internal markets in these countries.

Two additional effects must be taken into account before it can be established whether in balance there is a net transfer of value in manufacturing from or to the less-developed countries: first, the effect of payments by subsidiaries of fees and royalties; and second, the effect of "transfer pricing." Subsidiaries, as well as nonaffiliated local firms, make payments to the transnational parent corporations in the United States for the use of their high technology as well as for providing specific managerial or technical services. In the 1967-75 period the transfer of such income (from both subsidiaries and nonsubsidiaries) averaged about 44 percent as much as repatriated profits. The official quid pro quo of such "fees and royalties" is the transfer of technology, and to a lesser degree organizational skills. It would seem that the transfer of high technology together with the mobilization of local wealth which such high technology transfer entails (in 1974-76 a total of about 50 percent of new investment of U.S. subsidiaries in manufacturing was generated locally from sources other than reinvested profits and depreciation), and the spin-off effects of providing markets for locally produced materials, training of skilled workers and technicians, and the supply of fairly high technology outputs adds considerably more to wealth creation in the local manufacturing sector than is repatriated as fees and royalties (see Table 10.9).

Transnational corporations are in a position to either overcharge or undercharge their subsidiaries for the goods they are supplied by their parent corporations as well as undercharge or overcharge themselves for their imports from their subsidiaries in the less-developed countries. Such practices result in the profits appearing on the books of subsidiaries in the less-developed countries being higher or lower than the actual profit generated, with the corollary of the profits appearing on the books of the transnational parent corporations being correspondingly lower or higher. The ability of the transnational corporations to make profits appear on the books of whichever branch it is convenient is known as transfer pricing. Transfer pricing is used in order to reduce the worldwide level of taxation (by making profits appear in those countries with the lower tax rates), to get around restrictions on repatriation of profits or new investment, and for political reasons, e.g., to fend off criticism of too high profits and consequent possible restrictions on transnational activities. Whether transfer pricing is used to transfer value to the developed countries or to the less developed depends on the judgment of the international headquarters of the transnational corporations about differential taxes, restrictions on repatriated income, restrictions on new investment, and the political climate.

Some studies have shown that transfer pricing is used primarily to transfer value from the less-developed to the developed countries. For example, a study on transfer pricing in Colombia showed that a firm was selling machinery to its Colombian subsidiary at a price 30 percent *higher* than to its locally owned Colombian competitor (Barnet and Müller 1974, p. 164). This study also found that the imports of the transnational corporations, often distributed by their subsidiaries in Colombia, were frequently sold at sums considerably higher than world market prices and that the differential was passed on to the parent supplier in the form of higher charges. For example, it was found that pharmaceutical firms charged 155 percent more than world prices, the rubber industry 40 percent more, and the electronics industry 16 to 60 percent more (Barnet and Müller 1974, p. 158).

In general, transfer pricing is most likely to be used in this way in raw materials producing and commercial sectors where profits are likely to be especially high (e.g., in the sale of imported pharmaceuticals). The high profits actually generated from these subsidiary operations are likely to be both highly taxed and to cause local resentment, thus creating the possibility of antitransnational legislation, such as restrictions on repatriating earnings. There may be restrictions on repatriating earnings or requirements that a certain percentage must be reinvested. In such conditions it is advantageous for the transnational corporations to overcharge their subsidiaries for their imports from the parent, and to undercharge for their own imports from them, thus reducing the book profits of their subsidiaries.

Other studies of the pricing policies of *manufacturing* subsidiaries have failed to find evidence of transfer pricing being used in this way. Such was the result of Connor and Müller's systematic study of U.S. manufacturing firm operations in Brazil and Mexico in 1972 (1977, p. 11). In the manufacturing sector, where a high proportion of total profits are reinvested and where the rate of profit might not appear to the local people to be outrageous and the rate of taxation is not extraordinarily high, transfer pricing often works in the other direction. This is especially the case if there are restrictions on new investment coming into the less-developed countries, and if taxes on profits in the home country are higher than those in the less-developed countries. A number of countries prohibit or put special restrictions on new investments in certain sectors (which are either reserved for local capital or require a certain percentage of local participation). However, it is common to exempt enterprises already in place from such regulations. Funds can be transferred to subsidiaries for purposes of local investment without the approval of local authorities by means of undercharging subsidiaries for purchases from the parent and overcharging the parent for imports from its subsidiaries.

It is possible that transfer pricing might be being increasingly employed by manufacturing transnational corporations as a means of financing the expansion of their investments in the less-developed countries. The motive for such a development could well be to get around the growing regulation of new investments imposed by many less-developed countries and to avoid restrictions on new overseas investments imposed by the states of the developed capitalist countries.

The above logic, combined with the detailed empirical evidence available on U.S. manufacturing investments in the two countries where such U.S. investments are concentrated (Mexico and Brazil) that do not show transfer pricing operating to transfer value to the United States, seems to indicate that, at least in the manufacturing sector, transfer pricing is not a significant mechanism by which wealth is transferred from the less-developed to the developed countries.

In summary, at least in the case of U.S. investments, the direction of wealth transfer in both the manufacturing sector and overall is toward the less-developed countries, although the specific forms that this transfer has taken in the post-1973 period are different than

those before. Not only industrial capital, but U.S. capital in general, thus acts as classical Marxism predicted. Since the mid-1960s approximately twice as much wealth was transferred from the United States to the less-developed countries as was transferred from the less-developed countries to the U.S. Capital appears to flow to the less-developed countries to take advantage of lower wage costs and expanding markets in these regions.

THE TRANSFER OF WEALTH THROUGH INVESTMENTS AND LOANS OF ALL THE DEVELOPED CAPITALIST COUNTRIES TO THE LESS-DEVELOPED CAPITALIST COUNTRIES

In this section the same processes that were examined above for the relations between U.S. capital and the U.S. state and the less-developed countries are examined for the relations between the aggregate of all the developed capitalist countries and the less-developed countries. At first it appears that the direction of wealth transfer for the world system as a whole is the opposite from that of the relation between the United States and the less-developed countries. However, when the statistics on flow of funds between the advanced countries and the OPEC countries are properly evaluated, the direction of overall wealth transfer in the world capitalist system as a whole is found to be the same as that between the United States and the less-developed countries—toward the less-developed countries.

In 1977 the developed capitalist countries as a whole transferred to the less developed $8.6 billion in direct investments, $26.0 billion in new private loans, and $43.4 billion in indirect investments (plus various other payments), for a total input to the less-developed countries from the transnational corporations and banks of $78 billion. On the other hand, the less-developed countries' balance of payments transfers of repatriated profits on direct investments to the developed countries was $14.6 billion, on interest and principal payments for loans $40.3 billion, and for repatriated profits on indirect investments, royalties, fees, and so forth $59.9 billion, for a total of $114.8 billion transferred (in balance of payments terms) from the less-developed to the developed countries. This represented a net transfer of $36.8 billion from the less-developed to the developed countries (see Table 9.3).

If it is estimated that the total balance of payments transfer of income from the less-developed to the developed capitalist countries accounted for by repatriated profits of raw materials transnational

TABLE 9.3: Transfer of Wealth between the Developed and the Less-Developed Capitalist Countries

		Direct Investment		Private Loans		Indirect Investment Royalties, Fees, and so on		7	8 Repatriated Profits in Raw Materials	
		1 Input	2 Outflow	3 Input	4 Outflow	5 Input	6 Outflow	Net Official Development Assistance	U.S. Raw Materials	x2
Less-developed countries	1970	2,324	6,530	6,856	6,295	9.471	10.505	5,891	1,793	3,586
	1977	8,639	14,574	26,016	40,281	43,364	59,928	16,630	3,253	6,506
Latin America	1970	1,197	2,146	3,963	2.927	3.026	4,373	1,464	567	1.134
	1977	3,843	3.386	13.559	16.058	11,309	12,269	7,554	546	1,092
Africa	1970	286	1,455	1,397	817	2,327	2.860	1,493	414	828
(ex. South Africa)	1977	389	1,640	4,895	5,065	8,168	12,756	4,684	473	946
West Asia	1970	148	2,360	219	466	1,616	1,934	497	723	1,446
(ex. Israel)	1977	2,105	6,206	932	9,147	17,291	30,296	-2,000	1.618	3,236
South and Southeast Asia	1970	659	531	2.414	2,133	2.894	1,976	2.292	90	180
(ex. Japan)	1977	2,284	3,286	6,298	9,155	10,101	8,811	6,135	611	1,222
OPEC countries	1977	2.673	9,474	3,624	13,188	19,789	41,271	-3,245	—*	—
Non-OPEC countries	1977	5,966	5,100	22,392	27.094	31,252	26,332	19,876	—	—
Fast-growing exporters of manufactures	1977	3.601	2,487	14,050	15,832	9.486	8,939	4,054	—	—

*Data not available.
Sources: United Nations 1978c. Table 1; 1979a, Table 5 1; U.S. Department of Commerce 1980a, Table 4

TABLE 9.3: continued

		Total Private Sector Flow			Net Private Flow		Net Flow Including Government		Net Flow as % of GDP (Excluding Raw Materials)	
		Input	Output Including Raw Materials	Output Excluding Raw Materials	Including Raw Materials	Excluding Raw Materials	Including Raw Materials	Excluding Raw Materials	Private	Total
Less-developed countries	1970	18,651	23,330	19,744	-4,679	-1,093	+1,212	+4,798	-.3%	+1,2%
	1977	78.019	114,783	108,277	-36,764	-30,258	-20.134	-13,628	-2,6	-1,2
Latin America	1970	8,186	9,446	8,312	-1,260	-126	+204	+1,338	-.1	-.8
	1977	28,711	31.713	30.621	-3,002	-1,910	+4,552	+5,644	-.5	+1.3
Africa	1970	4.010	5,132	4,304	-1,122	-294	+371	+1,199	-.5	+2.0
(ex. South Africa)	1977	13.452	19,461	18.515	-6,009	-5,063	-1,325	-379	-3,2	-.2
West Asia	1970	1,983	4,760	3,314	-2,778	-1,332	-2,281	-835	-3.3	-2.1
(ex. Israel)	1977	20.328	45,649	42.413	-25,321	-22,085	-27.321	-24,085	-8,7	-9.5
South and Southeast Asia	1970	5,967	4,640	4,460	+1,324	+1,507	+3,619	+3,794	-1,2	+3,0
(ex. Japan)	1977	18,683	21,252	20.030	-2,569	-1,347	+3.574	+4.788	-.5	1,8
OPEC countries	1977	26,086	63.933	—	-37,847	—	-41.092	—	—	—
Non-OPEC countries	1977	59,610	58.526	—	-1,084	—	+20,960	—	—	—
Fast-growing exporters of manufactures	1977	27,137	27.258	—	-121	—	3,933	—	—	—

*Data not available.
Sources: United Nations 1978c. Table 1; 1979a, Table 5,1; U.S. Department of Commerce 1980a, Table 4.

corporations is twice that repatriated into the United States by the U.S. raw materials firms (an assumption justified by the facts that the United States accounts for approximately 50 percent of all the investment of the advanced capitalist countries in the less-developed world and that the distribution of the overseas investments of all advanced capitalist countries is similar to that of the United States) then the net transfer of income on private accounts to the developed countries is reduced from $36.7 billion to $30.3 billion. When net government economic assistance is also taken into account the figure is further reduced to $13.6 billion—still a substantial sum. It would still appear that the overall direction of wealth transfer for the world capitalist system as a whole is the opposite of that between the less-developed countries and the United States.

It should be noted that in 1970—whether or not repatriated profits in the raw materials sector are included—the direction of value transfer was from the developed to the less-developed countries. A total of $4.8 billion, if the raw materials sector profits are excluded, $1.2 billion if they are included. It should also be noted that for both Latin America and South and Southeast Asia in both 1970 and 1977, whether or not raw materials profits are included or excluded, the direction of real resource transfer is away from the advanced capitalist countries. Further, in Africa in both 1970 and 1977 net value transfer was either toward this continent or negligible.

The balance of payments flow of resources away from the less-developed countries toward the advanced virtually totally originates in the Middle East—a region in which, in 1977, $27.3 billion was recorded in the balance of payments statistics as transferred to the developed countries (as compared to just $2.3 billion in 1970). This presents an apparent paradox. At the time when the OPEC countries of the Middle East radically increased their revenues from petroleum, and obviously have transferred tremendous wealth to themselves from the advanced countries, very large balance of payments transfers have been recorded in the opposite direction. This clearly reveals a problem with the uncritical use of balance of payments transfers as an indicator of real wealth transfer. It is clear that the Middle Eastern (and other OPEC) countries, by radically altering the terms of trade in their favor, have been accruing far more wealth to themselves than the advanced countries are repatriating as profits. In fact, the considerably increased absolute size of profit transfers out of the OPEC countries in the post-1973 period reflects: first, a smaller share of much larger profits for the transnational corporations; and second, incomc accruing to the OPEC countries that is deposited in Western hanks or otherwise invested in the advanced countries.

The OPEC countries have been able to appropriate for themselves a large proportion of the wealth that was formerly transferred from the countries that purchased their petroleum to the home countries of the transnational corporations that controlled it. They are, further, keeping a large portion of the funds accruing to them from such sales in the advanced countries rather than investing them in their own countries. When this process is understood, it is clear that the direction of wealth transfer in the post-1973 world capitalist system is clearly from the developed to the less-developed countries.

In Latin America in 1977 the net income transfer from the developed countries represented 1.3 percent of this region's GDP. In South and Southeast Asia it represented 1.8 percent. In Africa (which includes Algeria, Libya, and Nigeria, all major petroleum exporters) it was recorded as -.2 percent. It is clear that if these three OPEC countries are removed for the reasons elaborated above, the figure would be as positive as that for Latin America and South and Southeast Asia. The slightly negative figure for Africa and the large negative figure for the Near East obscure a much bigger flow in the opposite direction through radically improved terms of trade for the petroleum-exporting countries in the post-1973 world.

That this is in fact the case is shown when the figures for OPEC and the non-OPEC countries are examined separately. Here it is seen that the net private outflow from the petroleum exporters to the advanced capitalist countries in 1977 was $37.8 billion, but the net input to the non-OPEC economies was $1.1 billion. The OPEC countries experienced a much larger outflow than input on direct investments, loans and indirect investments/fees and royalties, and so forth. The non-OPEC countries, on the other hand, experienced a net outflow only on private loans. These latter countries received almost $1 billion more in new investment than was repatriated in profits on direct investment as well as $5 billion more in indirect investments than was withdrawn from them in fees and royalties, dividends on indirect investments, and so forth.

While in 1977 the OPEC countries provided over $3 billion more foreign assistance than they received, the non-OPEC countries received a net of almost $20 billion dollars in foreign assistance, mostly from the states of the advanced capitalist countries. Thus, considering both public and private flows in 1977, the non-OPEC countries received $21 billion more from the advanced capitalist countries than they sent to them.

The "fast-growing exporters of manufactures" in 1977 received 50 percent more direct investment than was repatriated from them. This represented 60 percent of all new investment by the advanced capitalist countries in the non-OPEC countries, and 42 percent of *all* investment by the advanced countries in the less-developed countries (including the OPEC countries). It is clear that foreign capital is attracted to these rapidly industrializing countries and that it is apparently playing a significant role in their growth. Overall, considering loans and indirect investments and fees and royalties, the fast-growing exporters of manufactures received almost exactly as much from the private sector of the advanced capitalist countries as was repatriated to them. However, these countries in 1977 received a net total of $4.1 billion in foreign assistance from the metropolitan states. The total net flow of funds between these two sets of countries was thus $3.9 billion away from the advanced countries toward the less-developed, rapidly industrializing manufactures exporters.

In conclusion, it is clear that just as in the case of the U.S. relation with the less-developed countries, the basic effect of the interaction of all of the advanced capitalist countries with the less developed is now a net transfer of wealth from the advanced to the less developed. In the second stage of monopoly capitalist imperialism, the direction of value transfer through investments and loans is in the direction that the classical Marxist tradition, rather than Marxian-dependency theory, predicts,

THE TRANSFER OF WEALTH THROUGH TRADE

In addition to the possibilities of transferring wealth from the less-developed to the developed capitalist countries through repatriating profits on investments, interest charges on loans, and collecting fees and royalties, value can be transferred by means of systematically overcharging the less-developed countries for their imports from the developed countries, while systematically underpaying for their exports to the developed countries. We have already noted that there may be a tendency for many transnationals to do this in their intracompany trade. The potentialities of value transfer through exchange between the labor-intensive raw materials and light industrial exports of the less-developed countries, which are owned by natives of the less-developed countries, for the high technology exports of the transnational corporations in the advanced capitalist countries would appear to be considerable.

The principal means that the transnationals in the developed countries have of transferring value to themselves through trade with (nonsubsidiaries) in the less-developed countries is their monopolization of world markets. Their power lies in their ability to

collude to set the prices of the high-technology industrial exports of the advanced countries while the producers of most commodity exports in the less-developed countries operate in competitive markets with little ability to set their prices (petroleum since 1973, of course, has been an exception). This means that the high-technology products of monopolized industries in the advanced countries tend to be sold to the less-developed countries for more than their value (measured either in terms of socially necessary labor time or in terms of what their equilibrium price would be under fully competitive conditions), while the labor-intensive products of competitive sector industries in the less-developed countries tend to be sold for less than their value (similarly measured).

There has been considerable discussion in recent years about trade exploitation. Much of this debate has focused on the argument of Arghiri Emmanuel (1972).* Emmanuel argues that profit or surplus value is redistributed through world trade among different regions in proportion to wage costs. And thus that the surplus or profit generated through exploiting low-paid workers in the less-developed countries is in good part transferred through "unequal exchange" (unequal in terms of the amount of value measured by the labor time incorporated in the products exchanged) to the capitalists *and* workers in those areas where wages are high. The high-value products of the periphery are exchanged for the low-value products of the core.

Emmanuel makes the questionable assumption that the price of the commodities produced in the two areas is not inversely proportionate to each area's labor productivity. In fact, if the effect of technology is controlled, the workers in the advanced countries are seen as being as exploited as the workers in the less-developed countries, i.e., the proportion of their product for which they are not paid is of roughly the same size. The poverty of workers in the less-developed countries is a product primarily of the backward economic conditions (for which imperialism may in good part be responsible). It is not primarily a result of these workers producing relatively more than the workers in the advanced countries for which they are not paid.

Emmanuel's argument hinges on two assumptions: first, that profit is distributed among capitalists throughout the world proportionate to their costs because competition among them results in

*For critiques of Emmanuel's argument see Brown 1974, chap. 10; Amin 1976, pp. 138-54; Bettleheim 1972; and Kay 1975, pp. 107-19.

capital flowing from the least to the more profitable sectors until the rate of profit (the ratio of profit to costs) is evened out; and second, that the wage costs of capitalists in the developed countries are much higher than those in the less-developed countries because of the superior bargaining power of metropolitan workers and the need for the ruling class to secure the loyalty of their domestic working class. From these two assumptions Emmanuel deduces that the higher wage costs of producing the export commodities of the advanced countries relative to those of the export commodities of the less-developed countries results in a higher proportion of the total surplus value generated in the world capitalist system accruing to the advanced countries. Surplus value is, according to Emmanuel, distributed proportionally to costs to equalize the rate of profit, thus producing a transfer of wealth from the less-developed to the developed countries.

The principal fallacy in Emmanuel's argument is in forgetting that surplus value is distributed only in proportion to socially necessary labor costs in a truly competitive market (where capital as well as labor is freely mobile, i.e., under what classical economists called "equilibrium conditions"). The condition of such a world equalization of profit rates would thus necessarily be full international mobility of capital as well as international mobility of labor. Such mobility, at the equilibrium point the model assumes, would result in equal wages in all parts of the world system—a result which conflicts with one of Emmanuel's assumptions, thus rendering his whole argument internally self-contradictory.

If capitalists in the advanced countries are able to successfully sell exports at prices calculated on the basis of labor costs plus the average world rate of profit, as Emmanuel maintains, they would equally well be able to sell the same commodity at the same price if their wages were lower. Their ability to sell at a given price has nothing to do with their costs, but only with world demand, which is manipulated by the monopoly power of the transnational corporations that set their prices at the level which maximizes their profits regardless of how low or high wages are. If selling at such a price results in below-average profits because wages are too high they attempt to reduce their costs by either introducing labor-saving machinery to replace workers or by transferring their operations to lower wage areas. They do not raise prices to a level higher than what the market has already established as their optimum.

There are a number of political obstacles to the free movement of capital and labor between the wealthy and the poor countries that in fact act to keep wages higher in the metropolis and lower in the less-developed countries. These include restrictions on the export of capital and the immigration of laborers, and the import of inexpensive goods. These obstacles to the operation of free markets exist in good part in order to secure the political loyalty of the working people of the advanced countries. Metropolitan workers would likely be socially disruptive if their real wages were to radically decline because of the large-scale transfer of factories overseas, the massive immigration of workers from the less-developed countries willing to work for much less than they, and the uncontrolled import of goods made with cheaper labor. However, there is no way that the less-developed countries can be made to pay for the higher wages of the more developed countries by charging any more than they are already paying for metropolitan exports. They always pay all the market will bear for the monopolized exports of the metropolis. The *political* factors that result in the wages in the developed countries being higher than they would be with unimpeded capital, labor, and export markets can only result in the redistribution of wealth (part of which may come from the less-developed countries through unequal exchange) from the transnational corporations' profits to workers' salaries. It is only the monopoly power of the transnational corporations relative to the competitive conditions in which the less-developed countries' exporters operate that can result in the transfer of value to the developed countries through unequal exchange.

There are a number of factors that aggravate the poor bargaining position in international markets of export producers in the less-developed countries. First, in the typical export commodity there are far more independent producers, both different countries and individual enterprises within a given country, than tends to be the case for the advanced regions. This means that it is much more difficult for producers in the less-developed countries to collude, either formally or informally, to establish their prices. Further, the rate of growth in metropolitan demand, no matter how inexpensive the price, is rather slow for the bulk of exports. Thus increases in output, rational from the point of view of the individual competitor, tend to drive down prices more rapidly than total sales increase. This is the case because of the limits to the consumption of bananas or coffee as well as to the development of substitutes for, and more efficient uses of, various mineral and vegetable goods produced by the less-developed countries. The inflexibility in redeploying resources to more profitable uses in the less-developed countries, a consequence of the low level of their productive forces, thus results in the raw materials exporters' acceptance of lower than average profits. It is not generally easy to switch production to another export commodity (see Brown 1974, pp. 244-45).

That it is relative monopoly power, and not any tendency for the profits within the world capitalist system to be distributed in proportion to a *predetermined* level of wages, which determines the transfer of value through international trade has been clearly demonstrated since 1972. The OPEC countries have succeeded in transferring considerable wealth from the advanced capitalist countries to themselves through use of their monopoly power. If there has been a relationship between wages and unequal exchange in the OPEC countries, the causative factor has clearly been prior income from unequal exchange that has then been partly distributed to domestic workers in the form of higher wages. This is both to attract workers to various productive projects and to attempt to ensure their loyalty to the prevailing regimes under conditions where the tremendous infusions of wealth destabilize traditional institutions and attitudes.

Value transfer through trade could theoretically be measured in either of two ways: first, by attempting to compute the difference between the actual price of exports and their price if it were proportional to the socially necessary labor time incorporated in them, which is the method of classical Marxist value theory; or second, by attempting to estimate and subtract the effect of monopoly power, perhaps by computing a hypothetical price if the rate of profit, rate of wages, and so forth were the same in the export sector as in the economy as a whole. Unfortunately it is very difficult, if not impossible, to perform such operations, at least with sufficient exactness to produce reliable measures of the absolute terms of trade (or extent of unequal exchange). This is true both because the less-developed countries and the developed countries export different goods, made by different methods, and because of similar difficulties encountered when different sectors of the same economy are treated. There is thus no common basis for measuring equivalent socially necessary labor time.

While it is not easy to measure absolute gain or loss through international trade, it is relatively easy to measure the *changes* in the terms of trade (the relative movement in gain or loss) over time. Between 1960 and 1972 the terms of trade between the developed countries and the less-developed countries, reflecting the stability in the terms of trade between primary and manufactured commodities, remained virtually constant, oscillating only a little this way or that from year to year. However, since 1973 the terms of trade of the less-developed countries in relation to the developed

countries have increased radically in favor of the less-developed countries. Considering the ratio of the terms of trade of the less-developed to the developed capitalist countries as 100 in 1970, it grew from 100 in 1972 to 198 in 1974. It remained fairly stable in succeeding years. This improvement reflected the OPEC use of monopoly power, as can be seen from the rise in the terms of trade of the major petroleum exporters from 114 in 1972 to 335 in 1974, while the terms of trade of the nonpetroleum exporters among the less-developed countries remained constant between these two years. In fact, there was little change in the terms of trade of the nonpetroleum exporters among the less-developed countries in relation to those of the developed capitalist countries between the 1960s and the 1970s. Their terms of trade in relation to those of the developed countries increased slightly between the 1960s and the 1970s, rising from an average of 95 in the 1960s to an average of 98 in the 1970s. On the other hand, the terms of trade of the major petroleum exporters in the post-1973 period averaged approximately three times their terms of trade in the 1960s (see Table 9.4). This means that the major petroleum exporters have been able to secure three times as much of the high-technology (manufactured goods and basic foods) exports of the advanced capitalist countries for the same amount of petroleum in the post-1973 period than before. Given the tremendous value of the petroleum trade this has meant an enormous transfer of wealth to the less-developed petroleum exporting countries. It should be noted that the limited capacities of the OPEC countries to absorb a transfer of real wealth from the developed countries has resulted in a large portion of their radically increased income being deposited in the major metropolitan banks of Europe and the United States. These deposits have been lent out, largely to the nonpetroleum-exporting less-developed countries, to finance their imports (in part petroleum from the OPEC countries). Thus the transfer of material wealth to the petroleum-exporting countries is actually considerably less than the terms of trade statistics (which reflect changes in legal ownership) suggest. Changes in the legal title to wealth have not resulted in a comparable transfer of real resources.

It is clear, however, that the only significant change in relative advantage from trade or transformation of unequal exchange that has occurred in the 1960-79 period has overwhelmingly favored the less-developed countries, if only the 12 to 15 major petroleum exporters. There has, however, been no tendency for the terms of trade of the other less-developed countries to deteriorate. There was even a slight improvement in the terms of trade of the non-

TABLE 9.4: The Net Barter Terms of Trade between the Developed and the Less-Developed Capitalist Countries

	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978
Developed countries	96	98	100	99	100	99	87	90	89	89	91
Less-developed countries	100	94	100	101	100	105	172	164	170	170	151
Nonpetroleum exporters	95	91	100	93	93	96	93	87	88	91	86
Petroleum exporters	113	103	100	116	114	123	335	341	362	361	324
Less-developed/developed	104	96	100	102	100	106	198	182	191	191	166
Less-developed minus OPEC/developed	98	96	100	91	90	97	102	85	92	102	—
Primary/manufactured	111	104	100	102	103	113	169	154	163	163	—
Nonpetroleum exporters/developed	99	93	100	94	93	97	107	97	99	102	95

Sources: United Nations 1978a, Table 15; 1979a, Table 2.5.

petroleum-exporting less-developed countries in relation to the developed capitalist countries. However, it is almost certainly the case that the superior monopoly power of the metropolitan countries in almost all monetarily significant commodities except petroleum continues to result in a transfer of real wealth from the less-developed to the developed countries.

It should be noted that the less-developed countries have tried to turn the terms of the trade to their advantage by attempting to use their control over a significant proportion of the world's resources other than petroleum. There were in the mid-1970s producers' associations in bauxite (the most successful of them) set up in 1974, in copper (1967), iron (1975), mercury (1975), tungsten (1975), natural rubber (1970), bananas (1974), cocoa (1962), coffee (1973), pepper (1970), and tea (1933) as well as a number of regional producers' associations with a significant proportion of the world trade in sugar, coconut, ground nuts, and timber. However, as the balance of trade statistics for the 1960s as compared to the 1970s show, these associations have not been able to significantly improve the relative terms of trade between the less-developed and the developed capitalist countries. The most that can be said for them is that they might have prevented a worsening in the terms of trade between the 1960s and 1970s. It has only been OPEC that has been able to effectively monopolize the world trade in a commodity which happens to have a huge and continually increasing, as well as a relatively inelastic, demand (United Nations Economic and Social Council 1978, pp. 320-27; Wachtel 1977, p. 41).

We can make some rough guesses about the absolute magnitude of trade exploitation. The long-term terms of trade moved against the less-developed countries in favor of the developed from 1876-80 (toward the end of the period of free competition in the world system) to the 1960-70 period by 25 percent. A given amount of exports of the developed countries bought one-fourth more in the 1960s than it would have in the last part of the 1870s (Brown 1974, p. 249). The non-OPEC countries imported approximately $105 billion worth of material from the developed capitalist economies in 1977. If it could have purchased them at the 1876-80 terms of trade, which it might be assumed reflected essentially competitive conditions, it would have cost them approximately $84 billion. Thus, we can estimate that the value transfer from the less-developed to the developed countries through trade was very roughly on the order of $20 billion. This assumes that the terms of trade in the 1870s were representative of competitive conditions and that the deterioration since then essentially reflects monopolization, rather than differentially changing technology. The OPEC countries in 1977 exported $112 billion worth of goods (almost all petroleum) to the developed capitalist countries. Considering the rise by a factor of three in terms of trade from 1972 to 1974 in the trade of the OPEC countries with the developed, together with the assumption that before this time, like all other less-developed countries, their imports were overvalued by 25 percent, suggests that approximately $65 billion of the $112 billion is the result of OPEC's relative monopoly power in relation to the developed capitalist countries. Even if it is assumed that the imports of the less-developed countries were overvalued by a factor of 50 percent, i.e., that even in the period of competitive capitalism the terms of trade were 25 percent in favor of the developed countries, then the non-OPEC countries in the post-1973 period were losing about $35 billion a year while the OPEC countries were gaining about $55 billion. In 1977 the non-OPEC countries' loss through trade exploitation was between roughly 2.5 percent and 4.5 percent of their GDPs (depending on whether the 25 percent or 50 percent assumption is used) while the gain from unequal exchange of the OPEC countries was roughly 15 percent of their GDPs.

It should also be noted that the radical increases in the price of petroleum on the world market and the resultant transfer of huge sums to the OPEC countries that it has produced has not hurt the U.S.-based megacorporations. On the contrary, most U.S.-based transnational corporations, banks, and major industrial exporters have benefited considerably. As has been noted, the profits of the U.S.-based transnational petroleum companies skyrocketed with the world price of petroleum (see Chapters 5 and 7). The industrial exports of the United States to the OPEC countries also skyrocketed. U.S. megacorporations, especially armaments manufacturers, received a disproportionate share of OPEC funds in exchange for their wares. Saudi Arabia and Iran, especially, greatly increased their purchase of U.S. advanced weapons. These purchases not only added considerably to the profits of U.S. arms manufacturers, but also served (in the spirit of the Nixon Doctrine) to create strong regional powers (not always successfully) that would "stabilize" the petroleum-exporting regions for the transnational corporations and the U.S. state.

The OPEC countries have spent only a portion of their tremendous petroleum income on industrial imports from the advanced countries. They have deposited most of the rest in the major private banks of the advanced countries. U.S. banks have received a healthy

portion of these funds, which have then in good part been lent out to the nonpetroleum-exporting less-developed countries. U.S. transnational banks thus acquired both significantly expanded means to pressure the less-developed countries to follow protransnational economic policies as well as the profits from interest on these loans.

In addition, the radical increase in petroleum prices functions to give U.S. megacorporations an edge over their competitors in Europe and Japan in both the domestic U.S. and the world markets. Except for Great Britain, the major international competitors of the United States (e.g., Japan, West Germany, France, Italy) import virtually all of their petroleum. The United States in the middle and late 1970s was importing slightly less than half. This meant that the considerably increased cost of petroleum on the average added more to the costs of the manufactured exports of the U.S. competitors than to those of U.S. corporations. The relatively greater cost increases of the U.S. competitors has been one of the principal causes of the narrowing of differential rates of economic growth between them and the United States after 1973.

The total wealth transfer from trade and investment in 1977 can thus be very roughly estimated at something between $5 billion (with the 50 percent assumption) to $30 billion (with the 25 percent assumption) in favor of the less-developed countries. Thus, while before 1973 it appears that there was a annual transfer of wealth through trade and investment roughly of the order of 2 to 4 percent of the GDPs of the less-developed countries, since 1973 there has been a transfer of wealth of something of the order of .5 to 2.5 percent of the value of the GDPs of the less-developed countries *from* the developed *to* the less developed.

SUMMARY

The effect of transnational investments, loans, and associated income transfers in the 1970s has been to transfer wealth to the less-developed countries. This is clearly shown to be the case in the economic relations of the United States with the less-developed countries. It is true for the world capitalist system as a whole as well, as can be seen when the balance of payments flows are carefully examined. World trade after 1973 resulted in a net transfer of resources to the less-developed countries, albeit concentrated in the 12 to 15 principal petroleum exporters. The pattern of transfer of wealth within the world capitalist system in the present stage of monopoly capitalist imperialism has clearly changed from the previous stage. The political independence of the less-developed countries, together with the availability of cheap labor for employment in capitalist enterprises in the less-developed countries (by both local and transnational capital), has made a decisive difference.

If we make the 25 percent assumption about the effect of monopolization of world markets in favor of the developed countries, and thus estimate that in 1977 there was a net transfer of wealth from the developed capitalist countries to the less developed of roughly $45 billion through trade, together with a balance of payments net transfer of $14 billion from the less developed to the developed (see Table 9.3), it can be estimated that approximately $30 billion of material wealth was transferred (considering the effect of trade, all investments, loans, and governmental assistance) from the developed capitalist countries to the less-developed countries in that year.

It appears that the expectations of the pre-1928 mainstream of Marxist thought concerning the direction of international capital flows have been confirmed in the 1970s (although they were premature in the early part of the twentieth century).

10

THE ECONOMIC DEVELOPMENT OF THE LESS-DEVELOPED COUNTRIES

This chapter treats the question whether the imperialist domination of the less-developed countries inhibits or facilitates their economic growth, industrialization, and all-around development. It treats the related question of the extent to which the economic growth of the less-developed countries is distorted because of their involvement in imperialist relations. Some of the social effects of development within the imperialist system on less-developed countries are also examined. This latter topic is expanded on in a subsequent chapter on class formation. The issues dealt with in this chapter are central in the debate among the various theories of imperialism. This is especially the case for Marxian-dependency theory and the 1928 Comintern theses, which argue that the economic development of the less-developed countries is blocked by imperialism, and the pre-1928 classical Marxist tradition, which maintains the opposite.

THE DEVELOPMENT AND INDUSTRIALIZATION OF ASIA, AFRICA, AND LATIN AMERICA

Through the competitive capitalist and early monopoly stages of imperialism the rate of economic growth was less in the less-developed countries than in the advanced capitalist countries, partially because of the actual transfer of wealth through trade and repatriated profits to the developed countries, but more importantly because of the structural blocking of capitalist development and industrialization.

The countries of Asia, Africa, and Latin America were not only kept technologically backward and poor but were in many cases actually impoverished and *under*developed, i.e., living standards were reduced and the relative state of the productive forces, at least in broad sectors, declined. Thus in India the living standards of the people declined in the period of British rule. Through the nineteenth century there was actually a *de*industrialization, as cheap British-manufactured imports drove out traditional artisan production. Similar processes occurred in much of Asia, Africa, and Latin America during the nineteenth century and early twentieth century. The displacement of traditional artisans and peasants from their trades and the land greatly expanded the pool of unemployed and semi-employed urban laborers who were required to sell their labor power at a pittance in order to secure subsistence. Relative overpopulation in the land caused by structural blocks to increasing productivity and lack of land reform, together with the encouragement of population growth, produced increasing rents as well as growing propertylessness among the peasantry. Colonial administrations encouraged specialization in raw material products (sold at low prices to Europe) and put obstacles on the establishment of modern manufacturing industries. Imperialism resulted in the economic devastation of the less-developed countries.

More or less coincident with the formal independence of the less-developed countries, the tendency toward an equalization of the level of economic development of the different parts of the world capitalist system became predominant. In the late stage of monopoly capitalist imperialism capital is flowing to the less-developed world to take advantage of cheap labor and growing local markets. The transfer of high technology to both transnational subsidiaries and nonsubsidiaries accelerates growth. At least in one centrally important commodity, petroleum, the terms of trade have shifted radically against the developed countries. Considerably more of the profits realized through the monopolization of world raw material markets are now being appropriated by the less-developed countries. Local ruling groups in many less-developed countries have come to have a real and growing commitment to the rapid economic growth and industrialization of their countries. Further, many less-developed countries receive crucial technological advice and assistance from, as well as trading partners in, the socialist countries. This forces the West to loosen up in providing more and better technological advice and assistance, and become more reluctant to use the trade weapon. These processes together seem to be responsible for the reversal of the long-term tendency to increase the gap between the rich and the poor, and to have resulted in the 1970s in a relatively rapid narrowing of the gap, especially between such old imperial powers as the United States and Great Britain, where living standards have become virtually stagnant, and such very rapidly growing nations as Brazil, Taiwan, South Korea, and the OPEC countries.*

The logic of profit maximization leads the transnational corporations to invest where costs are the least and market opportunities are the greatest. Depending on the type of production (e.g., degree of labor intensiveness, transportation costs of the raw materials and final product, and need for highly skilled labor), minimizing costs depends more or less on a low level of wages. The more labor intensive production is, the less the need for a large number of highly skilled workers; and the less the relative transportation costs for raw materials and shipping goods to market, the more likely it is that the transnational corporations will invest in the economically less-developed areas of the world where cheap labor is plentiful. Because entry is generally considerably easier in manufacturing than in mineral extraction, monopolies are, as a rule, considerably more difficult to maintain, and hence the flow of industrial capital is freer than is the case with extractive capital.

The penalty for a transnational corporation choosing not to invest in industrial production in the less-developed countries, but rather to pay the higher labor costs in the advanced countries, is a lower rate of profit, and potentially, as a result, perhaps eventual bankruptcy at the hands of other transnational corporations (U.S. or otherwise) that are able to accumulate at a more rapid rate because they do take advantage of cheaper labor available in the less-developed countries.

In the 1970s the long-term tendency for the poor to get poorer and the rich richer was reversed. The rates of growth of GDP per capita in the less-developed world came to exceed those in the advanced countries. The relative rates of increase in industrialization, which had long been greater in the less-developed than in the advanced countries accelerated in relation to the rates of increase in the advanced.

While in the 1960s the rate of growth in GDP per capita of the less-developed countries was 78 percent that of the developed capitalist countries (3.1 percent versus 4.0 percent) in the 1970s

*Much of the analysis that follows is in essential agreement with Bill Warren's seminal article (1972).

it was 157 percent greater (3.6 percent versus 2.3 percent). In the 1960s the rates of growth of all four regions of the less-developed world except for the Middle East were less than those of the advanced capitalist countries. In the 1970s all four regions had rates of growth more rapid than the developed countries. Through both the 1960s and the 1970s all four regions had more rapid rates of growth in the manufacturing sector than did the advanced capitalist countries. The contrast with the slow rate of growth of the U.S. economy is even more striking when compared with the less-developed countries. In the 1970s the rate of economic growth in the manufacturing sector was three times more rapid in the less-developed countries than in the U.S., while it was two and half times as rapid as in advanced capitalist countries as a whole (see Table 10.1). Especially rapid rates of both overall economic growth and growth in the manufacturing sector in the 1970s were demonstrated by Nigeria (5.0 percent and 17.6 percent respectively), Brazil (6.8 percent and 10.2 percent), Iran (7.4 percent and 17.2 percent), and South Korea (8.0 percent and 18.3 percent).

It should be noted that as rapid as the rates of GDP per capita and the rate of economic growth in the manufacturing sector are, they are exceeded hy the average rate of growth in the socialist countries. In the 1970s the rate of growth in net material product per capita in the socialist countries was 5.0 percent, 2.2 times more rapid than in the developed capitalist countries (the USSR's rate of growth was 2.5 times that of the United States during this period) and 1.4 times more rapid than the average for all the less-developed countries. The rate of growth of the socialist countries in national income per capita exceeded that of all four of the regions of the less-developed capitalist world in both the 1960s and the 1970s.

The implication to be drawn from these latter comparisons is that the involvement of the less-developed capitalist economies in the world imperialist system, their economic domination by the transnational corporations based in Europe, Japan, and the United States, and the political pressures they are subjected to from the advanced capitalist countries results in inhibiting their rates of economic growth in comparison to what they could be if they were to adopt a socialist mode of production. In other words, while development and especially industrialization are in fact induced by contemporary imperialism the extent of that development and industrialization (as well as its quality and the distribution of its benefits) is still negatively affected by imperialist relations, which impose a logic that prevents the maximum mobilization of resources and their allocation in the manner of socialist-planned economies.

TABLE 10.1: *Annual Rates of Growth of the Less-Developed Countries (percent)*

	1960-70			1970-77		
	>GDP	>GDP/Capita	>Industry	>GDP	>GDP/Capita	>Industry
Less-developed market economies	5.6	3.1	7.1	6.1	3.6	7.4
Africa	5.1	2.5	6.9	5.2	2.5	6.0
Nigeria	—[a]	—	—	7.8	5.0	17.6
Latin America	5.5	2.8	6.8	6.2	3.4	6.8
Mexico	7.3	3.8	9.4	5.0	1.5	5.4
Brazil	8.0	5.1	10.0	9.8	6.8	10.2
Middle East	7.9	4.8	10.4	7.9	4.7	10.5
Egypt	4.9	2.3	5.1	—	—	—
Iran	10.4	7.3	12.1	10.2	7.4	17.2
South and Southeast Asia	4.8	2.4	6.8	4.9	2.7	7.8
South Korea	8.6	5.7	17.6	9.9	8.0	18.3
India	3.7	1.4	4.8	2.5	.4	3.6
Developed market economies	5.1	4.0	6.0	3.2	2.3	3.1
EEC[b]	4.6	3.8	5.6	2.8	2.4	2.6
U.S.	4.3	3.0	5.3	2.8	1.9	2.4
Japan	10.5	9.4	—	5.3	3.9	5.7
Centrally planned economies	6.7	5.6	8.5	6.0	5.0	7.6
USSR	7.2	5.9	9.5	5.7	4.8	7.6

[a]Data not available.
[b]European Economic Community.
Source: United Nations 1978c, Tables 6A and 6B.

While in 1960 the percentage of the total GDP of the less-developed countries that originated in industry was 20 percent, in 1978 it was 27 percent. This compares with the developed capitalist countries, where 41 percent of their GDP was in the industrial sector in both 1960 and 1976. Thus in terms of sectoral distribution, the less-developed countries closed about one-third of the gap between 1960 and 1976. (World Bank 1978, Table 3.) Hypothetically, if present trends were to continue, the share of manufacturing in the GDPs of the less-developed countries would catch up with that of the developed countries about 30 years after 1976.

In 1970 the GDP per capita of the less-developed countries was $230 a year as compared to the figure for the developed capitalist countries of $2,970 a year. In 1977 the comparable statistics were $580 and $6,590 (United Nations 1978c, Table 1A). The gap in GDP per capita declined from 12.9 times to 11.4 times. Hypothetically, at this rate of decline it would take the less-developed countries about 190 years to catch up with the advanced capitalist countries.

In the 1965-77 period the rate of growth in heavy manufacturing has been considerably more rapid throughout the less-developed world than has the rate of growth in light industry. Overall the rate of growth of the former was 8.1 percent as compared to 5.1 percent for the latter. This differential is illustrated by the difference in the rate of growth in textiles (4.0 percent) as compared to metal products (9.6 percent) and transportation equipment (10.6 percent). (See Table 10.2.) It should be noted that the rates of growth in both heavy and light industry were more rapid in the socialist economies than in the less-developed countries while the rates of growth of both were more rapid than in the developed capitalist countries. The differential in the rate of growth between the developed and less-developed capitalist countries is most pronounced in heavy industry, where the less-developed countries grew 1.8 times more rapidly than the developed as compared to 1.5 times more rapidly in the light industrial sector. The metal products, electrical machinery, and transportation equipment sectors all grew at least twice as rapidly in the less-developed countries as in the developed capitalist economies (see Table 10.2).

As Table 10.3 shows, the strongest contrast in the composition of the manufacturing sector between the developed and the less-developed capitalist countries lies in the concentration of light (or labor-intensive) industries in the less-developed countries and heavy industries in the more developed. In 1977 48 percent of manufacturing production in the less-developed countries was in light industrial production as compared to 32 percent in the developed capitalist

TABLE 10.2: Annual Rates of Growth by Industrial Sectors of Industrial Production, 1965-77 (percent)

	All Less-Developed Countries	*Latin America*	*Asia (Excluding Japan and Israel)*	*Developed Market Countries*	*Socialist Countries*
All manufacturing	6.5	6.5	6.8	4.2	8.8
Light manufacturing	5.1	4.7	5.7	3.4	6.5
Heavy manufacturing	8.1	8.4	8.3	4.4	10.0
Textiles	4.0	4.3	3.5	2.7	6.1
Paper and paper products	6.0	5.9	6.9	3.4	7.2
Chemical	7.4	7.8	6.6	6.9	10.0
Metal products	9.6	9.4	10.6	4.5	10.9
Electrical machinery	12.9	10.7	19.2	6.3	11.1
Transportation equipment	10.6	10.2	12.0	4.0	10.0
Mining and quarrying	5.9	2.6	7.6	1.7	5.4

Source: United Nations 1977a, Table 1.

economies. The greatest differences are seen in food, beverages, and tobacco, which in 1977 represented 21 percent of the manufacturing sector of the less-developed countries as compared to 11 percent for the developed capitalist countries; textiles, where the comparable figures were 10 percent and 4 percent; and metal products, machinery, and equipment, which represented 41 percent of the advanced capitalist countries' manufacturing sector and 22 percent of that of the less-developed countries.

It should be stressed that the trends through the 1970s were to decrease all these differentials. While in 1970 48 percent of the manufacturing sector in the less-developed countries was represented by heavy industry, in 1977 it was 52 percent. At the same time the increase in this sector in the developed countries was only 1.1 percentage points. The tendency for the composition of the manufacturing sector to even out between the developed and the less-developed countries is also seen in the significant decline in the percentage of the less-developed countries' manufacturing sector as represented by food, beverages, and tobacco and textiles (1.8 and 2.0 percentage points decline respectively), and the considerable increase in the share of the total accounted for by the metal products, machinery, and equipment sector (an increase of 4.5 percentage points). In summary, it is clear that the economic growth of the less-developed capitalist countries is centered in the manufacturing sector; within the manufacturing sector it is centered in heavy industry; heavy industry represents a considerable share of the total manufacturing sector; and the sectoral distribution within the manufacturing sector between the developed and the less-developed capitalist countries is being undermined along with the overall traditional agrarian-industrial specialization between them.

The rapid industrialization of the less-developed capitalist countries is reflected in the rapid rate of growth in their exports of manufactured goods. In 1977 33.4 percent of all the clothing imports of the developed capitalist countries was from the less-developed capitalist countries, 14.6 percent of all their imports of textiles, and 20.8 percent of all their imports of processed foods. Overall 6.7 percent of all the imports of manufactured goods of the developed capitalist countries was from the less-developed world. Of all the exports of manufactured goods to the developed countries from the less developed 23.2 percent was clothing, 24.0 percent machinery (mostly light equipment such as electrical goods), 10.0 percent textiles, and 9.7 percent processed foods, indicating that the manufacturing export sector of the less-developed countries is heavily oriented to labor-intensive light industrial goods (United Nations 1979, Tables 4.7 and 4.9).

TABLE 10.3: *Manufacturing Production in Developed and Less-Developed Capitalist Countries (percentage distribution)*

	1970		*1977*	
	Developed Countries	*Less-Developed Countries*	*Developed Countries*	*Less-Developed Countries*
Food, beverages, and tobacco	11.0	22.6	10.9	20.8
Textiles	4.5	12.2	4.1	10.2
Wearing apparel, leather, footwear	4.0	6.8	3.6	7.4
Wood products and furniture	4.0	3.4	4.0	2.7
Paper, printing, publishing	8.0	4.6	7.3	4.3
Paper and paper products	3.3	2.0	3.1	1.8
Chemicals, petroleum, plastic products	13.9	18.8	15.7	18.6
Petroleum and coal products	1.7	8.3	1.8	6.4
Rubber and plastic products	2.8	3.1	3.3	3.2
Nonmetallic minerals products	4.0	5.2	3.9	5.6
Basic metal industries	8.3	5.9	7.0	5.9
Metal products, machinery and equipment	40.5	17.7	41.4	22.2
Electrical machinery	9.0	3.8	9.7	5.9
Transport equipment	10.0	5.5	10.5	7.2
Total	100.0	100.0	100.0	100.0
of which light manufacturing	33.0	52.3	31.9	48.0
of which heavy manufacturing	67.0	47.7	68.1	52.0

Source: United Nations 1977a, Table 1.

It is of interest to note that a relatively few less-developed countries have taken the lead as the principal exporters of light industrial goods to the developed capitalist countries. In 1977 South Korea alone accounted for 23.5 percent of all such manufactured exports while Hong Kong accounted for 18.8 percent, Brazil 9.1 percent, Mexico 8.0 percent, Singapore 6.0 percent, and Malyasia 4.7 percent (United Nations 1979, p. 326). This, together with the fact that less than 7 percent of the total imports of manufactured goods by the developed capitalist countries is from the less-developed countries, indicates that the bulk of the growth in the manufacturing sector in the less-developed countries is oriented to *domestic* consumption, not to the export of labor-intensive commodities to the advanced countries.

THE RELATION BETWEEN FOREIGN INVESTMENT AND ECONOMIC GROWTH

It has been estimated that approximately one-third of all the manufacturing output in the less-developed capitalist countries in 1966 as well as almost one-half of the growth in the 1956-66 period came from transnational corporations (Brown 1974, p. 221). If this estimate is accurate and considering that the rate of growth in the manufacturing sector in the less-developed countries between 1965 and 1978 averaged 6.5 percent a year, that the rate of growth in U.S. direct investments in manufacturing during this same period was 12 percent, and that the foreign investments of the other advanced capitalist countries grew more rapidly than those of the United States (United Nations Economic and Social Council 1978, p. 236), we could infer that over *one-half* of the manufacturing output of the less-developed countries and considerably more than one-half of the growth in the 1966-76 period originated with the transnational corporations.

It would seem, however, that such an estimate of the extent of transnational involvement in manufacturing is rather high since transnational corporations around 1975 accounted for about 30 to 35 percent of total sales in the less-developed countries. It would thus seem that although the 1966 estimate cited above is a bit high for the mid-1960s its claim of about one-third of total manufacturing controlled by the transnational corporations would appear to be accurate for the late 1970s. Given the immense importance of the foreign-owned manufacturing sector, it is of considerable importance to determine the effect of such heavy foreign investment on the economic development of the less-developed countries.

In the late 1970s about 35 percent of U.S. total overseas investment in the less-developed countries and almost half that in the other advanced capitalist countries was in the manufacturing sector (U.S. Department of Commerce 1980a). The total value of U.S. transnational direct investment in the less-developed countries has increased very rapidly since 1960 when it stood at a total of $1.8 billion. In 1970 it was $5.4 billion and in 1978 $14.1 billion. The bulk of U.S. investment in manufacturing is in Latin America. In 1960 89 percent of the total was invested there and in 1978 83 percent. Almost all the rest is in Southeast Asia, where in 1960 10.6 percent of the total was and in 1978 13.9 percent. In 1978 2.0 percent of the total was in Africa and 1.4 percent in the Middle East. One-third of all U.S. investment in manufacturing in the less-developed countries is in Brazil (in 1978 $4.7 billion) and another 20 percent in Mexico. Brazil has not only been responsible for the largest share of U.S. manufacturing investment, but investments there grew more rapidly than in any other country where there was a significant amount of U.S. manufacturing investment (the total value of U.S. manufacturing investments grew 4.4 times in the 1970 to 1978 period) (U.S. Department of Commerce 1980a).

While it is true that Brazil and Mexico together have over one-half of all U.S. investment in manufacturing in the less-developed countries and were responsible in 1975 for 65 percent of total U.S. manufacturing investment in Latin America, it should be noted that these two countries in the same year also accounted for 57 percent of the GDP of Latin America. The distribution of U.S. manufacturing investment in Latin America is in fact roughly proportional to the GDPs of the various countries. After Brazil and Mexico the next largest concentrations of U.S. direct investment in manufacturing are in Argentina, which has 8.9 percent of total U.S. investment in Latin America and 13.7 percent of this region's GDP; Venezuela, which has 7.8 percent and 8.2 percent; and Colombia, which has 4.4 percent and 3.7 percent. The greatest concentration in relation to relative GDP is in Mexico, which had 28.5 percent of the total U.S. Latin American manufacturing investment and 22.1 percent of the region's GDP.

In 1976 almost 94 percent of the sales of U.S. manufacturing subsidiaries in Latin America was to consumers in the countries where they operated and only 2.4 percent of the total was exported to the United States (see Table 5.14). This was largely from U.S. subsidiaries located near the Mexican-U.S. border that were in good part assembly operations designed to take advantage of Mexico's cheap labor to perform the labor-intensive aspects of production processes which were centered in the United States. It is clear that

U.S. manufacturing investment in Latin America is designed almost exclusively to produce for local markets. It appears, then, to have been motivated by the profit opportunities available from rising demand, getting under tariff barriers imposed by the local governments, cheaper labor costs than would be required to produce goods in the United States and export them overseas, and various incentive and subsidy programs of the Latin American governments. This latter factor is especially important in the "bureaucratic authoritarian" antilabor regimes, such as Brazil, which offer U.S. transnational corporations considerable profit advantages in return for their locating plants there.

U.S. investment in manufacturing throughout the world is heavily oriented to production for local markets. Even in Asia 78 percent of the sales of U.S. manufacturing subsidiaries in 1976 was local sales, only 8 percent was exports back to the United States, and 13 percent was exports to other countries (see Table 5.11).

U.S. direct investment in manufacturing in the less-developed countries is heavily concentrated in the more technologically advanced sectors. The chemical industry in 1978 accounted for 27.9 percent of the total and machinery for 23.8 percent (with transportation equipment representing 10.2 percent). This compares with U.S. investment in these sectors in the advanced capitalist countries of 20.2 percent and 29.6 percent respectively (see Table 10.4).

Between 1965 and 1978 U.S. investment in the machinery sector increased from 15.9 percent to 23.8 percent of total U.S.

TABLE 10.4: Sectoral Distribution of U.S. Investments in Manufacturing

	Less-Developed Countries		*Other Developed Countries*
	1965	*1978*	*1978*
Food	\$420 (11.9%)	\$1,260 (9.0%)	\$5,043 (8.4%)
Chemicals	983 (27.9)	3,921 (27.9)	12,176 (20.2)
Primary and fabricated metals	222 (6.3)	1,052 (7.5)	3,166 (5.3)
Machinery	560 (15.9)	3,352 (23.8)	17,785 (29.6)
Transport equipment	434 (12.3)	1,439 (10.2)	9,069 (15.1)
Other	906 (25.7)	3,046 (21.6)	12,896 (21.4)
Total	\$3,525 (100%)	\$14,071 (100%)	\$60,135 (100%)

Sources: U.S. Department of Commerce 1975b, Table A-3; 1979b, Table 14.

manufacturing investment while in the food sector it declined from 11.9 percent to 9.0 percent. It rose from 6.3 percent to 7.5 percent in primary and fabricated metals. The trend is clearly toward greater concentration in heavy industry (see Table 10.4). There is virtually no difference in the distribution of U.S. investments in the manufacturing sector in the different regions of the less-developed world, other than a slight tendency for there to be a heavier concentration in transport equipment (in good part automobile construction) in Latin America and a heavier concentration of nontransport equipment outside of Latin America (in good part electrical equipment in Southeast Asia).

While it is true that manufacturing operations in the less-developed countries often in part tend to be part assembly operations, a significant proportion of whose inputs consists of components imported from the United States (although this is less the case over time), as well as less technologically sophisticated than comparable operations in Europe or Canada, it is significant that U.S. investments are concentrated in the relatively capital-intensive sectors that dominate domestic markets, rather than in the more labor-intensive export goods sectors (e.g., food, textiles), which take maximal advantage of cheap labor costs to produce for the markets of the developed countries.

It would seem then that the export-oriented light industrial sectors of such countries as South Korea, Brazil, Singapore, and Malaysia are not, for the most part, dominated by U.S. capital. For example, in 1966 South Korea had only \$12 million of U.S. manufacturing investment. Total foreign investment from all countries in 1967 amounted to only 1.7 percent of its GDP (U.S. Department of Commerce 1975b). It would seem that the light industry export-oriented sectors, especially in textiles and clothing, are largely dominated by local capitalists.

Table 10.5 shows the relationship between the relative amount of foreign investment in the less-developed countries and their economic development in the 1970-77 period for those 50 less-developed countries for which data were available. Those countries with the greatest amount of foreign investment (with the total value of foreign investment averaging 23 percent of their GDP in 1967) had the highest rates of growth in both GDP and GDP per capita.*

*The level of investment for 1967 is compared to the growth rate for 1970-77 in order to test the hypothesis that prior investment produces growth, rather than investment being attracted to areas that are already growing rapidly.

The rate of growth per capita in the 1970-77 period was 25 percent higher in that half of the 50 countries with the greatest concentration of foreign investment. However, there was no relation between amount of foreign investment and rate of growth in manufacturing, and in fact a negative relation between foreign investment and the rate of increase in employment in manufacturing. This reflects the fact that a greater number of the countries with very high concentrations of foreign investment are primarily raw-materials-exporting countries (the petroleum, bauxite, and copper exporting countries are concentrated here) that receive relatively little investment in the manufacturing sector as compared to the larger economies that are concentrated among the half with the lowest ratios of foreign investment to GDP. The slower rate of growth of employment in manufacturing in those countries with high concentrations of foreign investment further reflects the fact that foreign investments, especially in petroleum refining and other mineral-processing industries, tend to be highly capital intensive, employing relatively few workers. But it is clear that foreign investment facilitates rather than blocks overall economic growth, at least within the logic of capitalist relations of production (see Table 10.5).

To examine the effects of foreign investment in *manufacturing* on growth in the manufacturing sector the 12 countries of Latin America for which appropriate statistics are availahle are examined. Latin America has about 80 percent of all U.S. manufacturing

TABLE 10.5: Relationship between Stock of Foreign Investment and Rates of Economic Growth in the LDCs (percent)

	25 LDCs Lowest on Foreign Investment	*25 LDCs Highest on Foreign Investment*
1967		
Foreign investment/GDP	5.3	23.0
1970-77 (annual rates of growth)		
>G.D.P.	5.4	6.1
>G.D.P./capita	2.7	3.4
>Manufacturing	6.7	6.6
>Employment in manufacturing	4.8	3.4

Note: Both tiny countries (less than about 1.5 million population) and all European, as well as all socialist, countries are excluded.

Sources: United Nations Department of Economic and Social Affairs 1973, Table 35; United Nations 1978c, Table 6; United Nations 1970, Table 1; World Bank 1978.

investment in less-developed regions and since the United States accounts for about 50 percent of all foreign investment of the advanced capitalist countries, it is clear that this region has the heaviest concentration of foreign investment in manufacturing of any part of the less-developed world. The results for Latin America should thus be a good test of the effect of manufacturing capital on growth in manufacturing in general.

The six Latin American countries with the most U.S. investment in manufacturing in relation to their GDPs had a rate of growth in manufacturing of 6.2 percent as compared to 3.6 percent for the six with the least U.S. direct investment in manufacturing. Those with the most U.S. investment grew 72 percent more rapidly than those with the least. The countries with the greatest concentration of U.S. investment in manufacturing also had a rapid rate of growth in employment in manufacturing, 3.9 percent as compared to virtual stagnation in those countries with the least (see Table 10.6). It is clear that foreign investment in the manufacturing sector has a considerable impact on increasing growth in the manufacturing sector, especially on increasing the number of industrial workers (see Table 10.6).

Acceptance of loans and investment from the advanced capitalist countries results in a drain of economic resources out of the less-developed countries in the form of interest, principal repayments, repatriated profits, and various fees and royalties. There has been considerable debate as to whether or not this drain of "economic

TABLE 10.6: Relationship between U.S. Investment in Manufacturing and Rate of Growth of the Manufacturing Sector in Latin America (percent)

	U.S. Investment in Manufacturing/GDP in Manufacturing 1966	*1970-77 Rate of Economic Growth in Manufacturing*	*1970-77 Rate of Increase in Employment in Manufacturing*
6 countries highest on U.S. investment in manufacturing	13.3	6.2	3.9
6 countries lowest on U.S. investment in manufacturing	7.2	3.6	.6

Sources: U.S. Department of Commerce 1975b; United Nations 1978c, Table 6; World Bank 1978.

surplus" out of the less-developed countries results in the retarding of their economic growth, or whether the removal of funds that otherwise would have been available for investment in the less-developed countries is more than compensated for by the direct and indirect positive effects of metropolitan loans, investments, and transfers of high technology in accelerating the rate of growth. Table 10.7 reports the effects of the *gross* outward drain of funds from loans, investments, fees and royalties, and other services on economic growth. Here it can be seen that the countries making the highest "service payments" for foreign loans and investments in relation to their GDPs are growing more rapidly than those making the smallest payments, whether growth is measured by GDP, GDP per capita, or rate of growth in the manufacturing sector. The differential is strongest for GDP per capita, where the countries with the greatest gross transfer of wealth to the developed countries are growing 50 percent more rapidly than those with the least gross transfer of wealth (see Table 10.7). It is clear that the effect of wealth transfer to the metropolitan countries in decreasing the funds available for investment in the less-developed countries is more than counteracted by the effects of new investment, loans, and technology transfer, and their spin-off and multiplier effects, in generating economic growth. Again, it should be stressed that this is the case within the logic of the world capitalist system, where the principal impetus for economic growth and industrialization is foreign capital and technology from the developed countries,

TABLE 10.7: Relationship between the Drain of Economic Surplus and Economic Growth in the Less-Developed Countries (average annual percentages, 1970-77)

	Service Payments/GDP	>GDP	>GDP/ Capita	>Manufacturing
25 countries with the highest ratio of service payments to GDP	12.6	6.8	3.9	7.9
25 countries with the lowest ratio of service payments to GDP	4.8	5.1	2.6	6.4

Note: Both tiny countries (less than about 1.5 million population) and all European, as well as all socialist, countries are excluded.

Sources: United Nations 1979a, Table 5; 1978c, Tables 1 and 6.

rather than economic planning and popular mobilization as is the case in socialist countries.*

It has been suggested by some that the effects of imperialism in generating economic growth and industrialization are limited to only a relatively small minority of the less-developed countries, and that the effect of foreign capital on promoting economic growth is thus essentially an exceptional phenomenon limited to a relatively few countries (see Evans 1979a). It is argued that for *most* less-developed countries, for the *typical* less-developed country, or for the *truly* peripheral countries, involvement in the imperialist system and the involvement of foreign capital results in their relative underdevelopment. It is thus claimed by some that the developmental effect is limited to the OPEC countries (exceptional because of the tremendous transfer of value to them since 1973); a handful of small Asian light industrial goods exporting economies, largely sustained by Japanese and Western capital and U.S. foreign assistance, e.g., South Korea, Taiwan, Singapore, Hong Kong; and Brazil (exceptionally rich in natural resources, a very large potential market, an exceptionally friendly government). Some of the proponents of the "exceptionalism" thesis argue that the development effect is limited

*The different conclusion of this analysis from that of Bornschier (whose results would seem to most sharply conflict with mine) is due to a combination of the following factors. (1) He controls for the level of exports, and the level of domestic capital formation, as well as the recent growth in foreign investments in examining the effect of the stock of foreign capital on growth. Since the most important ways foreign investment impacts growth are through increasing export earnings and increasing the level of domestic investment (*including* reinvested profits) it is not surprising that he finds a negative relation. (2) His controls for the effect of the increase in new foreign investment further guarantee that a negative relation between stock and growth will be found, since the transnationals will obviously be increasing their investment the most rapidly in high growth economies. (3) His sample of 76 countries includes both the poorer European countries (which have fairly autonomous economies and in which the effects of foreign investment are largely overriden), and apparently in some of his analyses the tiny countries (which includes the extremely rich Arab Emirates and the export oriented industrial platforms such as Hong Kong and stagnant tropical islands and strips of Africa). My sample, by excluding such countries, more accurately reflects the effect of foreign capital where it is an important force in the major less developed countries. (4) It is not at all surprising that when he takes the most rapidly growing 20% of his 88 countries, apparently composed mostly of the atypical smaller Asian export economies such as Hong Kong and the Arab Emirates, he finds that they have both a low stock of foreign investment *per capita* and a high rate of growth of new investment. (5) His time period is earlier than mine, essentially measuring developments before OPEC, while mine focuses on post OPEC developments. (6) His measure of capital stock, essentially a composite of capital stock divided by energy consumption and capital stock per capita, is biased in favor of his hypothesis, since foreign investment is concentrated in energy intensive sectors, and poor countries with a large share of foreign investment are treated the same as richer countries with a small share.

only to what Immanuel Wallerstein has defined as the "semiperiphery," a somewhat vaguely defined category of countries more or less intermediate in their level of wealth and "modes of labor control" between the core or most developed countries and the peripheral or less-developed economies.

It certainly is true that the most rapid rates of industrialization have been occurring in the major petroleum-exporting countries (in 1970-77 Iran's rate of growth in this sector was 17.2 percent), in the handful of small East Asian export economies (e.g., South Korea's rate of industrial growth in 1970-77 was 18.3 percent), and Brazil (10.2 percent). However, it is not true that the rest of the less-developed countries are falling behind. The data in Table 10.1 demonstrate this. The rate of increase in the manufacturing sector was 2 times as great in Africa as a whole than in the developed countries; the rate of growth of Latin America as a whole was 2.3 times that of the developed countries, and the rate of South and Southeast Asia as a whole, a region far larger than the relatively small export-oriented economies, industrialized at a rate 2.6 times more rapid than the developed capitalist countries. Even relatively sluggish countries such as Mexico and India had rates of growth in their industrial sectors more rapid than those in the developed countries. If all the countries often listed as exceptions, plus all those other less-developed countries with rates of industrial growth exceeding that of the developed capitalist countries were to be grouped together as exceptions, over three-fourths of the population of the less-developed countries would be in such "exceptional" circumstances, i.e., what is claimed to be an exception is indeed the rule.

The less-developed countries for which there are data were broken down by their relative GDPs per capita in *1960* into thirds, on the assumption that the richest third of these countries would approximate the semiperiphery in this period, and thus the countries presumably well placed to "take off" in the next 20 years. Table 10.8 shows that in fact there was no tendency for the semiperiphery to economically develop or industrialize more rapidly than the average of the less-developed countries as a whole. In fact, the countries that were better off in 1960 were those that industrialized the *least* rapidly in the 1970-77 period. Of the less-developed capitalist countries for which there are reliable data, the one-third that had the highest GDP per capita in 1960 had a rate of growth of manufacturing of 6.1 percent as compared to 8.4 percent for the middle third and 6.8 percent for the poorest third. Their rate of growth in employment in manufacturing was significantly less than that of either the middle or poorest third, 1.5 percent, as compared to 5.9 percent and 4.6 percent respectively, suggesting that the relatively higher wages in the better-off third of the less-developed countries was in fact an obstacle to the expansion of labor-intensive manufacturing investment, either from local sources or by transnational corporations, in such countries.

In summary, it appears that the tendency for the less-developed countries to develop economically, and especially the tendency for the rate of growth in output in their manufacturing sectors to increase much more rapidly than that of the advanced capitalist countries, is a general characteristic of the imperialist relations between the advanced and relatively backward countries during the present stage of imperialism. This tendency applies to more than just the semiperiphery or to exceptional cases such as the OPEC countries, the small East Asian manufacturing export economies, or Brazil. The general rule, to which there *are* exceptions because of overriding counterforces in some instances (e.g., Pakistan, Zaire, Ethiopia, Uruguay, Chile in the 1970s), is that within the parameters of capitalist imperialism (i.e., the logic of the world capitalist system), the more foreign investment, the more rapid the rate of growth, and the more rapid the rate of growth in the manufacturing sector.

TABLE 10.8: Relationship between GDP/Capita in 1960 and Rates of Economic Growth in 1970-77: LDCs*

	18 Wealthiest Countries in 1960	*18 Medium-Wealthy Countries in 1960*	*18 Least-Wealthy Countries in 1960*
1960			
GDP/capita	$406	$182	$80
1970-77			
>GDP	5.9%	7.2%	4.2%
>GDP/capita	3.3%	4.3%	1.7%
>Manufacturing	6.1%	8.4%	6.8%
>Employment in manufacturing	1.5%	5.9%	4.6%

*The Less-Developed Capitalist Countries.

Sources: United Nations 1978c, Tables 1 and 6; World Bank 1978.

SOME QUALIFYING FACTORS IN THE INDUSTRIALIZATION OF THE LESS-DEVELOPED COUNTRIES

Although within the parameters of the world capitalist system foreign capital does tend to promote economic growth, this growth differs in many ways from both the earlier economic development of today's developed capitalist countries and the economic development of the socialist countries. These differences are manifested in both economic distortions and in factors that are creating the basis for social revolution.

This section examines the effect of foreign capital in mobilizing local capital in its projects and otherwise inhibiting the growth of *locally owned* manufacturing industries as well as in blocking popular mobilization and central planning (means of rapid economic growth that have proven very successful elsewhere). Further, the effect of the metropolitan states in countering the effect of private capital and technology transfers on industrialization in the less-developed countries (a contrary effect produced primarily by the requirement that the metropolitan states preserve the legitimacy of the capitalist system at home) is treated.

The next section discusses the differences between the economic development of the less-developed countries and the early development of today's developed countries. Special attention is given to the distortion by the logic of transnational capital of the developmental process as well as to the social structures of the less-developed countries.

The effect of the outflow of industrial capital from the developed to the less-developed countries appears to operate primarily through its mobilization of local resources of the less-developed countries and the transfer of technology, rather than primarily through the transfer of real wealth from the developed countries. In the 1966-76 period U.S. manufacturing subsidiaries in the less-developed countries invested an average of about $850 million a year in their operations. Approximately 15 percent of this was directly obtained through new funds from the United States, approximately 42 percent from unrepatriated earnings and depreciation funds of the subsidiaries (reinvested earnings), and about 44 percent from other sources within the country where the investment was located. Thus almost six times as much capital was raised locally to reinvest in U.S. manufacturing investments as was directly transferred from the United States (see Table 10.9).

It is of interest to note that in investments other than manufacturing the share of new investment funds that come from the United States is virtually the same as in the manufacturing sector if the

TABLE 10.9: Sources of Investment Funds of U.S. Transnational Corporations in the Less-Developed Countries (annual averages)

	Total Investment (millions of current dollars)	Reinvested Earnings, Depreciation, and so on of Subsidiaries	New Funds from U.S.	Of which from Parent Corporation	New Funds from Foreign Sources	Of which from Financial Institutions
1966-68						
All sectors	$1,778.0	66.8%	4.6%	3.5%	28.6%	10.7%
Manufacturing	405.7	37.8	21.9	16.3	40.3	16.8
1969-71						
All sectors	2,813.3	48.4	13.6	13.2	38.0	20.4
Manufacturing	511.0	46.5	18.5	24.8	35.0	15.8
1972-74						
All sectors	6,987.0	47.8	-28.0	-29.5	80.2	4.1
Manufacturing	1,352.3	31.1	18.9	8.1	50.0	20.3
1975-76						
All sectors	7,127.0	46.5	23.4	23.8	30.1	2.5
Manufacturing	1,139.5	50.0	.7	8.2	49.4	28.7

Source: U.S. Department of Commerce 1979d, Tables 12 and 13.

atypical years 1973-74 when there was a large-scale liquidation of U.S. petroleum investments in the less-developed countries are not considered. In the 1970s the proportion of funds generated through reinvested earnings as well as from local sources have been roughly the same in nonmanufacturing as in manufacturing. It is of interest to note that "local" banks (in good part subsidiaries of U.S. transnational banks) in the post-1973 period seem to lend almost exclusively to U.S. *manufacturing* (as opposed to nonmanufacturing) enterprises (see Table 10.9).

Integration into the world capitalist system produces contradictory effects on the economic development and industrialization of the less-developed countries. Above all, political and economic subordination blocks popular mobilization and centralized planning of the type that has proven so successful in generating economic growth in Eastern Europe. Integration into the world capitalist system presses the less-developed countries to adopt approximations of free-enterprise economics that actually leave the principal dynamic element of economic growth in the hands of the privately owned transnational corporations.

In addition to doing virtually all in their power to forestall socialist transformation and to support authoritarian probusiness regimes supportive of both the local wealthy and foreign capital, the metropolitan *states* discourage the industrialization of the less-developed countries through a number of their policies. The most important of these are: first, the policies of the various foreign assistance agencies that discourage the growth of manufacturing while encouraging the growth of raw materials exports (see Chapter 7); second, the tariff and other trade policies of the developed countries that inhibit the export of the manufactured goods of the less-developed countries to the developed; third, restrictions put on the transfer of high technology that prohibit it from being used in competition with the transnational corporations; and fourth, restrictions placed on the transfer for political reasons of the free export of high technology and capital from the developed to the less-developed countries in order to preserve the economic and political stability of the *developed* countries (i.e., to maintain the loyalty of the working class faced with the loss of their jobs, declining sales, and economic dislocation caused by the export of capital, the loss of overseas markets, and increased foreign imports).

A basic principle of U.S. tariff policy is to admit duty free the import of raw materials that are either not produced in the United States or are in short supply, but to apply tariffs to any materials that have been in any way processed (usually the more they have

been processed the higher the duty). Thus, raw timber, unprocessed dates, or unrefined copper may be admitted duty free, but sawed lumber, pitted dates, or refined copper will have a tariff imposed. This encourages the import of raw materials and their processing in the United States and discourages industrial operations that process local raw materials in the less-developed countries. In general, manufactured goods that compete with goods produced in the United States, especially labor-intensive goods, will have relatively high tariffs imposed on them. This results not only in discouraging industrialization in the less-developed countries, but also in an "exploitation" effect whereby a significant proportion of the value of the imports of the less-developed countries is appropriated by the U.S. government. In 1977 the overall tariff imposed by the United States on manufactured imports from the less-developed countries was 8.3 percent (which resulted in approximately $2 billion of revenue for the U.S. treasury) and 9.2 percent on the manufactured imports of the fast-growing exporters of manufactures such as South Korea, Hong Kong, and Taiwan. The comparable tariffs of the European Economic Community (EEC) were 3.6 percent and 6.1 percent (United Nations 1979a, Table 7.3).

Trade agreements are also used to inhibit the import of manufactured goods into the United States, thus discouraging industrialization. For example, in the 1960s when Brazil began to take an increasing share of the U.S. powdered coffee market, threatening the profits of U.S.-owned corporations, this country was pressured by the U.S. government to impose an import tax to inhibit the export of processed coffee (Magdoff 1969, p. 163). It is common for the less-developed countries to restrain their manufactured exports under pressure from the developed countries in order to avoid prohibitive tariffs or other formal restraints. The EEC has put restrictions on the import of numerous manufactured products varying from electrical appliances to shoes in order to protect domestic industry (United Nations Economic and Social Council 1978, p. 16).

The transnational corporations act to hinder the development of *locally owned* manufacturing industries in the less-developed countries through transfer of technology contracts that prohibit or greatly restrict the use of the transnational corporations' technology in exported goods which would compete with the products of the transnational corporations. It is even a common practice to restrict local subsidiaries of U.S. transnational corporations from producing exports that might compete with those of the parent. One study showed that approximately 80 percent of transfer of technology contracts between transnational corporations and their subsidiaries in Ecuador, Bolivia, Peru, Chile, and Colombia totally prohibited the use of the technology to produce exports. Sometimes a local firm or subsidiary is allowed to use such technology to export to adjacent markets too small or unprofitable for the transnational or parent company to exploit itself (Barnet and Müller 1974, p. 163; United Nations Economic and Social Council 1978, p. 127).

Although there are counteracting forces, foreign capital in balance promotes both overall economic growth and industrialization *within* the parameters of the world imperialist system. In the developed capitalist countries the primary motor of economic growth are autonomous forces deriving from the logic of advanced capitalism that are given strong support by the metropolitan states. In the less-developed countries these forces are not as strong. Imperialist hegemony (military, economic, and ideological) discourages developmental policies, especially the popular mobilization and rational central planning that have been shown to be generally the most effective way of maximizing long-term economic growth in less-developed countries. Because of the structural blocking by the imperialist system of local autonomous developmental forces, the principal impetus for rapid economic development is foreign investment, loans, and the transfer of technology.

The prevalence of IMF-approved austerity programs, local ruling groups not wanting to risk a break with metropolitan interests, the wastefulness of massive unemployment and underemployment resulting from the attempt to apply free-enterprise economics, and the preemption of many of the most profitable sectors by foreign enterprise greatly constrict the growth possibilities of indigenous capital. The dynamic role in economic growth in the less-developed countries thus originates principally in its foreign linkages (investment, loans, and technology transfer).

Although the less-developed countries could have more rapid rates of growth if they organized their economies without domination by the transnational corporations, international banks, and their states, short of a socialistic transformation of their economies, as a rule, the more integrated they are into the imperialist system the more rapid their rates of growth and industrialization. There is a discontinuity among the less-developed countries, rather than a smooth continuum, of state planning/popular mobilization versus free enterprise/transnational domination. Those economies that rely on state planning and popular mobilization are growing more rapidly than those that rely on free enterprise and foreign capital. However, among those that rely on free enterprise and foreign capital, those that rely the most on foreign capital are growing the most rapidly. There is no effective middle ground; half-baked

planning and partial mobilization scare away both domestic and foreign capital without effectively organizing local resources, with economic stagnation, if not disaster, as the result (e.g., Ghana under Nkrumah, Jamaica in the late 1970s, Burma in the 1970s).

In order to obtain the maximum effect from foreign capital it is necessary to create the most favorable probusiness atmosphere for investment (which is not always easy given the considerable international competition for such a relatively scarce commodity). But if a country wants to develop without domination by foreign capital, if it wants to secure the most rapid rate of economic growth technologically possible, it would seem that it would be best advised to rely on the methods developed in the Soviet Union and applied with great success in Eastern Europe in the post-World War II period. These latter methods have produced the most rapid rates of economic growth and industrialization of any region in the world during this period. The methods of socialist planning and mobilization transformed nations that before World War II were on the level of most of the nations of Latin America in 1980 into modern industrial nations the equivalent of Italy in 1980 (see Szymanski 1979, Ch. 7).

THE DIFFERENCES BETWEEN THE ECONOMIC DEVELOPMENT OF THE LESS-DEVELOPED COUNTRIES AND THAT OF THE ADVANCED COUNTRIES

There are a number of rather fundamental differences between the processes of economic development and industrialization of today and the processes of economic development and industrialization undergone by today's industrialized capitalist nations a century ago. The most important of these are: first, the considerably more rapid rate of growth of today's developing countries; second, the considerably greater role of foreign capital and imported technology today; third, the distortion of the economies of today's developing countries caused by both the importation of production techniques appropriate in the developed countries but relatively too advanced to make optimal use of the less-developed countries' resources on the one hand, and the tendency to make the less-developed economies supplementary to those of the advanced, rather than to develop all-around integrated economies, on the other hand; fourth, the different social effects caused by the operation of the above factors, including the rapid decline in the agricultural population induced by the rapid introduction of modern agricultural techniques imported from the advanced countries operating together with increasing demand for agricultural commodities in the advanced countries, and the relatively slower growth of industrial employment in comparison to the decline in the agricultural population caused by the use of *relatively* capital-intensive industrial technology imported from the advanced countries, consequently the very high rates of unemployment and underemployment. The large pool of unemployed or the "reserve army of labor" thus created puts pressure on those with jobs to work for low wages, consequently there is stagnation or a very slow growth in the level of wages and considerably greater economic inequality in the less-developed countries than in the developed; and fifth, the political differences and differential political potentials, namely the higher level of expectations of working people caused by their exposure to the living standards of the advanced countries through the mass media and their knowledge of the possibilities of socialist development, the rapid disruption of their traditional modes of life and values caused by the very rapid rates of economic and social change, the need for authoritarian dictatorships to contain the resulting higher levels of discontent and popular pressure for progressive reforms, with a consequent high level of repression and the blocking of gradual social reform, the undermining of nationalism as an effective ideology usable by the privileged to mobilize and contain the aspirations of the underclasses because of the close ties between transnational interests and the local propertied groups, the potential revolutionary use of transformed versions of local religions (e.g., radical Islam, Christian Liberation Theology) because of the offense against traditional values caused by foreign cultural domination, the relatively higher level of socialized production in modern economic enterprises imported from the advanced countries, and the consequently higher propensity for workers to develop a socialized or collective (i.e., socialist) consciousness, and the ready availability of various antiimperialist and anticapitalist ideologies, especially Marxism, because of their currency in the world (especially among students many of whom learn their Marxism in the universities of the advanced capitalist or socialist countries). The first four of these sets of factors are treated in this section, the others in later chapters.

The Rate of Growth

The rates of growth per capita in the less-developed countries both in the 1960s and the 1970s are considerably greater than those prevailing during the industrialization of today's developed capitalist countries. In the period 1870 to 1913 the rate of growth in GNP per capita for the United Kingdom was 1.2 percent, for Germany

1.7 percent, for France 1.4 percent, and for the United States 2.2 percent (U.S. Department of Commerce 1975a, p. 225). Great Britain's average annual rate of growth over the entire 1780-1881 period was 1.3 percent (Kuznets 1966, p. 64). The especially slow growth of Great Britain reflects the fact that it was the leading industrial country in the world and therefore had to develop most of the world's new technology and organizational forms which could then in good part be copied, or appropriately modified, by those that followed in Great Britain's footsteps. These rates compare with the rates of growth in GDP per capita of the less-developed countries in the 1960s of 3.1 percent and in the 1970s of 3.6 percent, rates which are approximately twice as rapid as their predecessors. This considerably more rapid rate of economic growth naturally causes more rapid social change and disruption in traditional modes of life and values than occurred in Europe and North America.

The Role of Foreign Capital

Great Britain industrialized in the eighteenth and nineteenth centuries without the participation of significant amounts of foreign capital. There was somewhat more involvement of foreign capital (mainly British) and considerably more role for the import of (mostly British-developed) foreign technology and organizational forms in the industrialization of the rest of Western Europe and North America. This latter factor especially resulted in significantly more rapid rates of growth in those that followed in Great Britain's footsteps, e.g., the U.S. rate of growth in the 1870-1913 period was 80 percent more rapid than Great Britain's.

The United States not only had the benefit of Great Britain's "high technology," but it also had the benefit of significant amounts of British capital. In 1869 there was about $1.5 billion worth of foreign capital invested in the United States (90 percent of this was in securities and direct investments). This represented about 5.5 percent of the U.S. national wealth. In 1899 there was $3.4 billion (about 93 percent in securities and direct investments), representing about 4.0 percent of the U.S. national wealth. In 1853 almost one-fourth of the foreign investment was in railways, where foreigners had about 11 percent of all stocks and bonds. In 1899 75 percent of all foreign capital was from the United Kingdom (Lewis 1938, pp. 521, 524, 560).

The differences in the technological level between Great Britain on the one hand and countries like Germany, France, and the United States on the other in the nineteenth century were considerably less than exist in the last half of the twentieth century between the advanced and relatively less-developed capitalist countries. Likewise, the role of foreign capital in the development of the less-developed countries is considerably greater today (on the order of one-third of local sales) than was the role of British capital in Germany, France, or the United States (where the equivalent ratio was of the order of 4 to 5 percent). Foreign capital plays a significantly greater role today than it did then.

As demonstrated in Chapter 7, the role of transnational capital is not only central in the economies of the less-developed countries, but is growing rapidly. Its rapid growth in comparison to local capital is not caused primarily by the flow of capital or material resources from the developed to the less-developed countries. Central to its rapid growth is its ability to mobilize local capital in joint enterprises (with local loans, minority or majority stock ownership, or state subsidies) because of its advanced technology, product identification, international connections, and experience. Transnational capital also has the advantage of being able to secure special advantages through its connections with the imperialist states as well as the local ruling classes, desirous of pleasing their benefactors while at the same time economically developing their countries within the capitalist system.

Transnational enterprises have a tendency to crowd out and take over locally owned enterprises because of such advantages as superior finance, brand identification, international connections, and wider experience. Depending on the ability of the local bourgeoisie to use nationalist ideology to get special advantages from the state, these advantages may or may not prevail. But, in fact, through 1980 in most less-developed capitalist countries local capital has tended to be pushed out of a leading role in the most advanced and profitable sectors. Local capital participates as junior (and mostly silent) partners with transnational capital in the most advanced sectors. It concentrates in the more labor-intensive and technologically least advanced (and least profitable) sectors of the economy.

A study of 391 leading transnational corporations in the early 1970s found that 32 percent of their manufacturing subsidiaries in the less-developed countries had been acquired as going concerns and only 58 percent had been originally founded as subsidiaries of transnational corporations. For U.S. transnational corporations only, the comparable figures were 36 percent and 58 percent (Vernon 1977, Table 7). The tendency of new manufacturing subsidiaries to be formed through acquisition of locally owned enterprises has accelerated with time. A U.S. Senate study of U.S. transnational corporations in the two countries that together have over half of all U.S. manufacturing investment in the less-developed countries found that of those formed prior to 1950 3 percent of all U.S. manufacturing subsidiaries operating in Brazil and only 8 percent of those operating in Mexico were formed as a result of acquisitions. However, in the 1966 to 1973 period, 55 percent of all new subsidiaries formed in Brazil and 67 percent of those formed in Mexico were formed through acquisitions (Newfarmer and Müller 1975, pp. 69, 122).

The transnational predominance in the economies of the less-developed countries, with the consequence of the very heavy reliance of these countries on foreign technical advisors, import of technology, transnational marketing ties, transnational centrality to investment and capital flows, and so forth, means that much, if not most, of the economic decision making that vitally affects the local economies is within the worldwide profit-maximizing framework of the transnational corporations. Subordination of local countries to processes oriented to profit making in the advanced countries, even when it produces industrialization and increases in living standards, can easily result in feelings of offense to the national pride and dignity of the people in Asia, Africa, and Latin America. People who feel offended at not being in a position to control their own economic destinies are likely to develop nationalistic reactions, even when such sentiments might be economically "irrational."

The Distortion of Economies

The economic growth and industrialization of the less-developed countries is distorted by the logic of international profit maximization of the transnational corporations and by the policies of the major imperialist states, such as the United States, which discourage manufacturing and encourage raw materials imports for the benefit of their dominant business interests. The transnational manufacturing corporations develop their productive technology and marketing techniques primarily on the basis of conditions in the advanced capitalist countries where they make the overwhelming proportion of their profits. Rather than develop expensive new technology more appropriate for the less-developed countries, the transnational corporations tend to simply export the same plant and techniques they use in the advanced countries to the less developed, or often that which is a generation or so out of date in the advanced countries, but which is still very advanced for the less-developed countries.

This is true for both agricultural technology, such as tractors and harvesting machines, and for manufacturing plant and machinery. What the import of relatively high-technology equipment to the less-developed countries tends to mean is that, on balance, its advanced sectors tend to be more capital intensive, i.e., use less labor inputs, than would otherwise be optimally economically profitable given the resources and wage level of the less-developed countries. In countries with low living standards and low wages it would otherwise be more profitable (and efficient) to employ larger numbers of workers with more labor-intensive techniques than relatively fewer workers running equipment developed for conditions of high labor costs.

Neither the transnational corporations nor those dependent on their technology find it profitable to develop small-scale, labor-intensive enterprises or massive public works projects to give employment to the rapidly growing urban population. In the local construction industry, modern cranes and bulldozers and other labor-saving technology have in good part been substituted for labor, while the masses of unemployed who could have been mobilized with picks and shovels go without work. It is more profitable for the transnational corporations to import slightly outdated Western technology than to employ large numbers of workers. Modern agricultural techniques, which have dramatically increased agricultural productivity, have resulted in the rural population's being forced off the land in the same manner as, but much more rapidly than, occurred in previous centuries in Europe. A study showed that in Latin America huge modern farms produce an average of 400 times what small farms can produce, but employ only about 15 times as many workers (see Barnet and Müller 1974, p. 168). The chemical, machinery, paper, rubber, and food industries are especially capital intensive in relation to the overall state of development of the productive forces in the less-developed countries. Transnational subsidiaries are especially capital intensive in comparison with locally owned firms. One study showed that transnational corporations in Latin America use less than one-half the number of employees per $10,000 of sales that local firms do (Barnet and Müller 1974, p. 169).

The social *effects* of high-technology imports are considerably aggravated by their application to agriculture. The displacement of peasants by a relatively few equipment operators results in a massive immigration to the cities, where because of the use of manufacturing technology too capital intensive to absorb the new immigrants in productive labor, a massive growth of semiemployed, unemployed and marginal service, and lumpen petty-bourgeois populations occurs.

It is a question of legitimate debate (e.g., between the classical Soviet and "Maoist" models of economic development) whether long-run economic growth is best facilitated by disproportionate growth in the heavy industrial sector using capital-intensive and modern technology (which in the long run has acceleration effects on other sectors) or by using more labor-intensive technology and developing agriculture, light industry, and heavy industry with equal emphasis. However, it is clear that it is tremendously wasteful of human resources that could be used to accelerate economic growth when a large portion of the labor force is unemployed, semiemployed, or employed performing redundant and/or nonproductive services. This inefficiency occurs in the less-developed capitalist countries because of the import of high technology from the West *without* the mobilization of the displaced peasants in productive economic pursuits—a mobilization which did, for the most part, occur in both China and the Soviet Union.

The transnational corporations tend to keep the production of the most technologically advanced goods located in the developed countries, exporting very high technology goods, rather than production processes, to the less developed. This happens both because of the concentration of advanced scientific resources, skilled workers, and markets in the advanced countries and because the monopolization of the highest technology by the advanced countries gives them the upper hand in bargaining with the less developed. The concentration of highest technology production in the parents of the transnational corporations, rather than their dispersal to subsidiaries or locally controlled firms, forces the less-developed countries to come to terms with the transnational corporations to secure essential goods that they can not produce with technology for sale on the open market.

The less-developed capitalist economies import much of their capital equipment, especially advanced electrical and mechanical machinery. Their economies are consequently distorted in the direction of the production of consumption goods and simpler production goods such as steel, chemicals, and relatively noncomplex equipment. Although less significant than in the past, part of the manufacturing sector of the less-developed countries is devoted to importing components made with high technology in the advanced countries, combining them with other more labor-intensive components made locally and assembling them into final products.

The economies of the less-developed countries are heavily dependent on crucial high-technology imports from the developed countries and are thus most vulnerable to any blockages in the supply of new equipment, high-technology components, and *especially* of spare parts for advanced machinery. The lack of all-around development of the capital goods sector in the less-developed countries makes them especially susceptible to metropolitan pressure because of the consequent lack of flexibility in their economies that makes it very difficult to shift from one type of production to another.

Distortion also occurs through the overemphasis on the raw-materials-exporting sector. In the mid-1970s approximately 20 percent of all foreign investment was in this sector. Most of this investment, especially in petroleum, occurs because of the demand for the raw materials of the less-developed countries by the developed, and the consequently high profits that can be made by the transnational corporations through investment and monopolization of world markets in this sector. The proportion of total employment, total GDP generated, and especially the proportion of total exports in this sector are thus considerably higher than they would be without transnational investment. The overall economic effect of the distortion produced by emphasis on the raw-materials-exporting sector depends on: first, the condition of the international markets in raw materials; second, how much of the profits from such raw materials exports accrue to the local country; and third, how much of that profit is used to promote all-around economic growth and improve living standards. Traditionally, the reliance on raw materials, especially agricultural exports promoted by transnational investment, subjected the less-developed countries to both long-term declining terms of trade and radical fluctuations in world prices, and, hence, to radical fluctuations in export earnings and thus in local income, employment, investment, social services, and living standards.

Traditionally most of the profits made from such investments were either appropriated by the transnational corporations or nonproductively consumed by the local privileged groups through luxury imports or the purchase of nonproductive resources. However, for those raw materials exports in which there are favorable or improving terms of trade because of commodity agreements among the less-developed countries together with low price elasticity of demand in the developed countries (petroleum of course being the principal example), it may well serve the developmental interest of a less-developed country to specialize in the export of such commodities while productively investing the bulk of the profit made from such exports in all-around industrial development. This, of course, presumes not only successful commodity agreements that both ensure high and relatively stable prices, but also that the less-developed countries are able to secure the bulk of the profits from the export of their raw materials so that they can be productively invested (whether by the local capitalist class or the state).

Transnational investment and sales in the less-developed countries has the effect of distorting local consumption patterns through the effects of advertising and the prestige of Western life-styles. Transnational corporations have a considerable advantage over locally owned corporations and their products because of their internationally known trademarks and patent protection. Local consumers often favor goods imported from the advanced countries (or at least those bearing transnational trademarks) over local goods. Transnational marketing efforts have resulted in the stimulation of the consumption of internationally distributed products such as Coca-Cola, U.S. automobiles, "formula" baby food, whiskey, and "junk foods"—products of doubtful real value compared with the alternatives of natural milk, fruit juices, public transport, tortillas, rice, beans, and so forth. But in order to increase both their exports to the less-developed countries and the profits of local subsidiaries, local tastes are manipulated using the promotional techniques developed in the advanced countries together with the prestige of Western life-styles.

The Effect on Classes and Inequality

Integration into the world capitalist system rapidly forces peasants off the land. Capital-intensive agricultural technology is introduced by agrarian capitalists to increase their rate of profit. A relatively few wage laborers are hired to run modern agricultural equipment, replacing large numbers of peasants using traditional methods. A similar process occurred in Western Europe and the United States during their periods of industrialization. But in these countries the movement out of the rural areas was considerably slower because it was driven primarily by indigenous forces of technological improvement and the growth of local demand, not as in today's less-developed countries by forces stemming primarily from the imperialist connection to the advanced capitalist countries.

In 1970, 65 percent of the economically active population of the less-developed capitalist countries was employed in agriculture and in 1978 60 percent. In the advanced capitalist countries in 1978 9.2 percent of the economically active population was employed in agriculture. The nonagricultural labor force increased from 218 million to 300 million in these countries between these years. There have been significant differences especially between Latin America, where change has been especially rapid, and Africa and South and Southeast Asia, where change has been somewhat slower than the average. The rate of average annual decline of the agricultural population as a percentage of the total economically active population was .8 percent in Africa, 1.6 percent in Latin America, 1.2 percent in Southwest Asia, and .8 percent in Southeast Asia (Food and Agriculture Organization 1978, Table 3).

The annual rate of increase in the *absolute* number of people in the nonagricultural labor force was 4.1 percent for the less-developed countries as a whole. This varied between an increase of 4.6 percent for Africa to 3.9 percent for Latin America (see Table 10.10). The rate of growth of the absolute number of non-agriculturally employed in the developed capitalist countries in the same period was 1.7 percent. The rate of growth of the nonagricultural labor force was thus 2.4 times greater in the less-developed countries. The rate of growth in the *total nonagricultural population* in the less-developed countries was 4.4 percent (7 percent more rapid than the rate of growth of the nonagricultural *employed* population). This reflects both the higher percentage of unemployable children among new migrants to the cities than among longer term residents and the fact that many migrants do not obtain regular employment. The fact that in the developed capitalist countries the nonagricultural population grew more slowly than the nonagricultural labor force (at an annual rate of 1.3 percent) indicates that

TABLE 10.10: The Nonagricultural Economically Active Population of the Less-Developed Capitalist Countries, 1970-78

	1970	*1978*	*Average Annual Percentage of Change in Absolute Numbers 1970-78*
Africa	27,919 (24.4%)*	39,887 (29.5%)	4.6%
Latin America	52,173 (59.3)	70,786 (64.7)	3.9
Southwest Asia	19,937 (38.1)	28,070 (44.5)	4.5
South and Southeast Asia	117,786 (31.7)	160,810 (36.5)	4.0
All capitalist less-developed economies	218,238 (34.8)	300,140 (40.0)	4.1
Developed capitalist economies	271,756 (87.1)	310,397 (90.8)	1.7

*As a percentage of the total active population.
Source: Food and Agriculture Organization 1978, Table 3.

in the less-developed countries labor force participation *declines* with urbanization while in the advanced countries it increases. This is strong evidence that insufficient employment opportunities are available in the less-developed countries to absorb the displaced peasants.

While the total nonagricultural population increased by 4.4 percent and the nonagricultural employed population increased by 4.1 percent in the less-developed capitalist countries, the economically active population in manufacturing increased by 4.4 percent (see Table 12.5). Thus the *rate* of increase in manufacturing is more or less exactly comparable to the rate of growth of the nonagricultural population. However, in 1978 the size of the nonagricultural economically active population was about 6 times that of the number of those employed in manufacturing. Thus the annual absolute increase in the nonagricultural population is about six times the increase in employment in the manufacturing sector. This means that roughly five out of six rural migrants (assuming, optimistically, that they have the same chance of obtaining manufacturing employment as the children of those born in the city) are not able to obtain jobs in manufacturing. Most of the rest become part of those unsuccessfully looking for work, become demoralized and drop out of the active labor force, become lumpen proletarians, obtain part-time or marginal work, take unproductive jobs in the service sector, or become marginal lumpen petty-bourgeoisie (buyers, sellers, or artisans operating on an extremely small scale).

The process of forcing peasants out of the labor force more rapidly than they can find productive employment in the cities results in a massive pool of unemployed, semiemployed, and marginal service and sales people in the less-developed countries (i.e., a massive reserve army of labor) that puts considerable pressure on those with work to keep their wages down. Rates of unemployment in the less-developed countries are considerably higher than those in the developed. The United Nations estimated that in the late 1960s the real rate of unemployment in the less-developed countries was 30 percent (Barnet and Müller 1974, p. 166).

The high rates of unemployment in the less-developed countries are not always captured by the locally compiled official statistics because of the usually narrow and technical definition of official unemployment. Even in those countries whose official definitions actually approximate those fully unemployed people able and willing to accept work if offered, the reported statistics fail to capture the great masses of partial and marginally employed people who would take full-time productive employment if offered. The official statistics of those countries whose official measures approximate those of the advanced countries nevertheless reflect the much higher real unemployment rates of these countries. For example, in 1977 Puerto Rico had an official unemployment rate of 19.9 percent and Algeria 25.0 percent. Other officially reported unemployment rates (which undoubtedly considerably underestimate real unemployment) for 1977 included Iran with 10.9 percent, Indonesia 10.0 percent, Kenya 11.0 percent, Liberia 20.0 percent, the Dominican Republic 14.0 percent, Chile 13.9 percent, and Uruguay 12.7 percent. These levels of officially defined unemployment compare with 7.0 percent for the United States, 2.0 percent for Japan, 4.5 percent for West Germany, 1.8 percent for Sweden, and 6.2 percent for the United Kingdom (International Labor Organization 1979, Table 10; United Nations 1979a, Table 6.10).

The tendency for there to be higher levels of real unemployment in the less-developed countries is reflected in the labor force participation rates for 30- to 44-year-old males (those in the prime of their work life). The average for the major countries on which comparable data are available is 94.3 percent for Latin America, 92.3 percent for Sub-Saharan Africa, 98.3 for South and Southeast Asia, and 98.5 percent for the Middle East. These figures compare with an average of 97.0 percent for the United States, Japan, and West Germany (International Labor Organization 1979, Table 1). These figures indicate that in both Latin America and Africa the process of driving peasants off the land more rapidly than productive urban jobs can be found for them drives people out of the active labor force. The high labor force participation rates of South and Southeast Asia (together with the relatively slow growth of the nonagricultural labor force) suggest that in these areas where small scale agriculture and highly rural economies predominate displaced peasants are still able to maintain themselves through subsistence agriculture. The high labor force participation rate of the Middle East would seem to reflect the rapid economic growth of this region induced by the appropriation of immense profits from the petroleum trade.

Perhaps the largest segment of the reserve army of the unemployed and thus those that exert downward pressure on wages are those who technically are counted as employed but whose income and/or regularity of employment is extremely precarious. People without alternatives tend to become lumpen petty bourgeoise, e.g., collectors and sorters of garbage, extremely small-scale peddlers of all kinds, laundry washers, and small-scale artisans operating on a subsistence level as well as occasional manual laborers and part-time domestic workers.

In the less-developed countries self-employed sales and service workers represent about 9.2 percent of the economically active

population as compared to 4.6 percent in the leading developed capitalist countries (see Table 12.1). A large proportion of these people along with many of those listed as self-employed production workers (8.2 percent) and employed service workers (7.4 percent) are seriously underemployed and must thus be considered as part of the reserve army of labor, exerting pressure on those with productive jobs.

The massive pool of unemployed and semiemployed in the less-developed countries results in a much slower rate of growth in real wages there than in the advanced countries. The less-developed capitalist countries for which there were data for the movement in real wages from 1968 to 1977 had an average annual increase in real wages in manufacturing of .1 percent as compared to 3.6 percent for the five leading advanced capitalist countries. In the 1972-77 period there was a decline in real wages in the less-developed countries of -.7 percent. There was considerable disparity among the regions of the less-developed world in the trend in real wages. In Latin America in the ten-year period real wages declined by .7 percent a year, in Africa they decreased by 6.7 percent, in the Near East they increased by 1.8 percent, and in South and Southeast Asia they increased by 2.3 percent (see Table 10.11). Some countries saw spectacular declines in real wages, such as Argentina (-15.7 percent), Uruguay (-6.5 percent), and Ghana (-16.1 percent), while a few saw very significant increases, such as Taiwan (6.0 percent) and South Korea (15.6 percent). But for the most part, real wages were virtually stagnant in the less-developed countries. In the 1968-77 period workers on the average experienced only the slightest of improvements in their living standards. Relative to the workers in the advanced countries their lot *worsened* by 3.5 percent a year, increasing the already tremendous gap in workers' living standards in the two parts of the world capitalist system (see Table 10.11).

The trend in wages in the less-developed countries has had a number of important results, including the increased incentive for transnational investment and growing revolutionary potential. This relative decline in workers' wages in the less-developed countries as compared to the advanced capitalist countries makes industrial investment by the transnational corporations in the less-developed countries all the more attractive. The virtual stagnation in workers' living standards, combined with the generally rising expectations encumbent on urbanization and exposure to Western media, has increased the politically explosive potential of the working class in these countries.

The operation of the reserve army of labor of displaced peasants putting pressure on the wages of the employed, keeping their wages

TABLE 10.11: Average Annual Changes in Real Wages in Manufacturing in the Less-Developed Countries, 1968-77 and 1972-77 (percent)

	1968-77	1972-77		1968-77	1972-77		1968-77	1972-77
Latin America	-.7	-1.3	East and Southeast Asia	+2.3	+3.5	The Five Leading Developed Capitalist	+3.6	+2.4
Argentina	-15.7	-22.4	Hong Kong	3.1	3.0	France	n.a.*	4.5
Bolivia	n.a.	-2.7	India	-.5	-.4	West Germany	4.5	3.0
Brazil	2.5	-.1	South Korea	15.6	14.5	Japan	6.0	1.6
Colombia	.5	.6	Pakistan	-1.1	.4	United Kingdom	3.1	2.5
Dominican Republic	n.a.	-.7	Philippines	-2.7	-4.5	United States	.9	.5
Ecuador	3.4	1.7	Taiwan	6.0	6.9			
El Salvador	n.a.	-3.2	Thailand	1.8	.4	Socialist Countries	n.a.	-3.4
Guatemala	-1.0	.2						
Mexico	1.2	3.7				Czechoslovakia	n.a.	2.2
Peru	-.7	-7.7	Africa	-6.7	-10.5	Hungary	n.a.	3.4
Uruguay	-6.5	-9.7				Poland	n.a.	4.1
Venezuela	2.7	2.9	Ghana	-16.1	-29.3	USSR	n.a.	4.0
			Kenya	2.7	-7.4			
Middle East	+1.8	+4.1	All LDC's	+.1	-.7			
Iran	n.a.	5.4						
Turkey	1.8	2.8						

*Data not available.

Note: The regional figures are the averages of all countries for which data were reported. Not all individual countries for which data are available are listed in this table.

Source: Business International Corporation 1980.

down, is supplemented by the repressive measures of the antilabor dictatorships that prevail through most of the less-developed countries, above all in Latin America—dictatorships that prohibit or greatly constrict strikes and independent unions as well as resist prolabor legislation and social welfare policies which benefit the working class.

The living standards of the working people through most of the less-developed world have improved little if at all in spite of rapid industrialization. The vast majority remain in abject poverty. This is reflected in statistics on the diet of people in the less-developed countries. Between 1966-68 and 1975-77 the average total protein consumption per capita in the less-developed countries increased by 3.6 percent as compared to 4.2 percent in the developed capitalist countries and 11.4 percent in the socialist countries. The average daily consumption of animal protein increased by 6.3 percent as compared to 9.6 percent in the developed capitalist countries and 19.7 percent in the socialist countries. Latin America, which had a relatively high level of total protein consumption per capita in the 1960s experienced an actual decline between the two periods of -1.7 percent while at the same time experiencing an increase of 5.5 percent in animal protein consumption per capita (see Table 10.12). What this appears to reflect is a general reduction in the quality of the diet for the majority of the people (fewer beans for the peasants and workers) at the same time that the upper and middle classes are increasing their standard of living, including eating considerably more meat. This general pattern was reflected in Brazil, Mexico, Nicaragua, and Guatemala, all of which experienced a deterioration in the general diet together with an increase in meat consumption for the elite. For example, in Brazil, in spite of the extremely rapid rate of economic growth and industrialization, the average daily protein consumption per capita declined from 64.4 grams to 61.2 grams while the daily consumption of animal protein increased from 20.9 grams to 23.2 grams.

Other countries experienced a decline in *both* total and animal protein consumption. For example, total protein consumption per capita declined in Chile from 73.0 to 70.3 while the consumption of animal protein declined from 25.7 to 24.7. In general it was in the relatively better-off Latin American countries, where the masses of working people traditionally consumed significant amounts of meat, that the consumption of animal protein declined, reflecting deterioration in their living standards. In Uruguay, where the working people traditionally ate meat at Western European levels, animal protein consumption declined from 60.2 to 57.6 grams per day while

TABLE 10.12: Trends in Protein Consumption per Capita in the Less-Developed Countries (in grams per day)

	Total Protein Consumption Per Capita			*Animal Protein Consumption per Capita*		
	1966-68	*1975-77*	*Increase*	*1966-68*	*1975-77*	*Increase*
Less-developed capitalist countries	53.5	55.4	3.6%	11.2	11.9	6.3%
Africa	53.4	54.9	2.8	10.5	10.6	1.0
Latin America	66.3	65.2	-1.7	25.3	26.7	5.5
Near East	68.4	74.0	8.2	13.3	14.4	8.3
Far East	47.5	49.6	4.4	7.1	7.6	7.0
Developed capitalist countries	92.5	96.4	4.2	52.0	57.0	9.6
U.S.	104.1	106.2	2.0	71.1	72.7	2.3
Socialist countries	66.9	74.5	11.4	20.3	24.3	19.7
U.S.S.R.	96.1	103.2	7.4	41.2	51.1	24.0
Ethiopia	64.3	59.9	-6.8	12.3	9.6	-22.0
Kenya	65.0	58.2	-10.5	15.1	11.6	-23.2
Madagascar	61.5	57.4	-6.7	15.2	11.7	-23.0
South Africa	78.8	77.4	-1.8	29.7	27.9	-6.1
Zaire	36.3	36.4	3	9.3	7.1	-23.7
Dominican Republic	43.0	42.8	-.5	16.2	14.7	-9.3
Guatemala	59.7	57.8	-3.2	13.8	14.4	4.4
Mexico	66.4	66.1	-.5	17.8	20.3	14.0
Nicaragua	72.9	70.4	-3.4	25.5	29.8	16.9
Brazil	64.4	61.2	-5.0	20.9	23.2	11.0
Chile	73.0	70.3	-3.7	25.7	24.7	-3.9
Colombia	50.6	49.0	-3.2	23.2	21.7	-6.5
Peru	62.6	58.7	-6.2	21.6	19.9	-7.9
Uruguay	92.9	92.4	-.5	60.2	57.6	-4.3
Afghanistan	67.5	60.8	-9.9	10.3	8.4	-18.5
Bangladesh	43.1	42.4	-1.6	6.8	5.7	-16.2
India	47.5	48.4	1.9	4.9	5.2	6.1

Source: Food and Agricultural Organization 1978. Table 98.

total protein consumption remained virtually constant, indicating that working people were switching from meat to beans.

That the massive pool of displaced peasants actually functions to inhibit real wage increases and consequently to produce a concentration of the wealth generated in the industrialization process in the hands of the capitalist and upper middle classes is shown by an examination of those 30 less-developed countries for which there are data on the tendencies in real wages as well as for growth in employment in the manufacturing sector. Those countries that have an above average rate of increase in employment in the manufacturing sector combined with a relatively slow decline in agricultural population have an average annual increase in real wages of 2.0 percent, while those with below average rates of increase in manufacturing employment combined with a relatively high decline in the agricultural labor force have an annual increase in real wages of only .6 percent.*

The considerable increase in wealth generated by industrialization in the less-developed countries accrues to the capitalist and upper middle classes. There is thus a tendency for economic inequality to increase among the classes. When those less-developed countries for which income distribution data are available for *urban households* (the best measure of changes in economic well-being of classes since it controls for the effect of rural-urban migration and increases in money income this might bring as well as reflects actual living standards of families) are examined, it is seen that income inequality increased from 1960 to 1970. For those countries for which comparable studies were done around 1960 and around 1970 the average income share going to the highest income 5 percent was 24.5 percent in 1960 and 25.2 percent in 1970. The average income share going to the highest income 20 percent was 50.2 percent in 1960 and 51.6 percent in 1970. The Gini index of inequality (which measures the overall income distribution inequality with 1.0 indicating complete inequality, and .0 complete equality) increased from .4517 in 1960 to .4643 in 1970. When *all* the less-developed countries for which data are available for *either* 1960 *or* 1970 are examined the trend is seen as even more pronounced. Here it is found that the share going to the top 5 percent increased from an average of 21.1 percent to 23.0 percent and to the top 20 percent from 48.2 percent to 50.5

*Computed from data obtained from Food and Agriculture Organization 1978; World Bank 1978; Business International Corporation (1979a, 1980).

percent, while the Gini index increased from .4209 to .4475 (see Table 10.13).

Data for income distributions for *all* households for the developed countries (there is little difference between this measure and that of urban households here) show that there is considerably more inequality in the less-developed countries. In 1970 in the United States the top 5 percent of income recipients received 16.6 percent of all income, the top 20 percent, 45.7 percent while the Gini index was .4171. The United States manifested the most income inequality of the four leading advanced capitalist nations. The averages of the four in 1970 were respectively 14.6 percent, 41.0 percent, and .3443.

Although comparable income distribution statistics for many of the key less-developed countries for urban households for years around 1960 and 1970 are not available, other measures of income inequality are. In Brazil in 1960 the top 5 percent of all individual income recipients (nationwide) received 39.9 percent of all income, in 1970 they received 44.8 percent. The top 20 percent in 1960 received 62.1 percent and 67.3 percent in 1970. The Gini index of income inequality rose from .5896 to .6465 in this period. In Mexico in 1960 the top 5 percent of all households (rural and urban) received 32.3 percent of all income and in 1970 37.8 percent, the top 20 percent in 1960 received 60.2 percent and in 1970 63.2 percent, and the Gini index increased from .5549 to .5827. In South Korea the same measures increased from 13.1 percent to 16.5 percent, from 38.2 percent to 40.3 percent, and from .3033 percent to .3160 percent in the same period.

It should be noted that the difference between the advanced and the less-developed capitalist countries is most pronounced in the percentage received by the top 5 percent. In the less-developed countries the top 5 percent of urban households receive 50 percent or more of total income than they do in the developed, but the top 20 percent receive only about 25 percent more. This indicates that the wealthiest groups, namely the capitalist class and the highest paid professionals, are relatively much better off in comparison with the working class in the less-developed countries while the middle class is only somewhat better off relative to the positions of these classes in the developed capitalist countries.

The income distribution of *all* households (urban plus rural), the statistic on which the most comparative historical data are available for the presently developed capitalist countries during the period of their industrialization, approximates that of today's developing countries. For example, for all the less-developed countries for

TABLE 10.13: Income Distributions of the Less-Developed Countries: Urban Households

	Circa 1960			Circa 1970		
	Top 20%	Top 5%	Gini Index	Top 20%	Top 5%	Gini Index
Malaysia[a]	42.2	16.1	.3510	55.2	28.6	.5060
Iran[a]	57.1	34.4	.5379	54.4	29.7	.5018
Thailand[a]	51.3	22.9	.4661	45.2	17.2	.3852
Bangladesh	—[b]	—	—	47.2	20.8	.3990
Burma	44.7	14.6	.3806			
Chile	—	—	—	50.3	21.6	.4547
Dominican Republic	—	—	—	54.3	26.3	.4928
Ecuador	—	—	—	57.1	26.8	.5258
Honduras	—	—	—	54.8	25.9	.5007
Kenya	—	—	—	52.6	20.2	.4790
South Korea	—	—	—	42.2	18.5	.3381
Libya	36.9	13.3	.2674	—	—	—
Mexico	55.1	25.5	.4976	—	—	—
Pakistan	—	—	—	44.4	20.1	.3645
Philippines	—	—	—	50.8	22.4	.4580
Sri Lanka	—	—	—	47.9	20.4	.4122
Sudan	50.1	20.9	.4460	—	—	—
Average of three with both 1960 and 1970 studies	50.2	24.5	.4517	51.6	25.2	.4643
Average of all less-developed countries	48.2	21.1	.4209	50.5	23.0	.4475
Data for Income Recipients (urban and rural)						
Brazil	62.1	39.9	.5896	67.3	44.8	.6465
Data for All Households (urban and rural)						
Mexico	60.2	32.3	.5549	63.2	37.8	.5827
South Korea	38.2	13.1	.3033	40.3	16.5	.3160
U.S.	43.2	16.3	.3865	45.7	16.6	.4171
West Germany	—	—	—	40.3	13.7	.3344
Japan	—	—	—	37.6	14.2	.2873
United Kingdom	—	—	—	40.3	13.7	.3385
Average of the four advanced capitalist	—	—	—	41.0	14.6	.3443
East Germany	—	—	—	30.7	9.2	.2044

[a]These countries have comparable studies on urban households for years around both 1960 and 1970.
[b]Data not available.
Source: Jain 1975.

which there were data, the top 5 percent of all households received 26.2 percent of total income in 1970 (Jain 1975). In the United States in 1918 it was 24 percent, in Prussia in 1875 26 percent, and in Great Britain at the same time 48 percent. However, in these latter countries there was generally a significant equalization trend. For example, in the United States in 1944-48 5 percent of households received 17 percent of income and in Great Britain in 1938 30 percent (Kuznets 1966, Table 4.5).

While virtually all the present-day developed countries showed a significant equalization trend in the income distribution of *all* households, such has not been the case in the less-developed countries where the top 5 percent received an average of 26.7 percent in 1960 and 26.2 percent in 1970 (Jain 1975). Much of the trend toward equalization in the historical development of today's developed countries, as well as the lack of such a trend in today's developing countries, is due to the fact that the move from very poor rural areas (by the poorest parts of the rural population) to the cities (where the monetary income per capita is higher) results in an overall income increase for *all* households without necessarily producing a change in income equality either within the rural or the urban sectors. In fact, because of rapid rural-urban migration an increase in overall household income equality is compatible with a *decrease* in both urban *and* in rural income equality. The fact that much more rapid rural-urban migration is occurring today in the less-developed countries than occurred in the history of Western Europe and the United States, together with a lack of equalization in *overall* household income and the large rural-urban income differentials that exist in the less-developed countries, indicates that the income inequality of *urban* households must be deteriorating overtime. It apparently did *not* do so in the development of today's developed countries because of relatively rapidly rising wages. Evidence for Norway, where there are data available for urban households, confirms this. In 1907 the top 5 percent in Norway received 30 percent of the income of all urban households, and in 1948 19 percent (Kuznets 1966, Table 4.5). This compares with the 1960 average of all the less-developed countries of 21 percent and the 1970 average of 23 percent (see Table 10.13). The contrast between the growing income inequality produced by economic development within the imperialist system in the less-developed countries with the historical decrease in income inequality in the history of the developed countries is clear.

It is of interest to note that income inequality is far less in the socialist countries than in either the less-developed or developed

capitalist countries. In 1970 the top 5 percent of households in the German Democratic Republic received only 9.2 percent of the total income, and the top 20 percent 30.7 percent, while the Gini index was .2044. It is clear that there is radically more income equality in the socialist countries than in the less-developed capitalist countries.

That the pool of urban unemployed and semiemployed negatively affect the income distribution of the less-developed countries is seen when the less-developed countries for which data are available with below-average rates of growth in employment in manufacturing and relatively rapid rates of decline of the agriculturally employed population are compared with those that have an above-average rate of increase in manufacturing employment combined with a relatively slow rate of decline in the percentage of their economically active population in agriculture. In the first set of countries the top 5 percent of households around 1970 received 36.2 percent of the income, the top 20 percent 62.8 percent, and the Gini index was .6117. In the second set the top 5 percent received 25.1 percent, the top 20 percent 51.7 percent, and the Gini index was .4601* (Jain 1975; Food and Agriculture Organization 1978, Table 3; World Bank 1978). There is a considerable difference with the countries with the largest reserve army of labor being considerably more inegalitarian in their income distributions than those with a relatively small reserve army of labor.

SUMMARY

Rapid industrialization and economic growth are occurring in the less-developed countries. These processes are in large part induced by imperialism through the transfer of capital and technology from the advanced capitalist countries. The economic development of the less-developed countries has, however, been distorted because of their imperialist ties. The consequences of development within the world capitalist system have been economic domination by the transnational corporations as well as considerable social disruption and injustices, including extremely rapid rural-urban migration, massive unemployment and underemployment, stagnation in living standards for working people, and growing income inequality. In all

*These statistics are for all households (urban and rural). This measure was used because it has been collected for more countries than any other income distribution statistic. Because we are using these statistics comparatively, the results should be valid.

these regards the economic development occurring today is different from the historical development of Western Europe and the United States.

As a result of their experience, the working people of the less-developed countries tend to support various movements for egalitarian change. The rapid rural-urban migration undermines traditional conservative peasant values. The massive unemployment and underemployment in the cities, the stagnation in wages, the increase in income inequality combined with the heavy exposure to Western life-styles observable in Western films, TV, and other media as well as in the upper and upper middle class areas of their own countries create considerable discontent. Radical ideologies interpret their felt oppression and provide direction to their frustration. These ideologies originate with students and union activists who have been exposed to Marxism as well as with religious and nationalist leaders repulsed by imperial intrusion into their societies and cultures. They find a most receptive audience among working people and the poor. Considerable popular pressure arises to break with, or at least limit the influence of, imperialism while at the same time improving the lot of the poor within the country.

This popular democratic and antiimperialist pressure makes the operation of formal Western-style parliamentary forms and civil liberties incompatible with the preservation of capitalist and imperialist relationships. As a result, authoritarian governments, typically originating in military dictatorships, tend to arise, displacing the parliamentary forms left by the ex-colonialists (or copied in Latin America from Great Britain or France in the nineteenth century). These regimes repress popular demands in order to preserve both the privileges of the local rich and the prerogatives of the transnational corporations. Thus virtually every less-developed capitalist country whose economy is organized according to capitalist principles has a conservative authoritarian government either directly run by or closely backed by the military. The handful of exceptions to the general rule is accounted for by exceptional circumstances such as the possibility of increasing the masses' living standards by distributing part of rapidly rising petroleum revenues (e.g., Venezuela) or especially high levels of communal antagonisms that keep the masses of working people fighting each other (e.g., India). For the most part, attempts to restore parliamentary forms and civil liberties in the less-developed countries soon result in the return of popular pressures for antiimperialist and egalitarian policies, and then consequently in another military coup d'etat, e.g., the history of Argentina. The preservation of the economic interests of the transnational corporations and the local wealthy, given the social and economic consequences of economic development within the imperialist system, requires repressive authoritarian governments of the Right.

Hypothetically, if the rates of economic growth of the less-developed countries were to continue at their 1970-77 rate, the less-developed countries would finally catch up to the developed countries around the year 2175, although they would attain the late 1970s levels of GDP per capita of the developed countries around 2050. If the current trends of rural-urban migration, export of capital and rapid rates of industrialization, and increase in the percentage of employment in manufacturing were to continue for long enough eventually the rate of increase in industrial employment would come to match the rate of agricultural displacement and the "reserve army" of unemployed and underemployed would begin shrinking, real wages would then begin to rise, eventually more rapidly than in the developed capitalist countries, and result in a tendency for the relative wage levels and living standards of workers in the advanced and less-developed countries to converge rather than diverge, as is now the case.

However, it is most unlikely that the current tendency for the less-developed countries to catch up with the developed will proceed very far; likewise, the possibility of current trends in the living standards of workers in the less-developed countries being reversed and eventually converging with those of developed countries is unlikely to be realized (at least in most countries). The massive social disruption, aggravated social inequality, and political repression that imperialist development entails are very likely to result in social revolutions that will break with imperialism and establish socialist or at least noncapitalist paths of development. More Cubas, Vietnams, and Chinas and more Algerias, Tanzanias, Syrias, and Irans are far more likely results of imperialist development than more Japans. The Iranian revolution occurring in a country with an exceptionally rapid rate of economic growth and industrialization, and thoroughly integrated with the transnational corporations, is a most ominous event for imperialism.

11

THE DEVELOPMENT OF IMPERIALISM AND THE TRANSFORMATION OF PERIPHERAL SOCIAL STRUCTURES

During the first two stages of European imperialism, the precapitalist mercantile stage and the stage of competitive capitalism, the class structures of Asia, Africa, and Latin America were affected in very diverse ways by imperialism. No similarity developed in the social structures of the colonial and semicolonial regions of the European periphery from the fifteenth through the late nineteenth centuries. The social structures created by integration into the world market diverged because of interaction of the *modes of production* (the typical way of producing goods) of both the colonized and colonizing countries.*

Commercialization and markets do not normally have any inherent effect on either social structure or the mode of production *other than* tending to increase social differentiation. Thus the only more or less common result of the initial integration of Asia, Africa, and Latin America into the European world system before the twentieth century was an increase in internal inequality.

The great diversity in social structural forms caused by the economic impact of integration into the European world economy

*Good arguments for the primacy of the mode of production have been made by Althusser and Balibar 1968; Dobb 1963; Genovese 1967, 1968, 1969; and LaClau 1977. Some of the more important theorists who reject the primacy of the mode of production (as defined in terms of the relations of production) include Frank 1967; Sweezy 1976; and Wallerstein 1974, 1979.

must thus be explained by the interaction of the modes of production of Europe and those of the rest of the world. When the same force (market integration) produces very different results, it can not be the cause of the different outcomes. It must be seen instead as either a catalyst that sets into motion factors latent in the peripheral mode of production or as a transmission belt of the logic of different modes of production in the various colonial and neocolonial powers.

The four different stages of imperialism each have had different logics, and thus different effects on the social structures of the periphery. Each has been generated by a different mode of production in the European world.

THE EFFECT OF PRECAPITALIST IMPERIALISM

During the period of noncapitalist imperialism of the fifteenth through the eighteenth centuries, European trade did not differ in any essentials from that of the Ottomans, Chinese, Persians, or Arabs. Its impact on other lands (that is lands other than those that were directly conquered, as were Mexico and Peru by Spain, or the Arab lands by the Ottomans) was essentially the same. Likewise, the impact that both territorial expansionist European powers such as Spain *and* the Ottomans and Chinese had on the lands they conquered was also essentially the same—the institutionalization of tribute (in kind or in lieu of kind in labor services) from the conquered peoples. Europe during this stage was primarily interested in securing precious metals and what were at the time luxury goods such as tobacco, sugar, spices, coffee, tea, and other exotic goods for the European elite.

Latin America

The traditional imperial mechanism of plunder and tribute played a central role, especially for Spain in her relationships to the New World, through the eighteenth century.* The Spanish crown granted the right of *encomienda* (tribute or labor services) to individual military leaders who conquered the Indians as their reward. The

*Discussion of the transformations in Latin American social structure relies heavily on the following: Ferrer 1967; Furtado 1965, 1970; Genovese 1968; McBride 1923, 1936; Stavenhagen 1975; and Wolf 1969, chap. 1.

encomienda system, which was the predominant form of labor relations in most of Spanish America from the early sixteenth through the eighteenth century, was neither a form of serfdom nor a form of landownership.

Gradually the Indian population declined and the Spanish accumulated more and more land through direct land grants as well as by hook and crook. The institution of *repartimiento* (essentially corvée labor, required of the Indians) came to supplant the encomienda system as more and more land came into the hands of the Spanish and it became necessary to secure Indian labor to work it. The repartimiento system meant the allocation of Indian workers to the Spanish estates (haciendas) on a rotational basis for specific periods of time. Gradually the repartimiento system was turned into serfdom with the Indians permanently bound to the hacienda lands (no longer rotating for specific periods). The process of forcing the Indians onto the haciendas as serfs was facilitated by the destruction of the ecological basis of the Indian communities, e.g., the physical destruction of native irrigation and terraces, as well as the incorporation of their land.

On the haciendas the Indians were typically allowed the use of small plots for purposes of cultivation for subsistence while being required to work so many days a year cultivating the domains of the landlords. The relations of production were now fully feudal. The landlord-serf relationship predominated.

In the first half of the nineteenth century (following on the heels of independence) land became fully private property in Spanish-speaking America. Most communal lands (and in places, such as Mexico, church lands as well) were made private property by law, to be bought, sold, and inherited at will. Once this happened and the forces of the market (with cash crop production becoming central) were given full sway the process of concentration of land ownership was accelerated. The large estates tended to be concentrated in the lower slopes and humid tropical regions where the leading commercial crops, sugarcane, bananas, cocoa, tobacco, and so forth, were grown, while in the highlands, where cultivation was mainly for subsistence, traditional communities in varying degrees survived.

Although feudal legal obligations were generally abolished with independence from Spain, de facto serflike relationships on the land were actually consolidated over the course of the nineteenth century. Debt peonage became more important, informal coercion, the customs of generations, the practice among the landlords not to give employment to another's peons, and the lack of economic alternatives proved to be powerful economic forces keeping the rural producers in an essentially serflike condition. Mexican haciendas had their own police and whipping posts until the 1910 revolution. Whether formally or informally, through the early years of the twentieth century the hacienderos continued to exercise various degrees of civil jurisdiction over their peons, and were effectively able to see that they remained totally dependent on them.

Until the twentieth century Portuguese-speaking America had a very different class system than most of Spanish-speaking America. The fact that there were very few Indians in Brazil meant that the encomienda/repartimiento/hacienda system evolved by the Spanish was not viable here. Instead slavery, using blacks imported from African trading posts, became the predominant mode of production. Sugar, at first a luxury spice for the European elite, became the dominant crop (from the sixteenth through the mid-seventeenth centuries). In the eighteenth century gold and diamond mining, also using slavery, displaced sugar production as the predominant commercial activity. When slavery was finally abolished in the late nineteenth century the former slaves were transformed into semiserfs who continued working under similar conditions with similar relations to the owners of the land as before. The land in the fertile areas of the northeast (which was the traditional commercial export area) had long been monopolized in large estates, so there was no alternative in the area but to continue working for the ex-slave lords. The social organization introduced by the Portuguese in the sixteenth century in the sugar cane producing northeast pretty much continued into the mid-twentieth century (except that semiserf relations displaced slavery). In times of low market demand the peasants of the northeast were granted permission to live on the landlords' estates and work subsistence plots in exchange for laboring for the landlords one or two days a week. Sharecropping also expanded, with the share tenants also working subsistence plots. In times of high demand both types of subsistence plots were cut back or eliminated, their cultivators being forced to work more in the export sector, either as sharecroppers or as wage laborers.

The Caribbean

The successful commercial exploitation of the Caribbean from the sixteenth century to the nineteenth also required slavery.* Because of the low initial population density of the islands and the logic of intensive plantation agriculture (especially in sugarcane) an unfree labor force had to be imported. The most readily available and cheapest labor source was Africans, who had to be compelled to both migrate and to work if the plantations system was to be profitable. It was the growing demand for sugar in Europe that brought the plantation system into being in the Caribbean.

The British islands, such as Barbados, were first settled with indentured British subjects, who gradually became independent yeomen. In the later part of the seventeenth century, however, these yeomen were forced off the land by the expanding plantation system with its low-cost slave labor force. After emancipation in 1840 the attempt was made to force the freemen to continue to work as menial agricultural workers on the same plantations where they had been enslaved. This generally succeeded on the smaller islands because of the unavailability of surplus land or of any other alternative ways of earning a living. This was not the case, however, in the British-held areas that had a surplus of land: Jamaica, Trinidad, and Guiana. Here the ex-slaves could not generally be forced to stay on the plantations because alternative sources of subsistence were available. This outcome was only reached, however, after a struggle between the ex-slaves and the plantation owners, which included unsuccessful attempts to force the blacks back to the plantations through taxing their huts and land (in an attempt to force them to work to secure money). In these three areas, low-cost East Indian indentured contract laborers had to be brought in from British India to assume the menial agricultural tasks the blacks now refused to perform.

In this period the social structures of the Caribbean region and the adjoining areas of Brazil, Peru, and the North Atlantic coast of America were transformed. The native peoples of the Caribbean, North Atlantic coast, and Brazil were displaced or physically eliminated, and the rather advanced Indians of Mexico and Peru were harnessed to produce the luxury goods demanded by the European ruling class. But in the rest of the world, trade, with occasional plunder, proved adequate to supply Europe with luxury goods it

*Discussion of the transformations in Caribbean social structure relies heavily on the following: Guerra y Sanchez 1964; Ortiz 1947; Williams 1944; Wolf 1969, chap. 6; and Brown 1974.

wanted. Europe, for the most part, had neither the ability nor the interest in conquering these other regions. Europe's effect on Africa and Asia was mostly to increase social differentiation within the preexisting social structures. By providing a market for locally produced goods (spices, quality textiles, slaves, and so forth) it stimulated the local countries' economies, accelerating the potentialities in the social structure of each.

THE EFFECT OF COMPETITIVE CAPITALIST IMPERIALISM

A fundamental transformation occurred in the European world economy in the period 1750-1850. It ceased being a commercial economy qualitatively the same as that of the Chinese, Persians, Ottomans, or Arabs (an economy interested in importing luxury goods where it did not exercise political control and tribute where it did). It became a distinctively capitalist world economy now interested primarily in the *export of goods* and increasingly in the import of industrial raw materials (such as cotton). The fundamental transformation of the relations of production in Europe during this period from private peasantry to wage labor totally changed the character of trade and its impact on the countries of Africa, Asia, and the Americas.

The new capitalist markets, unlike the older noncapitalist markets, dissolved the preexisting modes of production in the outlying areas of the world. They ceased, as the older noncapitalist commercialism typically did, to reinforce old social structures, and instead, whether or not political domination was exercised in an area, now tended to radically undermine them. Europe now needed *buyers* for the mass-produced goods of its rapidly expanding capitalist enterprises. The import of cheap mass-produced goods had a radical effect on the traditional handicraft production of both peasants and the urban artisans in the non-European regions. It produced massive impoverishment of peasantries and artisans as well as massive population shifts, in some cases away from the cities toward subsistence agriculture but more often toward the cities. By undermining the old modes of production it created the preconditions for future capitalist development (creating a desperate semiproletariat and accumulating local fortunes in the hands of a few local traders). The world was now being transformed, but each part of it was being transformed differently, depending on the local modes of production and the differences in the modes of production among the colonizers.

China

The preimperialist Chinese social structure was very different from that of India and the Arab/Ottoman world.* Nothing like the Asiatic mode of production existed here. Land was private property and could be bought, sold, and inherited. Wage labor and debt peonage existed. The villages had little authority over their members. Life was relatively atomized (with the key unit being the family). There were few occasions for cooperation beyond the household level. The household economy was fairly commercialized as compared to the rest of the non-European world. Neither did anything like classical feudalism (with serfdom and manors) exist. Peasants were not tied to the land (except for those in debt) and were free to move, buy, and sell land. If they could accumulate sufficient funds, they were able to send their children to school to be trained to become state officials and thus gentry, i.e., there were no insuperable status boundaries blocking upward mobility. There were little in the way of feudal compulsions. Peasants who did not own their land were either sharecroppers or hired labor.

In the early twentieth century, and apparently in the nineteenth century as well, North China was a low-tenancy area. Around 1930 the landlords owned only about 25 percent of the land, while South China (the rice-growing area) was a high tenancy area where about 40 percent of the land was owned by landlords. In the country as a whole about one-half of the peasants owned at least some land. Only about one-fourth of the cultivated land was rented out. The rest was either cultivated by the owners or was worked by wage labor. The peasant mode of production, with a high proportion of independent yeomen, existed in China. The primary form of exploitation was through the state in the form of taxes.

The Chinese social structure was not *qualitatively* altered by the impact of the West. China was never conquered. It never fell under the political sovereignty of the Europeans. It was already more advanced in terms of commercialization and its mode and forces of production (i.e., more like capitalism) than just about any other area Europe came into contact with. The forced introduction of greater market forces into China accelerated the development of

*Discussion of the transformations in Chinese social structure relies heavily on the following: Anderson 1974; Moore 1966, chap. 4; Schurman and Schnell 1967; Tawney 1932; and Wolf 1969, chap. 3.

the tendency that already existed, but had been blocked by a strong central state, at least through the nineteenth century.

With the open-door policies of the Western imperialists, which after the 1820s forced China to trade with the West, agriculture, especially near the coastal cities, became increasingly commercial and oriented to cash crops, such as tobacco and opium as well as rice. Land prices as well as rents rapidly increased in these areas. Absentee landlordism became prevalent near the cities both because landlords moved to the towns and new money made in the cities was invested in land. The expansion of markets brought the customary rural handicrafts into competition with modern industry, resulting in both the decline of both household production and the local artisans, and the growth of a national bourgeoisie.

The growth of both a national and a comprador bourgeoisie in China was facilitated (unlike in India) by the comparatively low degree of status crystallization (castelike qualities) between the peasantry and the landed/state bureaucratic class. As the ability to buy and sell land (and thus to accumulate wealth) and the imperial examination system (to consolidate wealth and gain privilege) showed, there was fluidity in the Chinese class system, especially compared to the rigid caste system of India. Because of the relative flexibility of the Chinese class structure and because the upper classes in China were already fairly commercialized before the European intervention, they rather quickly responded to the European impact by becoming more commercial.

The ease witb which the Chinese wealthy adopted to the world capitalist market meant that the direct political colonization of China by European countries was not necessary, although, of course, initial intervention to get the state bureaucracy to "open the door" was. In India, on the other hand, the rigid caste system combined with state peasantry (the Asiatic mode of production) placed a major block on the opportunities for Europeans to profit from the region without direct political control so as to transform the social structure to allow world capitalist market forces to do their work. The Chinese social structure lent itself to capitalist development in a way that the Indian social structure did not. The greater indigenous capitalist development in China may well have played a major role in the rise and victory of the Communist movement there.

An antagonism developed between the national bourgeoisie of small-scale productive capitalists in the cities who suffered from imperialism because *their* products were in competition with the products imported from Europe, and the compradors, whose profits came mostly from serving as middlemen between the foreigners and

the lower classes, e.g., most merchants, money lenders, a few monopolists in industries not in competition with European products, and so forth. There was considerable support among the national bourgeoisie for the elimination of imperialist economic and political influence, and, consequently, significant *support* within this class for the Communist-led revolution of the 1940s as well.

The increasing commercialization of the countryside accelerated the concentration of land, the growth of a stratum of rich peasants, and proletarianization among the poorer peasants who were increasingly forced either to become rural wage laborers or to migrate to the towns to become coolies or urban proletarians. The rapidly growing classes of urban proletarians and semiproletarians (artisans, coolies, peddlers, and so forth) normally kept in close contact with the countryside from which they came. They consequently became carriers of the radical class consciousness or urban workers to the countryside, and thus performed an important political role in the growth of communism in the peasantry in the 1925 to 1948 period.

The more proletarian character of Chinese rural producers together with the more developed role of commercial forces in the countryside undoubtedly played a key role in determining the different outcomes in China and India. The semiproletarian nature of a large and rapidly growing segment of rural producers as well as the conditions of the medium and large peasant landowners, who were under increasing pressure from money lenders, buyers, and suppliers, greatly facilitated the growth of a revolutionary movement in China.

The Chinesc Communist Party, with its social base among the urban proletarians and semiproletarians (which, however, because of intense urban repression after 1927 did not play an active role in the actual revolution) and among the semiproletariat and poor peasants of the countryside (from which most of the recruits for the Red armies came), offered a political alternative to the petty and national bourgeoisie--an alternative that was not a real option in India. As a result, the class alliances and political outcomes in the two regions were very different. While in India the antiimperialist movement was primarily an alliance between the national bourgeoisie and peasantry, with the national bourgeoisie providing the ideology and direction, in China the antiimperialist movement was primarily an alliance of the proletariat (urban and rural), peasantry, urban petty bourgeoisie (especially the intellectuals), and many national bourgeois (whose sense of national pride and oppression by foreign imperialists, together with the Communist guarantees of their property, made them supporters of the revolution) under the leadership of a party whose ideology and direction were proletarian (i.e., more or less identical to that of the other parties of the Comintern which were based primarily in the industrial proletariat).

India

Before the fifteenth century the Asiatic mode of production prevailed in most of India, i.e., rural communities generally managed their own affairs, paying a heavy tax to the state, while the land was collectively held by the village, with only use rights held by the proprietors.* The land was the property of the state. The local state officials, the Zamindari, although they often had some rights in the land, were never landlords (and certainly *not* feudal lords in anything like the medieval European sense). Although there were variations in different areas, they most closely approximated tax collectors for the imperial bureaucracy who were given a share of the tax they collected from a given area. The Mongol state of the sixteenth century taxed and ruled through these native authorities. In pre-British India land could be purchased only in small units for houses. Rights in the land were held at the pleasure of the ruler. There was no inheritance of office. On the death of an officeholder, the rule was that his wealth returned to the treasury (although this was not always done). There was also the imperial practice of claiming the earthly goods of merchants on their death (which was also selectively exercised). These practices put great barriers in the way of accumulation of private wealth.

In pre-British India there was little tendency for the state officials to supervise what took place inside the villages. The actual collection of the tax as well as running local affairs was left almost entirely to the village headmen. It is of interest to note that, unlike in the major populated areas of the Arab world (or China), public waterworks played little role in most of the Indian subcontinent.

When the British assumed political sovereignty in India beginning in the late eighteenth and early nineteenth centuries, they had a radical effect on the Indian class system. In parts of India, e.g., Bengal, they decreed that the Zamindari, who formerly merely had the right to collect taxes, were to be considered as landlords. Wanting to secure a firm source of revenue and stabilize the rural class structure (perhaps projecting the British land system into India)

*Discussion of the transformations in Indian social structure relies heavily on the following: Aberle and Sharma 1973; Anderson 1974, app. B; Baran 1957, chap. 5; Levkovsky 1966; and Moore 1966, chap. 6.

they thus created a class of large landlords with inheritable ownership rights in the land. In other parts of India, especially the south, the Zamindari were ignored. Here the British state came to directly collect taxes from the peasants. Peasants in these areas were considered to have ownership rights in the land. Thus in much of the south, unlike as in the northeast, small holding was developed. Throughout India, however, British authority rested heavily on the dominant upper classes, whom they counted on to preserve order and in return protect and advance their interests. Increasingly in the course of the nineteenth century, quasi-communist villages were undermined as land increasingly became private property to be bought and sold by individuals. Because land turned into a commodity, many who formerly held rights in the land were turned into renters, sharecroppers, or rural laborers or were forced to migrate to the cities and become lumpen or urban proletarians.

For the most part, the class of landlords created by the British became essentially mere rent collectors, i.e., social parasites who did little or nothing to improve cultivation. Very often they merely sublet the land they owned to intermediaries who directly exploited the peasantry. Over the course of the nineteenth century the difference in the class systems in the northeast and the south was undermined as a class of landlords evolved in the south through the operation of market forces that led to land concentration while the Zamindari of the northeast sold much of their land to others, thus breaking it up into smaller units.

The tenants themselves were divided into "occupancy tenants" (with legal protections and inheritable rights) and tenants who were displaced at will (in places this last category of tenants had to pay 75 to 80 percent of their produce as rent). The relationship between the landlords and tenants before independence can best be described as semiserfdom. Institutions of unpaid labor services, unofficial judicial power by landlords, caste obligations, debt labor, special levies on produce, illegal extortions, pressures and intimidations, and brute force as a means of securing a compliant labor force were prevalent.

By the 1880s India had developed a significant national bourgeoisie (especially in cotton and jute processing). This class felt cramped by British domination and aspired to state protection and guaranteed monopoly rights. British hostility to their interests (because they were competitors of British-owned industries) drove the emerging national bourgeoisie to seek an alliance with the peasantry (especially its better-off stratum), which became manifested in the Congress Party and the independence movement.

Indonesia

The class system generated in Java was a product of the condition of the mode of production in the Netherlands together with the preexisting Asiatic or state peasant mode of production in Java (which gave a strong role to the communal villages that allocated land).* Because the Netherlands was not an industrial capitalist country before the twentieth century, the Dutch colonization of Java functioned primarily to get raw materials out, not to secure a market for Dutch produce. Further, the nonindustrial nature of the Dutch economy meant that there was no surplus of Dutch capital seeking investment in Indonesia. The Indonesian social structure was designed to secure profits from the export of raw materials. Any stimulation of demand in Indonesia for European industrial goods would have benefited the British, the leading industrial power, and was thus discouraged. The guiding principle of the Dutch in Java was to keep the natives native, i.e., minimally changing their mode of life while at the same time getting them to produce export commodities for the profit of tbe Dutch.

From 1602-1799 the Dutch East India Company was in charge of exploiting the Dutch islands, as was the norm in those times, with considerable autonomy. At first it merely engaged in the highly profitable trade without directly impacting the social structure. But it became increasingly involved in politically dominating the area as a way to increase its profits. In the early nineteenth century the Dutch state came to directly administer Indonesia, both politically and economically (taking over from the East India Company). Because of the shortage of Dutch capital available to privately exploit the land, the Dutch state directly administered the economically profitable system through most of the nineteenth century.

The economic system established by the Dutch, and fully consolidated during the mid-nineteenth century, created a dual-sector economy *on the same land*. In the export sector (primarily sugar), the Dutch state imposed collective obligations on the Java villages to either work so many days a year on government-owned estates or projects *or* cultivate government-owned export crops on one-fifth of the villages' fields (in exchange for which the Dutch remitted the Dutch-imposed land tax on the villages). Thus, at any given time about one-fifth of a village's land was heing cultivated in sugar (or another export crop) with the entire product being handed over to

*Discussion of the transformations in Indonesian social structure relies heavily on Geertz 1963 and Jacoby 1949.

the Dutch. The remainder of the village land was cultivated in rice (or other subsistence crops) for local consumption. The way the land was used was rotated according to the natural cycles of the crops so that over a certain period all the land saw both types of cultivation. This system reinforced the traditional collective apportionment of the land by the village councils, allowing the villages to continue to operate in the small field system appropriate to rice.

The arrangement had the desirous effects (from the Dutch point of view) of providing export commodities, without any reciprocal payments on their part, as well as creating no demand for industrial products (the native people continued their subsistence existence). The system also had the advantage of flexibility. When the world market demand for sugar grew, the land put into use for commercial crops increased, and when the world demand decreased, the subsistence sector expanded. The labor force was always in place and did not need to be imported or sent back home. It fed itself with a minimum of social (and hence political) disruption.

The system worked well in Java because the principal export commodity (sugar) and the principal subsistence good (rice) thrived under similar ecological conditions. Coffee, tea, and other crops that became predominant on the outer islands such as Sumatra were perennials and had different preferred environments, thus making them incompatible with a subsistence crop rotation that could sustain a labor force in the manner of the sugar/rice economy. Because of their properties these perennials necessarily preempted the native habitat and created enclaves worked by people who were seasonal migrants (who grew subsistence crops elsewhere) or who secured a money income from their labor that could be used to purchase goods produced by others.

The Dutch-imposed economic system had immense implications for the evolution of Java's social structure. The native people were forced to stay on the better sugar/rice land while the marginal land was turned over to coffee production. All the available low lands were soon used up. Increases in rice productivity per unit of land more or less kept pace with increasing population, setting rice consumption and production per capita more or less constant at the subsistence level. Land allocations per family became smaller and little significant stratification developed among the natives. No class of landlords or rich peasants developed on the one side and no class of landless rural workers developed on the other. All natives were assured of more or less equal apportionments by the village allocation system. A complex web of work rights, and responsibilities, leases, tenancy, collective harvesting, subcontracting, jobbing, and so forth, operated under the endorsement of the sugar plantations to preserve a high degree of social and economic homogeneity.

The gulf between the peasants and plantations, however, became greater as the decreasing size of peasant units became more labor intensive (their size prohibited mechanization) while the plantation sector units became larger and more capital intensive.

A very different social structure developed on the outer Indonesian islands, also under the demand of the world market for export commodities. Obviously, the very different outcome in each of the two areas of the same colony was the product of differences in the mode of production, both in the Netherlands (Java and the outer islands were developed at different times) and in the islands. In Sumatra, which had a low population density, cut and burn agriculture was predominant during the early period of colonial impact. Local residents could not be pressed into working on the plantations since there was a surplus of land to which the natives could retreat. Small holders became key producers in coffee, while in rubber, tobacco, and tea the majority of the producers were contract laborers from Java (with also some Chinese).

In addition to the differences in population density and ecology, the state of development of the Dutch economy played an important role in the differential development of the two islands. Whereas throughout most of the nineteenth century Holland was not industrial, could not export capital, and thus had to rely on state-owned plantations to secure a marketable surplus from Java without creating a demand for industrial goods, this was no longer the case during the time that Sumatra developed. The Dutch now were in a position to promote private plantations as well as to benefit from the encouragement of small holders oriented to export production. Dutch companies profited from serving as intermediaries (as also did the Chinese) as well as suppliers of industrial goods to the small holders. Small holding did not have to be prohibited, as it was in Java, since an alternative more profitable labor source was available. Sumatra's production unlike Java's became increasingly capital intensive. Plantations using wage laborers, together with small holdings oriented toward export production, became the norm. Nothing like the symbiotic Java system developed in Sumatra.

The very different social relations of production on the two islands resulted in a number of very different economic and social consequences in the two areas. In Sumatra the relations of production resulted in flexibility of land tenure, individualization, slackening of extended family ties, increased class differentiation, growing class conflict, and a general weakening of traditional authority—exactly the opposite from the developments in Java.

The class relations and overall social structure of Java evolved very differently from that of other sugar-producing areas. In Jamaica, and other West Indian areas under the domination of the more industrialized European countries, first slavery, then (as in the larger British Caribbean possessions) imported contract labor, was used in sugar. Cuba in the nineteenth century became a leading sugar producer under the stimulation of demand from industrial capitalist Europe first using slaves then rural proletarians. In both Cuba and Puerto Rico in the twentieth century sugar production came to be carried on chiefly by fully proletarianized laborers. The more industrialized the colonial or neocolonial country the more likely wage labor was to develop as the primary relation of production in its dependencies.

THE EFFECT OF MONOPOLY CAPITALIST IMPERIALISM

Around 1900 monopoly became the predominant form of capitalism in Europe and America, and with it fundamentally different forms of imperialism arose. Early monopoly capitalist imperialism was motivated primarily by the need to export (primarily nonindustrial) capital, because of the tendency to overproduction endemic to monopoly capitalism, and by the need to secure large quantities of raw materials, both for industrial production and mass consumption. These new motives for European imperialism meant the formal political division of most of the countries of Asia and Africa by Europe and the capitalist relations of production within them, both on the land (with the gradual abolition of precapitalist forms of exploitation) and in the urban areas with foreign and local capital increasingly utilizing wage labor.

While the imperialism of the precapitalist mercantile phase mostly reinforced traditional social structure (except in the Americas) and the imperialism of the competitive capitalist phase created unique and varied social structures, monopoly capitalist imperialism has tended to erode all preexisting class formations and modes of labor. The productive classes throughout the world in this stage tended to be transformed into semiproletarians, landless peasants, lumpen proletarians, lumpen petty bourgeois, and proletarians (especially in construction, mining, transport, government services, and agriculture).

Sub-Saharan Africa

Before the European impact on its social structure, sub-Saharan Africa had a wide range of social structures, from the "primitive communism" of hunters and gatherers and simple horticulturalists to varieties of "feudalism" in the Lake Region and the area around the Ivory Coast and Dahomey.* African "feudalism", however, especially in the east, was based more on control of cattle than of land. Well-developed states existed in many areas of West Africa as well as in the Lake Region. Precolonial Africa consisted in large part of self-sufficient village communities engaged in subsistence agriculture that in the more feudal state-organized regions provided a surplus to the ruling class. In general there was no private property in land. Land was assigned on the basis of use through mechanisms varying from democratic village councils to patriarchal lineage heads or tribal chiefs. In areas of chiefdoms and states the peasants or tribal members typically owed labor services to their lineage or tribal chiefs.

The social structure of sub-Saharan Africa was not changed qualitatively by the slave trade. The slave trade's impact was mostly quantitative with greater stratification being induced, often times with formerly more or less democratically responsible chiefs becoming tyrants (with a consequent growth in their privileges). After the sixteenth century, human beings became Africa's major export, with Europe importing cheap manufactured goods (especially guns) into the region. The states on or near the coast raided the states and tribes further inland in order to obtain captives to provide the Europeans in exchange for their wares (especially the guns that allowed them to succeed in their military endeavors). African societies had no choice but to engage in the slave trade. If they did not they would not have access to European weapons. And without such weapons they themselves would become the prey of other states. World market forces forced the perpetuation and spread of the slave trade in Africa.

The slave trade had various effects on Africa: first, it increased the local importance of slavery (whose existence *predated* contact with Europeans) as a mode of production within Africa; second, it hindered the economic development of the continent by depriving it of able-bodied workers; and third, it undermined local artisan

*Discussion of the transformations in sub-Saharan African social structures relies heavily on the following: Davidson 1961; Harris 1966; Gutkind and Waterman 1977; Mamdani 1976; E. P. Skinner 1966; Stavenhagen 1975; and Woodis 1960.

production because of the cheap European goods received for the slaves. These factors inhibited indigenous capital accumulation, and thus the growth of either an African bourgeoisie or proletariat.

The end of the slave trade in the first half of the nineteenth century had considerable ramifications for African social structure. When human beings ceased being commodities the African economies shifted to commercial export crop production. Commodities such as cocoa, peanuts, palm oil, coffee, and rubber became the principal export crops. The older military aristocracies whose wealth and power had been accumulated in the slave trade tended to transform themselves into planters who sometimes employed semiserf relations of production often by manipulating lineage obligations. In general, however, the wealth and power of the indigenous elite declined in the course of the nineteenth century as the role of foreign traders, especially Muslims and Europeans, grew in importance.

In the last decades of the nineteenth century the Europeans defeated the local states and chiefdoms and set up colonial regimes. The new colonial economies tended to rely heavily on labor migration to secure a labor force both in the mining sector and in commercial crop production. Since most Africans were able to sustain themselves through subsistence production on land on which they had traditional communal rights, the Europeans had to manipulate them into providing their labor. Taxes payable in money were introduced to force Africans to work in the European-owned enterprises to secure the means to pay them. Labor services (corvée) were introduced, which could often be opted out of in exchange for a cash payment. Rules were introduced that all able-bodied men had to prove gainful employment in order to avoid corvée. After a few decades of forced labor services and money taxes these compulsions became less necessary as simple economic incentives came to prevail. The undermining of traditional subsistence agriculture through growth of private property in land, increased population density, and the internalization of demands for commercial goods came to provide sufficient incentive to get Africans to sell their labor power for a wage. The African economies became increasingly commercial, and wage labor more prevalent, as the profitability of raw materials exports as well as demand for European industrial imports grew.

The typical pattern was to institutionalize annual labor migration, with the workers farming subsistence plots in their traditional areas to provide for most of their basic needs for about half a year (often in a different country, e.g., Mozambique). During the rest of the year they migrated (without their families) to work in the mines (e.g., in South Africa, Katanga, Rhodesia) or on commercial plantations (e.g., in Senegal, the Ivory Coast, Ghana). The centrality of migratory labor is attested to by the fact that in the mid-1950s approximately 50 percent of the adult African men in Mozambique were working away from their homes for part of the year and that two-thirds of South African miners were from other countries.

In the mining areas of the southern part of the continent the mining corporations encouraged the workers to preserve their ties to their traditional areas. This was done both to keep wages low by having the laborers and their families produce most of their own subsistence needs *and* to prevent the development of a proletarian class consciousness among the workers, a consciousness that threatened to manifest itself in strong unions, strikes, and revolutionary attempts to seize power (such a consciousness typically emerged throughout the advanced capitalist countries among miners). Detribalization was actively discouraged in the attempt to keep workers psychologically as well as physically dependent on their tribes. To this end the following were typically instituted: first, labor contracts of limited duration; second, requirements that migratory miners must stay in their native areas for a fixed period of time before they could return to work in the mines; third, living conditions (dormitories), and such low pay that it was impossible to bring families to the mines; and fourth, rules that only those with labor contracts could reside outside of tribal territory. Although the policies of the European mining corporations succeeded in slowing down detribalization, thus inhibiting the formation of a true proletariat, tribal life in areas of heavy labor migration was nevertheless in good part disorganized by the logic of the prevailing capitalist mode of production. The traditional tribal relations of production became less important in the activities of migratory Africans.

Seasonal migratory labor also came to play a central role in the commercial crop economies of central Africa. Here too the most typical pattern was for the seasonal laborers to cultivate a subsistence crop at home (e.g., Upper Volta, Mali) and migrate every year to the commercial crop areas in countries such as the Ivory Coast, Ghana, and Senegal, where they worked in peanuts, cocoa, and coffee. Numerous remuneration patterns evolved within this framework, in different places and in the same place for different people: first, local small farmers provided the migrants with house, seed, and a plot of their own in exchange for labor services for a fixed number of days on the farmer's land; second, the migrants rented the local farmer's land in exchange for money, days of labor service, or a share of the crop; and third, wage labor. Seasonal wage labor became especially important in areas of perennial crops such

as coffee and cocoa that take three to four years to mature and then give fruit for thirty or so years. In some areas more or less permanent labor came to prevail. Liberian rubber plantations, Cameroonian banana-growing areas, and the commercial monoculture areas of Kenya are leading examples.

For the most part, with the exception of the Firestone rubber plantations in Liberia and plantations in a few other areas such as Zaire, Kenya, and Rhodesia, large landed concentrations comparable with the haciendas of Latin America did not develop in Africa. Capital accumulation in the cash crop sectors in Africa has not required the direct ownership of the land in the form of large plantations or estates since the control of capital, credit, and technology has typically been in the hands of the wealthy commercial classes and transnational corporations. Small-scale production continues to predominate in sub-Saharan African commercial farming. In the 1960s something like one-half of the commercial landowners were themselves also cultivators.

The European colonialist policy of encouraging the maintenance of traditional subsistence agriculture and preserving the tribal structure as a mechanism of social control meant that traditional communal relations in tribal areas were in good part preserved in most of the continent through the colonial period. This policy also meant the development of an African class of rich landowners, merchants, and capitalists was greatly inhibited. African wealth was kept small. The encouragement of tribalism also inhibited the local tribal chiefs from developing into commercial farmers, "rich peasants," or merchants. As a result, the rising class of commercial farmers that eventually developed with increasing commercialization and the gradual transformation of land into private property tended to be mostly descendants of slaves, serfs, or Africans from other regions. Many of the somewhat larger merchants and traders came to be foreigners (e.g., Lebanese, Muslims, Ibos, Greeks).

The different modes of exploitation and consequently the radically different class structures of Latin America and sub-Saharan Africa (areas with generally *similar* precolonial social structures) were largely a result of the different modes of production prevailing in Europe at the times of the respective colonization of the two areas. The precapitalist imperialism of the Spanish required only the import of luxury goods and precious metals into Spain. In order to achieve this Spain established precapitalist relations of production transplanted from Europe (tribute, corvée, and serfdom). The monopoly capitalist imperialism of Africa's late nineteenth- and early twentieth-century colonizers, however, demanded massive quantities of industrial raw materials and foodstuffs, commodities that could not have been efficiently produced through the precapitalist forms of exploitation used earlier by Spain. Thus, a hybrid form of wage labor was used in Africa.

Commercial agriculture developed along somewhat more labor-intensive lines in Africa than elsewhere, with the result that the exodus of rural Africans to the cities has been inhibited. However, the increasing commercialization of agriculture, the decreasing reliance on the subsistence agriculture/seasonal migration cycle, and the increasing use of modern agricultural techniques is resulting in the growth of an urban semiproletarant/lumpen, as well as the expansion of both an urban and rural proletariat. This is not happening to the extent that it has in Latin America, however, both because of the significant differences in rural class relations *and* because of the prevalence of progressive regimes in much of postcolonial Africa (e.g., Mozambique, Tanzania, the Congo, and Angola). These regimes are developing cooperative forms of agriculture, instituting land reforms inhibiting the impact of transnational corporations and commercialization, and mobilizing urban populations in state-run industries and enterprises.

The Transformations in Latin American Class Relations

Throughout most of Latin America and the Caribbean, the effect of competitive capitalist imperialism and the rising demand for the products of the region that occurred during this period (both for what had been luxury goods in the previous period such as sugar, coffee, and industrial raw materials such as cotton) reinforced the essentially precapitalist serf or serflike relations of production in the ex-Spanish colonies, reinvigorated slavery in Brazil, Cuba, and the South of the United States (before 1865), caused the slavery system of the Caribbean islands to be replaced by a system of semislavery often using indentured contract labor from Asia, and the development of semiserf relations of sharecropping in the U.S. South (after 1865). However, over the course of the twentieth century Latin American and Caribbean social relations were transformed in line with the general proletarianization tendency that occurred throughout the world.*

*Discussion of more recent transformations in Latin American social structure relies heavily on Ferrer 1967; Furtado 1965, 1970; Guerra y Sanchez 1964; Ortiz 1947; Petras 1970; Stavenhagen 1975; Wolf 1969, chaps. 1 and 6; and Petras and Zeitlin 1968.

The primary sugar-producing regions of the Caribbean before the nineteenth century were the British and French islands (and to a lesser extent the Danish and Dutch areas). With the exhaustion of the British-sugar producing lands (which meant a high cost of production) and the successful slave insurrection in Haiti, the primary sugar-producing regions moved to the Spanish areas, especially Cuba. Before the nineteenth century Cuba was an underpopulated backwater of the Caribbean, economically organized into great cattle latifundia and small farms (which did not for the most part rely on the slave mode of production).

After 1800 the Cuban economy was quickly brought into the world capitalist market with the liberalization of trade, the free import of slaves, and the declaration of all land as private property. Beginning in the third quarter of the nineteenth century the steam mill and the steam locomotive began revolutionizing the means of sugar production. The rapidly increasing capital intensity and technological advance of sugar production turned the plantations' mills into large-scale sugar "centrales." The rising costs of the mills and competition soon greatly reduced the number of sugar mills, resulting in the domination of each sugar-producing area by a single centrale that owned the railways as well as the only accessible mills in an area. The mill owners came to dominate the small producers. The formerly free small- and medium-sized landowners became virtually vassals of the mills, bound by contracts and the lack of alternatives, producing sugar at maximum profit for the mills. The mills came to purchase the land of the increasingly destitute small holders, hiring them back as wage laborers, as well as increasingly employing slaves.

It is of interest to note that although first slave, and after emancipation rural wage labor, replaced small and medium ownership in the course of the nineteenth and early twentieth centuries in sugar (which occupied most of the land), in tobacco the pattern of intensive cultivation on small farms by *free* whites (as well as members of other races) continued. Quality tobacco dictates extreme care and skill in its cultivation, qualities which unfree labor does not lend itself to. Slaves have little incentive to be careful. The extensively cultivated sugar, which required brute strength in harvesting, was more suited to slavery.

Rural proletarianization was greatly accelerated in the 1870s with the abolition of slavery. A continuing flow of cheap labor was ensured through the import of contract labor from other Caribbean islands (as well as China). In the labor system that developed the rural workers were typically employed for only three to five months a year (during the sugar harvest) and did *not* get subsistence plots to sustain them the remainder of the time.

The rural proletariat in Cuba came to develop a consciousness similar to that of urban workers. They were sharply differentiated from traditional peasants and had no special desire for individual ownership of land. The process of economic concentration and proletarianization were sped up by independence, which eliminated the remaining obstacles to foreign investment and commercialization of the economy.

Throughout the mid-twentieth century the northeast of Brazil experienced an expansion of wage lahor relationships, especially at the expense of the old system of working one or two days a week for the landlord in exchange for use of a subsistence plot. From the mid-nineteenth century coffee production using wage labor grew in the south. It recruited its labor supply both from the plantations of the northeast and from Europe. In the coffee-growing areas there was surplus land and thus the laborers had an alternative (unlike the northeast). They were in a position to leave the plantations for subsistence farming. Thus coffee workers got a relatively high wage.

European migration to Brazil was concentrated in the southern most provinces where industrialization was to develop in the twentieth century. In these areas as in Argentina the dominance of the state by landlords and the comprador bourgeoisie instead of a national bourgeoisie meant that both the industrialization process and the growth of an urban proletariat was hindered.

Because of its ecology Argentina developed differently from the rest of Spanish-speaking America. There were very few natives from whom to require tribute (as in Mexico and Peru) or to exploit as serfs or wage laborers. On the other hand, the vast open grasslands were ideal for cattle raising once the means of shipment, as well as sufficient economic demand in Europe, had been developed (after around 1850). Before the mid-nineteenth century Argentina was an underpopulated backwater of little economic value to either the Spanish or British. In the later part of the nineteenth century commercial cattle raising grew very rapidly and massive European migration (especially from Italy) began. The considerable profits earned in the export trade until the Great Depression of the 1930s proved to be an immense stimulus to the industrialization of the country. Urban Argentina came to have living standards and a culture similar to that of Western Europe. Many assumed that it was to duplicate the feat of New Zealand, Australia, Canada, and the United States as a settler colony that "made it" into the European world.

However, such was not to be the case. Its relations of production in agriculture were very different from those that developed in the British-settled areas. The powerful ruling class that was based in the rural areas as well as in the export trade did not pursue a course of national development comparable to that of North America or Australasia. Hostile to Perónism, which did attempt to follow such a course in the 1940s and early 1950s, they overthrew it, reintegrating Argentina into the world capitalist market. The old agrarian-based ruling class pursued domestic and international policies of encouraging free-market principles and cooperation with transnational forces. Before World War II these were primarily British and after, primarily U.S. forces.

Virtually all of the productive land on the pampas was occupied by large landholders by the end of the 1870s (with the final defeat of the Indians). This occurred before the massive European migration. In the British-settled areas, on the other hand, there was plenty of free or cheap land available to the settlers and their first generation descendants. As a result a large class of family farmers was created. Unlike North America or Australasia the development of Argentine agriculture from the beginning took place with either wage labor or tenant relationships on large production units. The emergence of a strong rural petty bourgeoisie supportive of developmental policies, which would provide a major and growing market for domestic production, did not occur.

The big landlords and their commercial allies who dominated the Argentine state consistently advocated free trade, which meant more exports of cattle and cheaper imports of luxury and capital goods. These policies inhibited industrialization by constricting demand for locally produced products. The end of the export boom caused by the Great Depression and World War II meant a major economic and social crisis for Argentina. Hopes for a resumption of the rapid increase in demand for Argentine exports after World War II were never realized, and as a result the policy of integration into the world market resulted in permanent economic stagnation as well as in permanent social and political crisis.

Over time Argentina has become less like the advanced European countries, and more like the rest of Latin America. The reason for this devolution is *not* integration into the world market, after all New Zealand and Australia during their crucial years were also primary exporters (Australia and New Zealand of sheep and cattle, products more or less comparable to Argentina's). The development of these two areas diverged due to the different *relations of pro-*

duction in agriculture prevalent in the two countries and the consequently different state policies followed by their ruling classes.

Through the interwar period of the twentieth century most of Spanish America remained semifeudal in its basic relations of production. Even the Mexican revolution did not institute a land reform to break up the hacienda system until the 1930s. During the mid-twentieth century, however, the semifeudal relations of agriculture have been radically undermined (in somewhat different degrees in different countries) throughout Latin America. Agriculture has become heavily commercialized with a growing share of production for sale in the market. Payments in kind to the producers (in the case of laborers) or to the landlords (in the case of sharecroppers) have been reduced to minor importance, replaced by cash payments (either money wages or cash rents). The traditional method of production with a variety of coercions and customs keeping the producers working has become less and less important. Corporations, domestic and foreign, have come to own ever more agricultural land, displacing the subsistence peasants and the traditional hereditary hacienderos.

Over the course of the mid-twentieth century there has been a growth of small- and medium-sized commercial farmers on the one hand and a rural proletariat on the other. The growth of these two classes has been concentrated in the low land areas, which are best suited for commercial crops, while vestiges of semifeudal relations as well as subsistence agriculture tend to be concentrated in the less-productive highlands.

The national bourgeoisie began growing in strength in Latin America during the later years of the nineteenth and early twentieth centuries. It became a major force in the last years of the nineteenth century in Chile under the Balmaceda government, which had been pursuing industrialization and antiimperialist policies but was overthrown in a civil war. Chile was then opened up to foreign (at first British and then American) economic penetration and domination. The national bourgeoisie played a key role in the Mexican revolution after 1910. They were especially strong in northern Mexico, where they faced severe competition from foreign business. Hindered in their ability to enter heavy industry, their growth inhibited by the lack of demand due to the subsistence farming of the hacienda system, they sought to: first, restrict British and American influence in Mexico (and were responsible for the nationalization of foreign oil in the 1930s, with Mexico the first country after the USSR to expel the transnational petroleum companies); second, break up the haciendas, thus undermining the political economic base of the landlords; and third, provide state support for industrialization. The national bourgeoisie was the dominant force in Argentina under the Perón administration. Perón took over much of the foreign (mainly British) investment, promoted locally owned industrialization, and pursued an independent foreign policy hostile to U.S. and British imperialism. Other important assertions of the national bourgeoisie as a political force occurred in Brazil in the Vargas and Goulart administrations and in Peru after 1968.

THE PREEXISTING RELATIONS OF PRODUCTION

The preexisting relations of production in the regions that were to become the European periphery had a central bearing on the form of social structure that was to develop in the early stages of capitalist imperialism.

European expansionism from the fifteenth century tended to come into contact mostly with two very different types of productive relations: first, tribal societies at various stages of stateless and classless "primitive communism" or patriarchy; and second, state peasantries (with more or less free peasants with some rights in the land paying tribute to a relatively strong central state, which had ultimate property rights in the land). Three other forms of relations of production probably existed in some places, but were clearly not as prevalent as the above two: first, private tenancy (more or less free rural producers with some rights in the land paying rent to individual lords who have strong property rights in the land); second, serfdom (rural producers with some rights in the land to which they are legally tied, who are required to provide labor services to either a private landlord or the state); and third, slavery as a mode of producing (i.e., unfree rural producers with no significant rights in the land or in their bodies who can be bought and sold separately from the land). The European expansion found tribal societies through most of the Americas, Australia, the Pacific Islands, much of North Asia, and most of sub-Saharan Africa. It found state peasantries in North Africa, the Near East (the Ottoman Empire), Persia, India, and Southeast Asia. It found mixed (transnational or hybrid) forms in Peru and Mexico, the coasts of much of central Africa, some of the Pacific Islands (especially Polynesia), and much of central Asia. Whether or not the local social formations were essentially tribal, state peasantries, another form, or essentially mixed made a great difference in the effect of the European impact. The nature of the preexisting social formation must be understood in order to understand the social processes that followed.

The areas of tribal societies were most vulnerable to European conquest and settlement while at the same time resistant to having their people transformed into either free or unfree laborers because of their traditions of dignity and autonomy in labor. In such areas colonization thus tended to mean extermination or expulsion of the native peoples (e.g., the fate of the Indians in the United States). State peasantries tended to become profitable for trading. Once integrated into the world capitalist system the peasants in these areas could relatively easily be transformed into proletarians because the lower classes had already been fully conditioned to menial labor. In the intermediate social types such as those of the Indians of Peru and Mexico, much of the central African coast, and much of central Asia, states had developed along with considerable social inequality. This meant that a class of people was present that had already been broken to a division of labor in which they were assigned degrading and menial tasks performed under the direction of others. Such intermediate societies tended to be radically transformed into providing unfree labor (either serfs or slaves). This process occurred in places, as in Mexico and Peru, or as a source of export of laborers for other regions (such as happened in central Africa).

The variations among tribal societies and state peasantries were also important in determining the impact of European expansionism. The organization of Chinese society, for example, was considerably different from that of the Ottoman empire. The Ottoman form of social organization, predominant in Persia and much of India as well, did not have significant private property in land for either the peasants or the dominant class. Land was generally the property of the state and could not as a rule be sold, or otherwise alienated. The village communities were very strong and were the centers of peasant life. These communities typically allocated and reallocated the land and saw that a good proportion of the land's product went to the state in the form of a tax. The system in this area appears to be the prototype of what Marx called the Asiatic mode of production. It should be noted that the centrality of water control as the principal function and contribution to the society of the state varies immensely within this region and cannot be used as the defining criterion of this social form.

In China private property in land was the rule. Individual peasants held most of the land (not landlords or the state) and could buy or sell or otherwise alienate it at will. The village communities were very weak and had little power over the individual peasants. The peasants paid their taxes directly to state officials (who also doubled as private landlords with their own tenants from whom they collected rents). Control of water in China generally played a more central role in the state's activities than in most of the Ottoman Empire, Persia, or India. China, at least in the 500 years or so before European impact, appears, unlike the Ottoman-Arab-Persian-Indian region, to have had property relations rather close to those characteristic of tenant and yeoman peasantry, and in fact to be a transitional form between state peasantry and these latter social forms. Japan seems to have had a transnational form of relations of production intermediate between serfdom and state peasantry with many features essentially identical to those of feudal Europe.

A good case can be made in defense of the claim that China and Japan were tending to develop capitalism independently of the European impact (with the probability of success dependent on the disintegration of central imperial authority) while the Ottoman-Arab-Persian-Indian region was caught in an "Oriental mode of production" that blocked capitalist development. The existence of strong internal forces stemming from the character of the peasantry in Japan and China (but not in most of the rest of the Eastern world) had a major impact on the special development of these two countries, the first being the prime example of capitalist development and the second of socialist revolution in Asia.

The more the conditions of at least a significant proportion of the population approximated free laborers, the quicker and more thorough the impact of Western commercial and capitalist forces. Thus in China, where there were only minimal restraints on the development of a true proletariat, European capitalist influence was facilitated.

The more the land approximated a commodity that could be bought and sold in the market, the easier was Western commercial and capitalist penetration. Land as a commodity also greatly facilitated the development of internal differentiation among the local population. This was especially true among the peasantry, where the ability to buy, sell, and mortgage land produced a class polarization between poor and landless peasants on the one side and rich peasants (some of whom transformed themselves into a new landlord class) on the other. The ability to purchase and rent new land leads, on the one hand, to an accumulation of more and more wealth on the part of fewer and fewer peasants and landlords and, on the other hand, generates sharecropping, cash renting, *or* rural wage labor among the displaced independent peasantry. Of course, the process of internal differentiation within a peasantry is considerably accelerated by the demand of Western commercial enterprises for the products of the land.

The presence of a productive work force that is not bound by law or tradition to refrain from selling its labor power and the existence of land as a commodity facilitate Western commercial and capitalist penetration. The absence of these factors is not an insuperable obstacle to capitalist penetration. But political domination of territories without free labor or land as a commodity, however, has normally been the condition for their rapid economic penetration and the generation of capitalist relations of production.

The more involved the indigenous state is in production, regulating the economy and isolating it from foreign economic forces, the greater the barriers to external economic penetration. Hence, the greater the obstacles are to developing commercialization and capitalist relationships. The more room in the pre-European economy for private enterprises, moneylenders, and commercially oriented landlords, and the fewer the restrictions on foreign trade and investment, the easier it is for foreign economic penetration to transform the social structure without political conquest. A state owned or heavily managed economy, which puts up barriers to foreign penetration (such as Japan from the late sixteenth century), greatly inhibits capitalist or commercial transformation, unless and until it is ready to promote domestic capitalist forces (or to allow foreign penetration).

The stronger a state, i.e., the greater its legitimacy in the eyes of the people, the more dedicated is its cadre, the more centralized is its administration, the greater is its capacity to mobilize its people and domestic resources (especially its ability to tax and draft), and the greater is its capacity to prevent domestic social transformations induced by foreign commercial forces as well as political domination and military conquest. The less the legitimacy of a regime, the more corrupt and disunified is its cadre, the more decentralized and fractionated is its administration, and the less are its abilities to mobilize its population and domestic resources, thus the easier it is for foreign interests to come to economically, politically, and militarily dominate a country, and hence, to transform its social structure. It is unlikely that China would have been penetrated and transformed by foreign economic interests after the 1830s had not the Ch'ing dynasty been coming apart because of its own internal contradictions, thus greatly weakening the Chinese ability to effectively resist foreign penetration. The relative power of a state, in turn, must be attributed to the logic of the social relations on which it is based (e.g., serfdom, private peasantry, state peasantry) and to the contradictions in them (which produce secular trends or cycles in the degree of centralization).

The greater the preexisting economic differentiation within a social formation (up to a point), the more likely the better-off classes will be transformed into compradors, i.e., a local dominant class complicit with the imperialists who come to profit by performing an intermediate role between the productive classes of their country and the foreign economic interests. A class of rich landowners, merchants, or moneylenders have the resources to take advantage of colonial or neocolonial status by investing their wealth in a manner profitable to foreign interests. The greater the equality in a society the less likely an indigenous comprador class is to develop.

However, if the preexisting ruling class based in control of the land is far removed socially from the productive classes (i.e., has crystallized into a virtual caste), it is likely that it has developed a norm that considers engaging in commercial pursuits disgraceful. When such is the case an aristocratic ruling class will not generally transform itself into a commercial class, and its wealth will not be transformed into commercial capital (at least not easily or in the short run).

The lack of a local group both able *and* willing to transform its wealth into capital means that a different group has to perform the role of intermediary between the imperialists and the native producers. Typically, such a role came to be performed by an immigrant group, in Southeast Asia by Chinese, in Burma and East Africa by Indians, in much of West and North Africa by Lebanese or Greeks, in Latin America by lower-class Spanish and Portuguese, in Eastern Europe by Jews. The presence of an ethnically distinct group as the compradors and "middle class" typically becomes a cause of considerable racial hostility directed against them.

SUMMARY

The types of colonial social structures developed in the non-European world before the twentieth century as a result of the European impact were a product of the interaction of the preexistent modes of production in the non-European countries with the mode of production in Europe at the time. Markets, far from having any impact of their own in this process, merely served as transmission belts of the logic of the European mode of production and as catalysts that promoted developments inherent in the local modes of production. A careful examination of the logic of the forces and relations of production in the non-European countries reveals the great diversity of factors that entered into the formations of peripheral social structures as well as the highly diverse results produced by integration into the European world economy through the early years of the twentieth century. In Latin America the state peasants and tribal Indians were gradually transformed into serfs. In the Caribbean former members of advanced tribal societies in Africa were first transformed into slaves, and later into rural wage laborers and subsistence farmers. In India state peasants were transformed into private tenants. In Java state peasants were transformed into providers of labor tribute. In Sumatra tribal members became family farmers. In China yeoman peasants were reduced to semiproletarian laborers and poor tenants, and in sub-Saharan Africa members of advanced tribal societies and semiserfs were transformed into semiproletarian migrant laborers.

Before the twentieth century the integration of the non-European regions of the world did not produce similarities in the relations of production of the colonial and semicolonial regions. Integration into the European world economy produced very different results in the different regions because of the differences in both the colonizers' mode of production and the differences in the preexisting modes of production in the countries that were to become the periphery of the system.

The tendency for integration into the world market to produce similar, rather than diverse, effects on the relations of production in the peripheral countries did not occur until the twentieth century. That is, not until the logic of monopoly capitalist production became predominant in the European world system. It is the logic of this form of imperialism, a form of imperialism based on the need of the advanced countries to export capital (increasingly industrial capital) and to import industrial raw materials, foodstuffs, and increasingly light manufactured goods, that has resulted in the social structures of the peripheral regions again being *qualitatively* transformed. This twentieth-century transformation, unlike the earlier transformations, is producing *similar* results throughout the world capitalist system. The productive classes everywhere are being transformed, from semiserfs, sharecroppers, subsistence producers, family farmers, providers of labor tribute, and cash renters, into wage workers. Obviously this outcome is a product of the logic of the mode of production in the advanced monopoly capitalist countries and not of either the logic of the mode of production in the periphery or of any

interaction between them (as had been the case for previous transformations). The power of monopoly capitalism to transform the world in its own image overpowers all resistance, spreading capital-labor relations into every corner of the globe. In the last half of the twentieth century the only real alternative to the universal capital-wage labor relationship in the less-developed world is socialist transformation of the type undergone by China, North Korea, Vietnam, and Cuba. The possibilities of such a transformation occurring are greatly facilitated by the creation of its traditional social basis, a proletariat, by the very logic of monopoly capitalist imperialism.

12

CLASS RELATIONS IN THE LESS-DEVELOPED COUNTRIES TODAY

During the most recent or late stage of monopoly capitalist imperialism, the tendency inherent in the previous stage to create in the less-developed world a class structure similar to that prevailing in the advanced capitalist countries has blossomed. The remaining precapitalist forms of tribal patriarchal and semifeudal relations of production are, in most countries, rapidly being undermined and eradicated, if not by the ever more pervasive logic of capital, then by revolutionary regimes that have elected to replace these traditional relations of production with socialist or petty-bourgeois relations. The class structures of those societies that have not opted out of the imperialist system are rapidly being homogenized by the logic of profit maximization and capital accumulation promoted by both the transnational corporations and the local bourgeoisie. Above all, the export of industrial capital and technology by the transnational corporations is resulting in the rapid growth of an industrial proletariat. It is also producing a substantial, largely marginal, self-employed petty bourgeoisie and a significant bourgeoisie.

Different modes of production and consequently different forms of class relations continue to be articulated in the less-developed capitalist countries. However, the logic of capital is increasingly predominant. Capitalist relations are not only growing quantitatively, but they are responsible for the reproduction of petty-bourgeois relations of production in certain types of agriculture and in urban petty-bourgeois production and trade, as well as for the remaining pockets of semifeudal relations of production. Whether or not

distinctively capitalist relations of wage labor or small family farming (by owners or tenants) are dominant in a given export crop in a given rural region is a product of their relative profitability for capital. The disproportionate role of independent petty-bourgeois producers and traders in the less-developed countries is a product of both this factor and the mismatched introduction of modern means of production in agriculture and industry (a phenomenon which is a product of the logic of international capital).

THE CLASS STRUCTURE OF THE LESS-DEVELOPED COUNTRIES

Table 12.1 displays the basic class and subclass structure of those less-developed countries for which full information was reported in the 1979 edition of the International Labor Organization's *Yearbook of Labor Statistics* as well as for the three leading advanced capitalist countries. Comparing the averages of the ten with the averages of the three indicates the fundamental differences between the class structures of the less-developed countries of South and East Asia and Latin America and the developed capitalist societies in the late 1970s. Because adequate data were not available for the Arab and sub-Saharan African countries any inferences from the tendencies seen in this table must be drawn with extreme caution.

In the less-developed countries 49 percent of the economically active are wage and salary earners as compared to 83 percent in the developed capitalist countries. Sixty-seven percent of the nonagricultural population were wage and salary earners in the less-developed countries as compared to 88 percent in the developed. The percentage of the nonagricultural population that were wage and salary earners in the less-developed countries ranged from 40 percent in Pakistan and 57 percent in Thailand to 75 percent in Venezuela and 71 percent in Chile and Mexico. The percentage of the entire economically active population who were wage and salary earners ranged from 23 percent in Pakistan and 25 percent in Thailand to 69 percent in Chile and 68 percent in Venezuela. The ratio of wage earners in agriculture to the self-employed plus family workers in this sector was .32 in the less-developed countries and .17 in the developed. In the less-developed countries this ratio varied from .09 in Thailand and Pakistan to 1.59 in Chile and 1.20 in El Salvador (see Table 12.1). In summary, capitalist relations of production now predominate in the less-developed countries. Capitalist relations are especially strong in Chile, Mexico, Venezuela, and El Salvador, where the percentage of the economically active population who were wage and salary earners approaches that of Japan, but are relatively weak in Pakistan and Thailand.

In the ten less-developed capitalist countries for which there are data, productive workers (in manufacturing, transportation, construction, mining, and so forth) were 19 percent of the economically active population as compared to 32 percent in the advanced countries. Among the less-developed countries the range was from 10 percent for Pakistan and 11 percent for Thailand to 25 percent for Iran and Venezuela and 30 percent for Chile. The average for these latter three countries is over 80 percent of the average of the three leading industrial countries. As a percentage of the economically active population there are 60 percent as many production workers in the less-developed capitalist countries as in the developed. The industrial working class is of considerable size in the less-developed countries. Wage workers in the productive sector actually make up a higher percentage of total nonagricultural wage and salary workers in the less-developed countries (49 percent) than in the developed (39 percent). In both the developed and the less-developed countries wage workers in the productive sector represent about one-third of the economically active nonagricultural population.

The ratio of service employees to production workers is .36 in the less-developed countries and .30 in the developed countries. It should be noted however that there is no difference between the developed and the less-developed capitalist countries in the ratios of the total of clerical, sales, and service employed *and* self-employed to production workers. The relatively greater number of employed service workers in the less-developed countries is counterbalanced by the smaller number of clerical and sales workers. Thus overall there are *not* relatively more nonproduction workers (compared to production workers) in the less-developed countries, even though manual service work *is* relatively more important. This latter fact reflects the more rapid release of peasants from agriculture than productive employment absorbs them in the cities. (See Chapter 10 for analyses of this phenomenon.)

The less-developed and the developed countries differ radically in the proportion of self-employed in their populations. Overall the less-developed countries have over three times as much of their economically active labor force in this category, and more significantly, in the cities 2.6 times as many. The less-developed countries have two times as many self-employed sales and service workers and 2.1 times as many self-employed production workers (but only .6 as

many self-employed professionals) as do the developed capitalist countries. The urban areas of the less-developed countries have very large concentrations of small marginal independent shopkeepers, artisans, housecleaners, and washerwomen, many of whom could justifiably be called "lumpen petty bourgeois" because of the extremely small scale, low income, and very low productivity of their operations. This sector is so large in good part because of the structural blockages to productive employment that result from imperialism. (See Chapter 10 for analyses of this phenomenon.)

The two categories that are the smallest in relation to the developed capitalist countries are employed managers, administrators, and professionals and clerical and sales employees, whose ratios to the comparable sectors in the advanced countries are .35 and .31 respectively. The first category averages 6 percent for the less-developed countries and 16 percent for the developed, while the second averages 8 percent and 24 percent respectively. The ratio of clerical and sales employees to production employees in the less-developed countries was .49 as compared to .75 in the advanced capitalist countries. These statistics indicate the lack of development of administration, office work, and the organized sales effort in the less-developed countries and, consequently, the much smaller significance of both a "professional-managerial" stratum and a white-collar proletariat in these countries.

In summary, the greatest contrasts between the class structure in the developed and the less-developed countries lies in the much greater importance of the self-employed in the less-developed countries and the much greater importance of white-collar employees (clerical, sales, managers, and professionals) in the developed countries. Wage labor in the production sector is just as important in the urban sector in both parts of the world system, a wage labor is also at least as important in the rural sector of the developed capitalist countries.

AGRICULTURAL CLASS RELATIONS IN THE LESS-DEVELOPED COUNTRIES

A central issue in the post-1917 Marxist tradition has been the question of the extent to which various less-developed countries can best be categorized as feudal, semifeudal, or capitalist. The essence of this debate reduces to first, what is the nature of the relations of

TABLE 12.1: Class Structure of the Less-Developed Countries

	Bolivia 1976	*Chile 1970*	*Mexico 1977*	*Venezuela 1977*	*Iran 1976*	*S. Korea 1978*	*Pakistan 1978*	*Philippines 1976*	*Thailand 1976*	*El Salvador 1978*	*Average of Ten LDCs*[a]
Self-employed managers and administrators	.3%	1.6%	1.2%	3.1%	.2%	1.0%	.3%	.3%	.3%	.0%	.8
Employed managers, administrators, professionals	5.5	6.1	5.9	12.1	6.0	3.1	2.6	5.9	3.2	4.6	5.5
Self-employed professionals	.8	.7	1.5	.9	.5	.6	.7	.3	.2	.5	.7
Clerical and sales employees	4.8	12.6	10.0	12.8	6.4	9.9	3.5	5.8	2.4	7.6	7.6
Self-employed sales and service and unpaid family workers	6.6	6.3	8.6	8.3	6.1	13.5	11.1	9.1	10.2	12.5	9.2
Employed service workers	8.0	5.5	9.7	12.1	4.2	4.2	2.5	7.8	2.4	8.8	6.5
Employed agricultural	6.1	14.6	19.5	6.6	7.6	5.2	4.3	8.1	5.3	22.3	10.0
Self-employed agricultural plus unpaid family	42.3	9.2	19.8	11.0	26.3	33.2	50.4	44.3	57.2	18.6	31.2
Employed production workers	15.2	29.9	17.3	24.6	25.0	24.3	9.6	13.8	11.3	18.4	18.9
Self-employed production workers plus unpaid family	10.5	6.9	5.2	8.4	12.6	5.0	14.8	4.4	7.5	6.8	8.2
Total	1,501.2	2,695.6	18,042.7	4,055.8	9,732.5	13,932	22,308	16,244	13,945.5	1,430.4	
Self-employed	50.8%	21.9%	31.1%	27.4%	34.6%	33.0%	49.8%	35.8%	45.6%	28.4%	35.6%
Employed	39.7	69.4	62.3	68.3	54.1	46.6	22.5	41.6	24.5	61.6	49.1
Unpaid family	9.5	2.4	6.6	4.3	11.3	20.4	27.8	22.6	29.9	10.0	14.5

TABLE 12.1: continued

	U.S. 1978	*Japan 1978*	*W. Germany 1978*	*Average of Three DCCs*[b]
Self-employed managers and administrators	1.9	.0	.6	.8
Employed managers, administrators, professionals	22.7	9.8	14.9	15.8
Self-employed professionals	1.2	1.2	1.3	1.2
Clerical and sales employees	22.9	23.9	25.9	24.2
Self-employed sales and service and unpaid family workers	1.6	8.8	3.5	4.6
Employed service workers	12.8	6.1	10.2	9.7
Employed agricultural	1.1	.7	1.1	1.0
Self-employed agricultural plus unpaid family	1.9	10.8	4.9	5.9
Employed production workers	31.3	29.8	35.3	32.1
Self-employed production workers plus unpaid family	2.1	7.7	1.9	3.9
Total	102,537	55,320	26,952	
Self-employed	8.2%	17.8%	8.8%	11.6%
Employed	91.0	70.3	87.2	82.8
Unpaid family	.8	11.8	4.0	5.5

[a]Less-developed countres.

production in the countryside, and second, to what extent do the logic of these rural class relations dominate the entire society. In these debates, at least since the 1930s, "feudal" has generally meant that the rural producers are essentially tied to the land by legal or other forms of extramarket compulsions by the landowning class that exploits their labor. Typically the dominant class requires either a certain portion of the peasant's produce or a set amount of the peasant's labor. Such peasants are neither free to leave the land nor can they easily be expelled from it. Capitalist agricultural relations, on the other hand, involve the exploitation of a rural proletariat free to seek employment wherever it likes as well as *free* to be fired when the rural capitalists see fit. Semifeudal agricultural relations are intermediate between capitalist and feudal relations. These involve elements of extramarket compulsion and a degree of rights in the land for the peasants. In semifeudal relations peasants are typically able, although with difficulty, to leave the land, and they are able, with somewhat less difficulty, to be expelled from it. Typically semifeudal mechanisms of extramarket compulsions have included debt peonage, traditional refusal of one landlord to take on the ex-peasants of another combined with a lack of alternatives to peasantry, and sharecropping in a system where the producing class has few legal rights and is subject to one-sided justice (e.g., blacks in the U.S. South after the Civil War). Agricultural relations can also be of a petty-bourgeois character, where the primary producing class either owns their own holdings or pays a fixed cash rent for their land, has equal legal rights with the larger landowners, and perhaps even employs a few laborers, especially at the harvest.

While in most of the less-developed countries the majority of the population is still involved in agricultural production, agriculture is everywhere rapidly declining as the predominant economic sector. In 1970 approximately 65 percent of the entire economically active population of the less-developed countries was in agriculture. In 1978 it was 60 percent. If present trends continue, and there is every evidence that they will, before the turn of the century most people in the less-developed countries will no longer be employed in agriculture (Food and Agriculture Organization 1978, Table 3).

Although in 1976 a majority of the economically active population of most less-developed capitalist countries was still employed in agriculture, an average of only 30 percent of the GDPs of all the less-developed countries was generated in this sector. This compares to 36 percent in 1960 (World Bank 1978, Table 3). These latter figures are more important than the figures on the proportion of people involved in agricultural production in understanding the basis of the wealth of the dominant groups. The fact that over two-thirds of the less-developed countries' wealth in the late 1970s was generated in industry and the services, even while 60 percent of the people were still employed in agriculture, strongly indicates the centrality of capitalist relations of production and the relative marginality of agricultural relations.

The dynamic and key economic sectors in the less-developed countries are no longer, for the most part, in agriculture. Generally these sectors now lie in manufacturing *or* in mineral production (e.g., petroleum, bauxite, copper), both of which employ wage labor. Further, the base of political power in most such countries no longer resides in the landed classes but rather with the urban rich, whose fortunes come mostly from minerals and manufacturing, or from commerce and finance based on manufacturing or minerals.

The decline of agriculture has proceeded more rapidly in some regions of the less-developed world than in others. In Latin America in 1978 35 percent of the economically active population was employed in agriculture in contrast to 71 percent in Africa. In Southwest Asia the figure stood at 56 percent and in South and Southeast Asia at 64 percent. Latin America today lies midway between the developed capitalist economies (9 percent) and the average of the other three less-developed regions (Food and Agriculture Organization 1978, Table 3).

The share of agriculture in the GDPs of the various less-developed regions varies, but not as much as the proportion of their population in agriculture. An average of 20 percent of the Latin American countries' GDPs in 1976 originated in this sector, in contrast to 36 percent of that of the African countries. In South and Southeast Asia the figure was 33 percent and in the Middle East 21 percent (World Bank 1978, Table 3). On this measure both Latin America and the Middle East lie midway between the advanced countries (in which only about 6 percent of their GDPs come from agriculture) on the one side and Africa and South and Southeast Asia on the other.

It would appear that regardless of the nature of rural class relations in Latin America, for the most part, this region can not be considered to be feudal or semifeudal since two-thirds of its economically active population and 80 percent of its national income are in the nonagricultural sector. Given the clear predominance of capitalist relationships in the cities, the dynamic role of the capitalist manufacturing and mineral industries, and the centrality of capitalist processes of exploitation to the wealth of the politically dominant groups, Latin America is clearly in essence capitalist.

It would seem that the Middle East as a whole, also regardless of the predominant relations of production in rural areas, should probably also be categorized as essentially capitalist since almost half of the economically active population works outside of agriculture and almost 80 percent of the national income is generated in the nonagricultural sector. Wealth generated in manufacturing and especially petroleum export (both of which are organized by capitalist relations of production) is clearly the predominant source of the economic position of the dominant groups in these societies.

The nature of the dominant form of relations of production in Africa and South and Southeast Asia, however, would not appear to be resolvable without actually looking at the nature of agricultural relationships in these regions. Although in both regions only about one-third of the national income is generated in agriculture, approximately two-thirds of the economically active population is located there.

Table 12.2 presents some basic statistics on agricultural class relations in the less-developed countries. Generally figures on concentration of landholdings are difficult to interpret since high concentration ratios could reflect either highly developed capitalist relations (many workers on very large capitalist farms), semifeudal relationships (peasants held on large estates by debt peonage, informal compulsions, lack of opportunities, and so forth), or feudal relationships with labor services being provided in return for use of a plot for subsistence. Low concentration ratios, on the other hand, could reflect either semifeudal relationships of sharecropping or petty-bourgeois production by independent landowners. Little can then be actually inferred from mere concentration ratios unless they are supplemented with information about the proportion of wage laborers in agriculture and the ratio of owners to total holders (including renters).

Land is highly concentrated in most of Latin America. In Brazil 1.9 percent hold 53.9 percent of the land in units of more than 500 hectares (ha). In Bolivia .8 percent hold 65.0 percent of the land in units of over 1,000 ha. In Mexico 1.9 percent hold 68.9 percent (of private property) in units of over 500 ha; in Venezuela 3.1 percent hold 76.5 percent in units of over 500 ha; in Argentina 10.5 percent of holders own 82.3 percent in units of over 500 ha; in Colombia .6 percent hold 40.9 percent in units of over 500 ha; in Guatemala .5 percent hold 42.4 percent in units of over 350 ha; and in Peru .1 percent hold 42.0 percent in units of 1,000 ha or more. In most of Latin America land is much more concentrated than in the rest of

TABLE 12.2: Rural Class Relations

	Economically Active Population in Agriculture (in percent)		% GDP Originating in Agriculture		Employees/ Total Holders ca. 1970	Owners/ Total Holders ca. 1970	Avg. Size of All Holdings ca. 1970	% of Land in Family-Size Units ca. 1970			% of Land in Very Large Units ca. 1970		
	1970	1978	1960	1976				% of Holdings	% of Land	Upper Limit	% of Holdings	% of Land	Lower Limit
Argentina	16.4	13.6	17	15	1.13	—[a]	396.2 ha[b]	41.2	.9	25 ha	10.5	82.3	500 ha
Bolivia	55.5	51.1	30	28	.18	—	88.7	38.1	31.5	100	.8	65.0	1000
Brazil	45.6	39.7	16	8	.54	.60	66.4	67.0	5.9	20	1.9	53.9	500
Chile	23.8	19.4	11	10	2.02	—	7.2	94.0	58.0	20	<.1	3.0	80
Colombia	37.9	29.2	34	27	—	.62	26.3	83.1	12.3	20	.6	40.9	500
Costa Rica	42.2	36.5	29	21	—	.85	38.2	70.7	7.8	20	1.0	36.0	500
Dominican Republic	61.2	57.1	27	21	.62	.55	9.0	97.6	42.8	50.2	.2	28.5	503
Guatemala	61.0	56.1	—	—	.36	—	7.8	97.5	33.7	35	.5	42.4	350
Mexico (total)	45.2	37.8	16	10			137.1	79.7	2.4	25	3.6	83.3	500
Mexico (private property)					.81	.95	70.4	81.4	9.7	25	1.9	68.9	500
Peru	44.8	38.8	26	16	—	.63	16.7	87.0	36.0	5	.1	42.0	1000
Venezuela	25.6	19.4	6	6	.80	.39	93.5	74.8	3.1	20	3.1	76.5	500
Bangladesh	85.9	84.4	61	59	.49	—	.9	98.4	88.6	6	—	—	—
India	69.3	64.6	50	47	.24	.92	1.5	99.6	91.7	20	—	—	
Indonesia	66.3	60.4	45	29	.05	.64	1.1	99.7	77.5	15	.1	13.6	estate
S. Korea	51.0	41.1	40	27	.31	.66	1.3	99.4	91.5	5	—	—	
Pakistan	58.9	54.5	46	32	.14	.42	5.3	96.9	75.6	20	.4	9.1	60.7
Philippines	53.2	47.5	26	29	2.22	.58	3.6	99.4	82.7	25	.2	13.9	50
Taiwan	—	—	—	—	—	.92	1.3	96.4	88.9	5			
Thailand	79.9	76.3	40	30	.16	.82	3.5	99.7	96.3	22.4	—	—	—
Egypt	54.4	51.2	30	29	—	—	1.6	99.4	78.5	20.9	.2	14.6	42
Morocco	56.9	52.3	29	21	—	—	5.9	95.2	65.6	20	.3	6.8	100
Tunisia	49.8	42.3	24	21	—	—	16.1	83.9	27.5	20	.4	17.7	500
Iran	46.0	40.0	29	9	.38	—	7.1	98.5	80.7	50	.0	1.7	500
Saudi Arabia	66.0	61.4	—	1	—	—	6.7	94.4	38.6	20	.9	35.4	100
Turkey	67.7	57.2	41	29	—	—	—	48.8	10.2	20	3.1	21.2	200
Nigeria (Western farmland)	62.1	55.1	63	23	—	—	.5	99.9	96.1	6	—	—	—
Ghana	58.4	52.3	41	49	.63	—	—	98.2	—	20.2	—	—	—
Mali	91.0	87.9	55	38	—	—	4.4	98.2	87.9	20	.7	6.2	30
Zaire	79.3	75.3	30	16	.19	.91	2.3	99.9	64.8	30	<.1	33.6	500
U.S.	3.7	2.4	4	3	1.06	.62	157.6	23.3	1.2	20	5.5	54.4	405

[a]Data not available.
[b]Hectares.
Sources: Food and Agriculture Organization 1960, 1970, 1978, Table 3; World Bank 1978. Table 3: U.S. Department of Agriculture 1974c: Land Tenure Center 1979.

the less-developed world. Of all the less-developed countries for which there are data, only Zaire comes close to the ratios typical of the major Latin American countries. In Zaire less than .1 percent own 33.6 percent of the land in units of over 500 ha. It should be noted that the concentration measures for Latin America are more similar to those of the United States than to those of other less-developed regions. In the United States in 1974, 5.5 percent held 54.4 percent of the land in units of 405 ha or more.

For the eight Latin American countries for which data could be secured, the ratio of rural wage laborers to landholders averaged about .80. This ratio ranged from 2.0 in Chile and 1.1 in Argentina to .18 in Bolivia and .36 in Guatemala. The ratio of landowners to total landholders for Brazil was .60 around 1960, .62 in Colombia, and .95 in Mexico. The Latin American average was about .67. Over 40 percent of the economically active rural population are wage laborers and almost 40 percent small landowners. The number of sharecroppers and other renters is about 20 percent of the total economically agricultural active population. It would appear that the large landholdings in Latin America are mostly worked by wage labor and that sharecropping and other related forms of semifeudal agricultural relations generally play a secondary role.

However, semifeudal remnants may well still play an important role in some regions, especially where there are large concentrations of Indians who work in the sharecropping system or who otherwise labor under informal constraints of a semifeudal kind. There is evidence that semifeudal relations continue to play a role in the Brazilian northeast (see Chapter 11). But even here rural wage labor is becoming predominant. In any event, although the northeast is a densely populated region, in 1976 only 8 percent of Brazil's GDP originated in agriculture. The evidence overall clearly points to Latin American rural class relations as being essentially capitalist.

In contrast to most of Latin America the average size of holdings in South and Southeast Asia is very small, an average of roughly 2 hectares for the countries for which data are available. In all of these countries for which data are available small family holdings contain at least 75 percent of the agricultural land. The ratio of wage laborers to landholders is generally much lower than in Latin America. It ranges from .49 for Bangladesh and 2.22 for the Philippines to .14 for Pakistan and .05 for Indonesia. The average for this region, excluding the Philippines, is approximately .25. The ratio of landowners to holders varies from .92 in India and Taiwan to .42 in Pakistan. The average for the region is approximately .75. Because the ratio of rural wage workers to holders is so small (less than one-third the size of Latin America's ratio), the ratio of landowners to holders is so high, and the proportion of total land in small units so large (the average size of holdings is only about 3 percent of the average for Latin America), it is clear that capitalist agriculture does not dominate in this region.

The evidence indicates that semifeudal relations are not dominant in most countries of this region. Thorough land reforms have broken up big estates and established family-owned farms in India, South Korea, and Taiwan. Pakistan also experienced a significant land reform, with large estates redistributed to families. In Java the traditional agricultural form has been very small family-owned units. In the Philippines a large landowning class was fostered during Spanish rule and pretty much kept intact during the period of U.S. colonial domination. However, since formal independence there has been a degree of land reform in high-tenancy regions, together with a switch to wage labor, especially in sugar. It would appear that semifeudal relations have been largely undermined although significant vestiges remain. In general, South and Southeast Asian agriculture can not today be categorized as semifeudal. The most reasonable categorization of agricultural relations in this region is petty bourgeois, with most producers either small landholders or cash tenants.

The average size of landholdings in the Middle East is around 7 ha. In some countries, e.g., Egypt, Morocco, and Iran, two-thirds or more of the land is held in family-size units. Only in Turkey, Saudi Arabia, and Tunisia is more than 15 percent of the land held in large units (100 ha or more). In Iran, the ratio of rural wage workers to landholders was 38 percent, indicating that wage laborers represented a little over one-quarter of rural producers. Iran experienced a significant land reform in the 1960s in which many large estates were broken up and redistributed to families, creating a rather large class of small landowners. It has been estimated that in 1966 over 50 percent of rural families were owners. It would appear that about one-quarter of the rural population were sharecroppers or other renters who might be considered to be involved in semifeudal relationships. Egypt experienced a thoroughgoing land reform during the Nasser years. As a result, small family landowning became the prevalent form in this country. In Jordan the average size of landholdings is 7 ha; 67 percent of all holdings (73 percent of the land) is in family-*owned* farms and less than 3 percent of rural holders are sharecroppers (Food and Agriculture Organization 1970). In general, it would seem that petty-bourgeois relations of production prevail in the rural areas of the Middle East as well as in South and Southeast Asia.

In sub-Saharan Africa strong remnants of patriarchal and tribal relations of production continue to exist in agriculture, with large portions of the land held by customary rights in small family-size units. In Zaire, the largest African country, and in Nigeria, the most populous, over 99.9 percent of landholdings are in family-size units mostly held rent free under traditional rights or owned outright. In Zaire over 90 percent of holders are in these latter categories. In Zaire about 16 percent of the rural population are rural wage laborers. Permanent rural wage laborers are largely concentrated in the very large capitalist agricultural enterprises that hold about one-third of the land area of the country (Food and Agriculture Organization 1970). In general, however, African agriculture would have to be described as a combination of petty-bourgeois and pre-feudal patriarchal/tribal relations (see Brutents 1977, pp. 42-43).

In summary, in Latin America capitalist relations of production are clearly dominant. Two-thirds of all the economically active population and 80 percent of the national income is located outside the agricultural sector. In Africa, rural class relations still play a central role in defining the overall class structure. Here 70 percent of the economically active population and 36 percent of the national income come from this sector. However, neither capitalist nor semifeudal relationships are predominant in the countryside. Small family holdings in good part held under customary rights generally prevail. Patriarchal/tribal relations of production continue to play a major role in the African class structures, although capitalist relations, especially in areas such as Zimbabwe, Kenya, Zaire, and Zambia have made major inroads.

In the Middle East and in South and Southeast Asia, petty-bourgeois agricultural relations appear to be the norm. Small family owning and cash tenancy without significant use of semifeudal mechanisms such as sharecropping (with some exceptions such as parts of the Philippines) generally prevail. The predominance of petty-bourgeois productive relations in the countryside together with the dominance of capitalist relations in the cities indicates that the source of wealth and power of the dominant groups in these countries is industry, trade, and finance. It is thus clear that, for the most part, the countries of the Middle East and Asia are essentially capitalist in their relations of production. (See Chapter 11 for an historical analysis of how the rural social structure of Asia and Latin America came to be so different.)

In general, in the later years of the twentieth century feudal and semifeudal relations of production play quite a minor role in the social structures of the less-developed countries. This, however, has only recently come to be the case. In most colonial and semi-colonial areas in the pre-1960 period such relationships had been preserved or developed by the colonial powers in order to secure local allies and better exploit the population. Such was the case in countries like the Philippines, India, and Pakistan as well as throughout the Islamic Middle East (where traditionally land was owned by the state and largely distributed on the basis of use) and in almost all of Latin America through the early part of the twentieth century. Significant land reforms combined with the thorough penetration of commercial relations have fairly rapidly transformed the rural social structure of the less-developed countries in the post-World War II period. Two of the last vestiges of predominantly feudal relations of production, Ethiopa and Afghanistan, collapsed in the last part of the 1970s, while the patriarchal/feudal relations of Saudi Arabia and the various Gulf sultanates are in the early 1980s very shaky.

While semifeudal relations, e.g., sharecropping where the producers do not have full legal rights and various forms of informal coercion and noncash payments are used, remain in parts of Asia and Latin America, these would appear to he diminishing vestiges of formerly dominant forms. The Communist International's analysis of the class structures of the less-developed countries as for the most part feudal and semifeudal was largely valid at the time it was made (the 1920s and 1930s). But it is clear that rapid transformation in both the role of the countryside and in the nature of rural relationships have made this analysis quite outdated in the 1980s (see Szentes 1971, p. 282).

There is a tendency for land to become concentrated again, now in the form of capitalist enterprises employing wage laborers. In many areas such as India and Pakistan after their land reforms a new rural bourgeoisie emerged out of the peasantry. Most of the initial recipients of land reform gradually go bankrupt. They sell out or have their land foreclosed by creditors, as an agrarian bourgeoisie develops out of the rich peasantry (see Szentes 1971, p. 279).

The logic of the capitalist mode of production, whether directly present in rural capitalist enterprises or indirectly guiding petty-bourgeois agriculture from the commercial and financial urban centers, is now predominant in the rural areas of the less-developed countries. Throughout Asia, Africa, and Latin America most of the wealth is now created outside of agriculture in urban capitalist relationships. With the exceptions of the Socialist countries (e.g., Cuba, China, Mongolia, Vietnam, North Korea, Kampuchea, and Laos) and the essentially petty-bourgeois societies that are neither socialist nor capitalist (e.g., Algeria, Tanzania, Syria, Iraq, Burma, both Yemens, Ethiopia, Guinea, Congo (Brazzaville), Mozambique, Angola, Libya, and so forth), the remainder of Asia, Africa, and Latin America is for the most part essentially capitalist.

As a consequence of the penetration of capitalist relationships, the rural social structures of these countries become more like those in the urban areas. Distinctive landed aristocracies and traditional peasantries are everywhere disappearing. Traditional landlords are either expropriated or are transformed into rural capitalists. Traditional peasants working under either semifeudal or subsistence conditions are either forced off the land and into the cities to make way for modern capitalist enterprises or are transformed into rural wage laborers.

THE BOURGEOISIE

Another principal point of contention among Marxists in the less-developed countries is the question of the nature of the urban commercial classes. Some argue that no true national bourgeoisie of economic or social consequence now exists in most less-developed countries because all significant segments are linked to, and profit from, the operations of the transnational corporations based in the developed countries (see, for example, Frank 1967; Petras 1970; Alavi 1973; Pantankar and Omvedt 1980). Others argue that a strong national bourgeoisie with major contradictions with the transnational corporations that undermine the former's profit-making possibilities exists in most countries (Szentes 1971; Brutents 1977). It is argued in this section that although genuine national and comprador bourgeoisies exist in most less-developed countries, these dichotomous concepts are no longer adequate to describe the nature of the bourgeoisie in most less-developed countries during the late stage of monopoly capitalist imperialism. A careful examination of the evidence seems to point to a group *something* like what Nicos Poulantzas (1974) has described as an "internal bourgeoisie" now predominating in the less-developed countries.*

*It is of interest to note that at least some Soviet theorists have developed a similar notion that they *do* apply to the less-developed countries. For example:

> The small but influential industrial bourgeoisie occupies a position in between the comprador and the national industrial bourgeoisie. In India, for example, it co-operated closely with the British bourgeoisie in joint companies, even though it is highly independent in economic and notably in political respects (Varga 1968, p. 90).

Although Poulantzas meant this concept to apply only to the secondary advanced capitalist countries such as France, with rather minor modification his definition would seem to apply to the less-developed capitalist countries as well:

> This bourgeoisie, which exists alongside sectors that are genuinely comprador, no longer possesses the structural characteristics of a national bourgeoisie, though the extent of this of course differs from one imperialist formation to another. As a result of the reproduction of American capital actually within these formations, it is, firstly, implicated by multiple ties of dependence in the international division of labour and in the international concentration of capital under the domination of American capital, and this can go so far as to take the form of a transfer of part of the surplus-value it produces to the latter.
>
> On the other hand, however, it is not a mere comprador bourgeoisie . . . . the internal bourgeoisie maintains its own economic foundation and base of capital accumulation both within its own social formation, and abroad. Even at the political and ideological level it continues to exhibit its own specific features. . . . Significant contradictions thus exist between the internal bourgeoisie and American capital. Even if these cannot lead it to adopt positions of effective autonomy or independence towards this capital, they still have their effects on the state apparatuses of these formations in their relations with the American state (Poulantzas 1974, pp. 72-73).

An internal bourgeoisie that both collaborates and manifests contradictions with the transnational corporations seems to be the dominant section of the bourgeoisie in most less-developed capitalist countries. Further, the evidence suggests that over time in the postindependence period (or since the mid-1960s in Latin America), the nationalistic aspect of the internal bourgeoisie is becoming stronger in relation to the comprador aspect. The true national bourgeoisie, although subordinant in most less-developed capitalist countries, remains a significant force. A force, further, that has the potential of becoming, at least in some cases, the predominant sector of the bourgeoisie.

In many countries the local bourgeoisie (industrialists in particular, but also segments of the agricultural, commercial, and financial bourgeoisie) played an important role in the movement for formal independence, or, in the case of Latin America, for economic development during the 1930s and 1940s. In the 1960s and 1970s, the basic strategy of the mainstream of local wealth has been to integrate itself with the transnational corporations. This process has been called "internalization" (Poulantzas 1974, chaps. 1 and 2). This collaboration has brought considerable profit, especially through participation in joint enterprises with foreign capital but also as suppliers and distributors.

Imperialism has served as a political buttress to the rule of the local bourgeoisie since cooperation with transnational capital brings with it the economic, political, and, if necessary, perhaps even the military support of the major imperialist states. Attempts to expel or unduly restrict foreign capital carry with it the danger of popular antiimperialist mobilizations, necessary for the successful implementation of such policies, sweeping away the local bourgeoisie as well as the transnational corporations.

The opportunities for increasing their profits for reasons of narrow self-interest as well as considerations of accelerating industrialization so as to be in control of a stronger economy both dictate collaboration with the transnational corporations. Economic integration with transnational corporations, either in the form of joint enterprises or as suppliers/distributors, carries with it both the possibilities of high profit and economic growth *and* economic subordination and the loss of ownership of many profitable investment opportunities.

The propensity for local capitalists to integrate themselves with foreign capital is often facilitated by the economic history and social networks of the industrial bourgeoisie. It is not unusual for the wealthiest industrialists in the less-developed countries to either themselves be major landlords or to be from families with considerable landed or commercial wealth (see Petras 1970, pp. 24-25). A study done in Chile showed that approximately one-half of that country's largest businessmen are either themselves large landowners or are related to owners of large farms (Zeitlin, Neuman, and Ratcliff 1976). It should be noted, however, that similar things were true of the developing industrial bourgeoisie in Germany and Japan, if not in most contemporary advanced countries (Moore 1966, chaps. 5 and 8). Such historical ties did not prevent the industrial bourgeoisie in these latter countries from pursuing strongly nationalistic development policies. Further, it can reasonably be expected that the traditional social ties with the older landlord class and the truly comprador sector of the bourgeoisie weaken over time as the basis for the bourgeoisie as a class increasingly becomes industry rather than commerce or agriculture.

The capitalist class in the less-developed countries, as elsewhere, is governed by the logic of capital accumulation that dictates profit maximization in the case of individual capitalists as well as state policies in the interest of collective profit maximizing for the class as a whole. It is these factors that drive the local wealthy into voluntary alliances with transnational capital. Participants in joint enterprises as well as those who service the transnational corporations

remain interested in local accumulation. In fact, their integration with the transnational corporations is driven essentially by the expanded profit opportunities encumbent on getting the advanced industrial technology of the transnational corporations in operation in their countries. Such technology is especially important for the "deepening" of the industrialization process beyond simple import substitution, which has become the principal aspect of the rapid growth of the manufacturing sector in many less-developed countries.

To ensure their share of the profits from collaboration, the local bourgeoisie must have an asset that the transnational corporations need, or else the transnational corporations would see no advantage in collaboration. The primary such asset is nationalism. The access of the internal bourgeoisie to the state is guaranteed by the operation of the state's legitimation function (see O'Donnell 1977, 1978; Evans 1979a). Total foreign ownership of enterprises and the gradual loss of locally owned business to foreigners is uncomfortable both for the local privileged groups and for the general population. Integration of local and foreign capital is the best guarantee against arousing nationalist hostility as well as smoothing relations with local governments. Peter Evans makes this argument in a well-documented book on Brazil, relating an occurrence with a manager of a U.S. transnational corporation operating in Brazil in which the manager claimed:

> "We don't like joint ventures. We are used to running our own show and we don't need the money or the skills. But they (the Brazilians) have a point. It is better to share a project with national capital and let the state harmonize than to have it taken away." The experience of Anaconda and Kennecott in Chile was this manager's model for the disadvantages of attempting to retain exclusive control. "If Kennecott and Anaconda had had local partners then maybe they would still be there," he said, and then added, "We lost one in Chile too" (Evans 1979a, pp. 202-3).

The predominance of the internal bourgeoisie in most of the less-developed capitalist countries should not obscure the role of the national bourgeoisie. In some countries such as India this class appears to be predominant. In others, it represents a major and thriving section of the bourgeoisie. The national bourgeoisie in the less-developed countries tends to thrive in two situations: first, where they have a comparative advantage over the transnational corporations such as in labor-intensive industries and agriculture, construction, and commerce, which do not require much high technology;

and second, where their major asset, the appeal to nationalism, has the most cogent ring, e.g., natural resources, transportation, public utilities, and production of arms. Even the most brutal of less-developed states can not afford to ignore the legitimation function. All must, in varying degrees, make nationalist arguments designed to secure the willing acceptance of their rule. The reservation of certain sectors of the economy to national citizens or guarantees for local participation not only increase the profits accruing to the local bourgeoisie but also give substance to the necessary nationalist rhetoric of authoritarian rulers. In fact, nationalism, both opportunistic and truly felt, often brings the local bureaucratic authoritarian states to actively promote the growth of a true national bourgeoisie, even when it is clear that this class's economic activities are less "rational" or efficient than identical activities performed by the transnational corporations, and even when such active support leads to a degree of antagonism with their imperialist benefactors. Nationalism, however distorted, should not be dismissed in favor of narrow economic self-interest as a motive force in the less-developed countries, even if its operation stems entirely from the need of the state to legitimate local capitalist and transnational rule (see O'Donnell 1977, pp. 62-63; 1978, p. 22).

An increasingly important component of the bourgeoisie in some less-developed countries is the state bourgeoisie that initially evolves out of petty-bourgeois state administrators of state-owned enterprises which appropriate to themselves essential control over the assets of the state enterprises. The state bourgeoisie can be national, internal, or even comprador. Leading examples are the top officials of both the Indonesian and Brazilian state petroleum companies who have come to place principal emphasis on their own profits and growth and in many ways act like autonomous private entrepreneurs (Evans 1979a, p. 267). Although a bit premature in his analysis, Hussein (1973) describes in detail the evolution of a state bourgeoisie in Egypt after the 1952 revolution. The petty-bourgeois officials who in all three cases were put into managerial positions came increasingly to use their position to appropriate more and more power and privilege until they came to acquire essentially the position of private capitalists rather than administrative intermediaries.

The interests of such state bourgeoisie generally tend toward the economic development of their countries, the principal differences within them being around the degree to which they should participate in or encourage joint enterprises with foreign capital. The state bourgeoisie can come into conflict with both transnational and private local capital. The economic interests of the state bourgeoisie

can lead them to expand the state sector, and with it their privileges and power, at the expense of private capital. However, the desire to further secure their position and be able to pass their privileges on to their children drives this sector to accumulate private wealth, either through investing their considerable incomes (salaries and bonuses as well as kickbacks, graft, and bribes) or attempting to transform their enterprises into private businesses in which they can maintain their position. There would appear to be little essential difference between the private and public sectors of the national and internal bourgeoisie.

Both the internal and national bourgeoisie are significant forces in Brazil, although the internal hourgeoisie has been politically dominant since the 1964 military coup d'etat. Twenty-eight percent of the assets of the top 300 manufacturing corporations in 1972 were owned by local private capitalists as compared to 50 percent owned by foreign capital. Of the top 500 nonfinancial corporations, private Brazilian capital had a controlling interest in 50 percent. Brazilian private capital predominated in nonmetallic ores (78 percent of total assets), wood, paper, and furniture (71 percent), textiles (56 percent), and food and beverages (67 percent) (see Table 7.4). Local capital also predominated in leather products, printing and publishing, apparel, and footwear (Evans 1979a, p. 118). Local capital is very strong in finance, commercial activities, and especially in construction (Evans 1979a, chap. 3). There are a number of locally controlled groups of companies (*grupos*) within the Brazilian bourgeoisie, some of which are integrated with foreign capital and others of which are not. For example, the grupo Villares, which has only minimal relations with foreign capital, is the second largest manufacturer of electrical machinery as well as a major manufacturer of steel. In both of these sectors this group is in sharp competition with transnational enterprises (Evans 1979a, p. 153). Most of the grupos that do participate in joint enterprises with the transnational corporations exclude them from equity participation in their central firm, thus maintaining fundamental control over their operations. The same is true of the transnational corporations, which generally exclude local participation in their key subsidiaries (Evans 1979a, p. 209).

In Brazil joint enterprises are especially important in chemicals, machinery, electrical machinery and metals fabrication, food and beverages, and textiles. These sectors are thus the primary basis of the Brazilian internal bourgeoisie (Evans 1979a, p. 118).

The national bourgeoisie is predominant over the internal bourgeoisie in India. Here the state generally owns the basic and strategic industries. Foreign investment is allowed only in selected industries in which it is considered that local capital is unable to satisfy local needs, and then generally only in joint projects with Indian capital. Joint projects with the majority of equity held by transnational corporations are permissible for the manufacture of export products in which the requisite technology is locally unavailable. The state requires most foreign-owned firms to increase their Indian equity, forcing the transnational corporations to either "fade down" to minority equity positions or "disinvest" entirely. The sectors closed to foreign investment have been increasing overtime as the government rules that local firms can adequately supply the local market. Recent legislation requires most foreign-owned firms to have a minimum of 60 percent local equity. Steelmaking, heavy transport equipment, and mechanical and heavy electrical equipment are mostly in the hands of local capital supported by state funds (with the heavier segments largely in state hands and the lighter segments in private hands). Transnational corporations in these sectors are limited to technical advice (Kidron 1965, chap. 5; Business International Corporation 1979b, March).

In 1958 the eight largest Indian economic groups controlled 23 percent of all capital in the private sector (including both foreign and local firms). Just two local groups controlled 14 percent (Kidron 1965, p. 22). Cotton textiles have been overwhelmingly Indian since before World War I. But local capital did not generally surpass British capital in other important fields until after World War II. The national bourgeoisie grew considerably in the 1930s and 1940s because of the relative isolation of India from Britain caused by depression and war. In this period Indian capital became predominant in the food-processing industry and in many other light industries. The Indian national bourgeoisie played the central role in the Indian independence movement and from 1948 consequently implemented policies supporting its interests (Kidron 1965, chaps. 1 and 2). Nevertheless, there is significant foreign investment in India, especially in the technologically advanced sectors. The Indian internal bourgeoisie plays an important role.

Mexican private capital in 1972 held 32 percent of the assets of the top 300 manufacturing companies as compared to 52 percent for the transnational corporations. Local private capital further controlled 51 percent of the largest 500 and 37 percent of the largest 100 nonfinancial corporations (see Table 7.3). While the Mexican government encourages foreign investment in certain sectors, it provides special incentives almost exclusively to firms with a majority of equity locally owned (or which are making significant progress

toward majority local ownership). The state, in fact, insists that both 51 percent of equity as well as the management of enterprises eventually pass into local hands. Sectors reserved exclusively to the state, and thus which prohibit foreign investments include petroleum, basic petrochemicals, nuclear energy, electricity, and basic communications. Foreign investment is also prohibited in radio and television, urban road transportation and air and sea transport. It is clear that the national bourgeoisie is a force in Mexico (Business International Corporation 1979b, July).

The Nigerian internal and national bourgeoisies were especially weak at the time of independence. The relative primitiveness of its class structure meant relative equality in wealth distribution. But since its independence, the Nigerian state has played a strongly supportive role in the creation and expansion of both sectors of the bourgeoisie. Nigeria allows new foreign investment only in the form of joint ventures with Nigerians. Its indigenization policy was strengthened in the mid-1970s. Some sectors are reserved exclusively for Nigerian-owned enterprise, e.g., advertising, assembly of radios, televisions, and tape recorders, candle manufacturing, cinemas, commercial transport, and manufacture of suitcases and handbags. Other sectors require 60 percent Nigerian ownership, e.g., all undertakings with more than 25 million Nigerian pounds in annual turnover. Also limited to a maximum of 40 percent foreign equity are such sectors as banking, beer brewing, boat building, softdrink bottling, cement manufacturing, canning, construction, coastal shipping, supermarkets, fertilizer production, grain milling, manufacture of basic iron and steel, bicycle manufacture, the dairy industry, furniture, paint production, plastic and rubber products, mining, petrochemical feedstock industries, and pulp and paper mills (Evans 1979a, pp. 312-14; Business International Corporation 1979b, January).

The national bourgeoisie was predominant in Turkey from the 1920s. Although its position was considerably undermined in the 1950s and 1960s in favor of the internal bourgeoisie, it remains a major force. Turkey discourages foreign investment projects that primarily cater to the domestic market or rival existing export-oriented manufacturing industries. The Turkish state has a policy encouraging disinvestment as part of its policy of diminishing foreign ownership. Preference is generally given to projects that include majority local equity (although in 1979 the drift was toward allowing 50 percent and greater foreign equity in new investments). Increasing foreign investment is approved only if it brings in foreign exchange. The government has been putting increasing restraints on assembly industries, requiring them to use an ever increasing percentage of local components (Business International Corporation 1979b, March; Berberoglu 1977).

In Colombia foreign investment is restricted in sectors considered to be adequately handled by the local private capitalists in "key sectors for economic development," and in sections that produce "economically strategic goods." New foreign investment is banned in banking and insurance, most domestic transportation, advertising, and the mass media. New foreign investors are limited to 49 percent equity if they market local Colombian-made products and all foreign-owned enterprises that market imported products must export at least 40 percent of their sales and sell 51 percent of their equity to Colombians within 15 years. All banks must have at least 51 percent local equity. All new foreign investments in manufacturing must be limited to 49 percent foreign equity. The national bourgeoisie would seem to play a role in Colombia even if it is not as powerful as the internal bourgeoisie (Business International Corporation 1979b, October).

Although the internal bourgeoisie has been dominant in South Korea, the national bourgeoisie appears to be playing a growing role. South Korca's traditional open-door policy to foreign investment has been modified. Restrictions now exist on foreign investment to ensure that it fits in with developmental goals and does not hinder the growth of domestic industry. In the mid-1970s 234 products or processes in 17 general areas were open to foreign investment with all other fields in principle closed (although special exceptions are made). Closed areas include those designed to capitalize on the financial weakness of domestic enterprises, industries that strongly affect the supply and demand of raw materials and products, and industries competing with existing local enterprises. Although Korean legislation does not prohibit 100 percent owned subsidiaries, as a rule new investments are generally approved with up to only 50 percent foreign equity. The government is most likely to grant a high foreign equity in enterprises that provide "high technology" not locally available, produce for export, and encourage industrial integration (and do not attract local investors). In some sectors local participation must exceed 50 percent, e.g., purely labor-intensive industrial projects, industries dependent on domestic resources for major raw materials, and projects oriented mainly to selling their output on the local market (Business International Corporation 1979b, June).

Egypt, during the 1960s, appeared to be a classical case of a petty-bourgeois regime that acted against the interests of all segments

of the bourgeoisie. However, it appears a state bourgeoisie with an internal bourgeois attitude developed and became predominant after the death of Nasser. Egypt underwent a radical change in its policy toward foreign investment. While the Nasser regime in the 1960s nationalized almost all foreign investment, the Sadat regime in the mid-1970s opened up virtually the entire economy to foreigners. The transnational corporations were even given special privileges in some sectors not shared by local capital (Business International Corporation 1979b, July).

The national bourgeoisie had been predominant in Argentina during the Perón years (1946-55) but was overridden by the internal bourgeoisie in the period of successive military dictatorships after 1955. The comprador bourgeoisie had traditionally been dominant in Chile (with the exception of national-bourgeois dominance during the Balmaceda period toward the end of the nineteenth century). The internal bourgeoisie grew in strength and probably became predominant in the 1960s (its position being reflected in Eduardo Frei's Christian Democratic administration). Since the 1973 military coup a coalition of the comprador and internal bourgeoisie seems to have the upper hand with the national bourgeoisie definitely excluded.

Chile after 1973 came to adopt one of the most extreme free-enterprise and protransnational investment positions of any major less-developed country. Although its free-enterprise commitments were not as extreme, Argentina came to adopt somewhat similar policies toward foreign enterprise after the overthrow of the second Perónist administration in 1976. Together with Egypt's post-Nasser open door to foreign investment policies, the policies of Chile and Argentina represent a radical break with the policies of the immediately preceding regimes. All of the predecessor regimes were hostile to foreign economic interests (especially the Allende regime in Chile, which represented the working class, and the Nasser regime in Egypt, which represented the petty bourgeoisie). In all three cases "counterrevolution" brought with it the predominance of the internal bourgeoisie. The counterrevolutionary regimes had strong backing from the transnational corporations and the major imperialist states.

The review of the investment policies of most of the larger less-developed capitalist countries reveals that in most cases there are fundamental restrictions on foreign capital. Many sectors are reserved for local capital and other sectors or the entire economy frequently have equity requirements (which often restrict foreign participation to a minority share of equity). Generally those sectors in which local capital is concentrated (the less technologically advanced, more labor-intensive sectors) tend to be off limits while the high technology sectors (which lack much local competition) tend to be those where foreign investment is encouraged. In most countries in recent years there have been requirements for an increasing share for local equity. In only a few countries, especially Egypt, Chile, and Argentina, where in the 1970s conservative regimes displaced radical antitransnational regimes, has the tendency been toward easing equity requirements and opening up sectors formerly closed to foreign capital. This strongly suggests that the states in at least most of the less-developed capitalist countries reflect the economic interests of their internal bourgeoisie and to an increasing extent, their national bourgeoisie. These bourgeoisies are interested in expanding their share of the profits generated in the local economy either through increasing their share of equity in their partnerships with the transnational corporations or hy excluding the transnational corporations from sectors where imported high technology is not essential.

It should be noted that in the smaller countries, such as those of central America and the Caribbean and through much of sub-Saharan Africa, the restrictions on foreign investment (either in terms of equity or sectors) tend to be less than in the larger economies of the less-developed world. Here where the local bourgeoisie are significantly weaker, the transnational corporations generally find it easier to dominate.

The interests of the internal and national bourgeoisie in the less-developed countries are manifested in both their immediate economic and in their ideal interests. On the one hand they desire to obtain protection from transnational competition in sectors where the local bourgeoisie has sufficient capital and know-how, and an increasing share of the profits of the transnational corporations in those sectors where they do not. On the other hand, they have an interest in bourgeois nationalism. They tend to take seriously a commitment to national economic development, and the creation of an economically strong nation-state, one that can more effectively advance the economic interests of the growing bourgeoisie both at home and in its region. Many of the bourgeoisie of the larger less-developed countries such as Brazil have aspirations of entering the world (or at least the regional arena) as competitors of the advanced capitalist countries. The potential for growing interimperialist rivalry between the rising and old bourgeoisie, along the lines of that between the rising Japanese hourgeoisie and that of the United States and the United Kingdom in the first half of the twentieth century should not be ruled out a priori.

THE URBAN PETTY BOURGEOISIE

The petty bourgeoisie is intermediate in its control over lahor power (its own and/or others) between the capitalist class (whose function is primarily to control other people's labor) and the working class (which does not even control its own labor), and in general this class is a more economically and politically significant class in the less-developed countries than in the developed. It represents an average of over 40 percent of the urban population in the ten major less-developed countries for which there are sufficient data and an average of 28 percent in the three leading advanced capitalist countries (see Table 12.1).

The petty bourgeoisie's composition is radically different in the two sets of countries. While in the less-developed countries the independent petty bourgeoisie of self-employed businessmen, artisans, shopkeepers, and vendors averages 77 percent of the class, in the three leading industrial capitalist countries the average is only 40 percent. In the less-developed countries the traditional self-employed petty bourgeoisie plays a far greater economic role than in the developed countries. The functions they perform in the less-developed countries have been largely socialized and are now performed within the giant corporations.

Although the salaried petty bourgeoisie is much smaller in the less-developed than in the developed countries (5.5 percent versus 16.0 percent), they often play a political role in the less-developed countries considerably greater than their counterparts in the developed countries. This is especially true of those employed by the state, junior army officers, school teachers, lower-level administrators, engineers, agronomists, technicians, medical personnel, and so forth, and of students (most of whom are training for salaried petty-bourgeois roles, generally in the state).

The economic situation of both segments of the petty bourgeoisie is even more contradictory than it is in the developed capitalist countries. As a result, their political role tends to be even more ambivalent, with tremendous oscillations over time and considerable internal differences at a given point. At times the middle classes are the basis for antiimperialist populist movements that threaten the established order. At other times they are the bulwark of reaction and part of the social basis for bureaucratic authoritarian regimes.

During the period of the struggle for independence in Africa and Asia and through much of Latin America after World Wars I and II the petty bourgeoisie tended to support nationalist and antiimperialist movements that were hostile, both to the influence of transnational corporations and typically to their own domestic oligarchies (both rural and urban) as well. They sometimes allied with their national bourgeoisie (e.g., India and much of Latin America in the 1940s) and sometimes struck out on their own (e.g., in much of Africa where very little in the way of a local bourgeoisie of any type existed). In a number of countries petty-bourgeois junior military officers were the basis of coups d'etat against regimes dominated by the traditional oligarchies, e.g., Egypt, Libya, Ethīopia, Afghanistan, and Peru.

After the enthusiasm of newly won independence died down in Africa and Asia, and as the contradictions of the new regimes became predominant as did the contradictions of the Latin American populist regimes in the 1950s and 1960s, the petty bourgeoisie often turned away from relatively leftist political solutions, toward the Right. The growth in working-class militance, breakdowns in "law and order," and economic stagnation, attributed to populist or nationalist regimes, often resulted in serious economic difficulties for marginal businessmen. Under such conditions the petty bourgeoisie can easily turn to rightist, semifascist authoritarian solutions offered by the capitalist class, which holds out the promise of "law and order" and economic prosperity. Such became the case throughout most of Latin America, where this class as a rule militantly supported the military coups d'etat of the 1960s and 1970s in countries such as Chile, Brazil, Argentina, and Uruguay.

However, the middle classes do not fare as well under military rule as they hope. The contemporary bureaucratic authoritarian form of military rule (see the next chapter) implements economic policies most favorable to foreign and large domestic capital. Credit is restricted, tariffs are lowered, and other measures are taken to "rationalize" the economy– measures from which the self-employed petty bourgeoisie tends to disproportionately suffer. The salaried sector of the petty bourgeoisie tends to grow relatively rapidly because of the rapid expansion of state activities and the growth of big businesses. This sector nevertheless tends to grate under the humiliations of subordination to foreign capital, as well as to what they can easily experience as arbitrary rule and the lack of civil liberties for themselves.

Both sectors of the petty bourgeoisie tend to become nationalist because of their feelings of social humiliation and lack of fundamental control over their lives—a situation they can easily attribute to foreign domination. This class becomes disillusioned with the authoritarian rule of the transnational-local capitalist coalition. Its tendency is to increasingly support various nationalist opposition movements often in alliance with the working class and peasantry—movements to which they attempt to provide leadership.

Intellectuals, both students and employed professionals such as teachers, have traditionally played a central role in antiimperialist and anticapitalist movements in the less-developed countries. In many countries such intellectuals, along with junior army officers, are among the literate minority who are aware of world events and the extreme "backwardness" of their country, e.g., in Afghanistan and Ethiopia in the 1970s, and Peru in the 1960s. The intelligentsia grows rather rapidly in the less-developed countries because of the increased number of jobs resulting from the rapid expansion of the state and the emphasis normally put on education. Often, in fact, the number of university-educated people comes to exceed the number of professional openings, with the consequence of considerable resentment and thus potential for radicalization (toward either the Left or the Right).

The nationalist propensities of the petty bourgeoisie are felt especially strongly in the intelligentsia. Those whose lives center on learning, teaching, writing, and art have an especially strong identification with the idea of the natīon, and an especially strong resentment of foreign cultural and economic domination. This is both because of their own material interest in advancing their careers, and because of their genuine feelings of offended dignity as the representative of an oppressed culture. Similar feelings of national humiliation are experienced by junior military officers who sense their nation's economic (and thus military) inferiority and the subordination of their countries. They too have strong propensities to strive for rapīd economic growth and national independence. Again, this is the case for both ideal motives and material self-interest. This intelligentsia and/or junior officer strata of the petty bourgeoisie often lead antiimperialist movements that have sometimes succeeded in defeating imperialist influence, local allies of imperialism in the bourgeoisie, and the incipient national bourgeoisie to establish essentially petty-bourgeois states.

In such petty-bourgeois societies there are no significant private concentrations of wealth. No wealthy or state capitalist class dominates political decision making or benefits from state policies at the expense of the people. There is considerable input from the petty bourgeois (peasants, urban petty bourgeois, professionals, lower-level state managers) as well as state policies that primarily benefit these same groups. The state plays a central role in owning/controlling the economy. It typically runs the large, and much of the medium, industrial enterprises, as well as the wholesale trade, communications, and banking. Some leading examples of petty-bourgeois regimes have included Egypt in the 1960s, Tanzania after 1966, Burma in the 1970s, Somaliland in the 1970s, Libya after 1969, and Algeria after independence. Popular support for such petty bourgeois led regimes is secured by: first, the benefits that the working class and poor peasants get from them (increased wages, expanded social welfare, job security, land, credit to buy supplies); second, popular mobilization, typically through appeals to national pride against the imperial domination of the country and against the older ruling classes that have collaborated with foreigners, and sometimes the traditional religion (e.g., Islam) is used, with the regime claiming its goal is to reestablish a society based on religious fundamentals, fundamentals trampled on by the old ruling classes and the foreigners who formerly dominated the country (e.g., Libya, Iran); and third, repression of opponents, especially working class and poor peasant based movements and parties and those tendencies among intellectuals that reflect the interests of these groups.

Petty-bourgeois regimes are established by either popular revolutions against traditional monarchies or colonial regimes, or by popular military coups d'etat made by lower-level officers with firm roots in the petty bourgeoisie. Quite typically there is a period of a few years between the time of the initial anti-feudal/colonial revolution (or popular coup) and the institutionalization of a petty-bourgeois state (e.g., as in Egypt in the 1950s). This is because it often takes the new leadership some time to work out, through a process of trial and error, policies in the interest of its social base.

Petty-bourgeois regimes tend to occur in those countries where there was either no large wealthy landed or capitalist class, or where such classes were weak politically due to their lack of legitimacy in the eyes of the masses because of their collaboration with imperialism, their failure to develop the country, or to meet the reasonable demands of the people. Such regimes also tend to come into existence where there is no large working class or revolutionary movement with a working-class ideology (such as there was in China with the peasant-based Chinese Communist Party). The absence of a strong working class or powerful socialist movement means that there is: first, no socially significant alternative to the petty-bourgeois program for economic development, social reform, and assertion of national dignity; and second, no real threat to the relative privileges of the petty bourgeoisie that would drive it to collaboration with the old ruling classes/imperial powers, or attract large segments of it to socialism.

Petty-bourgeois regimes attempt a solution to the serious economic and social crises of the less-developed countries that promises improvement in the living conditions of the working class and poor peasantry, rapid economic development, and real national independence. But such regimes are typically unable to sufficiently mobilize their people to accomplish these ends because of the contradictory interests and ambivalencies of the petty bourgeoisie. Afraid of too radical land reform, working class or poor peasant involvement in the revolutionary process, or too much reliance on popular mobilization, which might threaten their relative privilege, they tend to back off from measures necessary to accomplish their stated goals. Petty-bourgeois regimes then tend to sink into economic stagnation and permanent social crisis. The attempt to run a state-owned economy without a popular party and/or other mechanisms necessary to generate enthusiasm among the working people, to replace the incentives of capitalist markets, necessarily fails. Petty-bourgeois regimes that attempt a noncapitalist development are all eventually faced with the nonviability of such a course and hence the necessity of moving to a different form.

One option for such regimes is to move toward state capitalism, allowing many of the regime's petty-bourgeois supporters and state administrators to transform themselves into state capitalists. Another option is to move to private capitalism, where some of the rich peasants, urban petty bourgeoisie, and state officials are able to accumulate capital and create (or take over) enterprises to become wealthy private capitalists. When the economy develops in this direction the former petty-bourgeois state typically evolves to a capitalist bureaucratic authoritarian regime. Such a course occurred in Egypt in the 1970s.

A very different option for petty-bourgeois regimes is to move to socialism, as did Cuba in the 1959-61 period. Faced with the realization that the initial petty-bourgeois program is not viable, revolutionaries in the leadership of a petty-bourgeois regime may well take the measures necessary to realize the goals of economic development, national independence, and social reform, in the process concretizing and radicalizing their initial vision. The realization of these goals necessarily implies building a strong party firmly rooted in the masses of working people and relying on popular mobilization, which in turn requires more egalitarian measures and more popular participation than the petty bourgeois had initially contemplated. In fact it means the undermining of much of the special privileges and prerogatives of the petty bourgeoisie and a consequent increase in the position and power of the working people.

Petty-bourgeois states are as politically unstable as the petty bourgeois. They can easily move to the Left or the Right depending on both the domestic class structure and its transformations (i.e., the existence or development of a strong working class or state bourgeoisie) and the balance of international forces (e.g., economic and military aid from the socialist and imperialist countries).

THE INDUSTRIAL WORKING CLASS

The industrial working class is the most rapidly growing class in the less-developed countries. With at least 500,000 people in their labor forces for which data were available in 1977, the less-developed countries had 12.5 percent of their labor forces employed as wage and salaried workers in the *manufacturing sector* (as production, service, sales, clerical, or administrative workers). In Latin America it was 13.9 percent, in South and Southeast Asia 5.1 percent, and in the Middle East 6.5 percent. This compares with an average of 25.1 percent for the three leading advanced capitalist countries (International Labor Organization 1979, Table 2A). Wage and salaried workers in the manufacturing sector represent 50 percent as much of the economically active population in the less-developed countries as in the developed.

For those Latin American and South and East Asian less-developed countries for which there are full data on the composition of the class structure an average of 12.1 percent of their total labor forces are in manufacturing production. (This includes both the wage earners and self-employed artisans in the production sector, and should not be confused with the 12.5 percent figure that excludes the self-employed while including the clerical, sales, and administrative staffs.) In the three largest advanced capitalist countries the comparable figure is 18 percent. Thus production workers in the less-developed countries (employed and self-employed in manufacturing) represent about two-thirds of the proportion of the labor force that they do in the advanced countries (see Table 12.3).

Industrial workers (employed and self-employed) include production workers in manufacturing, mining, public utilities, construction, transport, and industrial services. In the less-developed countries for which there are data, 24 percent of the economically active labor force are industrial workers while in the three largest developed countries, the figure is 36 percent (see Table 12.3). The less-developed countries for which there are data have two-thirds as many people in the industrial sector as do the developed countries. It should be stressed, however, that a much higher percentage of all those employed in the industrial sector in the less-developed countries are self-employed.

For the ten South Asian, East Asian, and Latin American countries for which there are comparable data, 70 percent of those in

TABLE 12.3: ***Distribution of Industrial Workers: Wage Workers and Self-Employed (percentage distribution)***

	Ecuador 1974	El Salvador 1978	Guatemala 1973	Iran 1976
Manufacturing	47.4 (11.4)	49.8 (12.5)	65.5 (12.3)	46.0 (17.0)
Mining and quarrying	1.1	1.2	.6	1.8
Electricity, gas, water	1.2	1.4	.9	.9
Construction	17.9	20.6	15.4	33.2
Transport, storage, communications	9.1	11.5	8.2	9.1
Industrial services	17.5	11.5	2.7	6.7
Total industrial workers	435,677 (24.1)[a]	357.4 (25.2)	282.5 (18.7)	3,326.9 (37.0)
	Pakistan 1978	**Philippines 1976**	**Sri Lanka 1971**	**Average of Seven LDCs[b]**
Manufacturing	53.0 (12.7)	50.8 (9.5)	32.3 (6.8)	49.3 (11.7)
Mining and quarrying	.5	1.6	1.3	1.2
Electricity, gas, water	1.3	1.1	.8	1.2
Construction	15.9	15.0	10.0	18.3
Transport, storage, communications	16.0	16.7	12.5	11.9
Industrial services	10.2	6.2	12.5	9.6
Total industrial workers	5,332.0 (23.9)[a]	2,948.0 (18.7)	926.4 (21.1)	— (24.1)
	W. Germany 1978	**Japan 1978**	**U.S. 1978**	**Average of Three DCCs[c]**
Manufacturing	59.5 (21.3)	49.7 (18.6)	42.7 (14.2)	50.6 (18.0)
Mining and quarrying	2.8	.6	1.6	1.7
Electricity, gas, water	1.2	.7	1.7	1.2
Construction	16.6	20.8	13.7	17.1
Transport, storage, communications	6.1	11.1	8.1	8.4
Industrial services	7.7	8.8	9.2	8.6
Total industrial workers	9,531.0 (35.9)[a]	20,210 (37.4)	33,854.0 (33.3)	(35.5)

[a]As a percentage of total economically active population.
[b]Less-developed countries.
[c]Developed capitalist countries.
Source: International Labor Organization 1979.

the industrial sector were wage and salary workers and 30 percent were self-employed or family workers as compared to 90 percent and 10 percent in the advanced capitalist countries. In Pakistan the number of self-employed production workers (mostly artisans) actually exceeds industrial wage workers by 50 percent while in others, namely Thailand, Bolivia, and Iran, there are at least half as many self-employed production workers as industrial wage workers. In others, namely South Korea and Chile, the ratio of self-employed production workers to industrial wage workers approximates that of the advanced countries (and in fact is less than that of Japan). If only *wage* and salaried earners are considered then industrial workers in the less-developed countries are approximately 19 percent of the total as compared to 32 percent in the developed countries (the ratio of the former to the latter is .53). (See Table 12.1.)

The distribution of subsectoral employment *within* the productive sector is very similar for both the developed capitalist and the less-developed countries. Approximately 50 percent of those in the industrial sector in both the less-developed and in the developed countries are in manufacturing. Likewise approximately 18 percent are in construction in both sets of countries. About 12 percent of industrial workers in the less-developed capitalist countries and 8 percent of industrial workers in the advanced capitalist countries are in transport, storage, and communications. About the same proportions of the *total* economically active population are industrial workers in this sector in both sets of countries (see Table 12.3).

The percentage of all those productively employed in the manufacturing sector was very close to the average in all the less-developed countries for which there were data except Guatemala, where it was about two-thirds of all those employed in production, and in Sri Lanka, where it was about one-third. Construction was especially high in Iran, where it represented 33 percent of this sector, and low in Sri Lanka, where it represented 10 percent. Transport, storage, and communications formed an especially large segment of those industrially employed in Pakistan and the Philippines, but a rather small segment in Iran, Ecuador, and Guatemala.

In general, production employment in manufacturing has about the same relation to total production employment in the less-developed countries as in the developed. The principal differences between the two sets of countries are: first, among the productively employed in manufacturing in the less-developed countries self-employed artisans form a significantly higher percentage; and second, in the less-developed countries white-collar employees represent

a smaller share of *total* wage and salary employees in the manufacturing sector.

Another important difference in the manufacturing sector of the less-developed and the developed countries is the much higher concentration of all manufacturing employment (wage and salary plus self-employed earners) in *light* industry in the less-developed countries. In 1976 28 percent were employed in heavy industry as compared to 58 percent in the advanced capitalist and 64 percent for socialist countries. Fifty-seven percent of all wage and salary earners in the less-developed countries in 1976 worked either in food, beverages and tobacco, textiles, or wearing apparel industries as compared to 27 percent in the developed capitalist countries. In contrast, only 14 percent of those employed in manufacturing in the less-developed countries were in the metal products, machinery, and equipment industries as compared to 39 percent in the advanced capitalist countries (see Table 12.4).

In 1976 Latin America was intermediate between Asia and the developed countries in the percentage of its employment in the manufacturing sector that was in heavy industry. While the average for Asia was 25 percent and for the developed countries 58 percent, for Latin America it was 39 percent. The trend is for the differential between employment in the heavy industrial sector between the developed and less-developed economies to decline over time. From 1970 to 1976 the proportion in this sector in the less-developed countries grew by 7 percent from 25.7 percent to 27.6 percent of the total. This overall tendency was most manifest in chemicals, petroleum, and plastics, basic metal industries, and metal products, machinery, and equipment (see Table 12.4).

In the 1965-77 period the rate of growth of employment in manufacturing was 4.4 percent a year in the less-developed countries as compared to .4 percent a year in the developed capitalist and 2.5 percent a year in the socialist countries. In heavy industry it was 5.8 percent a year as compared to .7 percent and 3.0 percent, while in light industry it was 3.9 percent, .0 percent, and 1.7 percent respectively. Latin America had a higher overall rate of growth in manufacturing employment than the average for all less-developed countries, but had a slightly less than average rate of increase in employment in heavy industry. Employment grew especially rapidly in the less-developed countries in metal products, chemicals, and presumably machinery and equipment. It grew slowly in textiles and mining and quarrying, two sectors that were experiencing declines in employment in the developed countries (see Table 12.5).

TABLE 12.4: Distribution of Employment in Manufacturing by Industry (percentage distribution)

	Less-Developed Capitalist Countries		Developed Capitalist Countries	
	1970	1976	1970	1976
Food, beverages, tobacco	20.7	20.2	10.9	11.1
Textiles	24.3	21.7	8.1	7.1
Wearing apparel	11.8	13.3	8.0	8.1
Wood products, furniture	8.8	8.9	6.3	6.6
Paper, printing, publishing	3.3	2.9	7.5	7.4
Chemical, petroleum, plastics	6.2	6.6	9.2	9.4
Nonmetalic mineral products	6.5	6.6	4.4	4.3
Basic metal industries	2.4	3.2	6.3	6.1
Metal products, machinery, equipment	12.4	13.5	37.3	38.0
Heavy industry[a]				
All LDCs[b]	25.7	27.6	57.1	57.0
Asia	23.2	24.9		
Latin America	36.8	39.0		

[a]Heavy industry is here defined as those industries with the following industrial classification numbers 341, 351, 352, 353, 354, 36, 37, and 38.
[b]Less-developed countries. Data in the third and fourth columns is for the developed capitalist countries.

Source: United Nations 1977a, Table 2.

TABLE 12.5: Annual Rates of Growth in Employment in Manufacturing, 1965-77 (percent)

	All Less-Developed Countries	*Latin America*	*Asia*	*Developed Market Countries*	*Socialist Countries*
All manufacturing	4.4	5.1	4.1	.4	2.5
Light manufacturing	3.9	4.6	3.6	.0	1.7
Heavy manufacturing	5.8	5.6	5.5	.7	3.0
Textiles	2.7	2.8	2.3	- 1.9	1.1
Chemicals	6.0	5.2	6.1	1.1	3.0
Metal products	6.0	6.1	5.7	1.1	3.1
Mining and quarrying	2.2	—*	2.2	- 2.1	- .3

*Data not available.
Source: United Nations 1977a, Table 2.

If present rates continue, the percentage of the labor force in today's less-developed countries in the manufacturing sector would catch up to that of the developed countries within two or three decades.

In the less-developed countries the majority of those in the productive industries are either self-employed artisans/homeworkers or are employed in very small shops using relatively traditional methods. However, with the rapid industrialization of the less-developed countries, a growing proportion of all production workers are employed in large modern enterprises with a relatively advanced division of labor.

An average of 37 percent of all those in the manufacturing sector of the less-developed countries for which data were available worked in enterprises employing five or more employees in 1975. This compared to 89 percent for Sweden. The average number of employees in such enterprises in the less-developed countries was 55, compared to 76 for Sweden. An average of about 40 percent of those in the manufacturing sector of the less-developed countries for which data were available were employed in enterprises employing ten or more. This compares with 81 percent in West Germany. The average numher of employees in such enterprises in the less-developed countries was 117, compared to 143 for West Germany (see Table 12.6). It is clear that a considerable proportion of those in the productive sector in the less-developed countries work in small shops. However, a considerable proportion of the workers (about 40 percent) are also employed in fairly large enterprises (approximately 80 percent the size of enterprises in the advanced countries). There is thus a basic differentiation within the working class in the less-developed countries between a modern highly socialized sector and a backward traditional sector.

Some countries have a particularly high proportion of their production workers in larger enterprises, indicating a fairly advanced industrial working class, while in others traditional artisan production clearly predominates. Fifty-six percent of Brazil's, 49 percent of Venezuela's, and 47 percent of South Korea's manufacturing employees work in enterprises of five or more. Fifty-one percent of all those in the manufacturing sector in Egypt and 57 percent of those in Turkey work in enterprises of 10 or more. The working class in these countries is more advanced than the average for the less-developed countries. On the other hand, the working class in other countries works under less socialized conditions and is thus more backward. For example, in El Salvador 25 percent, Guatemala 27 percent, and the Philippines 30 percent of workers work in enterprises with five or more workers, while in Iran 24 percent and in India 33 percent work in enterprises with 10 or more workers (see Table 12.6).

The trend is clearly in the direction of the employment of more workers in the highly socialized modern sector. For example, in Brazil between 1960 and 1969 the proportion of all workers employed in enterprises of more than 250 employees increased by 40 percent, while the proportion of those employed in enterprises of less than 10 employees declined to one-sixth of its former size (Munck 1980, p. 52).

In general, the urban working class in the less-developed countries is more heterogeneous than in the advanced countries. Not only is there a considerable gap between those in the modern highly socialized sector and those in the more marginal traditional sector, but there are considerable differences between those who are more or less fully socially integrated into urban working-class life (generally those whose parents were also industrial workers) and those recent rural immigrants with strong ties to the countryside. These latter workers often still migrate back and forth from the countryside where their heart remains to the city to attempt to earn money (perhaps to support their family, save money for marriage, or to buy land). There is also a relatively strong differentiation between those with fairly high skill levels (either traditional artisan skills or modern industrial skills) and the relatively larger mass of those without either type of industrial skill. The ratio of those with modern industrial skills to those performing unskilled labor is less in the less-developed than in the developed countries. This reflects the international division of labor that has disproportionately displaced relatively unskilled jobs to the less-developed countries. The transnational corporations minimize costs by taking advantage of the highly trained labor in the advanced countries rather than being burdened with the expenses of training skilled workers in the less-developed countries.

In general there is a strong correlation between those working in the relatively modern industries, those with modern industrial skills, and those socially integrated into the urban working class. It is these workers that are most likely to be organized into unions (where this is possible) and to be relatively advantaged in terms of social welfare benefits, job security, and wages. It is also these workers that have tended to be the principal support for the Marxist parties wherever they have significant strength. However, it is often the more marginal workers who initiate riots and other acts of spontaneous resistance against the system. This reflects a pattern very similar to that of the advanced capitalist countries where more integrated workers tend to be the most class conscious while new immigrants from rural areas often tend to be the most rebellious (see Leggett 1968, p. 64; Szymanski 1978, pp. 68-69).

TABLE 12.6: Some Characteristics of the Working Class in Manufacturing in the Less-Developed Countries (circa 1975)

	Number Employed in Manufacturing (in 1000s) (A)	As a Percentage of All Economically Active (B)	Number of Employees per Enterprise (C)	Minimum Definition of Enterprise Used in (C) (D)	Number of Employees in Such Enterprises (in 1000s) (E)	E As a Percentage of A (F)
Bolivia	145.4	9.7%	—	—	—	—
Brazil	6,543.1	16.5	50	5 or more	3,638.0	55.6%
Chile	446.5	16.6	194	50 or more	236.4	53.0
Dominican Rep.	—[a]	—	101	5 or more	122.4	—
El Salvador	203.1	14.2	72	5 or more	51.2	25.2
Guatemala	236.8	13.5	33	5 or more	64.2	27.1
Honduras	115.3	12.0	43	5 or more	36.8	31.9
Mexico	3.574.5	18.2	—	—	—	—
Peru	—	—	44	5 or more	216.1	—
Venezuela	658.7	16.2	44	5 or more	323.7	49.1
Nicaragua	115.3	16.1	—	—	—	
Egypt	1,354.7	14.3	131	10 or more	693.0	51.2
Iran	1.672.4	17.2	64	10 or more	396.3	23.7
Tunisia	240.6	14.8	59	5 or more	77.8	32.3
Turkey	1.243.6	7.6	112	10 or more	706.7	56.8
Cameroun	122.4	4.4	—	—	—	
Kenya	—	—	224	50 or more	108.9	—
Nigeria	—	—	176	10 or more	186.0	—
Bangladesh	946.1	4.6	137	10 or more	337.1	35.6
South Korea	3.016.0	21.6	62	5 or more	1.420.1	47.1
India	17,069.0	9.5	83	10 or more[b]	5,662.9	33.2
Indonesia	—	—	86	20 or more	750.9	—
Philippines	1,748.0	10.8	40	5 or more	532.0	30.4
Thailand	1,514.1	10.9	—	—	—	
West Germany	9.044.0	34.6	143	10 or more	7,332.0	81.1
Italy	5,425.0	24.9	128	20 or more	3,624.0	66.8
Sweden	1,037.3	24.9	76	5 or more	926.6	89.3

[a]Data not available.
[b]With power, 20 or more without power.
Sources: International Labor Organization 1979. Table 2; United Nations 1977a.

The differences in social integration, degree of skill, and relative privilege in job security and wages also reflect somewhat similar differences in the advanced countries during their periods of rapid rural to urban migration. In the 1870-1924 period in the United States millions of European peasants came to America (and many more migrated out of the sharecropping system of the U.S. South) with the intention of saving money and returning home. These ex-peasants also kept their peasant orientation and ties for some time. Until the Congress of Industrial Organizations (CIO) in the late 1930s, they were largely excluded from most U.S. unions as unskilled laborers, and were paid considerably less than native-born skilled workers. A major difference in the two cases is, however, that a much higher proportion of the new peasant immigrants to the U.S. working class came to be more or less immediately employed by large highly socialized enterprises. In the less-developed countries a much higher proportion of rural migrants become semi-proletarians working only sporadically, lumpen petty-bourgeois street vendors, or marginal service workers such as domestics.

The rapid growth of the modern industrial sector, however, brings with it the rapid growth of workers in the relatively skilled and much more socialized industrial sector. Eventually, if present trends were to continue, this sector will come to absorb the semi-proletariat and marginal workers more rapidly than the modernization of agriculture expels them, thus undermining the basis for the considerable heterogeneity of the working class in the less-developed countries.

The repressive regimes, which have become the rule in the less-developed countries, repress independent unions, roll back social welfare, and produce declines in the real wage and workers' standards of living. These measures have been disproportionately affecting the relatively better-off workers, while the bureaucratic authoritarian regimes' policies of rapid expansion of industry by creating large numbers of new industrial jobs have been relatively benefiting the more marginal sector of the working class. In summary, it seems that the trend is for the major divisions within the working class of the less-developed countries to decrease in importance and a class more homogeneous in terms of social integration, skill level, socialization of work, and wages to emerge.

The industrial working class, even when its size was considerably less than it is today, has played a principal role in revolutionary movements in many less-developed countries. It has given birth to organizations and popular ideologies that later, after taking hold in the peasantry, resulted in successful revolutions, e.g., in both Vietnam and China. In other places this class itself has been both the initiator and leading element *and* the major force in the revolutionary process, e.g., Russia (see Wolf 1969, chaps. 2, 3, 4, 6). The industrial working class has historically played a central role in propagating revolutionary ideas and leading militant anticapitalist struggles in a number of other less-developed countries, e.g., Cuba in the 1930s (Aguilar 1972; Zeitlin 1969) and Chile (see Petras and Zeitlin 1967).

The industrial proletariat has been a leading revolutionary agent throughout the economically less-developed capitalist countries. The early adherents of Marxist ideas (beyond a few intellectuals) have generally been the industrial workers. In Russia and China the back and forth migration from the towns to the nearby rural areas served as a transmission belt of working-class radicalism to the rural areas. In Cuba the workers in the sugar mills served as a transmission belt of radicalism to the rural cane cutters. The study by Petras and Zeitlin (1967) on the dissemination of Marxism from the miners to the peasantry in Chile is one of the most substantial empirical studies of the revolutionary effect of proletarianization on nonproletarian groups in the less-developed countries.

The reasons why the proletariat is the natural carrier of revolutionary ideas and organizational forms and why the peasants, the petty bourgeoisie, and other oppressed classes are unable to develop and sustain them on their own (even when they fight for revolution) lie in the special social condition of industrial labor. Proletarians, unlike petty-bourgeois property owners and peasants poorer than themselves, having no property have no stake in the existing property arrangements, and can more clearly see, being treated like capital for the sake of others' profit, that this is the case. The conditions of industrial labor tend to make the existing social relations transparent. While peasants might blame the weather or God's will, and the petty bourgeoisie good or bad luck, proletarians can more easily see that they produce everything and that the capitalist system is responsible for the way things are, not God, weather, or luck. The socialized conditions of proletarian labor also give the working class a feeling of their collective strength. The proletarian experience produces the awareness that as individuals they are powerless, but organized they have immense power.

It would seem that imperialism by accelerating the industrialization of the less-developed countries, thereby facilitating the rapid expansion of a modern industrial working class, is generating the basis for increasing political problems for itself, if not its eventual demise.

SUMMARY

In this chapter it has been shown that the class structures of all the less-developed capitalist regions are tending to become more homogeneous, both among themselves and in relation to the advanced capitalist countries. The tendencies predominant in earlier stages of capitalist imperialism to generate highly diverse class structures among the various colonial regions and to create and/or perpetuate a systematic difference with the advanced countries are no more.

Capitalist relations of production are now predominant in almost all the nonsocialist and non-petty-bourgeois societies of Asia, Africa, and Latin America. Feudal and semifeudal relations still play an important role in only a handful of countries although there are semifeudal vestiges in a number of regions. Patriarchal/tribal relations do, however, continue to play an important role through much of sub-Saharan Africa. But capitalist relations of production are everywhere rapidly displacing feudal and tribal remnants. This is true hoth in the class structures of societies as a whole and within the declining agricultural sector.

In most nonsocialist and non-petty-bourgeois societies, the internal bourgeoisie has the upper hand. The economic interests of this class lie in integration with the transnational corporations. But unlike the traditional comprador bourgeoisie (which today plays a relatively small and declining role), this class has an interest both in increasing its share of the profits from joint enterprises and in the industrial development of their countries. While politically and economically dominant in only a few countries in the 1970s, the national bourgeoisie, which is in essential contradiction with transnational capital, appears to be growing in importance through most of the less-developed capitalist countries.

The urban petty bourgeoisie in the less-developed countries is still composed predominantly of self-employed artisans and merchants, a large proportion of which are economically marginal. The self-employed petty bourgeoisie plays a much greater economic role in the less-developed countries than in the advanced. Although much smaller than its counterpart in the developed countries, the salaried petty bourgeoisie intelligentsia, together with junior army officers, plays a much greater political role in these countries than in the advanced capitalist countries. This stratum is often the leading force in progressive movements, in a number of instances actually seizing power and installing progressive petty-bourgeois regimes.

The industrial working class is the most rapidly growing class in the less-developed countries. Wage and salary workers in industry

as a whole in the mid-1970s in the less-developed countries represented about 55 percent as much of the economically active labor force as they did in the advanced capitalist countries. The working class in the less-developed countries is significantly more concentrated in light industry and smaller enterprises than is the case in the advanced countries. However, there is a strong trend for employment in heavy industry and large modern enterprises to increase at the expense of traditional artisan and light industrial production. The rapid growth and modernization of the industrial working class in the less-developed countries indicates that this class, which has traditionally played an active revolutionary role, will increasingly become a major political force.

13

THE CAPITALIST STATE IN THE LESS-DEVELOPED COUNTRIES

The state in the less-developed capitalist countries, like all capitalist states, performs five fundamental functions: first, protecting private property and preserving order; second, securing legitimacy for the dominant class institutions; third, facilitating the accumulation of capital; fourth, facilitating the formation and tempering the will of the capitalist class, often selecting which segment or bloc will be politically dominant on the basis of the economic logic the state finds itself in; and fifth, funding itself, largely through taxation.* However, there are considerable differences in relative emphasis and effectiveness, as well as in the contradictions among these functions, between the advanced and the less-developed capitalist states.

Considerable differences exist in the composition of the politically dominant blocs in the two sets of states as well as in the predominant forms of domination. There are considerable variations in the degree of the relative autonomy of the state from direct control by the capitalist class, or its dominant bloc, among the states of the less-developed countries, but there is little difference in this respect from the advanced capitalist countries. Differences that at first might appear to be in degree of relative autonomy, i.e., the relative frequency of parliamentary forms, generally turn out to be more of form than of autonomy.

*See Szymanski 1978, chaps. 8 and 9, for a full discussion of these functions as they apply to the advanced capitalist countries.

The states established in the former European colonies were generally based on a coalition with the traditional comprador interests (mostly landlords and the commercial bourgeoisie), or in case of much of Africa and the Pacific Islands tribal chiefs who benefited from colonial rule. These states were equipped with strong repressive apparatuses appropriate to controlling (to the extent necessary) all classes in colonial society in the interests of the metropolitan bourgeoisie. Upon formal independence the local ruling bloc thus inherited a relatively strong military and state bureaucracy equipped to repress the domestic class struggle in their interest (see Alavi 1973).

The generally declining legitimacy of the postcolonial state as well as the class or class fraction that the ex-colonial powers leave in control, together with the serious economic problems and the high level of class conflict the newly independent countries face, makes it virtually inevitable that the strong repressive apparatus inherited from the colonial period will be used to efface the parliamentary forms implanted by the ex-colonial power. The question is, in the interest of which class or class fraction is the state used.

Those states, such as the Latin American republics, that have long been formally independent evolved strong militaries whose principal function became the suppression of class conflict, almost always in the interests of the propertied class (they almost never fought wars with other countries). In these countries, too, when popular demands significantly intrude into the parliamentary forms, initially instituted in imitation of the British or French, the strong repressive apparatus has systematically repressed them.

The states in the less-developed *capitalist* countries generally represent three principal forces: first, the national bourgeoisie who can often mobilize considerable popular support; second, the transnational corporations and their imperial states in coalition with the local comprador bourgeoisie where it is a force; and third, the internal bourgeoisie. Typically one or a coalition of two of these groups is predominant as the power bloc dominating the state. In most cases in the 1960s and 1970s the internal bourgeoisie has been in an especially strong position because its interest lies midway between the national bourgeoisie and the transnational corporations/comprador bourgeoisie. In most less-developed *capitalist* countries in the 1960s and 1970s the internal bourgeoisie and the transnational corporations/comprador bourgeoisie have together formed the dominant power bloc.

The power of the transnational corporations and banks and the imperialist states that represent their interests impacts the local states through a number of mechanisms other than the direct political clout of the transnational corporations' subsidiaries and their local partners and allies in the comprador and internal bourgeoisie. Their power in varying degrees is also manifested through: first, the pressure of all classes on the state to the extent that the ideological hegemony of imperialism through education and the mass media has influenced mass consciousness (see Chapter 8); second, the threat of foreign military intervention or an imperialistic-supported domestic military coup by a fraction supportive of policies approved by the imperialist state (see Chapter 6); and third, the tremendous economic pressure that the transnational corporations and their state can exert through expanding or contracting trade, loans, foreign aid, and investment (see Chapter 7). Thus in all the less-developed capitalist states the transnational corporations and their allies are a major political force.

The tremendous military, ideological, economic, and domestic political power (through their partners, and allies) of the transnational corporations is in varying degrees countered by the power of the national bourgeoisie, together with the need for the state to preserve its legitimacy (as well as the legitimacy of the dominant propertied groups) in the eyes of the people. The relatively strong state apparatuses of most less-developed countries provide the means by which these two conflicting pressures are counterbalanced. The predominance of the economic interests of the internal bourgeoisie in the 1960s and 1970s was normally guaranteed by this process. This is true whether or not it is directly ruling the state through its representatives or military officers or civilian administrators of petty-bourgeois backgrounds are in power elite positions within the state apparatus.

Unlike as in most of pre-World War I Latin America or such countries as Ethiopia before the overthrow of Haile Selassie, Afghanistan before the 1978 revolution, or Saudi Arabia through the 1970s, the states in many less-developed countries have increasingly achieved a significant degree of *relative autonomy* from direct control by their dominant economic classes. This relative autonomy has become increasingly *possible* because of the growing size and strength of the state bureaucracy and military and has been *realized* because of the conflicting interests that the state must respond to (namely the conflicting demands placed on it by the transnational-comprador coalition on the one hand, and the national bourgeois-popular coalition, or mass pressure, on the other). The growing relative autonomy of many less-developed capitalist states means that the state is not the *simple* instrument of the transnational corporations, the national bourgeoisie, or even the internal bourgeoisie (see Alavi 1973; Patankar and Omvedt 1980).

Most states in the less-developed capitalist countries have considerably improved their position vis-à-vis the transnational corporations in the postindependence or post-World War II period. The process has been facilitated by the growing competition among the various advanced capitalist countries (e.g., the United States growing at the expense of France and Great Britain in Africa, the Germans and Japanese growing at the expense of the United States in Latin America and Asia) as well as by the strengthening of the local states produced by the economic development and partial industrialization of the less-developed countries. The improved position of the states of the less-developed countries vis-à-vis imperialism is most clearly illustrated by the nationalization of both petroleum wells and refineries in most of the OPEC countries and the radically increased resources that this has brought these countries.

THE DEVELOPMENT OF BUREAUCRATIC AUTHORITARIAN REGIMES

Through the 1960s and 1970s the states of the less-developed countries have been becoming increasingly authoritarian and repressive of popular movements. At the same time they have been expanding their state bureaucracies and for the most part increasingly taking on economic functions. The emergent regimes have been characterized as "bureaucratic authoritarian" states by Guillermo O'Donnell, who has provided a cogent analysis of their rise.* Three principal characteristics of the bureaucratic authoritarian capitalist states are currently predominant in most of the major less-developed capitalist societies. First, comprehensive state administrative apparatuses exist that penetrate most of society, utilizing a "technocratic" ideology of efficiency and growth to justify their role. Second, the systematic repression of the trade union and peasant movements, the roll back of social welfare, widespread terror against leftist opponents, and the attempt to depoliticize the lower classes (which are systematically excluded from the political process) are all prevalent. This implies the decision to largely ignore the legitimation function, substituting for it overt repression as the means of dealing with popular demands from the lower classes. Third, there is an emphasis on facilitating and accelerating the capital accumulation process especially in "deepening" industrialization (i.e., building up heavy and relatively technologically advanced industry) through

*The discussion that follows is heavily indebted to O'Donnell 1977, 1978.

encouraging transnational investments, direct state participation in the economy often in joint enterprises with private or foreign capital especially in those areas in which local private capital is unwilling or unable to invest, and the freezing if not lowering of wages and the decline of working class living standards, and the consequent expansion of funds available for accumulation.

The institutionalization of bureaucratic authoritarian regimes typically comes about through the initiative of top military officers working closely with segments of business, with the overwhelming support of almost all sectors of capital. However, they are very much products of the structural logic the military and the state find themselves in. They thus must primarily be understood in terms of the "relative autonomy" of the state, i.e., the state's ability to free itself from the direct control by the majority of wealthy individuals and to act in the longer term interests of the capitalist class as a whole. The "relatively autonomous" state is able to sense the collective capitalist class interest better than can the simple aggregate of the individually wealthy. The military and state leaders must respond to the real structural possibilities of creating economic prosperity, maximizing capital accumulation, regenerating "business confidence" (for both local capital and the transnational corporations), restoring confidence in the system (i.e., restoring the legitimacy of the state in the eyes of the privileged classes), and ensuring law and order *within* the parameters of the world capitalist system. Failure of state officials and military officers to develop those policies dictated by the capitalist logic of the situation results in pressures for their removal, demotion, and other forms of negative sanctioning. Understanding what needs to be done and implementing such policies, on the other hand, results in career advancement, enhanced position of one's institution, and enhanced feelings of self-worth.*

In fact, far from being the simple instrument of the propertied classes, the bureaucratic authoritarian state actually develops and strengthens certain sections of the propertied classes, namely the internal and national bourgeoisie, as *by-products* of the structural requisites it must fulfill. Its need to maximize capital accumulation results in the rapid development and strengthening of the internal bourgeoisie associated with transnational capital and its need to secure legitimacy eventually results in it building up and strengthening a national bourgeoisie. And frequently, the growth of major

*For discussions of the relative autonomy of the state see Block 1977; Gold et al. 1975; Offe 1973; Poulantzas 1968; and Szymanski 1978, chap. 11.

state productive enterprises generates a significant state bourgeoisie of either national or internal bourgeois inclinations.

In Latin America in the 1940s and 1950s populism was predominant. In good part populist regimes such as those of Perón in Argentina and Varga in Brazil as well as movements like that of APRA in Peru, Accion Democratic in Venezuela, and the Movimento Nacionalista Revolutionario in Bolivia represented coalitions of the national bourgeoisie and petty bourgeoisie that appealed to the working class for support against the traditional landed and commercial oligarchy. Leaders, often charismatic military dictators, gained the support of the people by improving wages and living conditions, enhancing the masses' feelings of dignity by using nationalist rhetoric and taking actions against foreign interests as well as by celebrating the common people (e.g., Perón's *descamisados*). At the same time the national bourgeoisie was given a central role in the populist regimes—to promote economic growth. This period of populism brought the masses of working people into politics. Their aspirations grew and their desire for continuing increases in their living standards was stimulated. The politicized masses came to demand more and more from the state and industry (see Malloy 1977, chap. 1).

In the newly independent countries of sub-Saharan Africa, the Middle East, and South and Southeast Asia the expectations of the masses of people had been raised by the independence movement. In many countries the people had been politicized through the nationalist struggle and had high hopes for improvements in their lives after the expulsion of the old colonial power. Here, too, the postcolonial regimes at first typically attempted both to improve the conditions of the people and to accelerate economic development. Populist regimes such as Nehru's in India, Sukarno's in Indonesia, and Nkrumah's in Ghana were common.

However, populist policies that activated the masses and increased their expectations resulted in an untenable situation for the bourgeoisie. Funds were diverted from investment to wages and welfare. Incentives to invest declined as "business confidence" plummeted. The economies in these countries stagnated due to lack of private investment capital. The accumulation and legitimation functions of the state came into conflict. Either the regimes would have to move to the Left (as in fact happened in Cuba), rejecting the logic of the world capitalist system, relying instead on popular mobilization and technical and economic assistance from the socialist countries, or popular demands would have to be repressed and economic growth pursued through a combination of forced local accumulation and foreign capital and technical assistance. The politically dominant capitalist class faced with growing popular demands on the one hand

and declining investment and growth rates, flight of capital, balance of payments crises, and hyperinflation on the other became increasingly receptive to bureaucratic authoritarian solutions. At the same time, the middle class turned away from populism, likewise becoming sympathetic to authoritarian solutions that held out the hope of pushing back the working class and reviving the middle class' declining position.

THE REPRESSIVE FUNCTION OF THE STATE

To induce local capital to invest, to increase the sums available for investment, and to attract the technologically advanced foreign capital necessary for the deepening of the industrialization process within the parameters of the capitalist system, it was necessary to ensure social stability, bring unions under the control of the state, prohibit or greatly restrict strikes, and repress leftist movements in the working class, while at the same time taking other measures to reduce wages and increase work discipline, thereby increasing profits.

The transnational corporations came to be regarded as the leading dynamic force for accelerating industrial development and the resolution of the general economic crisis in ways acceptable to both the upper and middle classes. Together with heavy state investment in the economy, foreign investment came to be seen as the way to rapidly develop heavy industry, increase the export of industrial goods, develop the basic infrastructure, and increase the production of diversified consumption goods and services for the high income strata.

Both local capital and the transnational corporations looked to the military as their savior from social disintegration, economic collapse, and the Communist threat. The military intervened to establish the order and social peace considered necessary for economic growth by the capitalist and middle classes. Whether or not the military continues to rule directly, or as usually happens, after a few years, sets up a facade of pseudoparliamentary forms such as happened in Brazil, it remains the real source of political power. It actively intervenes when necessary to set the civilian administrators straight (e.g., as periodically happens in Turkey and Argentina).

Repression of the Left and working class and peasant organizations is especially necessary and has been the most intense where the working class and peasantry have been the most politicized in the previous period. The politically active popular sector has to be

politically excluded through systematic repression. Thus those countries that had the strongest leftist movements and the largest working class and peasant movements have experienced the most vicious repression. In Indonesia, which had the largest Communist Party of any nonsocialist country, over 1 million Communists and sympathizers were killed after the military coup d'etat of 1965. Twelve years after the coup there were still between 55,000 and 100,000 political prisoners (Chomsky and Herman 1979, p. 208). Tens of thousands were killed and many more leftists imprisoned in Chile after 1973, Brazil after 1964, Uruguay after 1973, and Argentina after 1976—all countries with strong working class and leftist traditions. Between 1973 and 1978 40,000 people, or 1.5 percent of the Uruguay's entire population, were imprisoned for political reasons (Chomsky and Herman 1979, pp. 270-72). In the two years after the Argentine coup 15,000 political opponents became "disappeared persons" killed without trial by the police (Chomsky and Herman 1979, pp. 266-67). Officially sanctioned "death squads" (of off-duty policemen and right-wing vigilantes) operate throughout Latin America, picking up and killing political opponents with impunity. Amnesty International estimates that between 20,000 and 60,000 people in Guatemala alone were killed by such death squads or after being arrested by the police between 1966 and 1978. Amnesty International does not adopt "prisoners of conscience" in this country, as it does in so many others, because all prisoners of conscience are "murdered within a short time of their detention" (Amnesty International 1978, p. 123).

Estimates of the number of political prisoners in Iran between 1973 and 1976 range from 25,000 to 100,000. Thousands were killed by the Shah's secret police, SAVARK (Chomsky and Herman 1979, p. 13). South Korea and the Philippines have systematically repressed leftist and working-class opposition. Over 60,000 persons were arrested for political reasons by the Marcos regime in the Philippines between 1971 and 1977. Numerous persons have been imprisoned in South Korea for their writings, speeches, or union activity (Amnesty International 1978, pp. 170-72, 183-85; Chomsky and Herman 1979, p. 234). Suppression of basic liberties and the right to organize for the vast majority of South Africa's working class is systematic. The Republic of South Africa detains opponents without trial and restricts their freedom of movement, expression, and association. Use of torture, arrests, and executions by police without trial are common throughout the bureaucratic authoritarian regimes of the less-developed capitalist countries. Large-scale and systematic terror against leftist and working-class movements have proven to be an effective method of depoliticization of the masses of people, and thus of lowering the pressure on the state to improve living standards. Systematic repression ensures social stability and consequently succeeds in both attracting foreign capital and increasing the domestic funds available and willing to invest, thereby accelerating the capital accumulation process.

Leftist and militant leaders have been systematically expelled and excluded from positions in working-class organizations, and leftist organizations banned. Trade unions have been integrated with the state to prevent them from disrupting the profit-maximizing possibilities of the corporations (both local and transnational). Strikes have been outlawed or severely restricted while workers' job security has been considerably reduced. The undermining of job security greatly magnifies the risks involved in any type of protest or radical activity on the part of workers. Under the corporatist integration of the unions in the Brazilian state after 1964, the unions received funds from the state to support welfare activities for their members but could not strike unless authorized to do so by the labor courts. Such authorization was rarely given except when an employer violated a legally established labor contract. It is not given for strikes to improve conditions or gain a wage increase. Penalties for unauthorized strikes include fines, removal of union leaders from office, dismissal of strikers from their jobs, and decertification of the unions involved, including the loss of their state welfare subsidy (Mericle 1977).

THE ACCUMULATION FUNCTION OF THE STATE

In the bureaucratic authoritarian solution adopted by most of major less-developed capitalist societies since the 1950s the state frequently becomes the principal source of investment funds, even while the transnational corporations become the leading edge of the industrialization process through their provision of technology and organization. State enterprises often play a crucial role in breaking through crucial bottlenecks such as in petrochemicals where commonly neither private local capital nor transnational capital are able or willing to invest (Evans 1979a, p. 278; Kidron 1965; O'Donnell 1977, 1978).

In Brazil in 1972 the state owned a majority of the equity in 46 percent of the top 100 nonfinancial firms, and 15 percent of the assets of the top 300 manufacturing firms (Table 7.4). State ownership is concentrated in metals fabrication (51 percent of the assets of the top 300 manufacturing firms), petroleum refining (82 percent) and chemicals and petroleum (18 percent) (see Table 7.4). The Brazilian state also plays a strong role in mining (in 1973 holding 63 percent of the assets of the largest mining companies), banking and finance (38 percent), and not surprisingly, railroads (100 percent), telegraph and telephone (97 percent), and electric power (79 percent) (Evans 1979a, p. 221). According to one estimate, the state accounted for approximately 60 percent of all new fixed investment in Brazil in 1969 (Evans 1979a, p. 220). The Brazilian state's share of total assets of the 300 largest industrial firms increased from 17 percent in 1966 to 30 percent in 1972. The major state enterprises grew at a rapid rate. The assets in dollars of the five largest state owned enterprises grew by 161 percent from 1967 to 1973 as compared to the 94 percent growth in assets of the transnational corporations (Evans 1979a, p. 223).

The pattern observed in Brazil is typical for the majority of the larger less-developed capitalist countries. In Mexico in 1972 the state held 16 percent of the assets of the largest 300 manufacturing corporations, and owned a majority of the equity in 30 percent of the top 100 nonfinancial corporations. The state played the strongest role in mining (39 percent), of assets, primary metals (24 percent), electrical machinery (16 percent), chemicals (20 percent), and textiles (22 percent). (See Table 7.3.)

The Indonesian state owns and runs a considerable share of that country's economy, including mining, shipping, fishing, retailing, banking, plantations, and manufacturing. The state petroleum company, Pertamina, is the most important state enterprise. This enterprise has itself branched out to other sectors of the economy such as shipping, insurance, housing, fertilizer, distribution, and manufacturing. Pertamina funded a state-owned steel company. The state is extensively involved in mining operations that are reserved to the state (along with petroleum and forest resources) by law. The state does, however, allow foreign capital to participate in joint ventures in these areas. The Indonesian military, in addition, controls a number of conglomerates designed both to provide jobs for veterans and supplement its income (Business International Corporation 1979b, August).

The Korean state has a monopoly in tobacco and ginseng. It provides such public services as electricity, housing, and water. It also owns or controls much of commercial banking and plays a strong role in petroleum refining and heavy industry, such as aluminum refining, chemicals, and iron and steel (these are often in joint enterprises with private capital). The Korean government's policy is: first, to divest itself of public enterprises when private capitalists become willing and able to take over enterprises; and second, to take control of businesses considered important to the economy or military in the event they have serious financial difficulties (Business International Corporation 1979b, June).

The Nigerian state is centrally and increasingly involved in the productive sector. The state in the late 1970s was providing about two-thirds of productive capital outlays. Its policy is to invest in enterprises that local capital has insufficient funds or know-how to undertake (typically in the form of joint ventures with foreign or local capital). State policy is that the state owns the strategic sectors of the economy. The state reserves for itself a minimum of 55 percent equity in iron and steel, petrochemicals, fertilizer, and petroleum distribution. The Nigerian National Petroleum Corporation has a majority share in all oil-producing companies (Business International Corporation 1979b, January).

The Colombian state has considerable economic holdings in railways, ports, communications, petroleum, arms manufacture, electric power, and alkali manufacture as well as a monopoly on salt and the distillation of some liquors. The principal governmental holding company, the Instituto de Fomento Industrial (IFI), takes the initiative in establishing new industries in sectors where private enterprise is unable or unwilling to develop. IFI enterprises included companies in fishing, chemicals, metalworking, nickel, and finance as well as auto production (in joint ventures with transnational auto firms). While the IFI does divest itself of some unprofitable enterprises, unlike the South Korean state its policy is *not* to sell profitable enterprises. The Colombian state is playing a growing role in the basic industrial sectors where private investors lack sufficient know-how or funds, especially in petroleum and mining (often in joint ventures with local and transnational capital) (Business International Corporation 1979b, October).

By no means is heavy state involvement in the economy limited to bureaucratic authoritarian regimes. It is also the case where the national bourgeoisie is at the center of the ruling power bloc (e.g., India, Argentina during the Perón years, or Turkey in the 1920-40 period), or where exceptional sources of revenue such as petroleum allow the dominant groups to "buy off" the people through raising their living standards (e.g., Venezuela), making systematic repression unnecessary. In both types of cases rule through parliamentary forms, although even here the exception, has proven viable.

India, where the internal bourgeoisie-transnational alliance is not dominant, does not have a bureaucratic authoritarian regime. Even during the period of Indira Ghandi's emergency decree rule, the degree and class nature of the repression was very different from that characteristic of true bureaucratic authoritarian regimes such as those of Iran under the Shah, post-1965 Indonesia, or Argentina, Brazil, Chile, Uruguay, Guatemala, and so forth in the 1970s. The Indian state, under the leadership of the national bourgeoisie, was with Turkey (and of course Japan) among the first less-developed countries where the state came to play a central role in the capital accumulation process to promote industrialization. Countries like India, Turkey, and Japan, where the national bourgeoisie was the dominant class, in fact, showed the way to the industrialization-promoting regimes of the 1960s and 1970s.

The Indian state has a monopoly in shipbuilding, rail transport, and the mining of certain materials such as copper and sulfur. It plans to eventually take 100 percent control of the petroleum sector. All new industries in iron and steel, heavy plant and machinery for basic industries, aircraft, electricity, atomic energy, and all mining are reserved for the state. The state also plays a major role in the chemical industry and banking. In 1969 India nationalized the 14 leading commercial banks, which together held 80 percent of all banking assets (Business International Corporation 1979b, March).

In Venezuela, clearly not a bureaucratic authoritarian state, if only because its oil wealth allows it to buy off rather than repress its working people, the state owns the petroleum and iron mining industries and plays the predominant role in steel, petrochemicals, and aluminum. The state's share of total domestic productive investment in the late 1970s was approximately 50 percent. Joint enterprises with local and transnational business are undertaken in those areas that the private sector is unable to develop (Business International Corporation 1979b, November).

In some countries, such as Argentina, Egypt, Pakistan, and Turkey, heavy state involvement in the capital accumulation process was initiated by the national bourgeoisie, or, in the case of Egypt, the petty bourgeoisie. The role of these classes has been assumed by the internal bourgeoisie that have transformed the states of these countries into bureaucratic authoritarian regimes.

Since the 1920s the state sector has played the central role in Turkey's economic development. Its self-conscious goal has been the development of the country's industrial base (because private capital was inadequate). The Turkish state in 1979 owned about 47 percent of Turkish industry. While the government does sell some public enterprises to private capital, in general this policy has had little effect in reducing the role of the state sector. In the late

1970s the state's emphasis was on development of infrastructure, especially energy. The state is heavily involved in textiles, mining, chemicals, fertilizers, paper, electricity, and petrochemicals (Business International Corporation 1979b, March).

While the military regime that displaced the second Perónist administration returned many formerly state enterprises to private capital, the state's role in the Argentine economy remained extensive, especially in natural resources, petroleum transportation, public utilities, and war-related industries. The Argentine state also plays a significant role in such other basic industries as steel, aluminum, and petrochemicals—sectors in which local private investors are unable or unwilling to undertake the necessary investments (Business International Corporation 1979b, July).

In the mid-1970s the Pakistani state, at a time when the national bourgeoisie had the upper hand, nationalized domestic banking, maritime shipping, domestic oil marketing, insurance, automobiles, vegetable oil, cotton and rice export, wheat milling, and cotton gins. Other sectors reserved to the state include railroads, airlines, atomic energy, telepbone and telegraph, arms manufacture, the manufacture of basic metals and their alloys, iron and steel rolling, the manufacture of heavy engines, cotton textile and sugar mill machinery, mining machinery and equipment, large electrical equipment, the assembly and manufacture of motor vehicles, and the manufacture of basic petrochemicals and cement (Business International Corporation 1979b, October).

During the Nasser years, a period in which the petty bourgeoisie played the leading role, most heavy and medium industry was reserved for the state, along with transportation and other public services, oil, and mining. Further, a large percentage of foreign trade as well as the wholesale and retail trade and most insurance and banking was publicly owned. In 1979 the state still ran over 50 percent of the economy. The Sadat administration, however, has opened much of the formerly exclusively state sector to private investment while implementing a policy of gradually turning state enterprises over to private capital. Official policy now dictates that the state should own heavy strategic industries but that light industry should be left to private enterprise (Business International Corporation 1979b, July).

In the smaller less-developed countries, the role of the state sector of the economy is usually somewhat less than in the major less-developed countries discussed above. However, it is of considerable importance to note that the state almost everywhere among the larger less-developed capitalist countries plays a central role in the

economy, often accounting for around 50 percent of total industrial investment or output. In most cases the share of the state has been increasing over time (Egypt, Chile, and Argentina in the late 1970s, all of which acquired rightist regimes in the 1970s, are notable exceptions to the general trend). The state generally exercises considerable economic power that it uses to create stronger and more integrated national economies in the interest of the local bourgeoisie (national, internal, and state). To the extent the state-owned economic enterprises are autonomous of central state control, the managers of such enterprises may well be regarded as "state capitalists" with interests similar to those of the internal bourgeoisie to which they are often tied both in joint ventures and social life. These two groups tend to have a common interest in creating an economic basis for a strong state that can advance their common interest.

BUREAUCRATIC AUTHORITARIANISM AND FASCISM

As repressive as bureaucratic authoritarian regimes are in the less-developed countries, they have important differences with classical fascist regimes, especially that of Nazi Germany. It would thus be a mistake to broaden the usage of the term "fascist" to encompass them. Contemporary bureaucratic authoritarian regimes in the less-developed countries share with classical fascist regimes the characteristics of systematic repression of leftists and working-class organizations, the subordination and integration of unions into the state, the suppression of popular demands for improvement in living standards, and the expansion of the state's role in the economy. However, bureaucratic authoritarian regimes differ fundamentally from classical fascism in the nature of the class coalition that dominates the state. Classical fascism arose as a coalition between the petty bourgeoisie and the national bourgeoisie. As a result, true fascist regimes are fundamentally hostile to foreign economic and political interests. Contemporary bureaucratic authoritarianism is dominated by the internal bourgeoisie and the transnational corporations. These regimes thus have a central interest in foreign economic interests occupying a central role in their economies. While the traditional fascist appeal to nationalism could ring true as an ideology of legitimation and mobilization in the relatively advanced capitalist countries, it is only of limited usefulness in bureaucratic authoritarian states. This is because of the obvious hypocrisy of nationalist rhetoric in a situation of thorough dependence on the transnational corporations. For this reason true fascism is unlikely in the less-developed capitalist countries. There nationalism is essentially a progressive ideology that when taken seriously mobilizes people against imperialist domination. The opposite is the case in the advanced capitalist countries, where nationalism is by nature conservative and tends to be mobilized by imperialism for expansionist purposes. Because nationalism can not be effectively mobilized for any length of time by bureaucratic authoritarian regimes, they tend, after their first few years, to be much less effective and much less stable than classical fascist states such as that of the Nazis.

Classical fascism tends to occur in countries that are already relatively highly industrialized under conditions of economic and political crisis (crises similar to those that produce bureaucratic authoritarian regimes in the less-developed countries).* As a result of the different level of industrial development at which the two types of authoritarian regime are installed, different options are available to expand capital accumulation. In the classical fascism of the developed capitalist countries the primary thrust is toward an especially aggressive imperialism and *extensive* capital accumulation. In the bureaucratic authoritarianism of the less-developed capitalist countries, it is toward state-subsidized intensive accumulation. The imperialist option is generally foreclosed by the predominant imperialism of the developed societies, which both preempt areas for external expansion and offer significant benefits to collaborators following an internal-bourgeois strategy.

True fascism is characteristic of the second-level advanced capitalist countries. Classical fascist regimes in the advanced countries mobilize to challenge the leading advanced capitalist country(s) for the predominant economic position in the world.

Contemporary bureaucratic authoritarian regimes in the less-developed countries bear more of a resemhlance to the authoritarian regimes in Central and Eastern Europe between the world wars, especially those in Poland and Hungary, than to the fascism of Germany. These central European societies were, like the less-developed countries of today, in an early stage of the industrialization process and, also like them, were highly penetrated by foreign capital.

*For discussions of classical fascist regimes see Schweitzer 1964; Neuman 1944; Guerin 1945; Brady 1943; Szymanski 1978, chap. 12; and Poulantzas 1970. For general discussions of the differences between fascism and other forms of authoritarian regimes see Linz 1964 and Weber 1964, 1965. For discussions of the differences between classical fascist regimes and contemporary authoritarian regimes in the less-developed countries see O'Donnell 1978 and Mallory 1977.

CONTRADICTIONS IN THE CAPITALIST STATE OF THE LESS-DEVELOPED COUNTRIES

The contradictions among the functions that must necessarily be performed by all capitalist states in the less-developed countries are particularly acute. The more efficiently the legitimation function is performed (expanding social welfare, increasing wages, nationalizing industry, restricting transnational corporations), the more surely capital accumulation is undermined and vice versa. The maximization of the legitimation function tends to undermine capital accumulation because growing threats of restrictions and nationalization undermine business confidence, especially of the transnational corporations. The neglect of the legitimation function in order to maximize the capital accumulation function carries with it a serious threat to private property because of the dangers of provoking revolution. Further, the effective guarantee of private property through the use of systematic repression and terror eventually results in delegitimation. The guarantee of private property, through expanding social welfare and allowing wages to rise, undermines accumulation.

The alliance of the transnational corporations and the internal bourgeoisie in the dominant power bloc eventually alienates the national bourgeoisie as well as the middle-class support necessary to maintain effective rule. A ruling power bloc dominated by the national bourgeoisie with middle-class support alienates the transnational corporations and their internal-bourgeois allies, thereby undermining capital accumulation.

The inherent contradictions of bureaucratic authoritarian regimes and of all states in the less-developed capitalist countries can be magnified by the reflection of the contradictions among the various transnational corporations, and especially among the various imperialist countries (see Poulantzas 1974, pt. 1). Antagonism within different sectors of the internal bourgeoisie can be induced by the different interests of established and up-and-coming transnational corporations, transnational corporations in different economic sectors, and the competition between the different countries to which they are attached.

The history of postcolonial Latin America is replete with examples of faction fights and coups within the ruling circles with one or another imperialist country or transnational business interest sponsoring one or another local group (see, for example, Nearing and Freeman 1925; Wolf 1969, chap. 1). In the contemporary period neither the competition between individual corporations nor the contradictions among the imperialist powers play the role they once did in inducing contradictions within the less-developed countries. This is because of both the relative containment of the contradictions among the imperialists in the post-World War II period and the greater strength of the local ruling groups. Nevertheless, such induced contradictions continue to be significant. The smaller transnational petroleum companies or the state petroleum companies of the secondary imperialist nations, for example, are generally more generous with the less-developed countries, even supporting local national bourgeoisie or petty-bourgeois regimes in order to gain advantages at the expense of the "Seven Sisters," which dominate the world petroleum market.

At the beginning of bureaucratic authoritarian rule, e.g., Brazil in 1964, Chile in 1973, Argentina in 1976, the institutionalization of especially orthodox economic policies and highly favorable treatment for transnational corporations are typical. Such measures are undertaken in order to gain the "confidence" of the transnational corporations to induce them to make the major investments that are part of the internal-bourgeois strategy of deepening the industrialization process and accelerating economic growth. Especially important at this stage is securing the approval of the international financial institutions, above all the International Monetary Fund. Once the IMF certifies that a country's economy is sufficiently stable and open to investment, a process that often takes a number of years, transnational investment can begin to flow (see O'Donnell 1978).

The rather orthodox economic policies (except for heavy state investment in enterprises where private or transnational capital is not playing the central role) followed in this early period result in the alienation of many of those who enthusiastically supported the institution of the new regime because of the promise it held out for "law and order" and economic prosperity. The regime's favoritism to large efficient enterprises and foreign capital and its dropping or cutting back on subsidies to relatively inefficient national-bourgeois and petty-bourgeois enterprises, results in many smaller locally owned enterprises going bankrupt or losing much of their business. Rapid concentration of economic enterprises proceeds apace. The transformation of enterprises initially owned by the national bourgeoisie into subsidiaries of the transnational corporations generates nationalistic resentment.

Furthermore, the typically tight credit policies and devaluations as well as the decline in real wages that typically comes with the institution of bureaucratic authoritarian regimes tend to be unpopular among many of the initial supporters of the military coups. Tight credit alienates many smaller businessmen who need loans to stay in business. Devaluation hurts the middle classes who are accustomed to importing consumption goods. The decline in real wages alienates that segment of the working class and salaried middle class who initially supported the regime (see O'Donnell 1978).

In order to maintain its support (i.e., realize the legitimation function) the bureaucratic authoritarian regime is increasingly pressured to take measures to improve the economic situation of its social base or risk a return to disorder and perhaps revolution. Once it has established its credibility in the eyes of international capital, and once the transnational corporations have a significant economic stake in the country, such regimes then tend to relax the rigorous orthodox economic policies approved by the IMF. They then tend to make concessions to local capital, the middle class, and even the working class, often at the expense of transnational investment. Transnational capital, now with a heavy economic commitment, at least at first tends to go along with such measures because of the realization of their necessity in order to preserve a regime that is fundamentally sympathetic to transnational interests. The state increasingly engages in nationalistic rhetoric, promoting the national bourgeoisie in order to keep its legitimacy. But after a point the transnational corporations apply pressure against what they see as a tendency to fundamentally undermine their position by increasingly restricting foreign investments. They encourage their metropolitan state and the international financial institutions to apply pressure. If there is a fundamental challenge to their position the transnational corporations tend to initiate aggressive economic military (indirect or direct) intervention by the imperialist state and its local and international allies. Other than active imperialist intervention, the options are either the loss of profits incumbent on withdrawal or expropriation *or* the increasing possibilities of revolutionary conditions incumbent on the collapse of a sympathetic bureaucratic authoritarian regime.

In addition to the generally primary contradiction between the state's legitimation and accumulation functions, there can emerge a contradiction *within* the accumulation function. Primary reliance on transnational technology and capital carries with it the danger that the metropolitan state may for reasons of its own (perhaps motivated by its own need to maintain its legitimacy) restrict the export of either high technology or capital to the less-developed countries (see Chapter 6). The transnational corporations themselves, for considerations of worldwide profit maximization, or simply because the demand for their investments exceeds their willingness to invest, may, at some future time, not be willing to contribute the necessary capital and technology inputs (see Evans 1979b, p. 332). The bureaucratic authoritarian state can thus be caught between, on the one hand, the short-term advantages of reliance on the transnational corporations and the limits and potential disruption that such reliance might cause in the longer run, and, on the other hand, reliance on national-bourgeois development, with the consequence of slower and less efficient, albeit autonomous, growth.

It must be stressed that bureaucratic authoritarian regimes are able to contain the contradiction between the state's legitimation and accumulation functions and thus postpone or slow the development of a national bourgeoisie and measures against transnational capital rather more effectively than other types of regimes. Because of the reliance on a strong state bureaucracy and police repression, instead of parliamentary forms, popular desires can be resisted for some time. But eventually the underlying contradictions make themselves felt either in an evolution toward national-bourgeois development or in a revolutionary explosion.

The fundamental contradiction between the legitimation and accumulation functions as well as *within* the accumulation function of the bureaucratic authoritarian state is manifested in the tension between the transnational corporations and the national bourgeoisie (together with the middle and working class). The internal bourgeoisie is increasingly torn by its dual interest in increasing its short-term profits through its association with the transnational corporations and its interest in ensuring social stability and long-term growth. The alliance of local and international capital with middle-class support that was the social basis for the initial institutionalization of bureaucratic authoritarian regimes becomes increasingly tension ridden and fragile. It is impossible to adequately fulfill both essential state functions under conditions when successful capital accumulation within the parameters of the capitalist mode of production requires collaboration with imperialism. The state attempts to blur its dependence on international capital and its subordination to foreign interests with increasingly nationalistic rhetoric and token moves such as defying U.S. requests to boycott the Moscow Olympics or voting with the "Third World Bloc" in the United Nations. But it is essentially in the untenable position of having to limit its international allies (legitimation function) without discouraging them (accumulation function). As disillusionment and opposition spread, bureaucratic authoritarian regimes may become more nationalistic in substance as well as form. But such a gradual

movement does not significantly alleviate the contradictory pressures operating on them. Such a movement only displaces the locus of the tension along the continuum of nationalism.

The initial period of enthusiasm in the middle and upper classes gives way to growing disenchantment with the regime, a disenchantment that is manifested in the regime's decreased ability to contain the working-class movement and other manifestations of leftist discontent. The initial support for the brutal repression necessary to contain the opposition dissipates as large segments of the middle class, the church, international organizations, and even much of the capitalist class itself come to speak out against death squads, detention without trial, the repression of civil liberties, and widespread poverty and suffering. The revival of working-class and leftist opposition (recovering from the overwhelming shock of its initial effective suppression) is manifested in increasingly militant strikes, riots, and demonstrations. Because of the underlying contradiction, growing popular pressures come against divisions and loss of will in the capitalist class, and even in the core of the state itself—the army. Pressure mounts for a return to parliamentary forms and allowing the working-class and leftist opposition to operate legally as well as for expansion of social welfare and more thorough nationalistic measures against imperialism. The regime, and the transnational-internal bourgeois coalition behind it, is faced with the choice of resisting such pressures, increasingly relying on systematic repression in the face of loss of legitimacy, thus risking a violent revolutionary overthrow (e.g., the path taken by the Shah of Iran), or the peaceful dismantling of the bureaucratic authoritarian regime with the military withdrawing into the background. Concessions to such pressure have periodically occurred in countries such as Argentina.

But the contradictions of capitalist development within the imperialist framework, which led to the institutionalization of bureaucratic authoritarianism in the first place, always reassert themselves. The populist regimes that tend to replace bureaucratic authoritarian regimes suffer from the same problems as their predecessors, and with the same results. A cyclical process thus tends to be institutionalized because of the oscillation of the primacy of legitimation and capital accumulation. The resultant populist-bureaucratic authoritarian cycle can be ended only by either the successful completion of capitalist industrialization (a rather unlikely possibility given the enormity of the contradictions faced by less-developed capitalist countries) or by essentially *socialist* revolutions that break out of the parameters of capitalist development which structure the contradictions responsible for the political cycles. Given the rapidly growing working class, a by-product of dependent industrialization, and the increasingly felt presence of the socialist alternative (e.g., the reality of the Cuban solution in Latin America, the powerful shadow cast by China and Vietnam in Asia, and so forth), it is ever more probable that this latter path will be traveled.

14 THE "ARISTOCRACY OF LABOR" IN THE ADVANCED CAPITALIST COUNTRIES

In his very influential work *Imperialism: The Highest Stage of Capitalism* (1917) Lenin attempted to account for the relative conservatism of the working class in England and a few other advanced imperialist countries. In this chapter empirical evidence for both Lenin's thesis and a related notion developed in the 1950s and 1960s by people around the *Monthly Review* school and the New Left is examined. The question of whether or not the relative conservatism of the U.S. working class can be attributed to a material gain from U.S. imperialism is carefully analyzed.

Lenin argued that segments of the British working class "enjoy crumbs from colonial advantages" and that herein lay the source of "reformism" in the British working class. Lenin holds that a relatively small proportion of the total working class: receives special privileges especially significantly higher pay, because of its employment in those industries that make superprofits from imperialism; because of its privileges is relatively conservative (i.e., supportive of the status quo); and because it dominates the union movement and the political organizations of the working class, has a conservatizing effect on the working class as a whole.

Among authors around the journal *Monthly Review* and among many associated with the New Left of the 1960s a different version of the effect of imperialism on workers in the advanced capitalist

---

This chapter is based in good part on an article coauthored with Peter Dreier (Szymanski and Dreier 1981).

countries has been put forth. According to such influential authors as Andre Gunder Frank (1967), Paul Baran (1957), Samir Amin (1974), and Arighi Emmanuel (1972), material wealth has been transferred from the poor peripheral countries of Asia, Africa, and Latin America to the advanced countries of North America, Western Europe, and Japan to the detriment of the productive classes in the former countries, and the benefit of those in the latter. In the 1960s this notion was widely used to account for the relative conservatism of the working classes in the advanced countries. The idea arose that at least the "white male" industrial working class, especially those in strong unions and in basic industries, has been benefiting economically from imperialism and thus tends to be conservative supporters of the status quo in which they have a stake. This idea became virtually hegemonic on the Western intellectual Left of the late 1960s and early 1970s.

EVIDENCE FOR LENIN'S THESIS OF AN ARISTOCRACY OF LABOR

If the material benefits of imperialism trickle down differentially to those segments of the industrial working class in industries that secure the largest share of their profits from imperialism (as Lenin predicted was the case for Great Britain) then we would expect that the productive workers in such industries (or perhaps just the craftsworkers, as Lenin suggests) materially benefit, relative to workers in industries that are relatively little involved in imperialist activities. Further, it should be expected that workers in those industries which are most involved in imperialist activities would be more conservative than other workers. Even if workers in those sectors of the economy most directly tied into imperialism do not actually benefit materially, relative to other sections of the working class, they still might well be more conservative, either because they *think* they benefit or because they are concerned about a high level of employment in their industries, and feel that without imperialism they might lose their jobs.

In testing whether or not there are segments of the U.S. manual working class that benefit differentially from U.S. imperialism three measures of an industry's involvement in imperial activities are used: first, repatriated income on U.S. direct investments in the less-developed countries per production worker; second, exports to the less-developed countries per production worker; and third, the percentage of total product shipments that are to the U.S. military. These measures are indicators of the potential "trickle-down" effect from overseas investments, export markets in the less-developed

countries, and military contracts.* A fourth possible avenue of benefit from imperialism found in inexpensive imports from the less-developed countries cannot, of course, be distributed by different segments of the manual working class since all workers at the same income level are able to buy such goods.

The measures of repatriated profits and exports employed are those from and to the less-developed world only. This is because both Lenin's original theory and the contemporary generalization of it argue that the portion of the superprofits of imperialism distributed to U.S. workers come mostly from Asia, Africa, and Latin America. These theories suggest that the relatively high living standard of the working classes in the advanced countries is a product of the relatively low living standard of the working classes and peasants in the less-developed countries.

The median annual earnings of employed craftsmen and foremen and the median annual earnings of employed operatives for each of the 17 basic industrial sectors are used as measures of material gain from imperial activities. As measures of a differential gain of craftsmen and foremen relative to operatives, the ratio of the median income of craftsmen and foremen to operatives is examined. The degree of unionization of each industry is also examined since part of Lenin's argument maintains that the "aristocracy of labor" is more unionized than the rest of the working class.

It might be argued that the rate of profit of industries should be examined as well, since the theory maintains that the "superprofits of imperialism" trickle down to workers. We might expect then that those industries which are most involved in imperialism should have higher profit rates than others. However, this should not necessarily be expected to be the case. The superprofits the theory refers to are all "surplus value" (e.g., rents, loan repayments, executive salaries, royalties, taxes, distributed and undistributed profits, reinvested earnings) and not just book profits reported in government statistics (a rather small proportion of the total surplus). Further, to the extent that superprofits trickle down to workers, they of course are *not* part of the surplus (or of book profits) at all,

*The profits generated in the raw materials sector (especially in petroleum) come mostly from the monopolization of world markets rather than from the exploitation of workers in the less-developed countries. It is thus problematic as to whether they ought to be included here. But since without the imperial domination of the less-developed countries such profits would accure to the less-developed countries, it is felt that it is appropriate to include them for the purpose at hand.

but rather part of wages. It could even be possible that a firm could earn say twice as much from its operations in the less-developed countries as it does in identical operations in the United States, but that higher domestic wages and salaries made possible by these *potentially* higher profits eat up *all* the extra earnings, and thus that the firm's overall rate of profit is no different than that of firms not involved in imperial activities. These factors operating together with the tendency of the rate of profit to equalize across industries suggest that any expectation about imperialist-oriented industries necessarily having a significantly higher than average rate of profit is probably misdirected.

The basic industrial subsectors of the U.S. economy for which data on foreign investments are available are examined: aircraft, chemicals, electrical machinery, fabricated metals, foods and kindred, lumber, mining, motor vehicles and parts, nonelectrical machinery, ordinance, paper, petroleum, primary metals, printing, rubber, textiles and apparel, and stone, clay, and glass. If the aristocracy of labor thesis holds, it is to be expected that the more involved an industrial sector is in imperialist-related activities, the higher the level of material benefits is for workers in that industry.

In the other chapters of this book only the most basic of statistical techniques, namely tabular presentations and averages, have been used because they are fully adequate to detect the factors at work on the level of statistical sophistication needed to answer the theoretically important questions at hand, and because they are readily understandable. However, because of the complexity of forces at work in determining relative wage levels in different industries it is impossible to use simple tabular displays and averages to establish the real effect of imperial involvement on wages. Somewhat more sophisticated statistical techniques, namely partial correlation, which enables us to determine the effect of one variable on another while "holding constant" or eliminating the effect of other specified factors, have to be used. The effect of the three hypothesized ways that workers in different industries could materially benefit from imperialism must be separated from the other major factors that affect differential wage levels, and could well be (and in fact are) spuriously correlated with imperialist activities.

There are three factors that probably have the greatest effect on industrial wages and whose effect must therefore be controlled for. First, there is the degree of monopolization of an industrial sector, which for our purposes is measured by the percentage of total shipments accounted for by the four largest shippers in each industrial sector. The degree of monopolization of an industry affects its ability to grant wage increases by passing increased labor costs on to consumers. The second factor is comprised of the productivity, degree of skill, and responsibility of workers, which is measured by the capital intensity of an industry or the capital invested per production worker. The higher the capital/worker ratio the less important wages are as a percentage of total costs and the more crucial both skilled and contented workers are to profitable operation. Hence, the more likely wages are to be higher. A third factor is the degree of socialization of the labor process within an enterprise (i.e., the complexity and extensiveness of the division of labor) together with the degree of isolation of workers from management. These factors can be roughly captured by the average number of workers per enterprise. The degree of socialization of labor and social isolation of workers from management are important factors in generating a working-class subculture hostile to management and conducive to militant unionization—factors that can well result in higher wages (see Kerr and Siegel 1964; Lipset 1960, chap. 7).

The degree of unionization and the frequency of strikes are also examined as control factors since such measures of working-class militance might well be acting autonomously to produce higher levels of wages, or as "intermediate variables" accounting for at least part of the mechanism through which the profits of imperialism are actually transmitted to workers. (Workers with strong unions could be "taking their share.")

It is necessary to control for the effects of these factors since all of them could well be expected to produce higher wages for both craftsworkers and operatives independently of the operation of an aristocracy of labor effect, and because, at least most of them, can well be considered to be themselves related to an industry's degree of imperialist involvement and thus be responsible for spurious results. For example, it would be justified to regard a correlation between higher wages and imperialist involvements as spurious if the relation is caused by higher imperial involvement facilitating domestic monopolization (by giving certain firms a market edge through cheaper raw materials or special access to markets), hence giving a firm the ability to pass on domestic wage increases through price increases. However, a relationship between higher wages and imperialism should *not* necessarily be regarded as spurious if it disappears when controlling for either percentage in unions or time lost in strikes and if it persists while the other factors, all of which can affect both degree of unionization and militance, are controlled for. If such a relationship were to be observed it could be taken to mean that greater imperial involvements lead to stronger unions and more militant workers that effectively demand their share of imperial profits, i.e., that these latter two processes represent intermediate variables through which the effect of imperial involvement operates.

If the trickle-down effect of imperialism is manifested in benefits to the skilled craftsworkers and/or the less-skilled production workers then we would expect a significant positive relationship between any or all of the three measures of imperial involvement of industries and the mean annual earnings of both operatives and craftsworkers. If the trickle-down effect, as Lenin suggests, affects mainly the more skilled in those industries with the highest involvement in imperial activities, then it is to be expected that the ratio of craftsmen to operative earnings is greater in those industries that are most imperially involved.

Simple ("zero-order") correlation coefficients are examined for the relationships between the independent variables (the measures of imperial involvement) and the dependent variables (the measures of gain for craftsworkers and operatives). Partial correlation coefficients are employed to control for the effects of the various other factors that determine wage levels.

In addition to examining the effect of the measures of potential gain from imperialism on actual economic gain and the degree of unionization, their effect on a wide range of political attitudes reflecting a progressive-conservative continuum is also examined.

Since the theory of the aristocracy of labor argues that those workers who benefit from imperialism politically influence the mass of the working class, the difference in attitudes between them and the rest of the working class would not be expected to be as great as if they had no influence. However, we would not expect the political difference between the two groups to disappear altogether, even with considerable influence from the aristocracy of labor, since the work and life experiences of the masses of workers, including their lack of material interest in imperialism, would push their attitudes in a direction opposite from that of the aristocracy. In other words, if the aristocracy thesis holds, a significant political difference should be observed between the two groups, even while the masses of workers are more conservative than they would be in the absence of a labor aristocracy.

In analyzing the effect of income from investments, exports, and military contracts on the eight attitudinal variables, the simple method of comparing the three industries that rank the highest on each of the three "independent variables" with the average for all industries is used.

In addition to separately examining the relation between each of the independent variables and political attitudes, an attempt

was made to rank the 17 industrial sectors by degree of involvement in imperial activities, taking into account all three aspects. Because some industries that are heavily involved in imperial activities (such as aircraft and ordinance) have little overseas investments and others little or no dealings with the military, each of the 17 industries was assigned an individual ranking on each of the three independent variables, and the *two* highest rankings for each industry were averaged to give an aggregate score. This score can reasonably be considered a valid measure of overall involvement in imperial activities.

Economic Benefit

None of the simple correlations between repatriated income from the less-developed countries per production worker and worker gain are greater than +.09, and none are statistically significant at the .05 level (see Table 14.1). When production employees per enterprise, degree of monopolization of an enterprise, and capital per production worker are simultaneously held constant, *no* relationships are statistically significant. The relationships that emerge when capital per worker alone is held constant are in the opposite direction from that predicted by the aristocracy of labor thesis. There seems to be no tendency for repatriated profits from foreign direct investments of U.S. industries to be reflected in higher wages for either operatives or craftsworkers. Income for both operatives and craftsworkers are actually somewhat lower in those industries that are repatriating the most profits from their overseas investments (see Table 14.1).

Similar results are found when the relationship between the percentage of an industry's shipments to the military and the dependent variables is examined. When simple correlation coefficients are examined the only statistically significant relationship is with the percentage of the work force in unions, +.64. The relationship between percentage in unions disappears when production workers per enterprise is controlled for (suggesting that the zero-order correlation was a spurious relation produced by a relationship between military contracting and large enterprises).

When all three factors are held constant there is a −.41 relationship with the ratio of craftsworker to operative income. This means that there is a slight relationship *opposite* to that suggested by the aristocracy of labor thesis, i.e., the more involved a firm is in military contracts the *lower* the differential is between craftsworker and operative wages. When *all three* factors are controlled for simultaneously it is seen that there is no relationship at all between either craftsworker or operative income and degree of military

TABLE 14.1: The Effect of Imperial Involvements of Industries on Production Workers ca. 1970 (partial correlation coefficients)

	Ratio of Craft to Operative Annual Income[7]	Annual Income of Operatives[8]	Annual Income of Craftsworkers	Percentage of Production Workers in Unions[9]
Repatriated profits from less-developed countries on direct investments (per production worker)[1]				
No controls	-.34	+.09	-.07	-.00
Controlling for				
Workers per enterprise[2]	-.37	+.23	+.05	+.19
Degree of monopolization[3]	-.35	+.17	+.01	-.01
Capital per worker[4]	+.13	-.48[a]	-.54[a]	-.02
All three simultaneously	+.12	-.33	-.35	+.05
Shipments to the military as a percentage of total shipments[5]				
No controls	-.27	+.37	+.32	+.64[b]
Controlling for				
Workers per enterprise	-.28	-.10	-.30	+.17
Degree of monopolization	-.28	+.43[a]	+.39	+.64[b]
Capital per worker	-.37	+.43[a]	+.34	+.65
All three simultaneously	-.41	+.07	-.14	+.03
Exports to the less-developed countries (per production worker[6]				
No controls	-.48[a]	+.63[b]	+.54[b]	-.07
Controlling for				
Workers per enterprise	-.46[a]	+.64[b]	+.54[b]	-.29
Degree of monopolization	-.52[b]	+.56[b]	+.41	-.07
Capital per worker	-.45[a]	+.62[b]	+.54[a]	-.07
All three simultaneously	-.49[a]	+.59[b]	+.43	-.20

[a]Statistically significant at the .05 level.
[b]Statistically significant at the .01 level.

Sources:

1. U.S. Bureau of the Census 1970a, Table 1.
2. U.S. Department of Commerce 1972b, Table 5.
3. U.S. Department of Commerce 1970b, Table 4.
4. U.S. Department of Commerce 1975c, p. 762.
5. U.S. Bureau of the Census 1975a, Table 3.
6. U.S. Department of Commerce 1970c, Table E-6.
7. U.S. Bureau of the Census 1970a, Table 1.
8. U.S. Bureau of the Census 1970a, Table 4.
9. U.S. Department of Labor 1973a, Tables 1 and 150.

contracting. Workers in "defense industries" thus do *not* make more than workers in other industries because of military contracting. The slight tendency to higher wages in these industries is entirely a product of the fact that military production tends to occur in larger factories than nonmilitary production, i.e., it is due solely to the effect of size of plant. There is no tendency for employment in the military goods sector to produce an aristocracy of labor.

When the relation between exports to the less-developed countries per worker and the dependent variables is examined a strong positive relationship in the direction predicted by the aristocracy of labor thesis is observed with both the income of operatives and the income of craftsworkers. But there is a relationship in the *opposite* direction from that predicted for the ratio of craftsworker to operative income. There is further no significant relationship with the percentage of the work force in unions. In fact there is a very slight negative relationship, i.e., opposite from that predicted by the labor aristocracy thesis. All of these relations hold up when the three structural control variables are taken into account. The more an industry exports to the less-developed countries the higher the level of wages is for both operatives and craftsworkers.

The relationship between exports to the less-developed countries and the dependent factors is examined, controlling for the percentage of the work force in unions and work time lost in strikes (see Table 14.2). When the percentage of the labor force in unions is controlled for, all the relationships are *strengthened*, indicating that the positive relationship between export industries and material benefit is not a spurious result of greater unionization in export industries. This further indicates that the effect of exports does not operate *through* unions. When work time lost in strikes is controlled for, the relations are diminished somewhat (see Table 14.2). When these two factors together with the three structural control variables are all simultaneously controlled for, the correlations are almost as strong as they were without any controls. The relationship between export-oriented industries and high wages is real. Industries oriented to exporting to the less-developed countries have higher average incomes (for both skilled workers and operatives) because of their export orientation.

No positive relationship between degree of imperial involvement and percentage in unions is found. Workers in imperialist-oriented industries are not disproportionately represented in the labor movement and thus are *not* in an especially advantageous position to dominate it for conservative ends (contrary to what Lenin suggested).

TABLE 14.2: The Effect of Exports to the Less-Developed Countries per Production Worker, Controlling for Membership in Unions and Time Lost in Strikes ca. 1970 (partial correlation coefficients)

	Ratio of Craft to Operative Annual Income	*Annual Income of Operatives*	*Annual Income of Craftsworkers*
Zero order	−.48[a]	+.63[b]	+.54[b]
Controlling for			
Percentage in unions	−.51[a]	+.82[b]	+.74[b]
Time lost to strikes	−.31	+.44[b]	+.32
Both percentage in unions and time lost to strikes	−.35	+.71[b]	+.62[b]
Percentage in unions, time lost to strikes, degree of monopolization, capital per worker, workers per enterprise simultaneously	−.40	+.63[a]	+.50[a]

[a]Statistically significant at the .05 level.
[b]Statistically significant at the .01 level.

Sources: U.S. Bureau of the Census 1970a, Table 1; U.S. Department of Commerce 1972b, Table 5; U.S. Department of Commerce 1970b, Table 4; U.S. Department of Commerce 1975c, p. 762; U.S. Bureau of the Census 1975a, Table 3; U.S. Department of Commerce 1970c, Table E-6; U.S. Bureau of the Census 1970a, Table 1; U.S. Bureau of the Census 1970a, Table 4; U.S. Department of Labor 1973a, Tables 1 and 150.

There is thus no support for the aristocracy of labor thesis, even in the case of export-oriented industries where production workers appear to gain economically.

Political Attitudes

There is a slight indication that workers in the industries which repatriate the most profits from the less-developed countries are slightly more conservative than the average. They are a little *less* likely to define themselves as liberals, to support reductions in the military budget, to think communism might be alright for some countries, and to be favorably inclined toward the People's Republic of China. On the other hand, they are more likely to support the right of Communists to speak (see Table 14.3). None of these rela-

TABLE 14.3: Relationships between Imperialist Involvement of Industries and Political Attitudes of Workers, 1975-76 (percent)

Percent of those workers with opinions who:	Average for All 17 Industries	(1) The Three Industries with the Greatest Repatriated Profits per Production Worker	(2) The Three Industries with the Greatest Proportion of Sales to the Military	(3) The Three Industries with the Most Exports to the Less-Developed Countries	(4) The Three Industries with the Greatest Overall Imperial Involvement
Define themselves as liberals	46	40	40	47	48
Supported McGovern in 1972	43	43	48	44	37
Do not trust business	22	24	24	22	21
Support greater welfare spending	20	22	31	15	12*
Support reduction in military budget	27	21	21	28	28
Think that communism might be all right at least for some countries	19	13	17	17	16
Are favorably inclined toward the People's Republic of China	40	31	50	38	37
Support the right of Communists to speak	47	56	35	41	44

*Statistically significant at the .05 level.

Note: (1) Petroleum, mining, food; (2) Ordinance, aircraft, electrical machinery; (3) Aircraft, motor vehicles, nonelectrical machinery; (4) Aircraft, nonelectrical machinery, ordinance.

Sources: National Opinion Research Center 1975, 1976.

tions are statistically significant, however, indicating that they could well be a result of the randomness of sampling.

Workers in the military-oriented industries show no difference from the average in their political attitudes. They are slightly more conservative than the average in self-definition, in support of the military budget, and in their attitudes toward Communists speaking. On the other hand, they are slightly more progressive than average in their support of McGovern, their attitude toward welfare spending, and their attitude toward China. There are no statistically significant differences between the attitudes of workers in those industries most involved in exporting to the less-developed countries and the attitudes of the average worker. On two questions, however, their attitude toward welfare spending and their feelings about Communists speaking, they are slightly more conservative than average (see Table 14.3).

Workers in aircraft, nonelectrical machinery, and ordinance, the three industries which all things considered are the most involved in imperialist-related activities, are more conservative than the average in terms of support for McGovern in 1972 and attitude toward welfare (this latter difference *is* statistically significant at the .05 level). But otherwise they do not differ from the norm for all workers. There is no difference between the workers in the most imperially involved industries and others in respect to their attitude about Communist military spending or China (see Table 14.3). There is then no tendency for workers in the most imperially involved sectors to be more supportive of imperialism than others. Nor is there any substantial tendency for these workers to be any more conservative overall than others. Such workers are thus *not* a special source of either proimperialist or conservative ideology within the working class.

SUMMARY

There is no tendency for the workers (whether operatives or craftsworkers) in those industries that are the primary military contractors or in those industries that are the most involved in overseas investments to gain materially because of their industry's overseas involvement. Workers, especially operatives, in those industries that export the most to the less-developed countries *do* gain materially because of such exports. When the relation between war industries, investments in the less-developed countries, exports to the less-developed countries, and overall involvement in imperial activities is examined, no tendency for either the workers in these industries to be more supportive of imperialism than the average for production workers, or for them to be consistently more conservative than the average for workers, is found.

There is little evidence in support of Lenin's theory of the aristocracy of labor for the contemporary U.S. working class. The only finding in support of this thesis is that workers in export-oriented industries benefit from exporting to the less-developed countries, although craftsworkers (as Lenin suggests they should) do *not* benefit disproportionately, and unions (again as Lenin suggests) are *not* especially strong in this sector. The second part of the aristocracy of labor thesis, the thesis that because some workers gain materially due to a trickle-down effect from imperial activities they are both more supportive of imperialist policies and generally a fount of conservative ideas within the working class is in general *not* supported. There is little substantial evidence that workers, whether they do or do not gain materially because of their corporation's involvements in overseas imperial activities, are either any more proimperialist or conservative than the average, or that they are in an advantageous position to dominate the labor movement. In summary, Lenin's theory of the aristocracy of labor must be rejected.

THE NEW LEFT THEORY OF THE CONSERVATISM OF U.S. WORKERS

The thesis posed by the New Left of the 1960s and by many authors around the journal *Monthly Review* that most workers (or at least most white male workers in the basic industries) in the advanced countries in general, and in the United States in particular, benefit from imperialism might still be true, even if Lenin's notion is not.

It is possible that profits of imperialism trickle down more or less equally to most segments of the U.S. working class, so that there is no important differential effect on different industrial sectors. One of the most likely sources of such an effect could be "unequal exchange," i.e., raw materials from the less-developed countries can be consumed directly or indirectly by workers in the advanced countries at costs significantly less than would be the case if there were free exchange of equivalents (in terms of socially necessary labor time). It might also be the case that the profits repatriated from the less-developed countries originating in either the exploitation of workers or from the monopoly position of U.S. raw materials transnational corporations that sell primarily to other advanced capitalist countries might be partially shared out to the working class independently of their economic sector. This might be the case because of the operation of the stock market and other capital transfers that even out the general rate of profit.

In this section the size of the various possible sources of income transfers from the less-developed countries to the United States, as well as the maximum possible trickle-down effect, is estimated.

Table 14.4 lists various estimates of the possible economic gain and loss from imperialist activities under various stipulated assumptions. The average annual (balance of payments) repatriated profits on U.S. direct investments in the less-developed countries in the 1976-78 period was $5.8 billion while other investment income averaged $6.7 billion a year. If we assume that we need not deduct the new outflow of investment funds from the United States and can legitimately include the profits made from the monopolization of world raw materials markets as part of added income in the United States, and if we further assume that 100 percent of the added income trickles down to the U.S. people in proportion to their non-imperialist related income (a mostly unlikely assumption, since we would expect the transnational corporations to keep a disproportionate share as retained and redistributed profits), we can estimate that $12.5 billion was added to the U.S. people's annual income in the 1976-78 period because of the overseas investment related activities of the transnational corporations and banks. Most would agree that the assumptions made in determining this estimate are unrealistically generous, and that the true gain from overseas investments is much less. In contrast to this maximum estimate of the effect of imperialism, a minimum estimate is established by deducting the repatriated profits that come into the United States from investments in raw materials in the less-developed countries (see the argument in Chapter 9), as well as deducting all new investments and loans. Assuming a 100 percent trickle-down effect, such assumptions generate an estimate of −$8.1 billion, i.e., $8.1 billion more leaves the United States in expanded overseas loans and investments than is repatriated from investments and returned from loans in the less-developed countries.

A minimum estimate of the economic gain from unequal *trade* with the less-developed countries is made by assuming that the terms of trade (excluding petroleum) with the less-developed countries today are 25 percent imbalanced in favor of the developed countries. The 25 percent estimate represents the net movement in favor of the developed countries in the terms of trade between the developed and less-developed countries since the middle decades of the nine-

TABLE 14.4: Estimates of U.S. Working People's Net Gain or Loss from U.S. Imperialism: Average for the 1976-78 Period (millions of dollars)

Estimate	*Amount*
Gains	
1. Income on direct investments in the LDCs[a] (including raw materials)	$5,839
2. Income on direct investments in the LDCs (excluding raw materials)	2,555
3. Line 1 net of new direct investments	3,406
4. Line 2 net of new direct investments	122
5. Income from fees and royalties in the LDCs	757
6. Income on loans, indirect investments, and other property in LDCs	5,591
7. Line 6 net of increase in private loans, new indirect investments, and so forth	−8,979
8. Investment income from the LDCs with maximum assumptions Line 1 + line 5 + line 6 (assuming 100% trickle down)	12,547
9. Line 1 + line 5 + line 7 (assuming 50% trickle down)	6,274
10. Income from the LDCs with minimum assumptions Line 4 + line 5 + line 7 (assuming 100% trickle down)	−8,100
11. U.S. exports to LDCs	45,500
12. U.S. imports (excluding petroleum) from LDCs	29,812
13. U.S. gain from *unequal* trade with maximum assumptions (100% overcharge for U.S. exports, LDC imports at 50% of value)	52,562
14. U.S. gain from unequal trade with minimum assumptions (terms of trade overvalued in favor of U.S. by 25%)	8,783
15. U.S. gain from imperialism. All maximum assumptions (8 + 13)	65,100
16. U.S. gain from imperialism. All minimum assumptions (10 + 14)	+700
Costs	
17. U.S. direct military expenditures	97,400
18. U.S. indirect military expenditures and other costs of imperialism[b]	54,600
19. Total military expenditures (17 + 18)	152,000
20. Ratio of the average of Sweden and Switzerland's military budget to GNP ratio to that of that of the U.S. 1977	.50
21. U.S. total military expenditures at rate of Sweden and Switzerland (i.e., the cost of a true national defense) (19 x 20)	76,000
22. The costs of maintaining imperialism (19 − 21)	76,000
23. Net costs of imperialism (maximum gain assumptions) (22 − 15)	14,000
24. Net costs of imperialism (all minimum assumptions) (22 − 16)	76,000

[a] Less-developed countries.

[b] Includes the U.S. budget categories of national defense, veterans benefits, net interest, and international affairs.

Sources: U.S. Department of Commerce 1980a, Tables 4, 7; 1979c, Table 10; 1979a, Tables 428, 1511, 1513; U.S. Arms Control and Disarmament Agency 1977, Table 1.

teenth century, a period when international trade approached competitive conditions and thus the effect of the monopoly power of the advanced countries was presumably minimized (see Chapter 9). A maximum estimate of the gain from trade is made by assuming that the United States pays only 50 percent of the real value of its nonpetroleum imports from the less-developed countries while receiving payment for its (capital-intensive) exports 100 percent greater than their real value. Most would agree that these latter assumptions are too generous and that the effect of the monopoly power of the advanced capitalist countries is in fact less than the factor of four assumed here. Under the minimum assumptions the average annual gain from unequal exchange for the United States in 1976-78 is estimated to be $8.8 billion, under the maximum assumptions $52.6 billion. Adding the maximum estimates for gain from unequal exchange to those from investment produces an overall maximum estimate of gain from imperialism of $65.1 billion, while adding the minimum estimates together gives a minimum estimate of $.7 billion.

The economic gains from imperialism must be balanced against the costs of maintaining imperialism. Namely, the costs of the U.S. military beyond that necessary to maintain an adequate national defense plus such military-related expenses as veteran's payments and interest on the national debt (both mostly a result of past U.S. wars) and foreign assistance and other expenses related to U.S. international relations. In order to estimate what proportion of this $152 billion was legitimately the costs of national defense and what portion the costs of maintaining imperialism, the percentage of the GNPs allocated to the military in Sweden and Switzerland are compared with that of the United States. Sweden and Switzerland are renowned for having effective national *defense* forces efficiently designed to protect their countries from external invasion without having the capacity to invade or threaten other countries. Neither country, it should be noted, was invaded by the Nazis in World War II. When their military expenses to GNP ratio is applied to the U.S. GNP it can be estimated that approximately $76 billion was the legitimate cost of a true U.S. national defense, and $76 billion was the cost of imperialism. Thus with the maximum assumptions for gain, the net loss from imperialism can be estimated to be approximately $14 billion, with the minimum assumptions for gain $76 billion (see Table 14.4).

Table 14.5 compares the gross gain and the net loss from imperialism under a range of different assumptions to figures for the total population of the United States and U.S. per capita income in order to get indications of their significance. Under the assumptions

of maximum gain, including 100 percent trickle down, each person in the United States is estimated to have had a gross addition to income of $300 a year in the 1976-78 period because of imperialism. However, on the realistic assumption that the tax burden is distributed more or less equally in proportion to income (i.e., that the real incidence of federal taxation is neither regressive nor progressive), additional taxes to pay for the extra military and related expenses necessary to maintain imperialism averaged $350 per capita a year. Thus even on the assumptions of maximum gain and 100 percent trickle down each person in the United States is estimated to have lost $50 a year because of imperialism. This net loss represents .7 percent of the average personal income. On the assumption of 50 percent trickle down (i.e., the corporations and banks and their stockholders get half, the rest of the people get the remainder), and maintaining the other maximum assumptions, the estimate of per capita net loss is $200 a year or 2.8 percent of personal income. On what might well be the most reasonable set of assumptions, a 25 percent gain from unequal trade, and repatriated profits net of new outflows but including income from monopolized world trade, with the assumption of 100 percent trickle down, the net loss is estimated at $300 per person or 4.3 percent of total personal income. In conclusion, no matter how optimistic or pessimistic (in terms of gain) the assumptions, it is clear that the U.S. people as a whole do not benefit from U.S. imperialism. To the contrary, they lose from it.

As was amply demonstrated in Chapter 5, it is the transnational corporations and banks that gain the tremendous profits of imperialism. These corporations and banks and their stockholders are able to keep most of these profits in spite of a formally progressive federal income tax. The cost of maintaining imperialism is not borne by them, but rather by the average middle and working class U.S. taxpayer. Thus what might at first seem like an irrational proposition, receiving up to $65 billion a year in profits from an enterprise that costs $76 billion, is in fact quite rational, since those that get the lion's share of the $65 billion are not those that pay the bulk of the $76 billion. In other words, imperialism acts as a redistrihutive mechanism within the United States, redistributing income from the middle and working class to the transnational corporations and banks and their stockholders.

Other Factors That Could Affect Gain

There are additional factors, other than those included in the discussion so far, that could well affect the material interests of

TABLE 14.5: Estimates of U.S. Working People's Net Loss from U.S. Imperialism: Summary Statistics

Assumptions	Gross Gain			Net Loss		
	Absolute	*Per Capita*	*As a Percentage of Personal Income*	*Absolute*	*Per Capita*	*As a Percentage of Personal Income*
1. All maximum assumptions 100% trickle down	$65,100	$300	4.3%	-$10,000	-$50	- .7%
2. All maximum assumptions 50% trickle down	32,500	150	2.1	-43,500	-200	-2.8
3. Maximum assumptions assuming 50% trickle down on investment income 100% trickle down on trade	58,800	270	3.8	-17,200	- 80	-1.1
4. All minimum assumptions on cost	700	3	.0	-75,000	-350	-4.9
5. Minimum trade, maximum investment assumptions, 100% trickle down	21,330	100	1.4	-54,700	-250	-3.6
6. Maximum trade, minimum investment assumptions, 100% trickle down	43,580	200	2.9	-32,400	-150	-2.1
7. Assumptions of minimum trade, maximum investment, less net investment with 100% trickle down	9,918	45	.6	-66,100	-300	-4.3

Sources: Table 14.4 herein; U.S. Department of Commerce 1979a, Tables 2, 722.

working people one way or the other. It has been argued that although the total value of raw materials (minerals and foods) from the less-developed countries amounts to only a tiny proportion of the national income, their import *qualitatively* improves U.S. productivity and living standards, and these materials could not be obtained without imperialism. Whether or not the U.S. living standard is qualitatively dependent upon raw materials imports from the less-developed countries (itself a rather dubious assumption—see Chapter 5), it would be most difficult to prove that imperialism is the *only* way that such materials can be obtained (see Chapter 5 for a thorough discussion of this argument).

It has also been argued that U.S. workers gain economically simply by having jobs, jobs that would not exist in the absence of heavy military spending. It is in fact the case that the U.S. rate of unemployment plus those employed in war-related production in the 1960s was approximately the same as in the late 1930s, thus demonstrating that, at least for U.S. capitalism, the difference in the rate of unemployment between these periods was due primarily to military spending. However, it would be most difficult to show, even under capitalism, that only high levels of military spending can provide sufficient jobs, as the full employment economy of Japan has made abundantly clear. Further, it is clear that socialist-planned economies would easily be able to provide full employment without necessarily assigning anyone to war-related production. Thus, to the extent that in some capitalist economies higher levels of military spending in support of imperialism lower the unemployment rate, this is the case *only* because of the logic of one particular form of capitalism, a particular form that need not be taken as a "given."

In fact, during the 1970s there has been a positive relationship between the proportion of their GNPs that the advanced capitalist countries spend on their militaries and their rates of unemployment, i.e., the higher the military spending/GNP ratio, the higher the rate of unemployment (see Table 15.17). Military spending does not appear to be a generally efficient way to provide jobs. This is probably the case because of the high capital intensity of most military-related production, i.e., aircraft, high-technology electronics, and missile and submarine production are not labor-intensive processes. Money from military contracts thus goes disproportionately to purchasing expensive equipment (produced disproportionately by monopolized industries) and paying high salaries to managers and researchers rather than to creating jobs. Dollar for dollar, spending the same amount of money on housing construction or subsidizing light industrial consumer goods would generate more employment.

It should be noted that the U.S. economy, along with the British, has been the most stagnant of all the major advanced capitalist economies in the post-World War II period. In part this has been the case because of the heavy spending of productive resources, especially the most advanced technology and best researchers, on developing nonproductive military equipment, rather than (as has been the case with Japan or Germany) devoting their most productive resources to producing better and cheaper consumer and producer goods that do well in the world markets (see the discussion in Chapter 15).

Imperialism, in fact, results in the loss of jobs, namely the jobs lost when the transnational corporations transfer their production operations overseas. It has been estimated that the U.S. working force experienced a net annual average loss of between 133,000 and 230,000 jobs in the 1966-73 period because of the export of U.S. capital (see Table 14.6). The figures reported in Table 14.6 are based on the assumptions that operations closed down and transferred overseas do result in some additional jobs in the United States, e.g., in providing partially finished goods and other components to new overseas operations. The minimum estimate of net job loss includes only jobs associated with majority-owned foreign subsidiaries of transnational corporations. Further, it does not include construction and other jobs lost because the transnational corporations build their new plants overseas. Also excluded is an estimate of how many jobs are foregone because of the expansion of *already existing* transnational activities overseas financed by reinvestment of overseas profits. When these factors are also considered the estimate of annual job loss increases from 133,000 to 230,000 a year, the maximum estimate reported in Table 14.6.

The U.S. government study of 298 transnational corporations in 1966 and 1970 showed that between these four years the employment of the subsidiaries of U.S. transnational corporations operating overseas increased by 26.5 percent as compared with an increase in domestic employment of 5.7 percent. The ratio of all overseas employees to all domestic employees for the transnational corporations increased from .29 to .34 from 1966 to 1970. It is of interest to note that the ratio of overseas to domestic production workers in 1970 for these 298 transnational corporations was .36 as compared to .31 for nonproduction employees. The proportion of all the 298 transnational corporations' production workers employed overseas increased very rapidly during this period. The ratio of overseas to domestic production employees increased from 28 percent to 36 percent (a relative increase of almost 25 percent in four years).

TABLE 14.6: Net Loss of Jobs Caused by the Transfer of the Operations of the Transnational Corporations Overseas, 1966-73

	Minimum Estimates	*Maximum Estimates*
All manufacturing	735,283	1,269,972
Food products	57,425	66,536
Paper and allied products	62,244	96,203
Chemicals and allied products	120,763	213,382
Rubber and plastic products	44,200	65,416
Primary and fabricated metals	58,064	110,839
Nonelectrical machinery	194,721	207,773
Electrical machinery	113,619	146,932
Transportation equipment	48,782	60,912
Other manufacturing	33,457	301,980
Agriculture, forestry, and fisheries	33,189	51,571
Mining and smelting	894	15,754
Petroleum	5,374	3,731
Transportation, communication, and public utilities	29,282	53,496
Retail and wholesale trade	58,469	107,494
Other miscellaneous service industries	195,339	327,521
Federal, state, and local government	6,748	11,341
Total jobs lost	1,062,577	1,840,878

Source: U.S., Congress, House 1976b, pp. 595-96.

Between 1966 and 1970 there was an increase in overseas employment of 571,000 production workers and 122,000 nonproduction workers for *all* U.S. transnational corporations. The increase in overseas production employees during this period was 33 percent and of nonproduction employees 14 percent. This compares with the increase in domestic employment of production and nonproduction workers of 2.3 percent and 13 percent respectively. About two-thirds of all jobs lost are in the manufacturing sector, with the largest concentrations of lost jobs in the chemical, nonelectrical machinery, electrical machinery, and primary and fabricated metals industries. It is clear that it is primarily production jobs that are being lost to U.S. workers (U.S., Congress, House 1976b, pp. 594-95, tables 11, 12, 28, 29).

The negative correlations between repatriated profit per worker and the income of both operatives and craftsworkers, which holds up even when the effects of capital intensity, size of enterprise, and degree of monopolization are controlled for, strongly suggest that workers in those industries with the most overseas investments in fact lose economically from their company's overseas investments (see Table 14.1). Any possible trickle-down effect of repatriated profits from investments in the less-developed countries seems to be more than outweighed by the downward pressure on wages that capital export produces through the export of jobs and the resulting increase in unemployment.

It should be noted that the statistics reported in Table 14.5 are for *all* overseas investments. The number of jobs actually exported to the less-developed countries during this period can he estimated at about 20 percent of the total, since the proportion of all growth in U.S. direct overseas investment in manufacturing that occurred in the less-developed countries in the 1966-73 period was about 20 percent. The profitability of manufacturing investments in the less-developed countries very much depends on a "favorable political climate," i.e., the repression or severe regulation of unions and strikes as well as of anticapitalist and antiimperialist parties and organizations, together with the pursuit of economic policies approved by the International Monetary Fund, policies which are favorable to most businesses, especially the transnational corporations. That such is indeed the case has nowhere been more clearly underscored than in Brazil, where after the United States endorsed a rightist military coup d'etat against the democratically elected government of Goulart, U.S. direct investment in manufacturing radically increased. From a total of $574 million (or 16 percent of all U.S. investment in the manufacturing sector in all less-developed countries) in 1966 it grew to $4,684 million in 1978 (33 percent of the total) (U.S. Department of Commerce 1980a, table 1). Imperialism results in the loss of U.S. jobs because of cheap labor and "stable" conditions in the less-developed countries.

Imperialism affects the class structure of the advanced countries as well as that of the less developed. The export of relatively more labor-intensive industries overseas and the consequent import of labor-intensive goods (such as clothing and labor-intensive electronic goods) increases the relative size of clerical, sales, professional, and managerial employees in the economically active population, as well as the relative proportion of the more skilled segments of the

working class, in relation to less-skilled manual workers. In the advanced countries the ratio of employed managers, administrators, clerical, and sales employees to wage workers in production in the late 1970s averaged 1.25 in the advanced countries, and .69 in the less-developed countries (see Table 12.1). Part of this difference must be attributed to the displacement of part of the class structure of the advanced capitalist countries to the less-developed countries. The overall class structure of the world capitalist system disproportionately concentrates agricultural laborers and unskilled workers in the relatively labor-intensive industries of the less-developed countries and professional, managerial, clerical, and sales workers, as well as highly skilled production workers, in the advanced capitalist countries.

Part of the difference between the class structures of the less-developed and the developed capitalist economies in relation to their ratios of nonproductive to productive employees is also due to the higher levels of military spending, especially on high-technology products and research and development, that occur in the imperialist countries. Contemporary military research, development, and production in the advanced countries require relatively large numbers of scientists, engineers, draftsmen, research assistants, mathematicians, computer operators, administrators, and clerical personnel of all kinds in comparison to actual production workers. That such a process in fact operates is indicated by the fact that in Japan, which spends very little on its military, the ratio of employed administrative, managerial, clerical, and sales personnel to production workers in the late 1970s was 1.13 and in West Germany, which spends much less than the United States, it was 1.16, while in the United States it was 1.46 (see Table 12.1). In sum, it appears that through both of these processes, the displacement of production jobs overseas and the distortion of the economy through heavy expenditures on military research, development, and production, the class structures of the advanced capitalist societies are modified by imperialism, expanding administrative, managerial, clerical, and sales jobs in relation to production, especially relatively unskilled jobs.

The transfer of industrial capital and jobs out of the United States means that unemployment in the United States grows beyond what it would otherwise be. The larger the pool of unemployed (the bigger the "reserve army of labor"), the more workers actively seeking work. And thus the pressure on those with jobs not to press for higher pay, or even to accept decreases in their real wages, grows. The higher the proportion of the labor force that is unemployed because of jobs being exported overseas, the greater pressure is for generally lower wages *in the United States*. Thus, the greater the opportunities for the transnational corporations to invest overseas by taking advantage of cheap and compliant labor in countries with repressive regimes that restrict unions and strikes, the lower the general wage level is for all U.S. workers. Thus imperialism, through guaranteeing relatively labor-intensive investments in low-wage areas, results in lowering the material living standards of the working class of the advanced capitalist countries. The stagnation in the real take-home pay of U.S. industrial workers since 1965 (the purchasing power of their paychecks was approximately the same in 1965 as in 1980) must in good part be attributed to the pressure on wages in the most advanced imperialist countries due to *both* the export of jobs and the loss of export markets to their lower wage competitors. The stagnation in the wages of U.S. workers has occurred, it must be noted, at the same time there have been very rapid real wage increases for most other industrial working classes throughout the advanced capitalist countries (see Table 15.4).

Last, it must be noted that the material effects of imperialism on the working class transcend economics. When wars are fought, such as that in Vietnam, it is mainly working-class people who are killed, injured, and permanently maimed. During the Indochina War 47,072 Americans died and another 153,000 required hospital care for their wounds (U.S. Department of Commerce 1979a, p. 375). People from poor families were more likely to be drafted into the Army, were much more likely to volunteer (because of the lack of alternative job prospects), were more likely to be sent to Vietnam, to be assigned to combat, and to be wounded or killed. A study of those who were killed in Vietnam showed that GIs from poor families were about twice as likely to get killed as the average soldier (Zeitlin et al. 1977, p. 146).

CONCLUSION

It is clear that the working people of the United States as a whole do not materially benefit from imperialism. The material costs of imperialism incident on them (including the deaths and injuries suffered by largely working-class soldiers) considerably exceed any possible trickle-down effects obtained from dominating the economies of the less-developed world. Moreover, imperialism (as demonstrated in Chapter 15) results in an especially slow rate of growth of the U.S. economy that combined with the effect of unemployment induced by the export of jobs results in stagnation in the living standards of U.S. working people.

The wealth of the United States and the other advanced capitalist countries in the world today is not the result of the exploitation of the working people of the less-developed countries and the transfer of wealth produced by them to the developed. While it certainly *is* true that the effect of imperialism has historically been to exploit the working people in, and block the economic development of, the less-developed countries these processes have not resulted in significantly subsidizing the living standards of the workers in the advanced countries through a transfer of value or wealth from the working people of the less-developed countries to the working classes of the developed. The wealth of, and the relatively high living standards in, the advanced countries is the creation of the working people in these countries whose exploitation has been the primary basis for the accumulation of capital, capital that largely remains in the hands of very few corporations.

SUMMARY

Neither Lenin's thesis of the aristocracy of labor nor the New Left notion shared by many of those around the journal *Monthly Review* can be substantiated. The working class as a whole, as well as its sectors most connected with imperialist activities, materially loses from imperialism. It is not the working people of the advanced countries that have an interest in imperialism, and it is not they who materially gain. Their material interest is not the motive force for its continuance. The only class to gain materially from imperialism is the capitalist class, above all, those segments of it with the greatest involvement in the transnational corporations that control the world's raw materials markets, run factories overseas, export to the less-developed countries, and make the immense profits from military contracts. It is this class that is the principal political force behind activities of the imperialist state.

15

THE DECLINE OF U.S. WORLD HEGEMONY AND INTERIMPERIALIST RIVALRY

In the post-World War II period the United States was economically and militarily hegemonic throughout the capitalist world, both in the advanced countries largely prostrated by the war, and in the less-developed regions. Since the 1950s, however, the economic predominance of the United States has been considerably undermined by the rapid growth of the other advanced capitalist countries. The trend is clearly in the direction of the United States becoming only one among many strong capitalist countries.

THE DECLINE IN THE U.S. ECONOMIC POSITION

In the years immediately after World War II the gross domestic product of the United States was approximately equal to that of the entire rest of the world. By 1977 the total GDP of the nine countries in the European Common Market was almost as large as that of the U.S. GDP (while it was half the size in 1960). The U.S. share of the GDP of all market economies declined from 45 percent of the total in 1960 to 31 percent in 1977. While in 1960 the Japanese GDP was 9 percent that of the U.S., by 1977 it had grown to 37 percent. Further, the U.S. economy has lost considerable ground to the Soviet Union. (See Table 15.1.)

Throughout the post-1950 period the U.S. rate of economic growth, along with that of Great Britain, has been one of the slowest of any capitalist country. In the 1970-77 period, of the major

TABLE 15.1: Gross Domestic Product of the Leading Industrial Countries, 1960-77

	1960	% of U.S.	1970	% of U.S.	1977	% of U.S.
U.S.	506.7	100%	981.2	100%	1,878.8	100%
EEC[a]	269.6	53.2	619.0	63.1	1,581.1	84.2
France	61.0	12.0	140.9	14.4	380.7	20.3
W. Germany	72.1	14.2	185.5	18.9	516.2	27.5
U.K.	71.4	14.1	121.8	12.4	244.5	13.0
Japan	43.1	8.5	204.6	20.9	691.5	36.8
Brazil	17.3	3.4	46.4	4.7	166.3	8.9
All market economies	1,126.7 (45.0%)[b]		2,487.9 (39.4%)[b]		6,121.6 (30.7%)[b]	

[a]European Economic Community.
[b]U.S. GDP as percentage of the total GDP of all market economies.
Source: United Nations 1978c, Table 1A.

advanced capitalist countries, only Sweden and Great Britain grew significantly slower than did the United States (see Table 15.2).

The growth rate differentials are in good part a product of the differential rates of growth in labor productivity. While from 1970 to 1977 the U.S. output per worker hour increased 22 percent, that of the Japanese increased 35 percent, the West Germans 46 percent, and the French 42 percent (see Table 15.3).

In spite of the slow increase in productivity in the U.S. economy in recent years, declining unit labor costs have allowed the United States to stay more or less competitive with the other capitalist countries whose wage rates have now almost caught up with the American. Real wages were virtually stagnant in the United States in the 1965 to 1980 period in manufacturing. Meanwhile, real wages in manufacturing increased at an average of around 6 percent a year in the next five largest capitalist economies. In 1977 Denmark and Sweden, not the United States, had the highest wage rates in the advanced capitalist world (see Table 15.4).

The figures for GDP per capita are even more striking. In 1950 no other leading capitalist country had a GDP per capita even 40 percent of that of the United States. But by 1977 all the leading advanced capitalist countries except Italy were at least at 50 percent

TABLE 15.2: Average Annual Rates of Economic Growth (percent)

	1960-70		1970-77	
	GDP	*GDP/Capita*	*GDP*	*GDP/Capita*
U.S.	4.0	2.9	3.2	2.0
EEC[a]	4.7	4.0	2.9	2.1
France	5.8	4.8	3.9	3.0
W. Germany	4.9	4.0	2.5	2.3
Italy	5.5	4.7	2.7	1.9
U.K.	2.7	2.2	1.8	1.7
Sweden	—[b]	2.9	1.5	.5
Canada	5.2	3.5	—	3.0
Japan	10.8	9.5	5.4	4.2
All developed market economies	4.9	3.8	3.4	2.5
USSR	7.1	5.9	5.5	4.3

[a]European Economic Community.
[b]Data not available.
Source: United Nations 1979a, Table 6.2.

of the U.S. level. GDP per capita in West Germany and France in 1977 was over 80 percent that of the United States. From 1960 to 1977 Japan's GDP per capita went from 16 percent of that of the United States to 70 percent. The gap in per capita wealth among the leading capitalist countries is rapidly diminishing. Projections of current trends suggest that before the turn of the century there should be little difference among the leading capitalist countries in either per capita wealth or industrial wages. The era of extraordinary living standards for the U.S. people is ending (see Table 15.5).

The process of the relative economic decline of the United States is also illustrated by production statistics for such basic industrial goods as passenger cars and steel. In 1950 the United States produced 80 percent of all passenger vehicles in the world. By 1977 this was reduced to 34 percent. Meanwhile Japan's share rose from less than .1 percent to 17 percent (United Nations 1978a and various). In 1950 the United States produced over half of the world's steel; by 1977 it slipped to 17 percent. Japan produced only 5 percent as much steel as the United States in 1950 but 90 percent as much in 1977. All the other leading capitalist countries except the United Kingdom have significantly increased their steel and passenger vehicle production relative to the United States since 1950. In addition, it should be noted that the steel production of the Soviet Union in the late 1970s considerably exceeded that of the United States (United Nations 1978a and various).

TABLE 15.3: Increases in Unit Labor Costs and Output per Man-Hour for the Major Advanced Capitalist Countries, 1970-77

	Percentage Increase in Unit Labor Costs (1970 U.S. constant dollars)	*Percentage Increase in Output per Man-Hour*
U.S.	-7.7%	21.7%
France	38.1	41.7
W. Germany	53.7	45.6
Italy	27.1	37.9
Netherlands	59.5	54.3
U.K.	20.2	16.5
Japan	86.2	34.7
Canada	5.4	29.1

Sources: U.S. Department of Commerce 1979a, p. 437; U.S. Domestic and International Business Administration 1979, Table 64.

TABLE 15.4: Wages in Manufacturing in the Advanced Capitalist Countries

	1977 Wages (U.S. dollars)	*Annual Average Increase in Real Purchasing Power ca. 1967-77*
U.S.	$5.67	1.0%
Canada	6.01	3.7
France	2.56	5.7
W. Germany	4.80	4.3
Italy	3.57	11.2
Netherlands	4.38	4.2
Japan	4.32	7.3
Sweden	6.82	3.5
Switzerland	4.27	1.3
U.K.	2.81	2.7
Denmark	6.91	5.0

Source: Business International 1979, January.

The trend toward decline is present but less striking in energy consumption. While in 1950 the United States consumed about 50 percent of all the energy produced in the world, by 1976 this was reduced to 30 percent (United Nations 1978a and various). The fact that the U.S. share has not declined as rapidly as has its share of other measures suggests that the United States is increasingly consuming beyond its productive base.

THE RELATIVE POSITION OF U.S. TRANSNATIONAL CORPORATIONS

The declining economic position of the United States is reflected in the international position of its leading corporations. For example, while in 1965 76 percent, and in 1970 64 percent, of the world's 50 largest industrial corporations as measured by sales were those of the United States, in 1974 48 percent and in 1978 42 percent were based in the United States (*Fortune* 1978 and various).

In 1971 U.S. transnational corporations were the largest in seven of nine principal industrial sectors (all but food and pharmaceuticals) where transnational corporations are clustered. But by 1975 U.S.-based transnationals had slipped to being the largest in only five of the nine sectors. Further, they lost their former second-place

TABLE 15.5: GDP per Capita of the Advanced Capitalist Countries (current U.S. dollars)

	1960		*1970*		*1977*	
	GDP/Capita	*As % of U.S.*	*GDP/Capita*	*As % of U.S.*	*GDP/Capita*	*As % of U.S.*
U.S.	$2,804	100.0	$4,789	100.0	$8,665	100.0
Canada	2,229	79.5	3,884	81.1	8,583	99.1
Japan	458	16.3	1,961	40.9	6,078	70.1
EEC*	1,170	41.7	2,460	51.4	6,100	70.4
Denmark	1,289	46.0	3,220	67.2	9,041	104.3
France	1,336	47.6	2,775	57.9	7,172	82.8
W. Germany	1,325	47.3	3,055	63.8	8,406	97.0
Italy	690	24.6	1,727	36.1	3,473	40.1
U.K.	1,358	48.4	2,198	45.9	4,377	50.5
Sweden	1,865	66.5	4,107	85.8	9,474	109.3
Switzerland	1,594	56.8	3,349	69.9	9,570	110.4
All developed capitalist countries	1,490	53.1	2,970	62.0	6,590	76.1
All capitalist economies	570	20.3	1,030	21.5	2,200	25.4

*European Economic Community.
Source: United Nations 1978c, Table 1A.

position in food and pharmaceuticals to European- and Japanese-based firms (United Nations Economic and Social Council 1978, p. 54).

The decline in the U.S. international position is reflected in the trends in relative size of the world's leading commercial banks during the last few years. In 1970 six of the ten largest commercial banks in the world as measured by assets were U.S. based, but in 1978 only two of the ten banks, the Bank of America Corporation and Citicorp (which still however ranked first and second), were among the world's largest ten banks (*Fortune* 1978 and various).

In 1971 U.S. transnational banks had 51 percent of all the affiliates in the less-developed capitalist countries of the 50 largest transnational banks. In 1976 they had 41 percent. In 1971 U.S. transnational banks had 32 percent of the *total* assets of the largest 50 banks in the world, and in 1976 they had 24 percent (United Nations Economic and Social Council 1978, p. 215).

However, in terms of *overseas* assets, U.S. private transnational banks in the 1970s grew considerably more rapidly than those of the other leading capitalist countries. In 1970 the overseas assets of U.S. commercial banks totaled just $7.7 billion as compared to $37.0 billion for British deposit banks, $14.5 for West German deposit banks, and $8.2 for French deposit banks. However, by 1978 U.S. overseas commercial bank assets grew to $101 billion (an increase of 13 times), putting U.S. overseas bank assets ahead of all but the British (who still led all countries with a total of $216 billion). The overseas assets of French and German deposit banks, although they too increased rapidly, shrank relative to the U.S. share. In 1978 both had approximately 75 percent of the overseas assets of U.S. commercial banks. U.S. private banks that in the post-World War II period were not heavily involved in overseas lending were swept into a strong position largely by the deposit of funds from the OPEC countries which they then lent out, largely to the less-developed capitalist countries. Thus, the improved position of U.S. transnational banks in overseas loans is more a measure of the confidence of OPEC depositors in U.S. banks together with the needs of oil-importing countries for short-term loans than a measure of the inherent strength of the U.S. economy (see Table 15.6).

THE U.S. INTERNATIONAL INVESTMENT POSITION

U.S. investment in the economies of the other advanced capitalist countries has been growing rather rapidly. In 1967 the sales of U.S. transnational corporations within the European Common Market

TABLE 15.6: Overseas Assets of the Banks of the Leading Capitalist Countries, 1960-78 (billions of U.S. dollars)

	1960	*1970*	*1975*	*1978*
U.S.				
Total[a]	22.6 (1.00)	22.2 (1.00)	62.2 (1.00)	117.3 (1.00)
Commercial banks	3.2 (1.00)	7.7 (1.00)	46.0 (1.00)	101.4 (1.00)
U.K.				
Total	5.4 (.24)	40.3 (1.82)	129.7 (2.09)	226.5 (1.93)
Deposit banks	1.6 (.50)	37.0 (4.81)	125.7 (2.73)	215.5 (2.13)
France				
Total	—[b]	13.2 (.59)	56.8 (.91)	109.6 (.93) est.
Deposit banks	—	8.2 (1.06)	34.5 (.75)	77.2 (.76) est.
W. Germany				
Total	9.1 (.40)	28.8 (1.30)	72.2 (1.16)	133.6 (1.14)
Deposit banks	1.0 (.31)	14.5 (1.88)	39.2 (.85)	74.9 (.74)
Japan				
Total	2.7 (.12)	11.5 (.52)	26.0 (.42)	81.4 (.52)
Deposit banks	.9 (.27)	6.6 (.86)	13.1 (.28)	25.7 (.25)
Netherlands				
Total	3.3 (.15)	8.8 (.40)	30.3 (.49)	59.8 (.51)
Deposit banks	2.4 (.76)	3.5 (.45)	10.2 (.22)	13.2 (.13)

[a]Total includes both private and government-owned banks.
[b]Data not available.
Sources: International Monetary Fund 1979b and various.

accounted for 7.9 percent of this region's total sales as compared to 12.3 percent in 1976. The U.S. transnational share in 1976 was greatest in the United Kingdom, where 22 percent of all sales in 1976 were by U.S. transnational corporations. The U.S. transnational corporations accounted for almost half (in 1976 45 percent) of all sales in Canada, a percentage that has been rising. The U.S. share in the Japanese economy, however, remains very low (3.6 percent in 1976). U.S.-based transnational corporations account for a even larger share of the total exports of the other advanced capitalist countries than they do of their domestic sales. In 1976 13.8 percent of all the exports from the European Common Market were by U.S.-based transnational corporations (in the U.K. 27.5 percent of total exports). Over half (52.6 percent) of Canada's exports in 1976 were by U.S.-owned transnationals (see Table 15.7).

As rapidly as U.S. direct investment in the economies of the other advanced capitalist economies has been growing since 1972, the investments of these countries *in the United States* have been growing considerably more rapidly. The long-run tendency for the ratio of foreign investment in the United States to U.S. investment overseas to decline was reversed in the early 1970s. While in 1972 foreign investment in the United States amounted to 16.5 percent of U.S. investments overseas, it rose to 24.3 percent by 1978. The ratio of European, Canadian, and Japanese investments in the United

TABLE 15.7: The Significance of U.S. Transnational Corporations in the Economies of the Other Leading Capitalist Nations, 1976 (percent)

	Total Subsidiary Sales/GDP			*Overseas Sales of Subsidiaries/Total Exports of Country*
	1967	*1972*	*1976*	*1976*
France	4.8	6.8	7.7	8.5
W. Germany	6.5	7.8	9.9	8.3
United Kingdom	13.5	15.8	22.0	27.5
European Economic Community (9)	7.9	9.6	12.3	13.8
Japan	2.1	2.3	3.6	1.7
Canada	43.5	42.8	45.4	52.6

Sources: United Nations 1978b; 1979a, Table 1A; U.S. Department of Commerce 1978a.

States to U.S. investments in these same countries meanwhile rose from 23.2 percent in 1972 to 30.4 percent in 1978 (see Table 15.8).

While U.S. investment in the Western European economy is substantial and growing, and in a few sectors close to predominant, for the most part U.S. transnational corporations play quite a secondary role in comparison to enterprises owned and controlled by Europeans. This means that European exports and overseas investments as well as the principal economic and political pressures operating on the European states originate largely within indigenous capitalist enterprises.

In France foreign investment accounts for more than 50 percent of total sales in petroleum, agricultural equipment, electrical and electronic equipment, and chemicals. Foreign investment also represents a significant share in the precision machinery, rubber, and plastics industries as well. However, in 1978 about 52 percent of foreign investment in France was from other EEC countries and only about 15 percent from the United States. The French government has been pursuing a policy of reducing the influence of U.S. corporations in the French economy. For example, in 1976 the government forced ITT to sell its telecommunications subsidiary to a French group. In the same year it required Westinghouse to reduce its holdings in the French nuclear power plant group from 45 percent to 15 percent with total phaseout expected within a few additional years (Business International 1979b, December).

Foreign investment in Germany predominates in oil refining, about 80 percent; glass, cement, and bricks 54 percent; foods 54

TABLE 15.8: Ratio of Foreign Investment in the United States to U.S. Direct Investments in Foreign Countries

	All Countries	*Europe, Canada, and Japan Only*
1970	.175	.248
1971	.168	.236
1972	.165	.232
1973	.203	.253
1974	.228	.268
1975	.223	.270
1976	.225	.272
1977	.231	.288
1978	.243	.304

Sources: U.S. Department of Commerce 1979b and various.

percent; and electrical machinery 51 percent. It is also strong in iron and metals at 50 percent; plastic and rubber 48 percent; pulp, paper, and boards 40 percent; automobiles 37 percent; and chemicals 33 percent. Among West Germany's 30 largest corporations are nine foreign subsidiaries, including Exxon, GM, Ford, IBM, Texaco, and Mobil Oil. Between 1961 and 1978 about 38 percent of all new foreign investment was from the United States (Business International 1979b, April).

Approximately 110 of the United Kingdom's largest 500 nonfinancial corporations were foreign owned in 1977. The largest of these included ESSO, Ford, Texaco, Xerox, and Woolworth's. About two-thirds of foreign investment is held by Canadian and U.S. companies. However, in 1976 only about 40 percent of new investment flows (other than insurance and petroleum) and 37 percent of foreign acquisitions of U.K. companies were by North American companies (Business International 1979b, December).

Unlike Europe's economy, the Canadian economy *can* in good part be considered an appendage of the United States. Foreigners controlled 54 percent of the Canadian manufacturing sector in 1976, including 73 percent of the chemical industry, 69 percent of the electrical products industry, 92 percent of petroleum and coal, 67 percent of nonelectrical machinery, and 40 percent of paper and related products. U.S.-controlled companies accounted for about 75 percent of all assets of all foreign-controlled corporations with another 10 percent being accounted for by British capital. A total of more than 3,300 U.S. corporations have branches or subsidiaries in Canada (Business International 1980, January).

In summary, other than the Canadian economy, which is largely an extension of the United States', the economies of the other advanced capitalist countries are increasingly *mutually* interpenetrated with the U.S. economy. While the United States has about three times more invested in them than they do in the United States, the U.S. relative advantage is being undermined as investment from the other advanced countries grows much more rapidly in the United States than U.S. investment grows in Europe. Undoubtedly the major reason for the reversal of the long-term trend in the 1970s has been the transformation of the relative wage situation between Europe and the United States. While for the first generation after World War II labor costs were much less in the European economies than in the United States, by the late 1970s this was no longer the case. In most of the economies of northwestern Europe labor costs were more or less equal to, or in some cases greater than, that of the United States. The incentive for capital to invest in relatively low wage areas that had long drawn capital across the Atlantic to Europe is now increasingly operating to bring capital to North America.

European capital, unlike Canadian capital, appears to be largely independent of U.S. capital. In some situations it acts in joint enterprises with U.S. capital, but for the most part it operates autonomous enterprises in competition with it. It would seem that in tight markets or, in times of recession, that the competition between the two could become intense, both in Europe *and* in America, with each side employing their states in support of its economic interests.

The United States replaced Great Britain as the leading overseas investor in the 1940s. In 1960 almost 60 percent of the value of the overseas investment of all the developed capitalist countries in *all* other countries was that of the United States. But since the 1950s the U.S. share has been declining. In 1976 it stood at 48 percent. West Germany, Japan, and Switzerland have all considerably increased their share of total overseas investments since 1960. In 1976 Great Britain had 11.2 percent of total overseas investments, West Germany 6.9 percent, and Japan 6.7 percent (see Table 15.9).

In 1967 the U.S. share of foreign investment in the *less-developed countries* was 50.4 percent of the total. This compared to 19.9 percent for the United Kingdom, 8.1 percent for France, 5.1 percent for the Netherlands, 4.4 percent for Canada, 3.1 percent for West Germany, and 2.1 percent for Japan. The various advanced capitalist countries concentrated their investments in different regions of the world. In 1967 Great Britain (with 30.0 percent) and France (with 26.3 percent) were the principal foreign investors in Africa, followed by the United States with 20.0 percent and the Netherlands with 14.5 percent. African investment remained largely in the hands of the former European colonial powers. This is seen by Britain's continued dominance in its former colonies (e.g., Nigeria, Zambia, Kenya, Ghana), France in her colonies (e.g., Algeria, Gabon, Morocco), and Belgium in Zaire. That a similar situation prevailed in the mid-1970s can be inferred both from the trends reported in Tables 15.9 and 15.10 and the fact that although U.S. investment in Nigeria increased to 31.4 percent of total foreign investment in that country, it was still only two-thirds the size of British investment (see Table 15.10).

In South and Southeast Asia in 1967 Great Britain predominated in foreign investment with 41.5 percent of the total, followed by the United States with 35.6 percent. But since the mid-1960s, Japan has come on very strong throughout Southeast Asia to replace the United States in a number of major countries as the leading foreign

TABLE 15.9: The Stock of Total Foreign Investment of the Developed Capitalist Economies (percentage distribution)

	1914	*1930*	*1960*	*1967*	*1976*
U.S.	6.3	35.3	59.1	53.8	47.6
U.K.	50.5	43.8	24.5	16.6	11.2
France	22.3	8.4	4.1	5.7	4.1
W. Germany	17.3	2.6	1.1	2.8	6.9
Switzerland	—*	—	—	4.8	6.5
Canada	.5	3.1	5.5	3.5	3.9
Japan	.0	.0	.0	1.4	6.7
Netherlands	3.1	5.5	3.1	2.1	3.4
Sweden	.3	1.3	.9	1.6	1.7
Total of all developed capitalist countries	100	100	100	100	100

*Data not available.

Sources: Newfarmer and Müller 1975, p. 31; United Nations Economic and Social Council 1978, p. 236.

investor. In 1967 in South Korea the United States held 92.3 percent of all foreign investment, with Japan holding only 4.2 percent. But by 1975 the U.S. share had declined to 19.1 percent, with Japan's rising to 72.7 percent. In Thailand the U.S. share declined from 40.2 percent to 16.6 percent, with Japan's rising from 19.7 percent to 48.5 percent; and in Indonesia the U.S. share dropped from 73.2 percent to 13.0 percent while Japan's rose to 71.8 percent. The United States was even challenged in the Philippines, where its share declined from 88.4 percent to 53.0 percent, with Japan's rising to 26.8 percent. Great Britain held its own as the preeminent foreign investor in India (about 64 percent in both 1967 and 1974), but lost her position in Hong Kong to the United States and Japan.

In the Middle East, the United States was the predominant investor in 1967 (and presumably in the mid-1970s as well). Fifty-seven percent of all foreign investment was that of the United States, while 27 percent was British. The United States was the preeminent foreign investor in Latin America in both the 1960s and 1970s, with its share declining but little between the two periods. In 1967 the United States held 64 percent of the total, followed by Great Britain with 9 percent and Canada with 7 percent. The U.S. share of all foreign investment in Brazil increased from 35.6 percent in 1967 to 37.4 percent in 1976 and in Mexico from 76.4 percent to 77.9 percent, but it declined in Argentina and Colombia. In 1976 the second and third largest investors in Brazil (the biggest and most rapidly growing economy in Latin America) were West Germany (14.4 percent) and Japan (13.0 percent), indicating their overall strong and improving position in the region.

In the 1973-76 period approximately 53 percent of all *new direct* investment flows from the developed capitalist to the less-developed capitalist countries, compared to roughly 50 percent from 1965-72, were from the United States (United Nations Economic and Social Council 1978, p. 249). In the 1973-76 period about 11 percent of all such flows were from Japan, 10 percent from West Germany, and 9 percent from the United Kingdom. While new direct investment flows are only one source of growth in overseas investments (reinvested earnings and transnational bank loans are two other very important sources), it is clear that the United States is still the major overseas investor in the less-developed countries, and should remain so for some time.

In summary, it appears that the biggest decline in the U.S. investment position in the less-developed countries during the 1967-75

TABLE 15.10: Foreign Investment of Developed Countries in Less-Developed Countries (percent)

		U.S.	United Kingdom	France	W. Germany	Others
All less-developed countries	1967	50.4	19.9	8.1	3.1	Netherlands 5.1 Japan 2.1; Canada 4.4
Africa	1967	20.8	30.0	26.3	2.1	Belgium 7.3; Japan .2
Nigeria	1967	16.4	53.8			Netherlands 14.5
	1973	31.4	47.5			
Algeria	1967	16.4		71.7		
Zaire	1967					Belgium 87.8; Netherlands 4.4
Zambia	1967	19.2	79.6			
Kenya	1967	8.7	78.8			—*
Gabon	1967	10.9		73.4		—
Ghana	1967	24.6	59.1	—		—
Morocco	1967	19.5	—	45.2		Italy 15.6
Asia, South and Southeast	1967	35.6	41.5	6.6	1.3	Japan 3.9
India	1967	20.6	64.6	—		
	1974	13.6	64.3	—	3.8	Canada 6.6
Philippines	1967	88.4	—			Netherlands 3.8
	1976	53.0	6.4	—	.3	Japan 26.8; Canada 8.6
Hong Kong	1967	38.6	41.4			
	1976	55.1	9.6	1.4	1.2	Japan 18.0
Indonesia	1967	73.2		9.4		
	1976	13.0	—	—	5.3	Japan 71.8; Netherlands 4.9
Thailand	1967	40.2	20.1			Japan 19.7
	1975	16.6	2.4			Japan 48.5
Singapore	1967	33.3	33.8			Netherlands 23.5
	1976	41.7	18.7	—	3.8	Japan 17.7; Netherlands 17.7
S. Korea	1967	92.3				Japan 4.2
	1975	19.1	—	.7		Japan 72.7; Netherlands 6.8
Malaysia	1967	11.9	74.3			
Pakistan	1967	22.3	59.5			
Middle East	1967	57.3	27.1	5.1	.8	Japan 2.7
Saudi Arabia	1967	90.4				Japan 9.2
Iran	1967	45.1	35.1			
Kuwait	1967	54.4	45.4			
Iraq	1967	23.6	37.5		23.6	
Lebanon	1967	54.5	14.3		21.7	
Latin America	1967	63.8	9.2	2.5	4.3	Canada 7.3; Japan 2.2
Brazil	1967	35.6	4.8	7.1	13.9	Canada 16.8; Japan 5.7
	1976	37.4	5.5	4.2	14.4	Japan 13.0; Switzerland 12.6
Argentina	1967	55.8	9.5	5.7		Italy 11.3
	1973	44.9	13.7	9.7	5.1	Switzerland 10.4; Netherlands 7.2; Japan .4
Colombia	1967	86.2				Netherlands 4.6
	1973	63.4	2.9	5.7	3.3	Canada 13.3; Switzerland 6.0; Japan .8
Mexico	1967	76.4	6.5			
	1975	77.9	6.3	1.1	2.6	Switzerland 3.4; Japan 1.5
Venezuela	1967	73.1	10.1			
Chile	1967	91.3				Japan 3.6
Peru	1967	84.4				Japan 3.8

*Data not available.

Sources: United Nations Economic and Social Council 1978, Table 3, p. 49; United Nations Department of Economic and Social Affairs 1973, Table 35 and p. 148.

period was in Southeast Asia, where it was largely displaced by Japan. The decline in the U.S. investment position, it should be stressed, was rather mild as compared to the decline in the measures of the domestic strength of its economy and in its export position. In relative terms, the United States remains in a very strong position in overseas investments in the less-developed countries, with only a relatively slow tendency to decline relative to its distant rivals.

THE U.S. INTERNATIONAL TRADE POSITION

In the post-World War II period the United States overwhelmingly dominated the world's export trade. But since the 1950s its position has been declining. In 1960 U.S. exports were almost a quarter of the total of all the advanced capitalist countries. In 1978 the U.S. share had declined to 16 percent. In 1978 West Germany surpassed the United States as the world's leading exporter (see Table 15.11).

The declining overall export position of the United States is reflected in its declining preeminence in the markets of Asia, Africa, and Latin America. In the 1970s both West Germany and Japan overtook the United States in total exports to Africa. Japan surpassed the United States in the markets of South and Southeast Asia while Germany reached two-thirds of the U.S. level. In the Middle East by the end of the 1970s the United States, West Germany, and Japan were running neck and neck as the principal exporters to the region. Only in Latin America was the United States still predominant. But even here its position slipped, with the Japanese gaining rather rapidly. Overall, the U.S. share of all exports from the developed to the less-developed capitalist countries declined from 31.9 percent of the total in 1965 to 24.6 percent in 1977, while the Japanese share increased from 13.9 percent to 21.5 percent (see Table 15.12).

The slipping U.S. lead in high technology has been reflected in the changing composition of the trade between the United States and the other advanced countries. In 1963 the ratio of U.S. capital goods exports to other advanced countries to imports from them was 2.6. By 1973 the ratio was 1.0. By 1973 Japan's ratio had exceeded 1.0, with this country now exporting more capital goods to the other advanced countries than it imports from them. U.S. industry retains its technological superiority and hence its principal export edge in only three high-technology areas: aerospace, computers, and certain branches of electronics (Volk 1979, p. 61).

TABLE 15.11: Exports of the Leading Developed Capitalist Countries (in billions of current U.S. dollars)

	1960		1970		1978	
	Total	*As % of U.S.*	*Total*	*As % of U.S.*	*Total*	*As % of U.S.*
U.S.	$20.4	100.0	$42.6	100.0	$141.2	100.0
European Economic Community	41.9	205.4	111.8	262.4	452.2	323.8
France	6.9	33.8	17.9	42.0	76.6	54.2
W. Germany	11.4	55.9	34.2	80.3	142.1	100.6
U.K.	10.6	54.2	19.4	45.5	71.7	50.8
Japan	4.1	20.1	19.3	45.3	97.5	69.1
All developed capitalist countries	85.8	(23.8)*	224.9	(18.9)	875.1	(16.1)

*U.S. as percent of all developed capitalist countries.
Source: United Nations 1978b, Table 1.1.

TABLE 15.12: Exports to the Less-Developed Capitalist Countries (billions of U.S. dollars)

	Of the U.S.	Of W. Germany	Of Japan	Of the EEC[a]	Of all the Developed Capitalist
To Africa					
1965	\$.77 (12.4%)[b]	\$.53 (8.5%)	\$.67 (10.8%)	\$3.96 (63.7%)	\$6.22 (100.0%)
1978	4.69 (10.1)	6.35 (13.7)	5.19 (11.2)	29.43 (63.6)	46.26 (100.0)
To Latin America					
1965	4.17 (49.8)	.83 (9.9)	.46 (5.5)	2.68 (32.0)	8.37 (100.0)
1978	22.02 (45.0)	4.61 (9.41)	6.40 (13.1)	14.17 (28.9)	48.96 (100.0)
To the Middle East					
1965	.71 (23.8)	.47 (15.8)	.27 (9.1)	1.66 (55.7)	2.98 (100.0)
1978	10.87 (19.8)	8.79 (16.0)	9.85 (18.0)	27.39 (50.0)	54.83 (100.0)
To South and Southeast Asia					
1965	2.68 (32.2)	.74 (8.9)	2.20 (26.4)	2.61 (31.4)	8.32 (100.0)
1977	13.54 (23.8)	8.79 (15.5)	23.10 (40.6)	13.31 (23.4)	56.91 (100.0)
To all the less-developed capitalist countries					
1965	8.35 (31.9)	2.57 (9.8)	3.63 (13.9)	11.02 (42.1)	26.20 (100.0)
1977	51.27 (24.6)	23.91 (11.5)	44.85 (21.5)	84.68 (40.6)	208.46 (100.0)

[a] European Economic Community.
[b] As a percentage of total exports to the region.
Source: United Nations 1978b (Special Table B).

THE DECLINE IN THE U.S. INTERNATIONAL POLITICAL AND MILITARY POSITION

While the U.S. transnational corporations' and banks' share of the economies of the less-developed countries has fairly much held its own through the 1970s in spite of the significant weakening of the U.S. domestic economy relative to that of the other advanced countries, such has not been the case with the supportive role of the U.S. state. Between 1970 and 1977 the U.S. share of "net official development assistance" extended to the less-developed countries by the advanced declined from 45.3 percent to 28.3 percent of the total. As a percentage of the U.S. GNP this represented a decline from .31 percent to .18 percent (the lowest ratio of any major advanced capitalist country). In 1977 the French were offering 54 percent as much as the United States, the Japanese 36 percent, and the West Germans 31 percent as much (see Table 15.13). It should be remembered that foreign assistance is both an export subsidy to a country's major exporting corporations *and* a mechanism of exerting pressure on the less-developed recipients. Thus is should be kept in mind that the relatively high French, Japanese, and West German levels of assistance in good measure represent subsidies to their transnational corporations in their competition with those of the United States (see Table 15.13).

The declining economic position of the United States is reflected in its declining military position in relation to the other leading countries in the world. As a percentage of its GNP, U.S. military expenditures declined more than for any other leading country between 1965 and 1977. This ratio went from 7.6 percent to 5.4 percent. In 1965 the U.S. ratio was 25 percent greater than the average of the other seven leading countries. In 1977 it was 5 percent less. In 1965 the U.S. spent 65 percent as much as the total of the other seven leading countries. In 1977 it spent 45 percent as much. It should be noted that the relative decline in the U.S. position in relation to the other advanced capitalist countries is caused by cutbacks in U.S. expenditures, not by increases in the military expenses of the others. The United States continues to supply the "military umbrella" for the rest of the imperialist world, and thus to bear the greatest part of the cost of imperialism, even while its share of the economic benefits has declined. It should also be noted that Soviet military expenditures as a percentage of its (imputed) GNP have declined consistently. Thus the relative decline of the U.S. position in relation to the USSR is *not* due to increases in Soviet military spending (see Table 15.14).

TABLE 15.13: Net Official Development Assistance from the Advanced Capitalist Countries to the Less-Developed Countries (millions of 1970 U.S. dollars)

	1970			1977		
	Total	*Percentage*	*Ratio to GNP*	*Total*	*Percentage*	*Ratio to GNP*
Canada	346.3	5.1	.42	575.7	8.4	.50
France	952.6	14.1	.64	1,049.5	15.4	.59
W. Germany	558.9	8.3	.30	596.8	8.7	.25
Japan	459.0	6.8	.23	685.8	10.0	.21
Netherlands	196.3	2.9	.61	390.2	5.7	.83
Sweden	117.0	1.7	.38	292.5	4.3	.85
United Kingdom	444.2	6.6	.36	441.2	6.5	.37
United States	3,066.0	45.3	.31	1,930.4	28.3	.18
Total	6,774.3	100%	.33	6,827.6	100%	.29

Source: United Nations 1979a, Table 5.9B.

TABLE 15.14: Military Expenditures of the World's Leading Countries, 1965-77 (millions of U.S. dollars)

	1965		1970		1975		1977	
	Expenditures	*As % of GNP*	*Expenditures*	*As % of GNP*	*Expenditures*	*As % of GNP*	*Expenditures*	*As % of GNP*
France	\$6,100 (11.8%)*	5.2	\$7,683 (9.9%)*	4.2	\$12,000 (13.3%)*	3.9	\$14,805 (14.7%)*	3.9
W. Germany	7,690 (14.8)	4.3	8,742 (11.2)	3.3	14,631 (16.1)	3.6	16,306 (16.2)	3.4
Japan	1,250 (2.4)	1.0	2,294 (2.9)	.8	4,724 (5.2)	1.0	5,699 (5.6)	.9
United Kingdom	5,910 (11.4)	5.9	6,451 (8.3)	4.8	10,207 (11.2)	5.0	11,378 (11.3)	4.8
India	1,470 (2.8)	3.7	1,511 (1.9)	3.0	2,742 (3.0)	3.4	3,081 (3.1)	3.2
China	6,500 (12.5)	6.8	21,414 (2.8)	13.5	32,369 (35.6)	10.5	35,026 (34.7)	9.4
USSR	52,400 (101.2)	15.7	73,343 (94.2)	14.0	118,938 (130.8)	13.6	139,788 (138.5)	13.3
U.S.	51,800 (100.0)	7.6	77,854 (100.0)	7.9	90,908 (100.0)	5.9	100,928 (100.0)	5.4

*As a percentage of the U.S. military budget.

Sources: U.S. Arms Control and Disarmament Agency 1974, Table 1; 1977, Table 1.

The slippage in the U.S. military position is more sharply seen when the relative size of its armed forces is examined. In 1965 the United States had a per capita ratio of armed forces 100 percent larger than the average of the other seven leading countries. In 1977 this had declined to 35 percent greater. The total number of troops of the United States was 33 percent of the total of the other seven leading countries in 1965 and 18 percent in 1977. Again, the decline in the U.S. position in relation to the other leading capitalist countries is a product of the reduced size of the U.S. military, not a result of the expanding militaries of the others. Both the Chinese and Soviet military establishments have, however, increased considerably since the mid-1960s (see Table 15.15). This is probably in good part caused by their growing mutual antagonism in this period, rather than by anything having to do with the West.

In spite of its relative decline, the United States remains the leading military power in the world because of its sophisticated high-technology equipment and fire power. But as the defeat in Indochina and U.S. reluctance to get involved in Angola and elsewhere have shown, the United States has had difficulty in translating its technological advantage into military success.

AN ANALYSIS OF THE U.S. DECLINE

The United States occupied an especially privileged position in the world capitalist system from the period after its Civil War in the 1860s through the 1960s. In these years it maintained the highest wages and highest living standards for working people of any capitalist country. The rich resources and open spaces of the North American continent, the massive migration of European peasants seeking work in the United States, and the free reign given to private enterprise in the post-Civil War period promoted an especially high rate of growth as compared to the other European capitalist countries through the World War II period. This high rate of growth together with the relative scarcity of labor as compared to resources led to relatively high wages in the new world. Capital and labor tend to flow to those areas where their advantages are maximized. Millions of peasants migrated to the United States in search of relatively high-paid work between 1870 and 1924. Significant quantities of European (mainly British) capital likewise crossed the Atlantic to take advantage of high-profit opportunities in the United States.

The special conditions that gave rise to the exceptionally high wages in the United States as well as to the exceptionally high

TABLE 15.15: Size of Armed Forces of the World's Leading Countries, 1965-77 (troops in 1,000s, ratios in per 1000 population)

	1965		1970		1975		1977	
	Number	*Number/ Capita*	*Number*	*Number/ Capita*	*Number*	*Number/ Capita*	*Number*	*Number/ Capita*
France	585 (22.0%)*	12.00	570 (18.6%)	11.20	575 (27.0%)	10.91	502 (23.9%)	9.46
W. Germany	440 (16.5)	7.50	510 (16.6)	8.40	495 (23.2)	8.01	489 (23.3)	7.96
Japan	246 (9.2)	2.49	250 (8.1)	2.40	246 (11.5)	2.12	236 (11.2)	2.07
United Kingdom	425 (16.0)	7.81	375 (12.2)	6.76	345 (16.2)	6.16	318 (15.1)	5.68
India	1,220 (45.9)	2.40	1,550 (50.5)	2.73	1,670 (7.8)	2.71	1,270 (60.5)	1.98
China	2,400 (90.2)	3.21	2,850 (9.3)	3.41	4,300 (2.02)	4.56	4,300 (2.05)	4.37
USSR	2,780 (104.5)	12.00	3,320 (108.1)	13.70	4,600 (216.0)	18.11	4,700 (223.8)	18.15
U.S.	2,660 (100.0)	13.70	3,070 (100.0)	15.00	2,130 (100.0)	9.95	2,100 (100.0)	9.68

*As a percentage of the U.S. military budget.

Sources: U.S. Arms Control and Disarmament Agency 1974, Table 2; 1977, Table 2.

rate of growth were systematically undermined by the migration of labor and capital, and by the adjustment of the labor/resources level in the United States to that of Europe. After World War II there was a massive investment of U.S. capital in Europe. The lower wages combined with a high level of skills in that continent stimulated high rates of investment, causing exceptionally low rates of unemployment and rapid rises in the levels of wages and thus in living standards. By the mid-1970s conditions in northwestern Europe and the United States had pretty much evened out. There were now more or less equivalent labor costs and working-class living standards in both regions (taking into account the much higher level of welfare, or the "social wage," in most of Europe as compared to the United States, which provided free to European workers with lower take-home pay what U.S. workers had to purchase out of their paychecks).

The equalization of rates of economic growth and wages was considerably facilitated by the operation of export markets. The countries with the lowest wages and most efficient production (e.g., West Germany, Japan, France) took markets away from the high-wage, relatively less-efficient producers (United Kingdom, United States), thus accelerating the former's capital accumulation, rate of economic growth, and rise in wages. Wages rose rapidly in these countries because of the low levels of unemployment induced by rapid economic growth. The considerably higher unemployment rate of the United States in the 1950s and 1960s as compared to that of Japan and Europe was the other side of the coin of the much higher wages in the United States. The equalization of labor costs has brought with it a considerable decline in the differential unemployment rate. While the average rate of unemployment in the United States had, through much of the 1950s and 1960s, been three or four times higher than that of its leading competitors, by the late 1970s this difference virtually disappeared. The rate of unemployment in the United States was 6.0 percent in 1978, 5.7 percent in Britain, 5.3 percent in France, and 3.9 percent in West Germany (see Table 15.16).

There have been additional factors at work in the U.S. decline (as well as in that of the United Kingdom). Two of the most important factors are the drag effects associated with being the leading economy in the world: first, the high costs of being the first to develop technical innovations (which then can be adopted without much cost by others); and second, the high costs of maintaining military hegemony (especially of developing advanced military technology and maintaining a world military presence) encumbent

TABLE 15.16: Unemployment Rates among the Advanced Capitalist Countries

	1970	*1974*	*1978*
France	1.3	2.3	5.3
West Germany	.6	2.2	3.9
Italy	3.4	2.9	7.0
Netherlands	1.0	2.9	—*
Sweden	1.5	2.0	2.2
United Kingdom	2.5	2.4	5.7
Japan	1.2	1.4	2.2
U.S.	4.9	5.6	6.0

*Data not available.

Source: International Labor Organization 1979, Tables 4 and 10.

on the leading state (and states) as the condition for maintaining their position.

The leading economy in the world must bear the costs of the development of new technology. Other advanced countries are in good measure able to more or less copy the advanced technology developed by others and devote themselves to producing commodities, utilizing such technology cheaper, or simply selling it more effectively, without having to bear the costs of research and development. The fact that the leading country (countries) must devote more of its (their) resources to research and development than do other countries also means that the nonleading advanced countries can devote more of theirs to productive investment, and thus grow more rapidly.*

A fundamental contradiction in being the leading imperial power in the world system results from the tremendous investment in both the development of military technology and in maintaining a world military presence that the leading power(s) must sustain. In order to secure the profits of empire for the transnational corporations that politically dominate the metropolitan states, a strong world military presence is required that can suppress or intimidate attempts to arouse socialist or nationalist revolutions. A strong military may also be necessary in order to maintain the leading position of one's

*See Veblen 1915 for an analysis in these terms of Germany's rise relative to Britain's in the pre-World War I period.

transnational corporations in the less-developed countries against competition from the transnational corporations of other core countries (such as the competition of rising German and Japanese imperialism with the predominant imperialism of Great Britain and France in the first half of the twentieth century). Further, a strong military is, in the second half of the twentieth century, necessary in order to contain the economic growth and political influence of the rapidly growing socialist countries that threaten by example, inspiration, and assistance to detach Asia, Africa, and Latin America as well as more of Europe from the world capitalist system.

In the past generation the leading advanced capitalist country, the United States, has not only paid the costs of preserving and advancing the economic interests of its own transnational corporations, but has paid much of the costs for securing profitable investment opportunities for the transnational corporations of the secondary capitalist powers as well. The United States has functioned as "the world's policeman" in defense of the property rights of all transnational corporations. It has provided an imperial "umbrella" under which the lesser capitalist countries such as Switzerland, Sweden, the Netherlands, Japan, Italy, and Belgium operate, without having to pay the costs of military hegemony.

Maintaining military hegemony requires that a considerable proportion of one's potential investment funds (funds that otherwise would have been productively invested) must be allocated to military development and maintenance. What is especially destructive of economic growth is the necessary allocation of a disproportionately high proportion of a country's best scientists and research capacity to developing new weapons systems, thus diverting them away from developing productive innovations that would increase productivity and enhance the international trade position of the leading country. Countries that do not attempt to develop the most advanced military technology can allocate much more of their research capacity to developing better and cheaper goods, thereby undercutting the world export position of the leading economic and military power as well as investing a considerably higher proportion of their national product in industrial development. The result is that the leading economic and military powers in the world system (in the nineteenth century Great Britain, and in the mid- and late-twentieth century the United States) have their leading economic position rather rapidly undercut by the countries on their tails.*

*See Melman 1965 for an in-depth analysis of the U.S. economy in these terms.

As with the effect of being the leading technological innovator, the effect of being the leading military power is contradictory. The attempt to stay number one economically necessarily results in a country *losing* the leading economic position because of the tremendous drain of being first. There can be no long-term stability in the monopoly capitalist world system. Economies and states are in constant flux.

Table 15.17 shows that heavy military spending and the consequent allocation of scientific and technical resources to military research and development in fact results in slow ratios of productivity increase, and hence in slow rates of economic growth. The 18 largest and wealthiest advanced capitalist countries are divided in half into those that spend proportionately the most and the least on the military. Their rates of unemployment and economic growth are compared. The nine that spend relatively the *most* are seen to have a somewhat higher rate of unemployment with 3.1 percent versus 2.9 percent (1970-76 annual average), and a slower rate of growth whether measured by the rate of increase in GDP (3.2 percent versus 3.6 percent) or GDP per capita (2.3 percent versus 2.7 percent) (see Table 15.17).

The drag effect of being the leading economic and political power in the world had the effect of reducing Great Britain to a *lower* level of wages and economic growth than would have been the case simply through an equalization of economic conditions induced

TABLE 15.17: Relationship between Military Spending and Economic Stagnation for the 18 Leading Advanced Capitalist Couintries

	The Nine Countries with the Highest Military/ GNP Ratios[a]	*The Nine Countries with the Lowest Military/ GNP Ratios*[b]
Military spending/GNP 1974	7.0%	2.0%
Percentage unemployed 1970-76 average	3.1	2.9
Increase in GDP 1970-77	3.2	3.6
Increase in GDP per capita 1970-77	2.3	2.7

[a]Israel, U.S., U.K., France, Sweden, Netherlands, Norway, Italy.
[b]Canada, Finland, Austria, Japan, Switzerland, Denmark, Belgium, Australia, Spain.
Sources: Sivard 1977; International Labor Organization 1979; United Nations 1978c.

by capital and labor flows and competition in export markets. The special costs incumbent on Britain's leading economic and military role resulted in her position sinking *below* that of other northwestern European countries. It can be expected that what happened to Great Britain will also happen to the United States, especially as long as this country attempts to exert military hegemony over much of the world. The expensive costs of empire can be expected to result in the lowering of the U.S. wage level and standard of living to significantly below the level of the other advanced capitalist countries of Europe and Japan, just as it did in the case of the U.S. predecessor as the leading imperialist power.

The evaporation of the traditional difference between the European and the U.S. working class in the 1970s not only encompassed the disappearance of the difference in wages (take home plus the "social wage" of supplementary services), and the disappearance of differences in unemployment, but to a considerable extent the availability of social welfare programs. During the course of the 1960s and the 1970s U.S. federal government spending on education, health, housing "income maintenance," and so forth increased rapidly while there tended to be stagnation or even a reversal in European welfare programs. In 1960 the ratio of federal social expenditures to military expenditures was .48, in 1970 .89, and in 1979 2.26 (see Tahle 15.18).

The rapid rise in social expenditures in the United States appears to be caused hy the factors discussed by James O'Connor in his

TABLE 15.18: Ratio of Total U.S. Federal Social Expenditures to Direct U.S. Military Expenditures, 1960-79

	U.S. Direct Military Expenditures[a]	*U.S. Social Expenditures*[b]	*Ratio of Social to Military Expenditures*
1960	$45.2	$21.9	.48
1965	47.5	33.2	.70
1970	78.6	70.2	.89
1975	85.5	163.0	1.91
1979	114.5	259.0	2.26

[a]Category of "National Defense" only.
[b]Sum of budget categories of income security, health, education, training and employment, natural resources and environment, and community and regional development.
Source: U.S. Department of Commerce 1979a, p. 257.

The Fiscal Crisis of the State (1973). The sharp international competition that has been preventing a significant rise in real wages, thereby keeping U.S. goods competitive, has also been forcing the U.S. state to take up the slack by increasingly bearing the costs of "fringe benefits," socializing more and more of what used to be provided directly by the private corporations to the workers.

What we can expect politically from the economic decline of the United States to the level of the rest of the advanced capitalist countries is that the politics of its working class, which for so long has been unique among the advanced countries, should come into line with the rest. The conservative politics of the U.S. working class has been a product of the unique economic position of the United States through most of the twentieth century. The massive immigration from Europe to the United States until the 1920s produced a high level of ethnic identification and ethnic antagonism rather than class consciousness, as well as an upward mobility of ethnic groups, which together with relatively rapidly rising real wages, acted to "cool out" class antagonisms. These factors blocked the development of a socialist class consciousness. The evening out of the levels of economic development among the advanced countries means the ending of these traditional differences. In fact, the tables have turned in the last generation. In the 1960s there was both more foreign immigration into Europe, than into the United States, and a far more rapid rate of increase in real wages in the former area. The inference from all this is that in a future crisis the political response of the U.S. working class can be expected to be similar to that of the European.

THE FUTURE OF INTERIMPERIALIST RIVALRY

It is undisputable that the preeminent economic position of the United States in the world has been lost. However, it is just as undisputably true that the United States will continue to be the number one economic power for some time, if only because of its huge size in comparison with any other advanced capitalist country. It is only in coalition or through economic integration, such as the European Economic Community, that the other leading capitalist countries represent economic power equal to or superior to that of the United States. Nevertheless, as data on exports and on international finance show, the U.S. position in the late 1970s is on a par with the other leading countries, if only because they are relatively more internationally oriented than is the United States.

There is today sharp competition for markets, manifested both in the export of goods and capital, and for control of raw materials markets among the leading capitalist countries.* Because of the generally prosperous economic situation in the 35 years after the war and the common front against socialist expansion, the inherent economic contradictions among the leading capitalist countries over profit-making opportunities, which twice in the twentieth century led to bloody interimperialist confrontations (1914-18 and 1939-45), have been contained. However, it is quite possible that in a worldwide depression (or protracted period of economic stagnation) the inherent forces of economic competition among the leading capitalist countries could once again "heat up." Economic warfare and consequent political hostility, as they battle for scarce resources, markets, and profit-making opportunities, are likely prospects.

It is quite possible that in a world with insufficient profit-making opportunities for all, the various transnational corporations will each turn to their respective governments for political and if necessary military support (as they have done twice before in the twentieth century) to protect and advance their interests against those of other imperialist states. That the political unity of the advanced capitalist countries against the USSR could break down is suggested by the hreakdown in unity among the socialist countries (especially the hostility between the USSR and China). It is not beyond the realm of possibility that certain leading capitalist states could form a political alliance with China against both the Soviet Union and certain other advanced capitalist states, while other leading capitalist states would ally with the USSR against both China and China's allies in the West. For example, a coalition between the United States and China against the EEC (organized by France) and the USSR should not be relegated to the realm of science fiction. After all, who would have thought in 1960 that the United States and China would become allies and the USSR and China deadly antagonists? If there are strong economic motives, such as insufficient profit-making opportunities to satisfy both Western European and U.S. capital, in the absence of a clear threat from a unified socialist world, it *is* possible that economic pressure could force new outbreaks of interimperialist warfare.

*For an insightful analysis of contemporary interimperialist rivalry see Mandel 1970.

16 CONCLUSION

In this concluding chapter the two theories of imperialism outlined and contrasted in Chapters 2 and 3 are briefly reexamined and evaluated in light of the empirical evidence that has been presented. It is argued that the theory laid out by Lenin in his *Imperialism: The Highest Stage of Capitalism*, with some important exceptions and qualifications, holds up fairly well as an analysis of contemporary imperialism. But it must be modified in some basic ways, especially in its theory of the dynamic of imperialism.

The contradictions faced by less-developed capitalist countries are summarized and their revolutionary possibilities are discussed in this chapter. It is argued that revolutions in which the working class is likely to play a central role are to be expected with growing frequency in these countries. The growing economic stake of the transnational corporations and banks in the less-developed countries, however, should force the leading imperialist states, such as the United States, to take measures designed to protect those interests. There are sharp differences of opinion within the ruling circles of the United States on how to respond to the challenge raised by growing opposition to imperialism in the less-developed countries, especially the collapse and threatened collapse of the variety of conservative regimes installed with the support of the United States in the post-World War II period. Vietnam, Angola, Ethiopia, Iran, and Afghanistan have all given considerable impetus (as have Sadat's reversal of Nasser's policies in Egypt and the U.S. friendship with China) to the ongoing debate on and evolution of U.S. foreign policy. It is to he expected, given the tremendous stake of the

United States in the less-developed countries, that the United States will return to the pre-Vietnam policies of active military intervention and the 1950s policies of sharp confrontation with the USSR (the principal international supporter of antiimperialist movements).

EVALUATION OF THE THEORIES

Lenin argued that the principal motive force behind imperialism was the necessity to export capital. He maintained that the low living standard of the masses of people in the advanced countries was an inherent aspect of advanced capitalism and that therefore the opportunities for profitably investing in the advanced countries were inherently limited. If capital could not be exported to regions where there were growing markets for its products capitalism would necessarily sink into deep stagnation (what others have called a crisis of underconsumption). Capitalism then not only generates imperialism, but could not survive without it. The evidence on the role of the export of capital in the capital accumulation process is overwhelming. The expanding consuming power of the masses of people in the advanced countries (that Lenin predicted could not happen) together with rapidly growing state expenditures have provided possibilities for profitable investment outlets that Lenin did not foresee. Capital export in fact plays a very minor role in facilitating the capital accumulation process for the advanced countries. It is very clear that although capitalism *does* necessarily generate imperialism, and, further, that capital export *is* the principal dynamic of contemporary imperialism, the export of capital is *not* necessary for the continuation of the capital accumulation process. To deny this is to be blind.

Those associated with the Marxian-dependency tradition have generally *denied* that capital export and the profits from overseas investment are the primary motive force behind imperialism. They typically maintain instead that the primary dynamic of imperialism lies in the necessity to import raw materials, in the profits gained from monopolizing world markets, in appropriating wealth through unequal exchange, and in securing markets for the export of goods. This position is not supported by the evidence. The profits obtained from investments in the less-developed countries are much more important that those obtained from the export of goods. In fact, the export of goods from the United States is in good part now designed to supply the overseas subsidiaries of the transnationals with the parts and equipment they need for their local investments.

The drive to control raw materials markets does not derive from an inherent requisite of advanced technology to acquire materials not otherwise obtainable except through imperialism. It comes rather from the extremely high profits made by the transnational corporations in controlling the world market in these commodities and selling them to the highest bidder (which for U.S. transnational corporations is mostly in Western Europe and Japan). Last, the tremendous profits made from trade with the less-developed countries come mainly from monopolization of world markets (especially from petroleum) and represent neither, as those in the *Monthly Review* tradition argue, a transfer of value from the less-developed to the developed countries nor the exploitation of the producing class in the less-developed countries. The enormous profits in this sector manifest a transfer of wealth among the various advanced capitalist nations affected through monopoly markets. Lenin's insistence that capital export was the primary motive force behind imperialism has stood the test of history. In fact, this appears to be more the case in the contemporary stage of imperialism than ever before as a growing proportion of the domestic profits of the corporations are invested in overseas industries and the advanced countries take over an increasing share of the domestic markets of the less-developed countries through their transnational subsidiaries.

The analyses of Lenin and the Marxian-dependency tradition of the effectiveness of neocolonial mechanisms of informal domination are in part supported by the post-World War II period that has seen the formal independence of almost all of Africa, Asia, and the Caribbean. Indirect military, economic, and ideological hegemony have in good part filled the gap left by the loss of direct colonial administration. However, the *Monthly Review* tradition, unlike Lenin, fails to give sufficient emphasis to the autonomous forces that in most countries, for their own reasons, have allied with the transnational corporations and the imperialist states, and with the transnational corporations and the imperialist states, and accumulated growing economic resources. The local bourgeoisie are obtaining an ever-increasing share of the profits of imperialism. Some may eventually in good measure even break with Western imperialism, although it is more likely that they will be overthrown by the antiimperialist forces to which they and their transnational collaborators have given birth.

As the Communist International saw in 1928, Lenin's analysis (as well as those of Marx, Luxemburg, and Trotsky) of the direction of real wealth transfer within the imperialist world system did not hold true, at least through most of the 1890-1960 period (what I have called the first stage of monopoly capitalist imperialism). Neither did the notion shared by these same theorists that the export of capital would rapidly industrialize the less-developed countries, closing the gap between them and the developed, and result in the rapid growth of an industrial proletariat that would be the carrier of revolutionary Marxism. The arguments of the Marxian-dependency tradition in fact would seem to better describe this earlier period than the theories of Marx and Lenin. Monopolization, together with formal colonialism, in fact blocked the industrialization of the less-developed countries and the rapid growth of a working class during this period. Although only of minor importance in causing the growing gap between the two sets of countries, as well as the immersion of the people in the colonial and neocolonial areas in this stage of imperialism, there was also a transfer of wealth to the developed countries, principally through unequal exchange.

Marx and Lenin's analysis of the transfer of value and the effect of imperialism on industrial development was premature. With the ending of formal colonialization (which had been the principal block on industrialization) the opportunities for profitable investment in the less-developed countries rapidly expanded, especially in manufacturing. In the latest stage of monopoly capitalist imperialism there has been a net flow of wealth from the developed to the less-developed countries. This flow, together with the transfer of high technology, has considerably accelerated both the industrialization and the all-around rates of growth of the less-developed countries. Economic growth in general and industrialization in specific have also been accelerated by the policies of forced accumulation pursued by many less-developed countries. These policies have only become possible with the elimination of the obstructions of formal colonialism. As Marx and Lenin suggested, rapid industrialization in these countries has brought with it the rapid growth of the industrial working class, the traditional carrier of socialist ideas.

While the industrialization of the less-developed countries has been proceeding apace, in good part because of collaboration with foreign capital, there are economic problems associated with continued and increasing reliance on such foreign inputs to expand industrialization and "deepen" economic development. As more countries attempt to follow the bureaucratic authoritarian path of internal bourgeois-transnational collaboration, and as the rapidly growing less-developed economies require ever larger amounts of foreign capital to keep up the same rate of growth, the demand for foreign capital is likely to become greater than the rate at which it can be provided. Relative scarcity of foreign capital, essential in the bureaucratic authoritarian/internal bourgeois model of development, means that the various less-developed capitalist countries would have to increasingly compete with one another by giving better and better terms to the transnational corporations in order to attract investment. This runs against the need to restrict transnational prerogatives in order to maintain the legitimation function of the state (through increasing nationalism). Thus, whether or not most less-developed capitalist states elect to make greater concessions to foreign capital (inducing a legitimation crisis) or increasingly restrict it, thus driving it to other countries where it can get better terms, serious problems are presented for the smooth continuation of economic development within the logic of imperialism.

Given the tendency for demand to grow, transnational capital is likely to be relatively scarce as long as parliamentary forms persist in the developed capitalist countries. As long as the transnational corporations must legitimate their economic domination in the eyes of the working and middle classes in their home countries, there are limits to capital export. The higher the level of capital export, the more jobs are lost in the economies of the advanced countries, the lower the level of wages, and the more stagnant their economies become. The more capital is exported, the more the balance of payments crisis is likely to be aggravated. Without restrictions on capital export, resolution of the balance of payments crisis necessitates devaluation and deflationary measures that disproportionately hurt the working and middle class. Further, the U.S. capitalist class itself, or at least large segments of it less involved in direct investments overseas, resists the expansion of at least certain kinds of capital export, e.g., nuclear reactors, facilities for manufacturing computers or other advanced high-technology goods, either for political reasons (e.g., nonproliferation of the means of building "The Bomb"), or economic reasons (e.g., not building up competitors for U.S. exports, or undermining the bargaining position of U.S. transnational corporations in the less-developed countries). In any case, the potential for serious constraints on the export of capital to the less-developed countries is considerable, as the restrictions on capital export imposed from 1966 to 1974 by the United States bear witness.

The growing reliance on foreign loans to purchase necessary industrial inputs is also generally a corollary of rapid industrialization in the less-developed countries. Especially because the primary financier of such industrial inputs has become the private banks of the developed countries, the repayments on such loans have become an increasing burden. Private credit has been advanced to the point to which the banks often become reluctant to make further loans because of the risk of default. Increasing debt to the banks as well as to such international financial institutions as the World Bank and the IMF also carries with it the increased power of these institutions to insist on the "orthodox" economic policies that run against the requirement that the state make nationalist and popular concessions in order to preserve the legitimacy of its rule.

All in all, the considerable economic and sociopolitical contradictions of dependent capitalist development make it very unlikely that the immense gap that still exists between most of the less-developed and the developed capitalist countries will be closed, and that any significant number of less-developed capitalist countries will succeed in completing the process of capitalist industrialization to achieve conditions more or less comparable to what exists today in the advanced countries of Europe and North America. Although the general economic trends clearly point in the direction of the continuation of the process of rapid economic growth and industrialization, the tremendous social and political tensions induced by the inherent contradictions of the process make it virtually certain that these processes will not result in all-around development. Socialist revolutions are a far more likely alternative.

The Marxian-dependency tradition, drawing the implications of increasing immiseration of the less-developed countries and the blocking of their industrialization, sees peasants in the countryside and the displaced semiproletarians and lumpen proletarian ex-peasants of the cities as the primary basis for radical social change. While such groups have played an important supportive role in antiimperialist movements, it has been the working class, in countries like China, Vietnam, and Cuba, that was primarily responsible for the rooting of Marxist ideology, organizational forms, and strategies in the antiimperialist struggles of these countries. The working class must generally be considered the *leading* element, as opposed to the primary fighting force in these historic revolutions. With the rapid growth of the industrial proletariat and the shrinking of the peasantries throughout the less-developed countries, it can only be anticipated that the expectation of traditional Marxists, such as Lenin, for the industrial proletariat to play the leading revolutionary role will be increasingly confirmed.

The traditional Marxist expectation, shared hy both the Soviet Union and Mao Tse-tung, that imperialism gives birth to its opponents, not only by creating a large working class, but also by oppressing and indirectly facilitating the growth of a "national bourgeoisie," would also seem to be given substantial support, if in

modified form, by events. During the 1970s local capitalists (the internal bourgeoisie), in coalition with the transnational corporations and with heavy support from their bureaucratic authoritarian states, grew rapidly, creating the basis for potential antagonism toward the transnational bourgeoisie. Further, it would appear that the rapid development of capitalist relations, in however a distorted form, has for the most part eradicated or clearly subordinated precapitalist feudal or patriarchal/tribal relations in at least most of the major less-developed countries. The persistence of strong components of patriarchal/tribal relations in most of sub-Saharan Africa and the persistence of semifeudal relations in a few countries such as Saudi Arabia would seem to be the primary exceptions. In this respect the ideas of Lenin and of the Communist International (including those expressed by Mao Tse-tung) would appear to be largely superceded. The argument made (prematurely) by Trotsky and by the Marxian-dependency school would now appear to be essentially correct, although in the latter case for reasons very different than this tradition expounds.

There is very little evidence for Lenin's theory of an aristocracy of labor. There is little evidence from the United States that those workers in positions to potentially gain from imperialism in fact do so. Nor is there any substantial evidence that such workers are any more proimperialist or conservative than the rest of the U.S. working class, or that workers as a whole in the United States are better off materially because of a transfer of wealth from the less-developed countries. It may well be the case, however, that the very real increase in working-class living standards that occurred in the 100 years after the U.S. Civil War, combined with the relative prosperity of the U.S. economy, has both facilitated the conservatism of the working class and allowed those in power to convince the working class that they have a stake in imperialism. But in any event, both Lenin and the New Left expanded versions of his thesis, generally shared by the Marxian-dependency school, are wrong. The high living standards of the workers in the advanced capitalist countries are in no way the result of the poverty of the working people of the less-developed countries. Neither group has a stake in imperialism.

The evidence for and against the revival of sharp interimperialist rivalry is mixed. It is clear that since 1945 the major capitalist countries have expressed a degree of unity and coordination rare in their history. There have been extended periods of a relatively high degree of unity and cooperation before, e.g., in the post-Congress of Vienna period. Just as in this later period, it has in good part been the fear of revolution that forced the major countries together.

Further, the argument Lenin made for the necessity of interimperialist rivalry is too strong. He argued that since the only profitable capital outlets are overseas, and overseas territories are limited, the latecomers to rapid capital accumulation must initiate aggressive actions against the older powers under pain of stagnation (or worse) in their economies. As Chapter 5 shows, intensive sources for capital accumulation account for the vast majority of investment outlets and thus the drive to aggressive competition and war is not as intense as Lenin thought. But what is the case today was just as much the case before both World War I and World War II, and it did not stop these outbreaks. It would appear that overseas investments and other profits to be made from the domination of the less-developed countries are large enough to give the politically dominant groups in them a tremendous stake in using their states against other countries for their economic gain, just as has previously been the case in the capitalist era.

The declining economic position of the United States in relation to the other advanced countries shows every sign of reducing the development of U.S. productive forces to the average for these powers, with the United States probably eventually developing a lower living standard. The continuation of its predominant position would appear to rest purely on its size, a fact that could be overcome through the coalition of other capitalist powers against it. West Germany has already surpassed the United States as the principal exporter in the world. The GDP of the European Common Market is, in the early 1980s, approximately the same as that of the United States. The U.S. attempt to preserve its preeminence as the leading imperialist power necessarily sets into motion forces that weaken its economy and slow its rate of growth, and thus undermine the material basis for its leading position. Given the fundamental divisions among the socialist countries it is not inconceivable that one set of capitalist countries would ally with China and another with the USSR, and, consequently, that the probabilities of aggressive economic and military competition and the danger of war would be at least as great in such an event as they were when the capitalist and socialist countries each formed their separate blocs.

It would be premature to dismiss Lenin's notion of interimperialist contradiction. However, of the three principal contradictions he saw—between the proletariat and the bourgeoisie, between the advanced and the colonial and neocolonial countries, and among the leading capitalist countries—it is clear that since 1948 the principal contradiction has been between the advanced and less-developed capitalist countries (as has been manifested in recurrent national liberation movements and revolutions since that year).

Lenin's notions about the parasitical nature of the advanced capitalist countries, i.e., that they are increasingly transferring the production of goods overseas and are concentrating on commerce, finance, and nonproductive services, thus undermining the productiveness of their own economies, may well also be coming to pass. As the role of the transnational banks grows and more U.S. manufacturing firms transfer their operations to low-wage areas, we would expect to see a widening of the balance of trade gap (i.e., increasingly more material goods imported than exported by the developed countries with the difference increasingly made up by a surplus on the balance of payments "service" account, i.e., repayments on loans, insurance, royalties and fees, and so forth). It is clearly the case that the position of being the leading imperialist power has already seriously undermined the productiveness and rates of growth of both the British and U.S. economies.

In summary, the ideas of Marxian-dependency theory as advocated by those around the journal *Monthly Review* as well as by Immanuel Wallerstein do not hold up very well, at least in the post-1960 stage of imperialism. While many of their notions, especially those dealing with the increased immiseration of the less-developed countries and the blocks on industrialization, were in good part valid during the colonial period, the evidence is overwhelming that this is no longer the case. Their discussion of stages of imperialism, which maintains essentially that there have been none and that there has been essential continuity in imperialism since 1500, clearly runs against all evidence of the changing dynamic and effects of imperialism. Their discussion of the dynamics of imperialism, which downplays capital export, likewise, does not ring true in the present period. Their whole analysis of the "exploitation" of the poor countries by the rich countries to *under*develop the former and accelerate the development of the latter just can not be supported by contemporary evidence.

The ideas expounded by Karl Marx often sounded strange in the pre-World War II period (especially to revolutionaries in the less-developed countries that he predicted would be industrialized by imperialism). But it appears they in fact did capture the essence of the dynamic and effects of capitalist imperialism. However, due to structural blocking imposed by colonialism, it has taken some time for the forces Marx saw operating to become predominant. It has been likewise with the ideas of Lenin. His notions that capital export is the key aspect of imperialism, that the consequence of capital export was the industrialization of the less-developed countries, and that the industrial proletariat in these countries would be the leading revolutionary force are being realized, albeit two generations after his analysis was first made. Both men had tremendous insights into the nature of imperialism and were able to lay bare much (although clearly not all) of its essence considerably before the tendencies they predicted became dominant.

FUTURE DEVELOPMENTS IN THE LESS-DEVELOPED COUNTRIES

The social and political developments in any society are in the last analysis a product of the contradictions in its mode of production and of the world system of which it is a part. The contradictions of the late stage of monopoly capitalist imperialism together with those of the "dependent development" of the less-developed countries are thus at root the source of the present and future political crises and transformation in these societies. In some ways their situation is similar to those of the present-day advanced capitalist countries during the early years of their industrialization. In others it is qualitatively different because of their subordinate position within the capitalist imperial world system. The contradictions of capitalist industrialization in Western Europe came close to being manifested in socialist revolutions in the 1917-48 period, but for the most part they were frustrated short of such a transformation. The differences between the capitalist industrialization of the less-developed countries and that of the developed capitalist countries all seem to add impetus to the forces leading to socialist transformation in the former.

The contemporary industrialization of the less-developed countries is proceeding more rapidly and for the most part with relatively less benefit to the working class than was the case in Western Europe. This industrialization results in the rapid growth of an industrial working class, the traditional social basis for socialism. It also means the undermining of traditional social structures and values as well as growing resentment over not receiving the benefits of one's labor. As Seymour Martin Lipset (1960, chap. 2) notes, those European countries that experienced the most rapid industrializations (e.g., Norway) also experienced some of the most militant class conflict in the continent. The even more rapid industrialization of countries like Iran, South Korea, and Brazil should be expected to become manifested in even more working-class militance than occurred in the more rapidly developing European countries. There is evidence that those workers recently displaced from the countryside became militantly revolutionary during the Bolshevik revolution. If that reflects a general trend, as contemporary evidence seems to indicate (see Leggett 1968, p. 64), then the considerably more rapid displacement of the peasantry into the working class that is occurring in the less-developed countries today indicates trouble for capital.

The central role of foreign capital, together with the close collaboration of most of the bourgeoisie and the local states with transnational interests, is a phenomenon that, for the most part, did not occur in the industrialization of the advanced countries. In England, France, Germany, Japan, and the United States the national bourgeoisie was the leading force and could thus use nationalism (especially in the case of those nations that were trying to catch up with the leading capitalist country, e.g., Japan and Germany) to mobilize their working people in the interests of private capital accumulation. This proved difficult to do for the czarist system in Russia, which relied heavily on German, French and British capital, and which was thus seen as collaborating with foreign exploiters, if not actually selling out the country. It proved even more difficult for the ex-Shah of Iran to successfully use nationalism to legitimize his regime as it was much more involved with foreign capital than was that of the czar. In general, the bureaucratic authoritarianism of the less-developed countries, which heavily depends on transnational capital and on the support of the U.S. state, necessarily generates a legitimation crisis.

Not only is it difficult for such regimes to use nationalism to legitimate their rule, but the use of traditional religion becomes problematic as well. The process of rapid economic growth results in general social disruption and the undermining of traditional values. The traditional religious leaders can easily become offended, as the "corrupt" Western influences and the callous individualism and materialism the transnational corporations bring are seen as undermining religious values (e.g., revolutionary Islam in Iran, liberation theology in Latin America). If, as happened in czarist Russia or nineteenth-century western and southern Europe, the state is able to keep the loyalty of the religious leaders, "dechristianization" or loss of religious faith tends to become prevalent in the working class, and often in large segments of the peasantry as well (Hobsbaum 1959; Hamilton 1967, chap. 11). In either event, religion loses its traditional ability to legitimate the state and the privileges of the propertied classes. With more rapid social change, it is more likely that either the traditional religious leaders will go into radical opposition to the regime (as did they in Iran and as many did in the 1970s in Brazil) *or* the church will be rapidly discredited in the eyes of the people and seen as betraying their interests (as was the case in those areas of Spain where the traditionally Catholic peasants became anarchists in the nineteenth century) (Hobsbaum 1959, chap. 5).

The effect of the import of modern technology and the establishment of relatively modern factories that employ large numbers of workers under highly socialized conditions is to facilitate the development of a collectivist social psychology, or socialized consciousness, in the working class. The high level of the division of labor and the consequently high level of mutual interdependence, together with the "transparency" of social relations in industry, and the greater possibilities of workers developing a common subculture in isolation from the middle and upper classes that working in large factories entails, greatly increases the probability of a socialist political consciousness developing (Kerr and Siegel 1964; Szymanski 1978, pp. 62-66; Hamilton 1967, chap. 10; Zeitlin 1967, chap. 7; Lipset 1960, pp. 262-67). The Petrograd working class in 1917 was concentrated in large modern factories built by Western European capital and generally run more or less the same way as Western European factories. Such workers were a leading force in the Russian revolution (Trotsky 1932, chap. 1). The similar industrial environment in many less-developed countries today could be expected to produce similar results.

The distortion of the economies and social structures of the less-developed countries, which results in the concentration of less-skilled workers in the less-developed countries and white-collar workers, engineers, administrators, scientists, and highly skilled workers in the developed countries, would also seem to work in the direction of increasing the probabilities of the growth and victory of socialist movements. It is traditionally the less-skilled members of the working class that are the most revolutionary and white-collar workers that are the least (Hamilton 1967, chap. 6; Lipset 1960, chap. 7; Szymanski 1978, pp. 58-60).

The fact that the peasantry is being displaced more rapidly than new industrial jobs can absorb them is the basis of an especially explosive situation. The cities of the less-developed countries are full of very poor and angry lumpen proletarians, unemployed workers, marginal semiproletarians, lumpen petty-bourgeois vendors and artisans, and marginal service workers. Such groups, although they are not usually the leading force in revolutionary movements, can easily be a key ingredient in a social explosion that involves riots, street fighting, massive demonstrations, and other direct actions against the state.

The massive "reserve army of labor" in the less-developed countries acts to keep wages stable or even decreasing. The larger the pool of displaced peasants and the more desperate their lot the greater the pressure on those with jobs to accept wage cuts or be replaced by someone with starving children. This, together with the repression of independent unions and the right to strike, the undermining of the traditional guarantees of job security and minimum wages, and cutbacks on welfare benefits, all characteristic of bureaucratic authoritarian regimes, causes income inequality to grow. The capitalist class and much of the petty bourgeoisie grow increasingly wealthy, while the rapidly expanding working class at best maintains its miserably low living standards (and in many countries suffers a significant decline).

The tendency for wages to increase and living conditions to improve, which was generally the case before the institution of antilabor bureaucratic authoritarian regimes (e.g., in Argentina, Brazil, Chile), creates in the working people the expectation that their standard of living will continue to get better. The decline in wages and living and working conditions that generally comes with the institution of the authoritarian regime would seem to be a classical example of James Davies' theory of the J-curve. Davies (1962) shows that most revolutionary upheavals occur when long periods of improvement in people's lives create rising expectations that are frustrated by a sudden and significant downturn in their living standards. A rather large gap suddenly appears between what people consider to be a just and fair living standard (always a little higher than what they had when times were good) and their now deteriorating conditions. The gap between expectations and reality measures the level of frustration and anger that is often tapped by radical and revolutionary movements. Under the bureaucratic authoritarian regimes lies a repressed working class with considerable pent-up anger.

Because the long-term use of systematic terror to suppress working-class demands tends to delegitimate bureaucratic authoritarian regimes even in the eyes of the middle class, and because the growing national-bourgeois and petty-bourgeois opposition tends to look to the working class as an ally (if they do not fear socialist revolution), bureaucratic authoritarian regimes tend to use repression less and less, relying increasingly on making economic concessions to the petty bourgeoisie and workers. Situations in which the ruling group becomes more "humane" and grants a few benefits, but in which there is considerable pent-up hostility can well be destabilizing, giving people confidence that they can get much more without suffering violent repression, instead of legitimating the rule of those who make the concessions. What happens in such cases is in good part a result of who is in a position to interpret reality. Do people the working class respects credit the regime for improving their lives (e.g., CIO union leaders giving Roosevelt credit in the 1930s in the United States), or do radical leaders take credit for forcing the regime to make concessions (as traditionally happens in Italy, France, or where there are large Communist-led unions) (see Hamilton 1967, chaps. 10 and 12)?

The level of expectation of what a "good life" would be is higher in the less-developed countries than it was historically at a similar stage of the development of capitalist relationships in Europe. Western European workers, being part of the first working class, had no model on which to base expectations of improved living standards other than their own past. Thus workers, such as the European immigrants to the United States, compared their situation with "the old country" and found it good. This led to the defusing of hostility generated by participation in otherwise oppressive social relations. On the other hand, the pervasive influence of U.S. and European films, television programs, and magazines, all of which continually demonstrate an affluent middle-class Western life-style, tends to give working people high material expectations of their futures. These media inculcate strong feelings of relative deprivation (see Merton 1957, chap. 4). Exposure to Western media, and the affluent middle-class life-style it portrays, is a major factor in immigration (legal *and* and undocumented) from both the poorer capitalist and the socialist countries to the United States. Likewise, it is a source of considerable discontent, especially when the prevailing regimes do not improve wages and the possibilities of immigration are blocked by the policies of the advanced countries.

Another key difference between the contemporary situation in the less-developed countries and that of the European working class during the comparable period in capitalist development of the advanced countries is the much greater "presence" of the socialist alternative to capitalism. This is because of the existence of "real socialism"—socialist societies that have successfully dealt with much of the fundamental oppression felt by the working people of the less-developed countries, e.g., eliminated starvation and malnutrition, provided health care for all, guaranteed full employment and improved living conditions as well as enhanced feelings of self-worth and national pride by eliminating foreign domination and local exploitation. Cuba's "presence" in Latin America is an important social force, as is China's and Vietnam's in Asia. The economic success of Eastern Europe in following the Soviet model that resulted in the rapid development of these countries and the radical increase

in working people's living standards can become an important force to the extent that the Soviet media can establish credibility in the less-developed countries (Szymanski 1979, chap. 7). Such credibility would appear to be a product of growing disillusionment with the local regimes, Soviet actions in the world and media technique.

The socialist alternative is also more real in much of the less-developed world today than it was in many of today's developed countries because of the large number of students, intellectuals, and working-class leaders that have at least been exposed to it through universities (at home or abroad) or through involvement in or contact with Marxist political groups. Marxism, even when Marxist groups are systematically repressed, is readily available to spread rapidly throughout the working class once conditions are appropriate because of preexisting revolutionary "cadre." The Portugese Communist Party expanded from a few hundred to tens of thousands in a few years around 1975, the Russian Communist Party grew from thousands to millions in a few years around 1917, and the Chinese Communist Party grew from a dozen intellectuals to thousands of workers in five years and to millions of peasants in two decades more. Unlike in the less-developed countries today Marxists were rare in the professions and among students in pre-World War I (and even pre-World War II) Europe. The popularity of Marxism among European students and intellectuals is largely a postoccupation phenomenon. It stems largely from the popularity of the Communist-led resistance and the rapid advance of socialism in Europe and Asia in the late 1940s. In prewar times students and intellectuals were more usually on the Right, e.g., Nazism found its first mass social base among German professionals and students. Heidelberg, the principal German university town was one of the first cities in Germany to elect a Nazi mayor.

In Europe, nationalism after the mid-nineteenth century was, at least in the major countries, largely a phenomenon of the Right, strongly opposed to the growing socialist movement that was based in the working class. In the less-developed countries in the post-1917 period nationalism has often been closely associated with Marxism (e.g., China, Vietnam, Cuba). The propensity for the middle classes, especially students, to be nationalists was largely manifested during Europe's industrialization as an anti-working class, conservative phenomenon. In the less-developed countries today, nationalism is largely manifested in a pro-working class and antiimperialist form. The difference between the two cases is a product of the different position of "the nation" in England, Italy, France, Germany, Japan, or the United States during their industrializations (a position of an imperialist power with expansionist aspirations) and the position of "the nation" in the less-developed countries today. Students and other intellectuals (Castro, Lenin, Trotsky, Mao Tse-tung, "Ché" Guevara, and so forth) have in the twentieth century played a key role in the early stages of the developing revolutionary movements. Thus the objective position of nationalism on the Left in the less-developed countries carries with it a politically important segment of the population that was, before World War II, generally lacking in Europe.

In order to maintain the demands of the working class for improvement in their living standards as well as to contain the growing revolutionary threat this class presents as it becomes larger and more central to the economy (i.e., both in order to realize the capital accumulation function by attracting foreign capital and to preserve private property), bureaucratic authoritarian regimes tend to be installed that systematically repress unions, socialist organizations, and progressive intellectuals. Repressive regimes of the Right that not only resist expansions of the welfare state and gradual improvements in working class living standards but roll back welfare programs and produce declines in real wages foreclose the reformist option of defusing the potentially revolutionary frustration and hostility of the working class to capital that has worked so well in Europe and America in the post-World War II period. The "exclusion" of the working class from politics and the substitution of a policy of terror for concessions (without the ability to effectively use nationalism as a compensation, such as was available in Nazi Germany or Japan), together with the alienation of large segments of the intelligentsia from repressive antinational policies, establish a classical revolutionary situation.

The growing contradictions of bureaucratic authoritarian regimes center on the contradiction between their capital accumulation and legitimation functions. The state leaders in the military and state bureaucracy are forced to either continue to emphasize capital accumulation in collaboration with the transnational corporations, relying heavily on repression to secure order (at the cost of alienating more and more of the population), or to undercut the capital accumulation process in order to preserve the legitimacy of the system of private property. This latter course attempts to keep the loyalty of the national bourgeoisie and middle classes by decreasing repression, making economic concessions to the middle and working classes, and moving back toward parliamentary forms and populist nationalist appeals to the people. The first course was chosen by the Shah of Iran. Other regimes, following in his footsteps, that refuse

to make significant concessions would appear to eventually face the same revolutionary explosion which that country experienced. The second course, as Argentina has periodically borne witness to, results in the same economic and social problems for capital that existed prior to military rule, presenting the country after a few years with the choice of resorting yet again to the authoritarian solution or undergoing a social revolution. Chile in the 1970-73 period was faced with this choice. There were only two courses open for Chile. Allende's essentially populist program was resulting in increased demands by the working class concurrent with a growing economic stagnation caused by the refusal of either domestic or international capital to invest and the inability of the state to take up the slack in the manner of a true socialist economy. Either the state has to radically role back the working class and restore economic prosperity within the parameters of capitalism *or* experience a genuine socialist revolution that is able to mobilize working-class enthusiasm to generate economic prosperity within socialist parameters.

The more or less officially approved U.S. theory of dictatorship and development, which is also accepted among many of those who support bureaucratic authoritarian regimes in the less-developed countries, is that the forced accumulation and rapid industrialization of the less-developed countries will generate great wealth that will eventually be distributed to the majority of the people. A large and prosperous middle class, as well as at least a well-off segment of the more skilled and unionized workers in the key industries, will emerge that will, as their counterparts in the United States attest, be the bulwark of conservatism. At the same time land reform in the countryside, which divides up the large estates among the landless peasants, will create a large (and conservative) rural petty bourgeoisie. The social basis for stable parliamentary forms that offer no threat to private property or the capital accumulation process is thus created. However, according to this theory, a period of effective repression of the Left and forced capital accumulation is necessary before such a period of political stability is reached.

The contradictions and resultant social and political strains and tensions induced by dependent development within the world imperialist system, however, make realization of such a scenerio most unlikely, at least in the vast majority of less-developed countries. The Western model is unlikely to come to pass. Socialist revolution is a far more likely outcome than the institutionalization of stable parliamentary forms based on relative affluence for two-thirds of the population. The possibility of the effective and stable reinstitutionalization of parliamentary forms and the necessary corollary of major economic and social concessions to the middle and working classes is not a viable option. Attempts to allow the free play of social forces and political parties in the less-developed countries tend to produce movements and demands even more radical and threatening than before the military dictatorship took over or bureaucratic authoritarian regimes were instituted. Reinstitutionalized parliamentary regimes, even with the requisite nationalist and populist ideology and measures necessary to give them a chance of even short-term success, are inherently unstable and will necessarily lead either to another rightist military coup and the reestablishment of bureaucratic authoritarian forms, or to socialist revolution. Over time, as the working class becomes stronger, the conditions that facilitate a militant socialist consciousness grow and the other contradictions of dependent development intensify (such as the problems associated with increasing debt repayments and the difficulty of securing sufficient foreign capital). The probability increases that socialist revolutions rather than successful right-wing military coups will occur.

In those bureaucratic authoritarian regimes that resist all pressure to move toward parliamentary forms and nationalist and populist appeals, delegitimation proceeds apace, with more and more of the middle class and even parts of the capitalist class itself (the national bourgeoisie) turning against it and to nationalist, populist, or religious figures or movements for alternatives. Even with the effective repression of organized opposition movements, delegitimation, although it takes longer, occurs (and all the more convulsively, because of the bottled up pressure, e.g., Iran in 1979, Russia in 1917). At a certain point the military itself disintegrates, with soldiers and junior officers "going over to the people" when used to attempt to suppress spontaneous strikes and riots, simply refusing orders or being so unreliable that the government can not use them to suppress insurrection. This happened in both Iran and Russia and in a less dramatic and somewhat more gradual fashion with the collapse of the South Vietnamese Army in 1975, Batista's army in 1958, and Chiang Kai-shek's army in 1948.

The options in such situations do not include perpetuation of bureaucratic authoritarian forms of rule by the internal bourgeoisie. Further, because of the immense revolutionary energy available in such situations of institutional disintegration and violent change it is unlikely that national bourgeois led parliamentary regimes that guarantee private capital accumulation are a viable possibility. The two principal options in such situations seem to be either a more or less immediate socialist-led revolution (usually with a brief period of transition or dual power as that between February and October 1917 in Russia, or the year and a half after January 1959 in Cuba) *or* an attempt to institutionalize a distinctively petty bourgeois led state and economy that is neither capitalist nor socialist—a "third way" led by revolutionary intellectuals inspired by militant nationalism, populism, African socialism, fundamentalist Islam, or some other such antiimperialist and antioligarchy ideology.

Such "third ways" of noncapitalist, nonsocialist development are not economically or politically viable in today's world. Such regimes are not able to effectively accumulate capital and generate national development. They can not create the atmosphere of "business confidence" that the transnational corporations (and domestic national-bourgeois wealth, if it is allowed to exist) require to invest, nor is it able to effectively mobilize the working people and institutionalize rational economic planning as has proven successful in the countries that followed the Soviet model. As a result, economic stagnation, if not actual regression sets in, and the popular alienation of those experiencing declining living standards, after having their expectations greatly raised by the exaggerated rhetoric of the revolutionary leaders, becomes common.

In the increasingly depoliticized atmosphere the formerly petty-bourgeois administrators of state economic enterprises tend to accrue more and more privileges and prerogatives to themselves, gradually transforming themselves into a state bourgeoisie. There is thus a strong tendency for such petty-bourgeois regimes to either evolve toward or experience a rightist military coup d'etat that rapidly institutes bureaucratic authoritarian forms (with a different ideology than the previous authoritarian regime, perhaps using conservative Islamic rhetoric rather than Western-oriented modernizing rhetoric).

However, such regimes can also either evolve, as did Cuba in 1959-60, toward socialism, or perhaps experience a military coup or even a popular revolution that gives political power to working class oriented socialists (such might have been the case with the Mengistu coup in Ethiopia in 1977). The probability of this course being followed depends on the balance of both domestic and international forces impacting on the state in such societies. The larger the domestic working class, the stronger the socialist commitment is of both this class and the revolutionary intellectuals, and the greater the support offered by the existing socialist countries such as Cuba or the Soviet Union, the greater the probability is that leadership will pass into the hands of those who will institute a genuine socialist economy and political forms. As time goes on, and thus as the working class grows and the socialist forces in the world become relatively stronger, the probability increases that such regimes will follow the Cuban path toward socialism rather than the Egyptian path toward the reinstitutionalization of capitalism. Angola, Mozambique, and Ethiopia would seem to give evidence for such a development.

THE FUTURE OF IMPERIALISM AND THE DEVELOPED CAPITALIST COUNTRIES

The profits from the imperialist domination of the less-developed countries are becoming ever more important for the transnational corporations. At the same time, fundamental contradictions grow within the imperialist world system. The major contradiction is that between the working people (and to a lesser extent the national bourgeoisie) in the less-developed countries and the transnational corporations and their states in the developed countries. This contradiction has been increasingly manifested in nationalist and revolutionary movements throughout Asia, Africa, and Latin America since World War II, as well as in the demands of essentially conservative states (such as many of the OPEC countries for a greater share of the world's wealth). The fundamentally exploitative and repressive nature of the relationship between the metropolitan-based transnational corporations and the people of the less-developed countries suggests that such manifestations will continue until imperialist relationships are essentially abolished.

There are a number of other contradictions within the imperialist system. Increasingly important may well be the contradictions among the various imperialist countries. This contradiction should be expected to grow as the differences in economic and military strength among them decrease. Likewise, it would be expected to grow in the event of a shortage of profitable investment or trade opportunities created by world depression or the victory of many antiwestern national liberation movements.

Within the leading imperialist country there is the contradiction between the need to allocate tremendous resources to military research and development in order to maintain imperial dominance and maintain economic growth. This contradiction tends to result in the undermining of the position of the leading country in the world capitalist system, and, in fact, its reduction to a standard of living below that of the average for the advanced countries.

Each imperialist country also experiences the contradictions between the transnational corporations' drive to maximize the

export of capital and the metropolitan states' need to maintain domestic capital accumulation and legitimacy, which can require significant restrictions on capital export (because of serious balance of payments problems and the loss of jobs).

The heavy overseas costs in foreign exchange of a large overseas military presence, and foreign currency foregone because of military and economic grants and technical assistance to the less-developed countries, can also seriously affect the balance of payments. This can result in the deterioration of the imperialist country's currency, and consequently in serious problems for those overseas business operations whose positions depend on a favorable rate of exchange. It can also produce delegitimation because of a decline in the standard of living induced by the rising costs of imports.

Military interventions of any length also tend to result in the growth of antiimperialist movements and social disruption at home. Demoralization in the military, unwillingness to accept military service, and a general legitimation crisis can result from protracted and bloody interventions.

As a result of these latter contradictions, internal to the imperialist countries, different corporate interests are likely to be found advocating different policies. Some interests may at times pressure for a decrease in military spending in order to increase productivity and international competitiveness. Other sectors may press for increased spending and increased willingness to militarily intervene in order to secure overseas investments. The responses of different corporations and sectors of the capitalist class may well vary in accord with the particular interests of the enterprises with which they are associated. Corporations that primarily import may have a different position than those that primarily export. Those with industrial interests primarily in Europe may well have a different position than those with raw materials investments primarily in the less-developed countries. Bankers may think differently than industrialists, and so forth.

In understanding the debates over foreign policy that occur within an imperialist state it is essential to understand both the contradictions of imperialism and the special interests of various segments of corporate wealth. Likewise, in predicting future developments within the world imperialist system, it is essential to understand these contradictions and the predominant interests associated in the "power bloc" that dominates, or is likely to come to dominate, the state.

The growth of socialist and antiimperialist petty-bourgeois and national-bourgeois nationalist regimes in the less-developed countries is representing a growing threat to the continued profitability of the transnational corporations. The threat to the profits of the transnational corporations is aggravated by the growing demand of the bureaucratic authoritarian and other conservative states in the less-developed countries for the transfer of more wealth to themselves. Rising petroleum prices, although they have proven extremely profitable for the transnational petroleum companies, have caused problems for many other segments of the economies of the developed countries. The contradiction is intensifying between maintaining the profitability of the transnational corporations (a policy that increasingly would seem to require decisive military action) *and* the domestic social disruption and decline in legitimation together with the loss of expanded trade opportunities and technical contracts with socialist countries and serious economic and political problems with allied states that would result from long-term interventions.

From the end of World War II to the end of the 1960s there was virtual consensus within the transnational-based ruling class of the United States around U.S. foreign policy on heavy military expenditures, a strong military presence around the world, covert action to overthrow progressive antiimperialist regimes, strong economic and military assistance for conservative governments, and when all else fails direct military intervention (e.g., Korea, Vietnam, the Dominican Republic). This consensus policy served to both advance transnational interests overseas and to guarantee domestic prosperity and profitability through high levels of military spending (Baran and Sweezy 1966). The militaristic foreign policy not only facilitated the accumulation of capital and the worldwide maximization of profits of the transnational corporations, but it also served to enhance and cement the legitimacy of the U.S. state and capitalism in the eyes of the American people. Social stability was ensured both through "full employment" at high wages and the cult of patriotism induced by a strong military, the draft, and occasional interventions.

But for the first time in its history the U.S. military lost a war. The United States was forced by the rising economic and social costs of intervention to withdraw from Indochina, allowing three Southeast Asian countries to become socialist. The attempt to maximize the interests of transnational capital through active military intervention caused serious balance of payments crises, delegitimation, and social instability in the United States, and problems for the United States all around the world. The massive antiwar movement in the United States made it impossible in the immediate post-1975 period to repeat the Vietnam adventure. It was clear that the foreign policy of the 1947-68 period was in shambles. New

notions of a "post-Vietnam world" and how best to maximize U.S. imperial interests were brought forth. In good part this was occurring within the Council on Foreign Relations and the Trilateral Commission.

The early years of the Carter administration represented the realization of this new foreign policy. The new policies were articulated by Andrew Young (ambassador to the United Nations) on the left, National Security Advisor Zbigniew Brzezinski on the right, and Secretary of State Cyrus Vance in the center. It should be noted that all three of these individuals, along with President Carter, Vice-President Mondale, Secretary of Defense Brown, Secretary of the Treasury Blumenthal, and Warnke, the head of the U.S. Arms Control and Disarmament Agency, were members of the Trilateral Commission (Trilateral Commission 1979). The fundamental notions of the post-Vietnam foreign policy, which might be called "imperialism with a human face," included the following strategies.

First, a reduction in tensions between the United States and the USSR, with increased efforts to reach agreement on arms control and otherwise moderate the conflict between the two countries. The Trilateral Commission's notion of a North-South cleavage becoming as fundamental as the East-West antagonism gained currency. Trilateral Commission director Brzezinski stated in 1975 at a meeting of the commission: "The main axis of conflict at most international conferences today is not between the Western World and the Communist World but between the advanced countries and the developing countries" (Shoup 1977, p. 270). It was maintained in many circles that the United States and USSR as advanced industrial countries had much in common vis-à-vis the less-developed countries and ought to cooperate more in their dealings with them.

Second, a reduction in military spending (a process that without rhetoric had in fact been occurring since the late 1960s) as well as cutbacks in military grants and technical advice to the militaries of less-developed countries. At the same time, increasing emphasis was put on improving the balance of payments and increasing productivity.

Third, an increased tolerance of revolutionary and nationalist regimes in the less-developed countries. The United States would no longer systematically intervene to overthrow progressive governments and assist right-wing coups d'etat. The notion that the United States is unable to decisively influence everything that goes on in the world, and that, further, in the long run things will not turn out so bad if the United States does not control everything became common. Developments in both China and Egypt were cited as evidence that even the worse U.S. antagonists can within a short period turn into the closest of friends, in the process providing tremendous profit opportunities for the transnational corporations. The United States spent only about $30 million in attempting to defeat the MPLA in Angola and stood by as revolutionaries took power in Ethiopia and Afghanistan.

Fourth, a desire to strike a "world order bargain" with the less-developed countries. The themes of interdependence, mutuality of interests, and cooperation between the developed and less-developed capitalist countries were stressed. Expressions such as "social contract," "the new accommodation," and "collective responsibilities" became common. The world order bargain would involve a "fair and secure" exchange between the raw materials of the less-developed countries and the high technology and capital of the developed. In the words of the Trilateral Commission: ". . . developing countries as a group are as dependent on developed countries for supplies of food and manufactured goods as developed countries are dependent on them for supplies of energy and raw materials. The logic of interdependence suggests the need for agreed limits on the ability of producers to cut off the essential supplies of others for political or economic reasons" (Shoup 1977, p. 272).

Fifth, support for "human rights" and moderate centrist forces in the less-developed countries. There was a widespread realization that the traditional staunch U.S. support of conservative and repressive dictatorships tends to isolate U.S. interests, drives moderates to the Left, and sets up revolutionary situations. If the United States could become the champion of moderate solutions and human rights there would be a good chance of avoiding revolutionary change and establishing the moderate regimes that were not totally hostile to U.S. interests. The emphasis on human rights (interpreted as formal civil liberties) also had considerable propaganda value in the battle with socialism for the allegiance of intellectuals in the less-developed countries (as well as throughout the world) (see Wolfe 1979; Shoup 1977, chap. 7).

The essence of the new foreign policy was summed up by Cyrus Vance, one of its chief articulators, after his resignation as secretary of state:

> . . . it is the third world . . . that is likely to be the cockpit of crises in the coming decade.
>
> We must first be clear on the nature of our challenge there. Certainly, as we have seen in Afghanistan and elsewhere in the third world, Soviet actions pose threats we must meet.
>
> But we will meet them ineffectually if we react only by imitating Soviet tactics—emphasizing the military at the expense of the political and disregarding the indigenous yearning of third world nations for true independence and economic justice. We must recognize the strong sense of national pride—and fierce independence—of developing nations. Having fought to throw off the burden of outside domination, they will strenuously reject the efforts of other nations to impose their will. We should respect and reinforce that spirit of independence. Our interests are not served by their being like us but by their being free to join with us in meeting the goals we share. . . .
>
> Our own national interests are served when we support the security of third world nations with our assistance. When we help them develop their economies, we not only meet pressing human needs, we invest in important trading relationships. Our interests are served by supporting peaceful change within those nations and by encouraging the peaceful resolution of their conflicts.
>
> . . . we must first accept our differences with third world nations, yet work with them where our interests coincide . . . it makes no sense not to recognize the government of Angola, a government with which we have cooperated in the search for peace in southern Africa despite fundamental differences in other issues.
>
> . . . we must ultimately recognize that the demand for individual freedom and economic progress cannot be long repressed without sowing the seeds of violent convulsion. Thus it is in our interest to support constructive change, as we did, for example, in the Dominican Republic, and are seeking to do in Central America, before the alternatives of radicalism or repression force out moderate solutions. . . .
>
> Further is the dangerous fallacy of the military solution to non-military problems. It arises in particularly acute form at times of frustration, when the processes of negotiation are seen as slow moving and tedious. . . .
>
> I have heard it argued that our response to a changing world must be a new emphasis on American military power and the will to use it. This is reflected in proposed new budget priorities in the Congress, in which unnecessary defense spending squeezes out domestic programs and foreign assistance. There is near consensus on the need for defense increases. But it is illusion to believe that they are a substitute for the diplomacy and resources needed to address such problems as internal change and basic need in other nations or a battered international economy.
>
> The use of military force is not, and should not be, a desirable American policy response to the internal politics of other nations. . . . Finally there is a pervasive fallacy that America could have the power to order the world just the way we want it to be. It assumes, for example, that we could dominate the Soviet Union—that we could prevent it from being a superpower—if we chose to do so. This obsolete idea has more to do with nostalgia then with present-day reality. . . . A dangerous new nostalgia underlies all these fallacies—a longing for

earlier days when the world seemed, at least in retrospect, to have been a more orderly place in which American power could, alone, preserve that order.*

A principal antagonist to the New Foreign Policy in 1979 and 1980 was Henry Kissinger, the former secretary of state. After leaving public office Kissinger was especially closely tied to Rockefeller interests. The politics expressed by Kissinger would seem to be more or less identical to those adopted by Zbigniew Brzezinski in 1979 and 1980 as well as by the dominant power bloc in the U.S. state in 1980 and 1981 (in both the Reagan administration and Carter's last year). This bloc in 1980 includes the Council on Foreign Relations/Trilateral Commission/Chase Manhattan Bank/David Rockefeller network with which Brzezinski, Kissinger, and Haig have been so closely tied throughout their political careers.

Kissinger, reflecting the revival of pre-Vietnam thinking within the dominant power bloc, vociferously maintained that the United States must take a strong, and if necessary interventionist, posture in the less-developed countries, in order to firmly back U.S. interests there. In speaking about Iran, Kissinger argued: ". . . no country is so important that we must submit to its blackmail. No nation must be led to believe that assaults on Americans are free."† Also speaking of the Iranian situation he argued, "Could it be that there is no penalty for opposing the U.S. and no reward for friendship to the U.S."

Kissinger revived the traditional notion that the Soviet Union is essentially behind every national liberation movement and that both the Soviets and "their proxies" must be contained. He sees the world in traditional geopolitical terms of East-West contention as well as the United States having the resources to successfully control events throughout the world:

> If you look at the global situation today, you see Soviet-armed guerrillas attacking Moroccan forces in the Sahara. If they prevail and the King is overthrown, the southern shore of the Strait of Gilbraltar will be in unfriendly hands. Can we then keep the Sixth Fleet in the Mediterranean?
>
> Soviet proxy forces are already on both sides of the Gulf of Aden in Yemen and in Ethiopia. Iran is, if not pro-Soviet, violently anti-West. So the security of the Strait of Hormuz is problematical. Saudi Arabia is substantially encircled by radical or Soviet-dominated forces.

*Speech at Harvard University commencement, cited in *New York Times*, p. A 12, June 6, 1980.

†*U.S. News and World Report*, November 19, 1979, p. 27.

> Afghanistan has had a Soviet-supported coup. Cambodia has been taken over by Vietnamese forces—with Soviet encouragement—and therefore there is pressure toward the Strait of Malacca. Central America is in ferment, abetted by Cuba and accelerated by our misconception of the extent to which we can manipulate domestic structures. . . . It is not possible that Soviet proxy forces remain the decisive element in so many parts of the world.
>
> It cannot be acceptable that major decisions in such areas as southern Africa, for example, are influenced by the threat of Cuban intervention. We are dealing here with a little country of 9 million, 90 miles off our shore, from which we accept the dispatch of an expeditionary force of close to 50,000 men into distant parts of the world athwart our lifelines. And we accept the presence of a Soviet combat brigade on its territory, the effective fortification of the island, plus active subversion in Central America.
>
> We have here a design extending from Central America to Yemen that is either ineffectively opposed or totally unopposed. If present trends continue, we will wind up in a position where only the most brutal actions can save our friends, and that must be avoided.*

Alexander Haig, the principal foreign policy adviser in the Reagan administration, echoes Kissinger's hard line position: In his speech to the Republican National Convention in July 1980, Haig argued:

> You know, some years ago America together with our allies in Europe, adopted a twin pillar of policy: detente, on the one hand, efforts to improve East-West relations, and the maintenance of our necessary security policy on the other. As I assess the success or failure of those twin-pillared programs, as we have witnessed over the past years direct proxy intervention by the Soviet Union with Cuban proxies in Angola, Ethiopia and Southern Yemen, efforts to overturn the status quo in northern Yemen, the creation two years ago of a puppet state in Afghanistan upsetting 100 years of crypto-neutrality, the overrunning of Cambodia by North Vietnamese proxies of the Soviet Union and the recent unprecedented direct intervention of Soviet forces again in Afghanistan, we must ask ourselves: have these twin pillars of policy and the way they have been applied in recent years served the American people and the interests of the free world? My answer is a categoric no.
>
> We cannot seek . . . to create mirror images of the United States in every developing area throughout the world. You know, it neither serves the purpose of social justice nor the vital interests of America to pursue policies under the rubric of human rights which have the practical consequence of driving authoritarian regimes, traditionally

**U.S. News and World Report*, November 19, 1979, p. 27.

friendly to the West, into totalitarian models where they will remain in a state of permanent animosity to the American people and our interests.

In a few years we Americans must, indeed, we will, one way or another,—make a decision as to whether or not we will continue to seek a world order hospitable to the Christian-Judeo values and interests of today or to abrogate that order to values and interests distinctly different from our own. . . . Therefore, rather than just a concern to military thinking, the Soviet threat has now become a threat to the very nexus of Western vitality—political, economic and military. Clearly, the task ahead for this vital decade before us will be the management of global Soviet power.*

Haig further argued in his opening statement before the Senate Foreign Relations Committee during the hearings on his confirmation as Secretary of State:

Today the threat of Soviet military intervention colors attempts to achieve international civility. Unchecked, the growth of Soviet military power must eventually paralyze Western policy altogether. . . . our commitment to peace will not be furthered by abdicating the right to exercise military power only to the most ruthless members of the international community.†

The notions articulated by Vance, and dominant in 1977 and 1978, were initially articulated by the key foreign-policy-making institutions such as the Council on Foreign Relations and the Trilateral Commission. In the mid-1970s they were essentially shared by Zbigniew Brzezinski (the director of the Trilateral Commission from 1973 to 1976) and presumably by David Rockefeller and those at the center of the Chase Manhattan Bank/Council of Foreign Relations/Trilateral Commission nexus. All evidence, however, points to a rather fundamental shift in the foreign policy of this nexus in the post-1978 period.

Kissinger and Haig in fact articulate the Rockefeller position. In 1979 and 1980 Kissinger chaired the international committee of the Chase Manhattan Bank and was a director of the Council on Foreign Relations. Haig, a $2-million-a-year executive with United Technology Corporation before becoming Secretary of State, was also a director of Chase Manhattan Bank (the principal Rockefeller

*New York Times, December 18, 1980, p. 12.
†New York Times, January 10, 1981, p. 10.

bank) and a long-time close associate of Kissinger's. Haig had been Kissinger's principal deputy during the early years of the Nixon administration. Kissinger became Haig's special roving emissary and advisor in 1981. The antagonism between Vance and Brzezinski in the 1979-early 1980 period clearly reflected the contradiction between the two positions. The progressive isolation of Vance and the ascendency of Brzezinski along with the implementation of the new militaristic "hard line" indicated that the post-Vietnam period of "imperialism with a human face" was over *before* Reagan took over.

It should be stressed that the U.S. state acts in support of the economic interests of the transnational corporations but *not* because capitalism would cease to be profitable without military interventions to preserve foreign investments, and *not* because of any crude and cynical cost accounting of profit and loss from foreign investments. Capitalism *would* continue to be profitable in the United States even if all overseas investments were lost (although there would undoubtedly be a major reorganization of the economy and many bankrupt transnational corporations). Those that make foreign policy are as a rule principled people who sincerely believe in the superiority of capitalist development as well as in the "evils of communism." Psychologically they are mostly motivated by what they believe is best for the American people and the people of the world. As Eugene Genovese (1967; 1968; 1969; 1974) has so brilliantly shown for the slave-owning aristocracy of the old South, relations of production shape the social psychology of classes, and position in the social structure is the ultimate source of a person's motivation. Structures shape ideologies. A power elite position in either the transnational corporations or the state involves one in imperialist relationships that tie conceptions of self-worth and world view to the logic of the world imperialist system. Foreign-policy makers act as they do essentially because of the structural logic of their position and not because of conscious considerations of profit and loss.

The power bloc in U.S. foreign policy in the post-Vietnam period moved to the new foreign policy of imperialism with a human face because of the serious contradictions, both economic and social, the failure in Vietnam produced. The new policy, however, also showed itself to have serious problems. The new reserved noninterventionist position of the United States facilitated the victory of a number of antiimperialist movements. After Vietnam, Cambodia, and Laos there was in rapid succession the victory of socialist or extreme nationalist forces in Mozambique, Guinea-Bissau, Ethiopia, Afghanistan, Iran, Grenada, and Nicaragua. There were also vital leftist insurgencies in Zimbabwe, the Sahara, Namibia, and El Salvador as well as two leftist incursions into Zaire's Shaba provinces that threatened to bring down the shaky but pro-Western Mobuto regime. The wave of antiimperialist revolution in the post-Vietnam period threatened to sweep over all of Asia, Africa, and Latin America, in the process costing the U.S. transnational corporations billions in profits. Vietnam may inspire insurgencies in Thailand and Indonesia; Iran destabilize Saudi Arabia and Egypt; Angola set South Africa and Zaire aflame. A victory of the Polisario Liberation Front in the Sahara might well bring down the conservative Moroccan regime. The overthrow of Somoza may first cause the Central American "dominos" to fall (e.g., El Salvador, Guatemala, Honduras) and then precipitate revolutions throughout South America. The tremendous stake of U.S. transnational corporations in these regions requires drastic action to be taken before things get totally out of hand. The post-Vietnam policy carried with it the danger of encouraging revolutionary antiimperialist forces through not repressing revolutions before they spread.

The Soviet Union, since the 1960s, has come to play an increasingly supportive role in assisting the various antiimperialist movements in the world. During the 1955-65 period the Soviets were generally reluctant to confront or antagonize the United States. They generally made considerations of "peaceful coexistence" and "détente" primary; backed down from confrontation with the United States over Soviet missiles in Cuba; gave little encouragement to the Vietnamese during the early years of the war; undermined China's militant position against both India and Taiwan; were cool to the national liberation movement in Algeria; and signed a peace treaty permanently neutralizing Austria.

But more and more the Soviets came to be the principal arms supplier to national liberation movements such as those in Vietnam, Eritrea, and Palestine as well as to such antiimperialist regimes as Algeria, Angola, Syria, Iraq, Libya, and Ethiopia. Soviet material aid played an important role in the Vietnamese defeat of U.S. imperialism. Its material assistance to the MPLA in Angola (along with Cuban troops) proved to be decisive. Likewise the massive Soviet military and technical assistance to the increasingly progressive Dergue in Ethiopia proved decisive in consolidating that revolutionary regime in the Horn of Africa (see Szymanski 1979, chap. 8). Soviet willingness to aid Iran after the overthrow of the Shah, together with the Soviet intervention in Afghanistan coming to the Communist-led government's aid in the suppression of a domestic insurgency threatening to install a reactionary regime in that country, proved to be decisive. Those sharing the revitalized traditional foreign policy articulated by Kissinger and Haig easily defeated the advocates of the post-Vietnam foreign policy within the U.S. state. Growing Soviet support for antiimperialist movements around the world was presenting an "unacceptable" threat to the interests of the transnational corporations in the less-developed countries. Measures directed against the Soviet Union had to be taken in order to discourage Soviet support for such movements, consequently, the grain embargo, the 1980 Olympic boycott, the scuttling of SALT II, restrictions on high-technology exports, expanding military spending, the MX missile system, the deployment of Pershing II missiles in Western Europe, large increases in military spending, and so forth.

The dominant power bloc in the U.S. state in 1980 began preparing for more military interventions of the Dominican Republic and even Vietnamese types. Draft registration, the building up of three strategic Rapid Deployment Forces ready to quickly intervene anywhere in the less-developed world, and the acquisition of new military bases around the Near East, together with growing militarist feelings inflamed by media coverage of the Tehran hostages and the Soviet "invasion" of Afghanistan, all pointed to the recreation of both the ability and the will to return to the pre-Vietnam foreign policy of active intervention in the less-developed countries as well as 1950s cold war policies of militant confrontation with the Soviet Union.

The probability of direct military intervention is enhanced by the declining world economic position of the United States. Gradually losing out to Japanese, German, and other competitors in the less-developed countries, the use of military force to set up and guarantee distinctively pro-U.S. regimes in the less-developed world appears increasingly attractive. The leading economic power in the world capitalist system has traditionally been the least inclined toward direct colonialism (e.g., Britain in the nineteenth century, the United States in the twentieth) because its international business interests did rather well without it. The economically weaker world capitalist powers have had to resort more to military and political means to advance the economic interests of their transnationals. It would appear that in the 1980s the U.S. transnational corporations find themselves in such a weak position vis-a-vis the other advanced capitalist countries, and that direct military action is called for. The reluctance of the other major capitalist countries to support the new "hard line" policies of the United States shows that their transnationals feel that the relatively noninterventionist policies of the early Carter years work fine for them.

It is probable that the United States will once again attempt to control events throughout the less-developed world by means of military intervention. It is unlikely that the U.S. state will allow the tremendous stake the U.S. transnational corporations and banks have in countries such as Saudi Arabia, Mexico, Brazil, Venezuela, and the Philippines to be lost without a fight. It is quite possible that military interventions can be temporarily successful in halting a revolutionary process in some countries, as in the Dominican Republic in 1965. However, it is unlikely that future military interventions by the United States or other advanced capitalist countries can effectively hold back the revolutionary wave sweeping the less-developed world. Revolutions occur because of the underlying contradictions in the world capitalist system. Temporary repression only increases the underlying pressures and makes the revolutions all the more militant when they finally occur (e.g., Vietnam, Iran).

Military interventions in the post-Vietnam world are, further, less likely to succeed than pre-Vietnam interventions. People in the less-developed countries are now generally more politically mobilized. Nationalism is more of a force. Other capitalist states, whether in Europe or the less-developed countries, are less likely to support U.S. interventions. The allies of antiimperialist movements (e.g., the USSR, Libya, Cuba, Iran, and so forth) are stronger and more willing to assist than ever before. The U.S. economy is relatively weaker and more vulnerable to balance of payments crises and declines in productivity than ever. The experience of the anti-Vietnam War movement remains vital. All things considered, it would appear that renewed U.S. military intervention will be as ineffectual as that in Vietnam, will isolate the United States in the world, give considerable credibility to the Soviets, cause serious domestic economic problems, and in a relatively short time result in a massive antiwar movement, social instability, and delegitimation at home. As an old saying goes, what happened the first time as tragedy tends to happen the second time as farce.

Pressures can be expected to mount quickly for a return to the "post-Vietnam" foreign policy (second phase) for all the same reasons they mounted after 1968. It would seem that there is now an inherent cyclical tendency in U.S. foreign policy produced by the fundamental contradiction in which the leading imperialist state finds itself. To protect the profits of the transnational corporations, military intervention is necessary. Military intervention results in serious economic and social problems that only a retreat from such policies can solve. The imperialist state can not maximize *both*

its functional requirement of advancing foreign overseas economic interests *and* ensuring domestic capital accumulation and legitimation. The only resolution of this contradiction, and hence the only solution to the dilemma of U.S. imperial policy, would involve the transcendence of the imperialist system. That is, the replacement of the logic of world capitalism by a socialist logic that does not generate the economic domination of some countries by others.

CONCLUSION

The growing tendency for revolutions against imperialism to break out throughout Asia, Africa, and Latin America, together with the increasing threat to U.S. transnational interests that this represents, means the increased military involvement of the U.S. state in the less-developed countries. Imperialism should thus become a central, if not the central domestic political question in the United States. More so than ever during the peak of the movement opposed to U.S. military intervention in Indochina, prowar and antiwar movements and fractions are likely to contend, both through established channels and in the streets. The greater resistence of the less-developed countries and the greater isolation of the United States from its allies will probably result in the domestic struggle becoming all the more intense.

In such a time the necessity of having a scientific analysis of the nature of imperialism is especially important. Movements directed against imperialism must understand the dynamic, mechanisms, and effect of this phenomenon if they are to be maximally effective in opposing it. If the fundamental analysis of this book is correct, if imperialism is an inherent part of the capitalist world system, and not a policy implemented by misinformed, ill-intentioned, or greedy individuals, then an effective antiimperialist movement must aim to change the system that generates it, rather then replace politicians or pressure Congress.

BIBLIOGRAPHY

Adams, Richard, and Charles Cumberland. 1966. *U.S. University Co-operation in Latin America.* Institute of Research on Overseas Programs. East Lansing: Michigan State University.

Aguilar, Luis. 1972. *Cuba 1933.* New York: Norton.

Alavi, Hamza. 1973. "The State in Post Colonial Societies: Pakistan and Bangladesh." In *Imperialism and Revolution in South Asia*, edited by Kathleen A. Gough and Hari P. Sharma. New York: Monthly Review Press.

Althusser, Louis, and Etienne Balibar. 1968. *Reading Capital.* London: New Left Books, 1970.

American Federation of Labor-Congress of Industrial Organizations. 1965. *Proceedings of the Sixth Constitutional Convention of the AFL-CIO.* Vol. 2. Washington, D.C.

———. 1967. *Proceedings of the 7th Constitutional Convention.* Vol. 2. Washington, D.C.

———. 1977. *Proceedings of the 12th Constitutional Convention.* Vol. 2. Washington, D.C.

American Institute for Free Labor Development. n.d. "New Horizons for Latin America." Pamphlet. Washington, D.C.

Amin, Samir. 1974. *Accumulation on a World Scale.* Vols. 1 and 2. New York: Monthly Review Press.

———. 1976. *Unequal Development.* New York: Monthly Review Press.

Amnesty International. 1978. *Annual Report.* London.

Anderson, Perry. 1974. *Lineages of the Absolutist State.* London: New Left Books.

Andreyev, I. 1977. *The Noncapitalist Way, Soviet Experience and the Liberated Countries.* Moscow: Progress.

Arrighi, Giovanni. 1978. *The Geometry of Imperialism.* London: New Left Books.

Arrighi, Giovanni, and John S. Saul. 1973. *Essays on the Political Economy of Africa.* New York: Monthly Review Press.

Avineri, Shlomo, ed. 1968. *Karl Marx on Colonialism and Modernization*. New York: Doubleday.

Baran, Paul A. 1952. "On the Political Economy of Backwardness." *Manchester School of Economic and Social Studies* 20 (January).

______. 1957. *The Political Economy of Growth*. New York: Monthly Review Press.

Baran, Paul, and Paul Sweezy. 1966. *Monopoly Capital*. New York: Monthly Review Press.

Barnet, Richard J., and Ronald E. Müller. 1974. *Global Reach*. New York: Simon and Schuster.

Bell, David. 1963. Testimony, U.S., Congress, Senate. Committee on Foreign Relations. *Foreign Assistance and Related Agencies' Appropriations for FY 1964*, 88th Cong., 1st sess.

______. 1964a. Testimony, U.S., Congress, Senate. Committee on Foreign Relations. *Foreign Assistance for FY 1964*, 88th Cong., 2d sess.

______. 1964b. Testimony, U.S., Congress. House. Committee on Appropriations. *Foreign Operations' Appropriations for FY 1966, Hearings . . .*, 88th Cong., 2d sess., pt. 2.

______. Testimony, U.S., Congress, Senate. Committee on Foreign Relations. *Foreign Assistance and Related Agencies Appropriations for FY 1965*. 88th Cong., 2d sess., 1964.

Berberoglu, Berch. 1977. "The Role of the State in the Post-Independence Economic Development of Turkey 1923-1960." Ph.D. dissertation, University of Oregon.

Bettleheim, Charles. 1972. Appendix to *Unequal Exchange*, by Arghiri Emmanuel. New York: Monthly Review Press.

Block, Fred. 1977. "The Ruling Class Does Not Rule." *Socialist Revolution* 7, no. 3 (May-June).

Brady, Robert. 1943. *Business as a System of Power*. New York: Columbia University Press.

Broadcasting. April 18, 1977.

Brookstone, Jeffrey M. 1976. *The Multinational Businessman and Foreign Policy*. New York: Praeger.

Brown, Michael Barratt. 1974. *The Economics of Imperialism*. Baltimore: Penguin.

Brutents, K. N. 1977. *National Liberation Revolutions Today*. Parts 1 and 2. Moscow: Progress.

Business International Corporation. 1979a. *Bi-Data: Print Out Summary*.

______. 1979b. *Investing, Licensing and Trading Conditions Abroad*, January, March, June, July, October, August, November.

______. 1980. *Bi-Data: Print Out Summary*, January.

Carnoy, Martin. 1974. *Education as Cultural Imperialism*. New York: David McKay.

Chase-Dunn, Christopher. 1975. "The Effects of International Economic Dependence on Development and Inequality." *American Sociological Review* 40, no. 6 (December).

Chomsky, Noam, and Edward S. Herman. 1979. *The Washington Connection and Third World Fascism*. Boston: South End Press.

Cipolla, Carlo. 1966. *Guns, Sails and Empires*. New York: Pantheon.

Communist International. 1923. "ECCI Resolution on the Relations between the Chinese Communist Party and the Kuomintang." In *The Communist International 1919-1943: Documents*, edited by Jane Degras, vol. 2, 1923-1928. London: Oxford, 1960.

______. 1924. "A Manifesto to the Peoples of the East." In *The Communist International 1919-1943: Documents*, edited by Jane Degras, vol. 2, 1923-1928. London: Oxford, 1960.

______. 1926a. "Theses of the 7th ECCI Plenum on the International Situation." In *The Communist International 1919-1943: Documents*, edited by Jane Degras, vol. 2, 1923-1928. London: Oxford, 1960.

______. 1926b. "Resolution of the 7th ECCI Plenum on the Chinese Situation." In *The Communist International 1919-1943: Documents*, edited by Jane Degras, vol. 2, 1923-1928. London: Oxford, 1960.

______. 1927. "Resolution of the 8th ECCI Plenum on the Chinese Question." In *The Communist International 1919-1943: Documents*, edited by Jane Degras, vol. 2, 1923-1928. London: Oxford, 1960.

______. 1928. "The Programme of the Communist International: Theses on the

Revolutionary Movement in the Colonial and Semi-Colonial Countries." In *The Communist International 1919-1943: Documents*, edited by Jane Degras, vol. 2, 1923-1928. London: Oxford, 1960.

_____. 1935. "Resolution of the 7th Comintern Congress on Fascism." In *The Communist International 1919-1943: Documents*, edited by Jane Degras, vol. 2, 1923-1928. London: Oxford, 1960.

Connor, John, and Willard Müller. 1977. *Market Power and Profitability of Multinational Corporations in Brazil and Mexico*. Report to the Subcommittee on Foreign Relations, U.S., Senate. 95th Cong. 1st sess., April.

Davidson, Basil. 1961. *The African Slave Trade*. Boston: Little, Brown.

Davies, James C. 1962. "Towards a Theory of Revolution." *American Sociological Review* 27 (February).

Dean, Heather. 1971. "Scarce Resources: The Dynamic of American Imperialism." In *Readings in U.S. Imperialism*, edited by K.T. Fann and Donald C. Hodges. Boston: Porter Sargent.

de Cardona, Elizabeth. 1977. "American Television in Latin America." In *Mass Media Policies and Changing Cultures*, edited by George Gerbner. New York: John Wiley and Sons.

Deutscher, Issac, ed. 1964. *The Age of Permanent Revolution: A Trotsky Anthology*. New York: Dell.

Dobb, Maurice. 1963. *Studies in the Development of Capitalism*. New York: International.

Domhoff, G. William. 1967. *Who Rules America?* Englewood Cliffs, N.J.: Prentice-Hall.

_____. 1971. *The Higher Circles*. NewYork: Vintage.

_____. 1979. *The Powers That Be*. NewYork: Vintage.

dos Santos, Teotonio. 1968. "Foreign Investment and the Large Enterprise in Latin America: The Brazilian Case." In *Latin America: Reform or Revolution?*, edited by James Petras and Maurice Zeitlin. Greenwich: Fawcett.

Drinot Silva, Rafael. 1979. "Advertising: The Production and Consumption of Daily Life." In *Communication and Class Struggles*, edited by Armand Mattelart and Seth Siegelaub, vol. 1. New York: International General.

Dutt, E. Palne. 1934. *Fascism and Social Revolution*. Reprint. San Francisco: Proletarian, 1974.

Eckes, Alfred E., Jr. 1979. *The United States and the Global Struggle for Minerals*. Austin: University of Texas Press.

Edwards, Richard; Michael Reich; and Thomas Weisskopf. 1978. *The Capitalist System*. 2d ed. Englewood Cliffs, N.J.: Prentice-Hall.

Emmanuel, Arghiri. 1972. *Unequal Exchange*. New York: Monthly Review Press.

Erlich, Alexander. 1973. "A Hamlet Without the Prince of Denmark." *Politics and Society* 4, no. 1 (Fall).

Estep, Raymond. 1966. *U.S. Military Aid to Latin America*. Maxwell Air Force Base Documentary Research Review Division. Alabama: Aerospace Studies Institute, Air University.

Evans, Peter. 1979a. *Dependent Development*. Princeton, N.J.: Princeton University Press.

_____. 1979b. "Shoes, OPEC, and the Unquestioning Persuasion: Multinational Corporations and U.S.-Brazilian Relations." In *Capitalism and the State in U.S.-Latin American Relations*, edited by Richard R. Fagen. Stanford: Stanford University Press.

Export-Import Bank of the United States. 1968. *Annual Report*.

Fagen, Richard R., ed. 1979. *Capitalism and the State in U.S.-Latin American Relations*. Stanford: Stanford University Press.

Fanon, Frantz. 1963. *The Wretched of the Earth*. New York: Grove.

Faulkner, Harold. 1951. *The Decline of Laissez Faire, 1897-1917*. New York: Rinehart.

Feis, Herbert. 1965. *Europe the World's Banker 1870-1914*. New York: W. W. Norton.

Ferrer, Aldo. 1967. *The Argentine Economy*. Berkeley: University of California Press.

Food and Agriculture Organization. 1960. *Report on the 1960 Census of Agriculture: Report by Countries*. Rome.

_____. 1970. *Report on the 1970 Census of Agriculture: Report by Countries*. Rome.

_____. 1978. *Production Yearbook*.

Ford Foundation. 1963. *Annual Report*. New York.

_____. 1964. *Annual Report*. New York.

_____. 1978. *Annual Report*. New York.

Fortune. 1978. *The Fortune Directory*.

Frank, Andre Gunder. 1967. *Capitalism and Underdevelopment in Latin America*. New York: Monthly Review Press.

_____. 1969. *Latin America: Underdevelopment or Revolution*. New York: Monthly Review Press.

_____. 1972. *Lumpenbourgeoisie: Lumpendevelopment*. New York: Monthly Review Press.

Frenkel, Roberto, and Guillermo O'Donnell. 1979. "The 'Stabilization Program' of the International Monetary Fund and Their Internal Impact." In *Capitalism and the State in U.S.-Latin American Relations*, edited by Richard R. Fagen. Stanford: Stanford University Press.

Furtado, Celso. 1964. *Development and Underdevelopment*. Berkeley: University of California Press.

_____. 1965. *Diagnosis of the Brazilian Crisis*. Berkeley: University of California Press.

_____. 1970. *Economic Development of Latin America*. Cambridge, England: Cambridge University Press.

Galeano, Eduardo. 1973. *Open Veins of Latin America*. New York: Monthly Review Press.

Gardner, Lloyd. 1964. *Economic Aspects of New Deal Diplomacy*. Reprint. Boston: Beacon, 1971.

Geertz, Clifford. 1963. *Agricultural Involution*. Berkeley: University of California Press.

Genovese, Eugene. 1967. *The Political Economy of Slavery*. New York: Vintage.

_____. 1968. *In Red and Black*. New York: Vintage.

_____. 1969. *The World the Slaveholders Made*. New York: Vintage.

_____. 1974. *Roll Jordon Roll*. New York: Vintage.

Gold, David; Clarence Y.H. Lo; and Erik Olin Wright. 1975. "Recent Developments in Marxist Theories of the Capitalist State." *Monthly Review* 27, no. 5-6 (October-November).

Gough, Kathleen A., and Hari P. Sharma, eds. 1973. *Imperialism and Revolution in South Asia*. New York: Monthly Review Press.

Greene, Felix. 1971. *The Enemy*. New York: Vintage Books.

Guback, Thomas. 1977. "The International Film Industry." In *Mass Media Policies and Changing Cultures*, edited by George Gerbner. New York: John Wiley and Sons.

Guerin, Daniel. 1945. *Fascism and Big Business*. Reprint. New York: Monad Press, 1973.

Guerra y Sanchez, Ramiro. 1964. *Sugar and Society in the Caribbean*. New Haven: Yale University Press.

Gutkind, Peter, and Peter Waterman. 1977. *African Social Studies: A Radical Reader*. New York: Monthly Review Press.

Hacker, Louis. 1940. *The Triumph of American Capitalism*. Reprint. New York: McGraw-Hill, 1965.

Halliday, Jon, and Gavan McCormack. 1973. *Japanese Imperialism Today*. New York: Monthly Review Press.

Halliday, Fred. 1975. *Arabia Without Sultans*. New York: Vintage Books.

Hamilton, Richard. 1967. *Affluence and the French Worker*. Princeton, N.J.: Princeton University Press.

_____. 1972. *Class and Politics in the United States*. New York: John Wiley and Sons.

Harris, Marvin. 1966. "Labor Emigration Among the Mozambique Thonga." In *Social Changes the Colonial Situation*, edited by Immanuel Wallerstein. New York: John Wiley and Sons.

Hayes, Carlton. 1941. *A Generation of Materialism 1871-1900*. New York: Harper and Row.

Hayter, Teresa. 1971. *Aid As Imperialism*. Baltimore: Penguin Books.

Hecksher, Eli. 1935. *Mercantilism*. Reprint. New York: Macmillan, 1955.

Hilton, Rodney, ed. 1976. *The Transition from Feudalism to Capitalism*. London: New Left Books.

Hirschman, Albert. 1945. *National Power and the Structure of Foreign Trade.* Berkeley: University of California Press.

Hobsbawm, Eric. 1959. *Primitive Rebels.* Reprint. New York: Norton, 1965.

______. 1975. *The Age of Capital.* New York: Scribner's.

Hobson, J. A. 1902. *Imperialism.* Reprint. Ann Arbor: University of Michigan Press, 1965.

Horowitz, David, ed. 1969. *Corporations and the Cold War.* New York: Monthly Review Press.

Humphrey, Richard. 1967. *Universities and Development Assistance Abroad.* Washington, D.C.: American Council on Education.

Hussein, Mahmoud. 1973. *Class Conflict in Egypt 1945-1970.* New York: Monthly Review Press.

Imlah, Albert H. 1958. *Economic Elements in the Pax Britannica.* Cambridge, Mass.: Harvard University Press.

Institute of International Education. 1977. *Open Doors: Report on International Educational Exchange 1975/76-1976/77.* New York: Institute of International Education.

Insurgent Sociologist. 1977. "Special Issue: Imperialism and the State." Vol. 7, no. 2 (Spring).

International Institute for Strategic Studies. 1976. *The Military Balance 1976-77.* London.

International Labor Organization. 1979. *Yearbook of Labor Statistics.* Geneva.

International Monetary Fund. 1961. *Annual Report.* Washington, D.C.

______. 1979a. *Annual Report of the Executive Board for the Financial Year Ended April 30, 1979.* Washington, D.C.

______. 1979b. *I.M.F. Financial Statistics Yearbook.*

Jacoby, Erich. 1949. *Agrarian Unrest in Southeast Asia.* New York: Columbia University Press.

Jacoby, Neil A. 1974. *Multinational Oil.* New York: Macmillan.

Jain, Shail. 1975. *Size Distribution of Income: A Compilation of Data.* Washington, D.C.: The World Bank.

Kay, Geoffrey. 1975. *Development and Underdevelopment: A Marxist Analysis.* London: Macmillan.

Kemp, Tom. 1967. *Theories of Imperialism.* London: Dobson Books.

Kenen, Peter. 1964. *International Economics.* Englewood Cliffs, N.J.: Prentice-Hall.

Kerr, Clark, and Abraham Siegel. 1964. "The Interindustry Propensity to Strike." In *Labor and Management in Industrial Society,* edited by Clark Kerr. Garden City, N.Y.: Doubleday.

Kidron, Michael. 1965. *Foreign Investments in India.* Oxford: Oxford University Press.

Kindleberger, Charles. 1963. *International Economics.* 3d. ed. Homewood, Ill.: Richard Irwin.

Klare, Michael. 1974. "U.S. Military Strategy After Vietnam." *Monthly Review* 25, no. 10 (February).

Klare, Michael, and Cynthia Arnson. 1979. "Exporting Repression: U.S. Support for Authoritarianism in Latin America." In *Capitalism and the State in U.S.-Latin American Relations,* edited by Richard R. Fagen. Stanford: Stanford University Press.

Kolko, Gabriel. 1967. *The Triumph of Conservatism.* Chicago: Quadrangle.

______. 1968. *The Politics of War.* New York: Random House.

______. 1969. *The Roots of American Foreign Policy.* Boston: Beacon.

Kolko, Joyce, and Gabriel Kolko. 1972. *The Limits of Power.* New York: Harper and Row.

Kuznets, Simon. 1966. *Modern Economic Growth.* New Haven: Yale University Press.

LaClau, Ernesto. 1977. *Politics and Ideology in Marxist Theory.* London: Verso.

Landsberg, Martin. 1979. "Export-Led Industrialization in the Third World: Manufacturing Imperialism." *Review of Radical Political Economics* 11, no. 4 (Winter).

Leggett, John. 1968. *Class, Race and Labor.* New York: Oxford University Press.

Lenin. V.I. 1917. *Imperialism: The Highest Stage of Capitalism.* In *Selected Works.* Vol. 1. Moscow: Foreign Languages Publishing House, 1960.

_____. 1920. *Preliminary Draft of Theses on the National and Colonial Question.* In *Selected Works.* Vol. 3. Moscow: Foreign Languages Publishing House, 1960.

Levkovsky, A. L. 1966. *Capitalism in India.* Delhi: Peoples' Publishing House.

Lewis, Cleona. 1938. *America's Stake in International Investments.* Washington, D.C.: Brookings Institution.

Linz, Juan. 1964. "An Authoritarian Regime: Spain." In *Cleavages, Ideologies and Party Systems*, edited by Erik Allardt and Yrje Litturen. Transactions of the Westermark Society, vol. 10. Helsinki.

Lipset, Seymour Martin. 1960. *Political Man.* Garden City, N.Y.: Doubleday.

Luxemburg, Rosa. 1913. *The Accumulation of Capital.* Reprint. New York: Monthly Review Press, 1951.

Magdoff, Harry. 1969. *The Age of Imperialism.* New York: Monthly Review Press.

_____. 1970. "The Logic of Imperialism." *Social Policy* (September-October): 20-29.

_____. 1978. *Imperialism: From the Colonial Age to the Present.* New York: Monthly Review Press.

Malloy, James M., ed. 1977. *Authoritarianism and Corporatism in Latin America.* Pittsburgh: University of Pittsburgh Press.

Mamdani, Mahmoud. 1976. *Politics and Class Formation in Uganda.* New York: Monthly Review Press.

Mandel, Ernest. 1970. *Europe vs. America: Contradictions of Imperialism.* New York: Monthly Review Press.

Mao Tse-Tung. 1939a. "Introducing *The Communist.*" In *Selected Works of Mao Tse-Tung*, vol. 2. Peking: Foreign Languages Publishing House, 1967.

_____. 1939b. "The Chinese Revolution and the Chinese Communist Party." In *Selected Works of Mao Tse-Tung*, vol. 2. Peking: Foreign Languages Publishing House, 1967.

_____. 1926. "Analysis of the Classes in Chinese Society." In *Selected Works of Mao Tse-Tung*, vol. 1. Peking: Foreign Languages Publishing House, 1965.

Marx Karl. 1847. "The Poverty of Philosophy." In *Karl Marx on Colonialism and Modernization*, edited by Shlomo Avineri. New York: Doubleday, 1968.

_____. 1853a. "British Rule in India." In *Karl Marx on Colonialism and Modernization*, edited by Shlomo Avineri. New York: Doubleday, 1968.

_____. 1853b. "The East India Company: Its History and Results." In *Karl Marx on Colonialism and Modernization*, edited by Shlomo Avineri. New York: Doubleday, 1968.

_____. 1853c. "The Future Results of British Rule in India." In *Karl Marx on Colonialism and Modernization*, edited by Shlomo Avineri. New York: Doubleday, 1968.

_____. 1857. "British Incomes in India." In *Karl Marx Colonialism and Modernization*, edited by Shlomo Avineri. New York: Doubleday, 1968.

_____. 1867. *Capital.* Vol. 1; Vol. 3, 1894. Moscow: Foreign Languages Publishing House, 1962.

_____. 1870. "Letter to Meyer and Vogt." In Karl Marx and Frederick Engels, *Letters to Americans, 1848-1895.* New York: International, 1953.

_____. 1881. "Letter to Danielson." In *Karl Marx on Colonialism and Modernization*, edited by Shlomo Avineri. New York: Doubleday, 1968.

Marx, Karl, and Friedrich Engels. 1849. "Manifesto of the Communist Party." In Karl Marx and Friedrich Engels, *Selected Works in Two Volumes.* Vol. 1. Moscow: Foreign Languages Publishing House, 1958.

Mattelart, Armand. 1979. *Multinational Corporations and the Control of Culture.* Atlantic Highlands, N.J.: Humanities Press.

_____. 1980. "Cultural Imperialism, Mass Media, Class Struggle: An Interview." *Insurgent Sociologist* 9, no. 4 (Spring).

Mattelart, Armand, and Seth Siegelaub, eds. 1979. *Communication and Class Struggles.* New York: International General.

McBride, George. 1923. *The Land Systems of Mexico.* New York: American Geographic Society.

_____. 1936. *Chile: Land and Society.* Reprint. New York: Octagon Books, 1971.

McMichael, Phillip; James Petras; and Robert Rhodes. 1974. "Imperialism and Capitalist Industrialization." *New Left Review* (May-June).

Meany, George. 1963. Testimony, U.S., Congress, House. Committee on Foreign Affairs. *Winning the Cold War: The U.S. Ideological Offensive*, 88th Cong., 1st sess., House Report 1963, Pt.2.

Melman, Seymour. 1965. *Our Depleted Society*. New York: Holt, Rinehart and Winston.

Mericle, Kenneth. 1977. "Corporatist Control of the Working Class: Brazil." In *Authoritarianism and Corporatism in Latin America*, edited by James Malloy. Pittsburgh: University of Pittsburgh Press.

Merton, Robert. 1957. *Social Theory and Social Structure*. New York: Free Press.

Miliband, Ralph. 1969. *The State in Capitalist Society*. New York: Basic Books.

Miller, S. M.; Roy Bennett; and Cyril Alapatt. 1970. "Does the U.S. Economy Require Imperialism?" *Social Policy* 1, no. 3 (September-October).

Minor, Dale. 1970. *The Information War*. New York: Hawthorn Books.

Mitchell, B. R., ed. 1962. *Abstract of British Historical Statistics*. Cambridge, England: Cambridge University Press.

Moore, Barrington. 1966. *Social Origins of Dictatorship and Democracy*. Boston: Beacon.

Morray, James P. 1968. "The U.S. and Latin America." In *Latin America: Reform or Revolution*, edited by James Petras and Maurice Zeitlin. Greenwich: Fawcett.

Morris, George. 1967. *The C.I.A. and American Labor*. New York: International.

Moscoso, Theodore. 1962. U.S., Congress, House. Committee on Appropriations. *Foreign Operations Appropriations for FY 1963 Hearings*, 87th Cong., 2 sess., Pt. 3.

Munck, Ronaldo. 1980. "State, Capital and Crisis in Brazil, 1929-1979." *Insurgent Sociologist* 9, no. 4 (Spring).

Musgrave, Peggy B. 1975. U.S., Congress, Senate. Subcommittee on Multinational Corporations of the Committee on Foreign Relations. *Direct Investment Abroad and the Multinationals: Effects on the United States Economy*, 94th Cong., 1st sess., Committee Print.

Nabudere, Dan. 1977. *The Political Economy of Imperialism*. London: Zed Press.

National Opinion Research Center. 1975. *General Social Survey*. Chicago: University of Chicago.

______. 1976. *General Social Survey*. Chicago: University of Chicago.

Nearing, Scott, and Joseph Freeman. 1925. *Dollar Diplomacy*. Reprint. New York: Monthly Review Press, 1966.

Neumann, Franz L. 1944. *Behemoth: The Structure and Practice of National Socialism, 1933-1944*. Reprint. New York: Harper and Row, 1966.

Newfarmer, Richard, and Willard F. Müller. 1975. U.S., Congress, Senate. Subcommittee on Multinational Corporations of the Committee on Foreign Relations. *Multinational Corporations in Brazil and Mexico: Structural Sources of Economic and Noneconomic Power*, 94th Cong., 1st sess., Committee Print.

Nordenstreng, Kaarle, and Herbert Schiller, eds. 1979. *National Sovereignty and International Communication*. Norwood, N.J.: Ablex.

North American Congress on Latin America. 1970. *U.S. Military and Police Operations in the Third World*. NACLA-East.

O'Connor, James. 1971. "The Meaning of Economic Imperialism." In *Readings in U.S. Imperialism*, edited by K. T. Fann and Donald C. Hodges. Boston: Porter Sargent.

______. 1973. *The Fiscal Crisis of the State*. New York: St. Martin's Press.

O'Donnell, Guillermo. 1977. "Corporatism and the Question of the State." In *Authoritarianism and Corporatism in Latin America*, edited by James M. Malloy. Pittsburgh: University of Pittsburgh Press.

______. 1978. "Reflections on the Patterns of Change in the Bureaucratic Authoritarian State." *Latin American Research Review* 13, no. 1.

Offe, Claus. 1973. "The Abolition of Market Control and the Problem of Legitimacy." *Kapitalistate*, nos. 1, 2.

Organization of Petroleum Exporting Countries. 1977. *Annual Statistical Bulletin*. Vienna, Austria.

Ortiz, Fernando. 1947. *Cuban Counterpart: Tobacco and Sugar*. New York: Knopf.

Patankar, Bharat, and Gail Omvedt. 1980. "The Bourgeois State in Post-Colonial Formations." *Insurgent Sociologist* 9, no. 4 (Spring).

Perlo, Victor. 1951. *American Imperialism*. New York: International.

______. 1957. *The Empire of High Finance*. New York: International.

______. 1973. *The Unstable Economy*. New York: International.

Petras, James. 1970. *Politics and Social Structure in Latin America.* New York: Monthly Review Press.

_____. 1978. *Critical Perspectives on Imperialism and Social Class in the Third World.* New York: Monthly Review Press.

Petras, James, and Maurice Zeitlin. 1967. "Miners and Agrarian Radicalism." *American Sociological Review* 32, no. 4 (August).

_____. 1968. *Latin America: Reform or Revolution?* Greenwich: Fawcett.

Pirenne, Henri. 1937. *Economic and Social History of Medieval Europe.* New York: Harcourt, Brace.

Polanyi, Karl. 1944. *The Great Transformation.* Reprint. Boston: Beacon, 1957.

Poulantzas, Nicos. 1968. *Political Power and Social Classes.* Reprint. London: New Left Books, 1973.

_____. 1970. *Fascism and Dictatorship.* Reprint. London: New Left Books, 1974.

_____. 1974. *Classes in Contemporary Capitalism.* Reprint. London: New Left Books, 1975.

Radice, Hugo, ed. 1975. *International Firms and Modern Imperialism.* Baltimore: Penguin.

Review of Radical Political Economics. 1979. "Facing the 1980s: New Directions in the Theory of Imperialism." Vol. 11, no. 4 (Winter).

Rhodes, Robert I., ed. 1970. *Imperialism and Underdevelopment: A Reader.* New York: Monthly Review Press.

Rippy, J. Fred. 1959. *British Investments in Latin America, 1822-1949.* Minneapolis: University of Minnesota Press.

Rockefeller Foundation. 1964. *Annual Report.* New York

_____. 1968. *Annual Report.* New York.

_____. 1978. *The President's Review and Annual Report.* New York.

Rose, Stanford. 1976. "Third World Commodity Power is a Costly Illusion." *Fortune* (November).

Rothstein, Robert L. 1979. *Global Bargaining.* Princeton, N.J.: Princeton University Press.

Rowthorn, Bob. 1971. "Imperialism in the 70's: Unity or Rivalry." *New Left Review* (September-October).

Ryan, Hewson. 1965. Testimony, U.S., Congress, House. Committee on Foreign Affairs. *Communism in Latin America.* Hearings, House Report, 89th Cong., 1st sess.

Schiller, Herbert. 1969. *Mass Communications and the American Empire.* New York: A. M. Kelley.

Schurman, Frantz, and Orville Schnell, eds. 1967. *Imperial China.* New York: Random House.

Schweitzer, Arthur. 1964. *Big Business and the Third Reich.* Bloomington, Ind.: Indiana University Press.

Shoup, Laurence H., and William Minter. 1977. *Imperial Brain Trust.* New York: Monthly Review Press.

Sivard, Ruth. 1977. *World Military and Social Expenditures.* Leesburg, Va.: WMSE Publications.

Skinner, E. P. 1966. "Labor Migration and Its Relationship to Socio-Cultural Change in Mossi Society." In *Social Change: The Colonial Situation,* edited by Immanuel Wallerstein. New York: John Wiley and Sons.

Stallings, Barbara. 1979. "Peru and the U.S. Banks." In *Capitalism and the State in U.S.-Latin American Relations,* edited by Richard R. Fagen. Stanford: Stanford University Press.

Standard Rate and Data. 1980. *Consumer Magazine and Farm Publications, Rates and Data.* Skokie, Illinois.

Stavenhagen, Rodolfo. 1975. *Social Classes in Agrarian Societies.* New York: Anchor.

Stockholm Peace Research Institute. 1973. *Arms Trade Register: The Arms Trade with the Third World.* Cambridge, Mass.

Stork, Joe. 1975. *Middle East Oil and the Energy Crisis.* New York: Monthly Review Press.

Sutcliffe, Bob. 1972. "Imperialism and Industrialization in the Third World." In *Studies in the Theory of Imperialism,* edited by Roger Owen and Bob Sutcliffe. Bristol: G. B. Longman.

Sweezy, Paul. 1976. "A Critique." In *The Transition from Feudalism to Capitalism,* edited by Rodney Hilton. London: New Left Books.

Sweezy, Paul M., and Harry Magdoff. 1972a. *The Dynamics of U.S. Capitalism.* New York: Monthly Review Press.

______. 1972b. *Modern Capitalism and Other Essays.* New York: Monthly Review Press.

Szentes, Tamás. 1971. *The Political Economy of Underdevelopment.* Budapest: Akadémiai Kïadó.

Szymanski, Albert. 1978. *The Capitalist State and Politics of Class.* Boston: Winthrop.

______. 1979. *Is the Red Flag Flying?: The Political Economy of the USSR Today.* London: Zed Press.

Szymanski, Albert, and Peter Dreier. 1981. "The Aristocracy of Labor: An Empirical Test." In *Comparative Social Research*. vol. 4.

Tanzer, Michael. 1969. *The Political Economy of International Oil and the Underdeveloped Countries.* Boston: Beacon Press.

Tawney, R. H. 1932. *Land and Labor in China.* Reprint. Boston: Beacon, 1966.

Taylor, John G. 1979. *From Modernization to Modes of Production.* London: Macmillan.

Trilateral Commission. 1979. *List of Members as of May 15, 1974.* New York: Trilateral Commission.

Trotsky, Leon. 1928. "The Second Chinese Revolution: 1925-27." In *The Age of Permanent Revolution: A Trotsky Anthology*, edited by Isaac Deutscher. New York: Dell, 1964.

______. 1932. *The Russian Revolution.* Vol. 1. Reprint. Garden City, N.Y.: Doubleday, 1959.

______. 1939. "Open Letter to the Workers of India." In *The Age of Permanent Revolution: A Trotsky Anthology*, edited by Isaac Deutscher. New York: Dell, 1964.

______. 1942. "Prospects and Tasks in the Far East." In *The Age of Permanent Revolution: A Trotsky Anthology*, edited by Isaac Deutscher. New York: Dell, 1964.

Turner, Louis. 1973. *Multinational Companies and the Third World.* New York: Hill and Wang.

Turnstall, Jeremy. 1977. *The Media are American.* New York: Columbia University Press.

Tyagunenko, V. L. 1973. *Industrialisation of Developing Countries.* Moscow: Progress.

Ulyanovsky, R. 1974. *Socialism and the Newly Independent Nations.* Moscow: Progress.

______. 1977. Foreward to *The Noncapitalist Way, Soviet Experience and the Liberated Countries*, by I. Andreyev. Moscow: Progress.

United Nations. 1967. *Yearbook of National Account Statistics.* New York.

______. 1970. *Yearbook of National Account Statistics.* Vol. 2. New York.

______. 1977a. *Yearbook of Industrial Statistics.* Vol. 1. New York.

______. 1978a. *Statistical Yearbook.* New York.

______. 1978b. *Yearbook of International Trade Statistics.* Vol. 1. New York.

______. 1978c. *Yearbook of National Account Statistics.* Vol. 2. New York.

______. 1979a. *Trade and Development Statistics.* New York.

______. 1979b. *Yearbook of International Trade Statistics.* Vol. 1. New York.

United Nations Department of Economic and Social Affairs. 1973. *Multinational Corporations in World Development.* New York.

______. 1978. *Transnational Corporations in World Development: A Re-examination.* Commission on Transnational Corporations: Fourth Session, E/C. 10/38. New York.

University of Wisconsin. Land Tenure Center. 1979. *Land Concentration in the Third World.* Training and Methods Series No. 28. Madison, Wis.

United Nations Economic and Social Council. 1964. *World Communications: Press, Radio, Television, Films.* New York: UNESCO.

______. 1975. *World Communications.* New York: UNESCO.

______. 1977. *UNESCO Yearbook.* New York: UNESCO.

U.S. Agency for International Development. 1963. *Aids to Business.* Washington, D.C.: Government Printing Office.

_____. 1965. *U.S. Foreign Aid and the Alliance for Progress.* Washington, D.C.: Government Printing Office.

_____. 1971. *Operations Report.* Washington, D.C.: Government Printing Office.

_____. 1972. *Operations Report.* Washington, D.C.: Government Printing Office.

_____. 1973. *Operations Report.* Washington, D.C.: Government Printing Office.

_____. 1977. *U.S. Overseas Loans and Grants Obligations and Loan Authorizations.* July 1, 1945-September 30, 1976.

_____. 1979. *U.S. Overseas Loans and Grants Obligations and Loan Authorizations.* July 1, 1945-September 30, 1978.

U.S. Arms Control and Disarmament Agency. 1974. *World Military Expenditures and Arms Transfers. 1965-74.* Washington, D.C.: Government Printing Office.

_____. 1977. *World Military Expenditure and Arms Transfers, 1965-1977.*

U.S. Bureau of the Census. 1970a. *U.S. Census, 1970. Special Reports Occupation by Industry.* Washington, D.C.: Government Printing Office.

_____. 1975a. *Current Industrial Reports: Shipments of Defense Oriented Industries.* Washington, D.C.: Government Printing Office.

U.S. Bureau of Cultural and Educational Affairs. 1966. *Resource Survey for Latin America.* Washington, D.C.: Government Printing Office.

U.S. Bureau of Economic Analysis. 1975. *National Income and Product Accounts.* Washington, D.C.: Government Printing Office.

U.S. Bureau of Mines. 1965. *Minerals Yearbook.* Washington, D.C.: Government Printing Office.

_____. 1976. *Minerals Yearbook.* Washington, D.C.: Government Printing Office.

_____. 1979. *Commodity Survey.* Washington, D.C.: Government Printing Office.

U.S., Congress, House. Committee on Banking, Currency and Housing. 1976a. *Financial Institutions and the Nation's Economy (FINE)*, Book II, 94th Cong., 2d sess., Committee Print.

_____. Subcommittee on Labor-Management of the Committee on Education and Labor. 1976b. *Oversight Hearings on the National Labor Relations Act*, 94th Cong., 2d sess., Hearings.

U.S. Congress, Senate. 1969. *Congresional Record*, June 23, 56956-8.

_____. Subcommittee on Multinational Corporations of the Committee on Foreign Relations. 1975a. *Direct Investment Abroad and the Multinationals: Effects on the United States Economy*, 94th Cong., 1st sess.

_____. Subcommittee on Multinational Corporations of the Committee on Foreign Relations. 1975b. *Multinational Corporations in Brazil and Mexico: Structural Sources of Economic and Noneconomic Power*, 94th Cong., 1st sess.

_____. Select Committee to Study Governmental Operations with Respect to Intelligence Activities. 1976. *Foreign and Military Intelligence*, 94th Cong., 2d sess., Final Report.

U.S. Department of Agriculture. 1974. *Census of Agriculture: Summary Volume.* Washington, D.C.: Government Printing Office.

U.S. Department of Commerce. 1960a. *U.S. Business Investments in Foreign Countries.* Washington, D.C.: Government Printing Office.

_____. 1961a. *Balance of Payments Statistical Supplements.* Rev. ed. Washington, D.C.: Government Printing Office.

_____. 1967a. *Survey of Current Business.* September. Washington, D.C.: Government Printing Office.

_____. 1970a. *Statistical Abstract of the U.S.* Washington, D.C.: Government Printing Office.

_____. 1970b. *Annual Survey of Manufactures.* Washington, D.C.: Government Printing Office.

_____. 1970c. *Highlights of the U.S. Export and Import Trade.* December. Washington, D.C.: Government Printing Office.

_____. 1972a. *National Technical Information Service: Special Survey of U.S. Multinational Companies.* Washington, D.C.: Government Printing Office.

_____. 1972b. *The Multinational Corporation:. Studies on U.S. Foreign Investment.* Vol. 1. Washington, D.C.: Government Printing Office.

_____. 1972c. *Census of Manufacturing: Volume One. Subject and Special Statistics: General Summary.* Washington, D.C.: Government Printing Office.

______. 1974a. *Survey of Current Business.* August. Washington, D.C.: Government Printing Office.

______. 1974b. *Statistical Abstract of the U.S.* Washington, D.C.: Government Printing Office.

______. 1974c. *Census of Agriculture: Vol. Two, Statistics by Subject.* Pt. 2: Farms: Number, Acreage, Value of Land and Buildings, Land Use, Size of Farm, Farm Debt. Washington, D.C.: Government Printing Office.

______. 1975a. *Historical Statistics of the U.S.* Washington, D.C.: Government Printing Office.

______. 1975b. *U.S. Direct Investment Abroad.* Washington, D.C.: Government Printing Office.

______. 1975c. *Statistical Abstract of the U.S.* Washington, D.C.: Government Printing Office.

______. 1976a. *Survey of Current Business.* May. Washington, D.C.: Government Printing Office.

______. 1976b. *Highlights of the U.S. Export and Import Trade.* December. Washington, D.C.: Government Printing Office.

______. 1978a. *Survey of Current Business.* March. Washington, D.C.: Government Printing Office.

______. 1978b. *Highlights of the U.S. Export and Import Trade.* December. Washington, D.C.: Government Printing Office.

______. 1978c. *Statistical Abstract of the U.S.* Washington, D.C.: Government Printing Office.

______. 1979a. *Statistical Abstract of the U.S.* Washington, D.C.: Government Printing Office.

______. 1979b. *Survey of Current Business.* August. Washington, D.C.: Government Printing Office.

______. 1979c. *Survey of Current Business.* June. Washington, D.C.: Government Printing Office.

______. 1979d. *Sources and Uses of Funds of Majority Owned Foreign Affiliates of U.S. Companies: 1966-1976.* Bureau of Economic Analysis Staff Paper. Washington, D.C.: Government Printing Office.

______. 1979e. *Survey of Current Business.* May. Washington, D.C.: Government Printing Office.

______. 1980a. *Selected Data on U.S. Direct Investment Abroad: 1966-78.* Washington, D.C.: Government Printing Office.

______. 1980b. *Survey of Current Business.* January. Washington, D.C.: Government Printing Office.

U.S. Department of Defense. 1977a. *Foreign Military Sales and Military Assistance Facts.* Washington, D.C.: Government Printing Office.

______. 1977b. *100 Companies: Companies Receiving the Largest Dollar Volume of Military Prime Contract Awards.* Washington, D.C.: Directorate for Information, Operations and Reports.

______. 1978a. *Foreign Military Sales and Military Assistance Facts.* Washington, D.C.: Government Printing Office.

______. 1978b. *Selected Manpower Statistics.* May. Washington, D.C.: Government Printing Office.

______. 1979a. *Military Prime Contract Awards: First Half of Fiscal Year.* Washington, D.C.: Office of the Secretary of Defense.

______. 1979b. *Foreign Military Sales and Military Assistance Facts.* Washington, D.C.: Government Printing Office.

U.S. Department of Labor. 1973a. *Handbook of Labor Statistics.* Washington, D.C.: Government Printing Office.

U.S. Department of State. International Information Administration. 1951. *The Objectives of the U.S. Information Program.* Washington, D.C.: Government Printing Office.

U.S. Domestic and International Business Administration. 1979. *International Economic Indicators and Competitive Trends.* Washington, D.C.: Government Printing Office.

U.S. Information Agency. 1966b. *Justification Book for 1966.* Washington, D.C.: Government Printing Office.

______. 1976. 44th Report to the Congress, July 1, 1975 to June 30, 1976.

______. n.d. *Fact Sheet.* Washington, D.C.: Government Printing Office.

Varga, Y. 1968. *Politico-Economic Problems of Capitalism.* Moscow: Progress.

Variety. March 31, 1976; September 3, 1975; August 10, 1977.

Veblen, Thorstein. 1915. *Imperial Germany and the Industrial Revolution.* New York: Macmillan.

Vernon, Raymond. 1971. *Sovereignty at Bay: The Multinational Spread of U.S. Enterprise.* New York: Basic Books.

______. 1977. *Storm over the Multinationals.* Cambridge, Mass.: Harvard University Press.

Volk, Steven. 1979. "The International Competitiveness of the U.S. Economy: A Study of Steel and Electronics." In *Capitalism and the State in U.S.-Latin American Relations,* edited by Richard R. Fagen. Stanford: Stanford University Press.

Wachtel, Howard. 1977. *The New Gnomes: Multinational Banks in the Third World.* Washington, D.C.: Transnational Institute.

Wallerstein, Immanuel. 1974. *The Modern World System.* New York: Academic Press.

______. 1979. *The Capitalist World-Economy.* Cambridge, England: Cambridge University Press.

Warren, Bill. 1972. "Imperialism and Capitalist Industrialization." *New Left Review* (September-October).

Weber, Eugene. 1964. *Varieties of Fascism.* New York: Van Nostrand.

______. 1965. *The European Right.* Berkeley: University of California Press.

Williams, Eric. 1944. *Capitalism and Slavery.* Reprint. New York: Capricorn, 1966.

Wilson, Joan H. 1971. *American Business and Foreign Policy 1920-1933.* Lexington: University Press of Kentucky.

Who Was Who in America. 1978-79 and various. New York: St. Martin's Press.

Who's Who. 1979-80. New York: St. Martin's Press.

Who's Who in American Politics. 1979-80 and various. New York: St. Martin's Press.

Wolf, Eric. R. 1969. *Peasant Wars of the Twentieth Century.* New York: Harper and Row.

Wolfe, Alan, and Jerry Sanders. 1979. "Resurgent Cold War Ideology: The Case of the Committee on the Present Danger." In *Capitalism and the State in U.S.-Latin American Relations,* edited by Richard R. Fagen. Stanford: Stanford University Press.

Woodis, Jack. 1960. *Africa: The Roots of Revolt.* New York: International.

The World Bank. 1960. *The World Bank: Policy and Operation.* Washington, D.C.

______. 1978. *World Development Report.*

Wright, Eric O. 1978. *Class, Crisis and the State.* London: New Left Press.

Zeitlin, Maurice. 1967. *Revolutionary Politics and the Cuban Working Class.* Princeton, N.J.: Princeton University Press.

______. 1969. "Cuba: Revolution Without a Blueprint." *Society,* April 6(6): 38-42.

Zeitlin, Maurice, Kenneth Lutterman; and James Russell. 1977. "Death in Vietnam: Class, Poverty, and the Risks of War." In *American Society,* 2d ed., edited by Maurice Zeitlin. Chicago: Rand McNally.

Zeitlin, Maurice; W. Lawrence Neuman; and Richard Ratcliff. 1976. "Class Segments: Agrarian Property and Political Leadership in the Capitalist Class of Chile." *American Sociological Review* 41, no. 6 (December).

INDEX

Aberle, Kathleen Gough, 376
absentee landlorism, 374
Acheson, Dean, 181
advertisement (sales promotion marketing techniques), 73, 139, 219, 266, 268-69, 345, 348
Afghanistan, 1, 25, 65, 194, 288, 413, 426, 427, 446, 523, 546, 549, 551, 553
African-American Labor Center, 278, 281
African feudalism, 382
African socialism, 540
African lake region, 382
Agency for International Development, 238, 239, 241-42, 243-46, 258, 259, 282
agrarian-industrial countries, 60
agricultural class relations, 401-14
agriculture, 8, 50-51, 80, 86, 102, 113, 143, 239-40, 242, 246-47, 258, 259, 324, 342, 346-47, 349-52, 363, 369, 389-90, 401, 405-06, 412
aircraft industries, 174, 190
Albania, 11
Algeria, 1, 15, 60, 63, 65, 83, 167, 351, 365, 427, 503, 552
Allende, Salvador, 195, 203, 211, 253, 260, 274, 276, 423
Althusser, Louis, 367
American Broadcasting Company, 261, 264, 282
American Federation of Labor-Congress of Industrial Organizations, 277-83
American Institute of Free Labor Development, 278-82
Amin, Samir, 69, 72, 75, 77, 91, 289, 466
Amnesty International, 451
anarchism, 534
Anderson, Perry, 96, 373, 376
Andreyev, I., 63
Anglo-Iranian Petroleum Co., 189
Angola, 1, 4, 63, 65, 203, 288, 386, 514, 523, 542, 546, 547, 549, 552
anti-war movement, 203, 544, 554, 555
Aramco, 179
Arabs, 368, 372, 373
Arbenz Guzman, Jacobo, 193-94, 203, 211
Argentina, 13, 38, 45, 60, 62, 81, 109, 236, 263-64, 266, 268, 354, 365, 388-89, 423-24, 426, 449, 450-51, 454-57, 460, 463, 505, 535, 539
aristocracy of labor, 4, 42-43, 57, 82, 84, 437, 465-91, 529
Asian-American Free Labor Institute, 278, 281
Asiatic mode of production, 45, 70, 121, 373, 374, 376, 377 (*see also* state peasant mode of production)
Associated Press, 268, 282
austerity programs, 249-50
Australia, 161, 389
Austria, 552
automobiles, 190, 495
Aztecs, 97, 101

balance of payments crises, 190-91, 213, 248, 285-86, 449, 527, 543, 545, 554
balance of trade, 126-27, 152, 175, 187
Balmeceda, Jose, 390, 423
bananas, 369, 385
Bangladesh, 12
Bank of America, 143, 498

banks, 17, 36, 114, 115, 131, 139, 140, 143-47, 174, 188-90, 213, 246, 250, 251, 252, 296, 311, 315, 336, 496-98, 527
Baran, Paul, 69-72, 75, 77, 91-92, 103, 177, 289, 376, 466
Barbados, 371
Batista, Fulgencio, 540
bauxite, 161, 162-64, 311, 330
Bay of Pigs, 194
Belgium, 195, 503
Bell, David, 238, 239
benefits of economic growth, 118
Benin, 62
Bermuda, 195
Beveridge, J., 201
blacks, 405
Block, Fred, 180, 448
blocking of the industrialization process, 61, 70, 92, 102, 116, 119, 317, 318, 330, 332, 338-40, 345-47, 389, 491, 526, 528, 531
Blumenthal, W. Michael, 183
Boeing, 151, 170-71
Bolivia, 13, 205, 234, 264, 339, 449
Bolshevik Revolution (Russian Revolution), 43, 56
bonds, 105, 106
books, 257, 272, 273, 274-75
Bosch, Juan, 193
bourgeois-democratic movement (revolution), 43, 44, 45, 46, 49, 56-57, 65
bourgeois revolution (classical), 81
bourgeoisie (in the less developed countries), 414-24
bourgeoisie, commercial, 96
bourgeoisie, comprador, 46, 56, 67, 81, 89, 102, 165, 375, 388, 395, 414, 416, 418, 423, 442, 445, 447
boycotts, trade (blockades), 156, 165, 178, 232-33, 236, 238, 347-48, 546
Brazil, 9, 45, 60, 62, 71, 80, 81, 109, 135, 137, 179, 193, 194, 203, 210, 223, 226, 226-30, 236, 265, 281, 287, 300, 318, 320, 326, 327, 329, 334, 335, 339, 345, 355, 356, 370, 372, 386, 388, 391, 410, 419, 424, 426, 449, 451, 452-53, 455, 460, 488, 505, 532-33, 535, 554
Brinckeroff, Charles, 278
British East India Company, 25, 26
Brown, Harold, 184
Brown, Michael Barratt, 96, 98, 100, 103, 370
Brutents, K. N., 63, 64-65, 67
Brzezinski, Zbigniew, 5, 182, 184, 185, 544-45, 548, 550, 551
Bureau of Cultural and Educational Affairs, U.S., 271
bureaucratic authoritarian regimes, 119, 250-51, 265, 327, 342, 355, 364, 418, 426, 440, 447-60, 461-63, 526, 528, 533, 534-35, 538, 539-41, 543
bureaucratic bourgeoisie, 67
Burma, 63, 340-41, 427
business confidence, 178, 186, 191, 244, 340-41, 448, 449, 450, 459, 460, 541
Butler, General Smedly D., 200
Byrnes, James F., 181

Cameron, 384
Canada, 6, 11, 130, 149, 165, 223
Canal Zone (Panama), 206
capital accumulation, 2, 24, 28, 29, 31, 37, 39, 61, 71, 73, 75-76, 78, 87, 120, 123-24, 125, 126, 127, 127-30, 154, 155, 186, 190-91, 398, 416, 448, 449, 452-56, 458-59, 461-62, 516, 524, 526, 530, 533, 538, 539, 540, 543, 544, 554
capital flight, 449
capital goods industry, 74
capitalism, 3, df(9), 12, 15, 26, 27, 30, 31, 33, 35, 36-37, 39-40, 49, 50, 51, 57, 58, 66, 70, 71, 72, 78, 80, 86, df(87), 88, 90, 92-93, 98, 103, 112, 240, 340, 373, 374, 399, 401-02, 406, 407, 410, 412, 413, 441, 528

capitalism, competitive, 95, 103, 104
capitalism, monopoly, 74, 78, 92, 95, 103, 120, 125, 396
capitalism, restoration of, 542
capitalist development, 393-94, 396, 429, 463, 532
capitalists (bourgeoisie), 4, 15, 25, 26, 27, 34-35, 36-37, 39, 41, 42, 45, 47, 56, 64, 67, 81, 82-83, 89, 100, 118, 187, 358, 359, 364, 385, 406, 534
CARE, 283
Caribbean, 371, 386-87, 396, 424
Carter, James (Carter Administration) 182-83, 544, 553
caste, 374, 395
Castro Fidel, 65, 204, 274, 538
cattle raising, 388, 389
Central America, 547, 548, 549, 552
Central Intelligence Agency, 178, 189, 194, 204, 211, 275-76, 283
Chiang Kai-shek, 540
charity, 257, 283
Chase Manhattan Bank, 143, 181, 182-83, 186, 189, 253, 548, 550
Chris Chase-Dunn, 333
cheap labor, 31, 291, 300, 307, 308, 318, 328, 329
Chile, 60, 71-72, 91, 109, 179, 195, 203, 210, 211, 236, 252-54, 259-60, 264, 266, 274, 276, 335, 339, 351, 355, 390, 399, 416, 423, 424, 426, 437-38, 451, 455, 457, 525, 535, 539
China, 1, 2, 10, 11, 15, 16, 39, 43, 45, 47, 49, 51-53, 55-56, 59, 76-77, 98, 100, 148, 161, 162, 168, 200, 232, 347, 365, 368, 372, 373-76, 392-93, 395, 396, 440-41, 464, 514, 522, 524, 528, 536-37, 540, 546, 552
Chinese (overseas), 380, 395
Chinese Communist Party, 51, 52, 55, 375, 428, 537
Chinese Revolution, 54-56, 375
Chomsky, Noam, 178
Christian Democratic Party, 277
Christianity, 15
chromium, 162-64
Cipolla, Carlo, 96
class, 1, 3, 4, 15, 16
class consciousness, 29, 30, 384, 437, 440, 477, 521, 532, 534
class crystallization, 395
class formation, 3, 290, 367-96
class homogenization, 442
class structure of the less developed countries, 118, 367-443
clerical and sales workers, 400-01
cobalt, 162-64
Coca-cola, 349
cocoa, 313, 369, 383, 384
coffee, 97, 179, 236, 313, 339, 368, 380, 383, 384, 386, 388
cold war, 276
collective colonialism, 58
Colombia, 60, 205, 210, 230, 264, 267, 268, 299, 339, 422, 505
Columbia Broadcasting System, 261, 264, 264, 282
colonialism (colonies), 11, 24, 25, 28, 29, 33, 35, 38, 39-40, 43, 44, 45-46, 48-51, 53, 55, 56, 58, 61, 62, 70, 76, 79, 81, 84, 95, 98, 102, 107, 108, 109, 110, 111, 119, 121, 177, 189, 202, 284-85, 287, 318, 367, 373, 374, 392, 394, 411, 413, 445, 526, 553
comic books, 267, 272, 274-75
Commercial Export Crop Production, 383
commercialization, 87, 96
Committee on the Present Danger, 5
commodity agreements, international, 112, 114, 348
Communism (Communists, Communist Party), 3, 43, 44, 45, 46, 47, 48, 55, 60, 62, 193, 205, 271, 277, 280
Communist International, International Communist Movement, 43, 44, 45-51, 54, 55, 56, 62, 68-70, 80, 81, 85, 88, 91-92, 102, 112, 121, 289, 317
competition, 33-34, 109, 188
computers, 511, 527

concentration (of economic enterprises), 460
concentration (of exports), 236-38
concentration (of foreign investments), 139-48
concentration (of land), 369-70, 377, 385, 387, 407-13
conservatism (of working class), 465-66, 477, 529, 539
Congo (Brazzaville), 62, 386
Congress Party, 377
contract labor, 386, 387
consumer goods industries, 190
contradictions, 44, 59, 80, 82, 83, 92, 188-92, 194, 458, 522, 528, 530, 538, 539, 541, 542, 543, 544, 554, 555
Cooley Loans, 242
copper, 162-64, 166, 179, 236, 313, 330
corporations (differences in interests), 188-92, 460, 543
corvee, 383, 386
Cosmopolitan Magazine, 267
cost plus contracts, 169
cost reduction (*see also* productivity), 308, 319
Costa Rica, 264
costs of imperialism (economic), 482-83, 490
cotton, 99, 100, 236, 238, 386
Council for Mutual Economic Assistance, 15
Council on Foreign Relations, 180, 182, 183, 183-84, 188, 545, 548, 550
counter insurgency, 205, 207, 211, 217, 240
coups d'etat, 179, 194, 203, 204, 211, 216, 426, 428, 448, 451, 460, 541, 545
cross national comparative analysis, 18-21
Cuba (Cuban Revolution), 1, 4, 11, 12, 59, 65, 165, 195, 200, 203, 206, 211, 213, 232, 269, 274, 285, 365, 381, 386, 387, 388, 397, 429, 441, 449, 464, 528, 536, 537, 540, 541, 542, 548, 549, 552, 555
culture, cultural domination, 64, 73, 178
currency blocs, 148
cut and burn agriculture, 380

Dahomey, 382
Davidson, Basil, 96, 376
Davies, James, 535
Davis, John, 183
Dean, Heather, 154
death squads, 451, 463
debt peonage, 370, 373, 407
dechristianization, 533
decline of the United States, 495, 496, 511, 514-22, 530
declining position of United States transnational corporations, 496-98
decolonization, 286-87, 322
debts (debt dependence), 100, 217, 251-56
deepening of industrialization process, 417, 450, 460, 526
"defense" industries, 474, 477
definitions, 13
deindustrialization, 318
delegitimation (undermining of conservative traditional ideologies), 364, 459, 532, 533, 535, 537, 540, 543, 544, 554
Denmark, 386, 494
dependence, 61, 70, 71-72
dependency theory (Marxian Dependency Theory), 2, 68, 69-93, 120, 289, 317, 525, 528, 529, 531
depoliticalization (exclusion), 447, 448, 451, 452, 457, 538, 541
depreciation in value of currency, 191
destabilization, 203
detente (peaceful co-existence), 545, 549, 552, 553, 554
detribalization, 384
devaluation, 190, 461
development of the developed countries, 343
Dhofar, 203

diamonds, 370
Diego Garcia, 195
differential rates of growth (among advanced capitalist countries), 517-21
diplomacy, 178
direct investment (*see also* industrial investment), 105, 106, 107, 108, 109, 114, 130, 131, 132, 139, 140-43, 144, 145-46, 167, 176, 219, 296, 319, 329-35, 498-505
disappeared persons, 451
discipline, work, 450
disintegrating older modes of production, 52, 70
displacement of class structure to the less developed countries, 488, 534
displacement of peasants, 346, 349-52, 355, 358, 362, 363-64, 375, 377, 386, 400, 405, 414, 532, 534
dissolution of classes, 381, 398, 442
distortion of economies, 345-49, 363 (*see also* blocking of the industrialization process; distortion of the industrialization process)
distortion of the industrialization process, 61, 75, 76, 101, 335-65 (*see also* blocking of the industrial process)
distortion of local consumption, 348, 349
distribution and marketing, 139, 166, 168 (*see also* advertising)
diversification of trading partners, 236
Dizard, Wilson 265
Dobb, Maurice, 96, 98, 103, 367
Domhoff, G. William, 180
domination (political domination) 2, 3, 5, 6, 10, 11, 30, 32, 45, 115, 119-20, 192, 290, 372, 374, 395, 545
Dominican Republic, 169, 187, 193-94, 200, 202, 203, 210, 236, 264, 285, 351, 544, 547, 554
domino theory, 179
draft, the, 394
Dreier, Peter, 465
Power, Dual, 540
Duck, Donald, 267
Dulles, Allen, 189
Dulles, John Foster, 181, 185
Dutch East India Company, 98, 378
dynamic ("growth") sectors of the less developed countries, 406, 524

East Indian Laborers, 371
East Indies, 98 (*see also* Java, Sumatra)
Eaton, Cyrus, 190
economic backwardness, 60
economic crisis (depressions, stagnation), 15, 31, 40, 75, 78, 79, 85, 87, 91, 103, 125, 152, 191, 192, 449, 450, 458, 485, 490, 503, 519, 522, 524, 527, 530, 541, 542
economic decision making, 345
economic development, 2, 3, 4, 5, df(6-8), 10, 11, 26, 27, 28, 39, 40, 45, 49-52, 55, 56, 59-62, 68, 71, 76, 82, 86, 92, 98, 101, 103, 104, 111, 112-13, 114, 116-17, 118, 121, 289, 290, 317-65, 416, 424, 440, 449, 450, 452, 492-93, 516, 519-21, 526-27, 528, 531, 539
economic domination (dependence), 5, 8, 32, 39, 45, 50, 51, 62, 73, 74, 76, 118, 119, 165, 178, 189, 217-256, 284-88, 320, 345, 363, 416, 446, 457, 458, 492, 503, 525
economic gap between core and periphery, 39-42, 50-51, 71-73, 101, 112-13, 114, 115-16, 119, 120, 318, 322, 526, 528, 531
economic gain from imperialism, 465-91
economic grants to the less developed countries, 243-46
economic planning, 61, 67, 338, 340-41
economic stabilization, 250
economic surplus, 5, 31, 71, 72, 74, 77, 86, 90, 91-96, 104, 127, 129, 289, 290, 332
economics (as subjects), 259, 260

education, domination (dependence) 34, 64, 178, 187, 257, 258-62
Egypt, 5, 60, 61, 65, 101, 234, 252, 265, 287, 411, 418, 423, 424, 425, 427, 455, 456, 523, 542, 546
Eisenhower, Dwight D., 181
El Salvador, 264, 399
elasticity of demand (price), 348
electronics industries, 74, 136, 135-37, 173, 226, 230, 329, 502-11
Emmanuel, Anghiri, 85, 289, 307-08, 466
encomienda, 368
energy consumption, 7, 8, 496
Engels, Frederick, 27, 28, 42, 62, 98
Erickson, McCann, 269
Eritria, 552
Ethiopia, 1, 4, 14, 63, 65, 210, 288, 335, 413, 425, 427, 446, 542, 546, 548, 549, 551-52
European Common Market (European Economic Community), 501, 522, 530
Evans, Peter, 417
exploitation, 5, (df), 6, 10, 25, 29, 30, 40, 57, 71, 81, 87, 112, 178, 203, 285, 290, 296, 307, 339, 373, 376, 542
Export-Import Bank, U.S., 151, 219, 242, 243
export of capital, 2, 31-32, 35-36, 37, 38, 39-40, 49-50, 55, 57, 70, 74-78, 80, 82, 92, 95, 97, 103-04, 107-09, 111, 112-14, 116, 121, 123, 125, 126, 137, 152, 175, 190, 191, 222, 285, 289, 291, 292-316, 318-19, 338, 345, 363, 396, 488, 490, 502-03, 505, 514, 524-26, 527, 530, 531, 543
export of goods, 25, 36, 73, 76-77, 91, 95, 98, 99-100, 101-02, 104, 109, 110, 112, 118, 120, 123, 125, 126, 128, 148-52, 165, 174-75, 177-78, 187, 188, 189, 200, 233, 242, 243, 284, 285, 306-07, 309, 314, 324, 339, 372, 380, 383, 398, 474, 478, 490, 505, 508-11, 519, 524
export sector of the less developed countries, 230, 231, 250, 329, 334, 335
Exxon (Standard Oil of New Jersey), 141, 181, 182, 189, 200-01, 502

Fanon, Frantz, 83-84, 85, 87, 88, 89, 91
farmers, commercial, 385
Fascism, 457, 537
fast growing exporters of manufactures, 305-06, 338
Faulkner, Harold, 103
fees and royalties, 133, 291, 298, 301, 305-06, 332
Ferrar, Aldo, 368, 386
ferronickel, 161
feudalism, df(9), 12, 15, 16, 43, 45, 46, 47, 53, 55, 70, 80-81, 87-88, 92, 369, 370, 393, 401, df(410), 407, 413, 442, 528
films, 257, 273, 296
finance capital, 34, 35, 36, 38-39, 42, 77
firestone rubber plantations, 385
First National City Bank (Citicorp) 143, 253, 498
forced labor service (*see also* corvee), 383
Ford, Gerald, 182
Ford Foundation, 246-54, 258
Ford Motor Co., 141
Foreign Affairs (the journal), 183
foreign aid (foreign assistance), 148, 149, 178, 192-93, 194, 201, 203, 211, 219, 257-59, 304, 318, 338, 446, 449, 511, 543, 544
foreign assistance dependence, 233-46, 254, 258, 448, 511
foreign capital in the less developed countries (overseas investments), 3, 23, 32, 34, 36-37, 50, 52, 61, 71, 72, 73, 75-76, 80, 95, 103, 105-06, 109, 127, 130-33, 137, 139-43, 151-52, 154, 155, 175, 178-79, 189, 192, 195, 201, 212, 217-30, 241, 242, 250, 271, 284, 285, 291, 305, 326-33, 335-38, 339-41, 343-49, 514, 519, 525, 530, 533, 538 (*see also* export of capital; direct investments)
foreign investment in the U.S. 500, 501, 502, 516
foreign policy (of U.S.A.), 178, 179, 180-93, 523, 543-44, 545-53, 554
foreign students, 260, 262
formal independence, 445, 525
four class alliance, 53
fourth world, df(12), 13, 14
foundations, 193
France, 39, 45, 50, 83, 98, 105, 107, 109, 188, 202, 207, 284, 315, 343-44, 364, 386, 447, 494, 495, 496, 498, 500, 501, 503, 511, 533, 537
Frank, Andre Gunder, 69, 70, 71, 72, 73, 74, 75, 80, 81, 82, 89, 91-92, 289, 290, 367, 466
"free market" principles (orthodox economics), 154, 338, 340, 460, 527
free trade, 99, 102, 104
Frei, Eduardo, 423
Furtado, Celso, 368, 386

Gabon, 503
Gandhi, Indira, 454
Gandhi, Mohandas, 64
General Electric Co., 137, 141, 170-71, 188, 190
General Motors, 269, 501
general technologies corporations, 170-71, 550
Genovese, Eugene, 185, 367, 368, 551
German Democratic Republic, 362
German Social Democratic Party, 31
Germany, 6, 13, 36, 57, 105, 107, 109, 165, 195, 284, 315, 343, 362, 416, 449, 457, 486, 494, 495, 498, 501, 503, 505, 506, 511, 516, 517-18, 530, 533, 537-38, 553
Ghana, 63, 223, 341, 354, 383, 385, 449, 503
gold, 101, 291, 368, 370
Gold, David, 448
Good Housekeeping Magazine, 267
Goulart, João, 193, 210, 281, 391
government spending, 128, 129
Grace, J. Peter, 278
Great Depression of the 1930s, 388, 389
Greece, 13, 195, 395
Grenada, 288, 552
Guam, 195, 200, 285
Guantanamo Bay, 195
Guatemala, 168, 193, 194, 204, 205, 210, 264, 355, 455
Guerin, Daniel, 458
Guerray y Sanchez, Ramiro, 370, 386
guerilla warfare, 205, 240
Guevara, Ernesto "Che", 538
Guiana, 371
guild system (guilds), 96, 98
Guinea, 63
Guinea-Bissau, 288, 551
Gulf sultantes, 413
Gutkind, Peter, 112

Hacienda, 369, 385, 390
Hacker, Louis, 96
Haig, Alexander, 549, 550, 553
Hait, 200, 285, 387
handicrafts, 96, 100, 102, 112, 119, 372, 374, 383
Harris, Marvin, 382
Hawaii, 200, 285
Hayes, Carleton, 103
Heckshler, Eli, 96
high technology (*see also* technology) 201, 223, 230, 231, 232-33, 318, 328, 332, 333, 336, 338, 343, 346-47
Hilferding, Rudolf, 40
Hilton, Rodney, 96
Hirschman, Albert, 232
Hitler, Adolf, 58

Hobsbaum, Eric, 98
Hobson, John, 33-36, 37, 42, 154
Honduras, 200, 264, 285
Hong Kong, 137, 139, 223, 261, 266, 270, 326, 339, 505
Horowitz, David, 178
hostages (Tehran), 553
Hudson Bay Company, 98
human rights, 5, 212, 238, 281, 426, 546, 549
Humphries, George, 259
Hungary, 458

Iceland, 195
ideological domination of the less developed countries, 5, 207, 536
immigration, international, 388, 392, 440, 514, 516, 519, 521, 536
imperialism, df(5)
imperialism, competitive capitalist, 95, 96-102, 120, 372-81
imperialism, dynamic of, 23-24, 34-35, 37-38, 75-80, 95, 96, 98, 99, 120, 123, 175, 524-25, 531
imperialism, mercantile, 95-99, 120, 368-72, 381
imperialism, monopoly capitalist, 95, 103-, 120, 381-90, 526, 532
imperialism, stages in the development of, 23-28, 38, 92, 93, 95, 531
import substitution, 417
importing interests, 190
imports, 8, 99, 109, 112, 118, 126, 152, 156-57, 168, 190, 230, 284, 543
Incas, 97, 100
indentured servants, 98, 371
India, 1, 12, 14, 24-25, 27, 29, 43, 45, 49-50, 56, 57, 60, 61, 66, 100, 101, 107, 109, 223, 230, 261, 265 266, 285, 318, 334, 364, 372, 373, 374, 375-77, 391, 392-93, 396, 411, 413, 417, 420, 425, 449, 454-55, 505, 552
Indians, American, 369, 372, 392, 410
indirect investments, 106, 108, 130, 132, 301, 305-06
Indochina (*see also* Vietnam), 194, 202, 203, 287
Indonesia, 1, 167, 265, 287, 352, 377-81, 418, 449, 451, 453, 505, 552
industrial enterprises, size of, 433-36, 437
Industrial Revolution, 85
industrial workers, df(430), 431-32, 440, 443, 526, 528, 532
industrialization, 3, 4, 7, 8, 9, 16, 17, 23, 26, 40, 42, 50-52, 55, 59-62, 68, 70, 74, 102, 104, 109, 111-14, 116-17, 119, 121, 250, 289, 305, 318, 365, 390-91, 406, 464, 526, 531, 532, 539
industry, heavy, 118, 322, 324, 328
inequality, economic, 342, 358-63, 364, 365, 535
inflation, 285-86, 449
infrastructure investment, 107, 109
institutional development, 246
instrumentalist theory of the state, 187, 180, 184, 185-86, 213, 216
integration, economic, 8
integration (into the world capitalist system), 367, 389, 392, 396
intelligentsia, 46-47, 64-65, 82, 89, 427, 442, 532, 537-38, 546
inter-imperialist rivalry, 33, 39, 57, 58-59, 68, 79, 82, 90-92, 107, 116, 424, 446, 459, 492-522, 527, 529, 530, 533, 542, 553
internal bourgeoisie, df(415), 416, 417, 418-21, 422-23, 424, 442, 445-46, 448, 457, 458-60, 462, 463, 525, 527, 528, 533, 540
internal business machines, 141, 188, 502
international division of labor, 24-25, 50-51, 71, 86, 324, 338-39
International Monetary Fund, 14, 17, 83, 178, 193, 248-51, 340, 460-61, 488, 527
International Petroleum Company, 270
internalization, 415
International Telephone and Telegraph, 141, 502
internationalism, 15

intracompany transfer, 151
investment dependence, 217-30 (see also foreign capital)
Investment Guarantee Program, 241-42
investment possibilities, lack of, 31, 34-35, 38, 113, 175
Iran (Persia), 1, 4, 11, 39, 60, 120, 141, 165, 168, 179, 187, 189, 194, 203-04, 210, 221, 230, 232, 261-66, 287, 313, 314, 320, 351, 365, 368, 372, 391, 392, 411, 428, 451, 455, 463, 523, 532-33, 539, 540, 548, 551, 553, 554
Iraq, 15, 62, 65, 179, 552
Ireland, 30
Islam, 284, 342, 428, 540-41
Israel, 287
Italy, 57, 195, 277, 315, 388, 537
Ivory Coast, 382, 383, 384

"J-curve," the theory of, 535
Jamaica, 252, 263, 341, 380-81
Japan, 1-2, 4, 11, 40, 57, 70, 116, 118, 148, 152, 166, 184, 190, 192, 195, 284, 292, 315, 365, 393, 416, 424, 447, 455, 485, 486, 489, 492, 494, 495, 500, 503, 505-08, 511, 516, 518, 533, 538, 551, 553
Java, 377-81, 396, 411
jobs, export of, 486-90, 543
Johnson, U. Alexis, 211
Johnston, Eric, 279
Johnson, Lyndon Banes, 182, 183
joint enterprises, 416, 417-24, 442, 448, 453-54, 455-56, 503, 526

Kampuchea (Cambodia), 1, 548, 549, 551
Katanga, 383
Kay, Geoffrey, 103
Kennedy, John F., 182, 183
Kenya, 195, 236, 263, 266, 352, 384, 412, 503
Keynes, John Maynard, 33
Khomeini, Ruhollah, 193
Kissinger, Henry, 5, 182, 184, 185, 548, 549, 550, 553
Kolko, Gabriel, 103, 178
Korea, 63, 137, 169, 187, 194, 195, 202, 203, 210, 223, 232, 261, 265, 287, 318, 320, 326, 329, 334, 339, 354, 359, 397, 411, 422-23, 451, 454, 503, 532, 544
Kuomintang, 46

labor control systems, 85
labor force participation rates, 352
labor intensity of investment, 345, 346, 349, 417, 424
Labor Parties, 42
Lamont, Thomas, 183
LaClau, Ernest, 366
land reform, 386, 390, 411, 413, 539
landlords, 51, 53, 55, 56, 66, 81, 88-89, 96, 100, 103, 385, 393, 395, 411, 414, 445
Laos, 204, 210, 552
Latin American class relations, 368-70, 386-90
leading economic position (contradictions of), 315, 517, 518-22, 530, 542
Lebanon, 202, 264, 395
Leftingwall, Russell, 183
Leftist Movement, 450-52, 463
legitimation (ideological hegemony), 29-30, 116, 178, 180, 186-87, 191, 202, 257-76, 338, 394, 417, 418, 428, 444-47, 448, 449, 454, 457, 459, 461-64, 525, 527, 533, 536, 538, 544, 554
Lenin, V. I., 5, 8, 30, 33, 36-44, 49, 55, 57, 68-69, 75, 82, 84-85, 86, 91, 92, 121-24, 127, 154, 175, 289, 465, 467, 468, 478, 491, 523, 525-26, 528-30, 531, 537
Leninism, 65-66, 92
less developed countries, 2, 3, 4, 5, 6, 7, df(10-14), 18, 23, 24-25, 27-28, 31, 37-38, 39, 40, 41, 43
Levkovsky, A. L., 376
liberation theology, 342, 545
Liberia, 285, 351, 385

Libya, 15, 63, 65, 167, 426, 427-28, 552, 554
Linz, Juan, 458
Lipset, Seymour Martin, 532
loans, 3, 32, 95, 104, 105, 107, 108, 109, 114, 115, 130-31, 151, 174-75, 189, 238, 250-56, 284, 291, 297, 301, 305-06, 314, 316, 331, 332, 336, 468, 527, 540
local manufacturing capital, 335, 339, 448
local sales of transnationals (local markets), 151, 153, 167, 172-73, 219, 289, 298, 300, 318, 326, 327-28, 329, 349
lumber industries, 190
lumpen petty bourgeoisie, 347, 351, 353, 400, 440, 534
lumpen proletariat, 82, 84, 89, 92, 102, 290, 386, 528, 534
Lumumba, Patrice, 204
Luxemburg, Rosa, 30-33, 37, 40, 42, 55, 68, 70, 72, 75, 76, 91, 123, 154, 289
luxury goods, 95, 97-98, 100, 121, 372, 386, 389

McBride, George, 368
McCloy, John, 183
magazines, 257, 268, 272, 273, 274-75, 282
Magdoff, Harry, 69, 73-74, 76, 78-80, 84-85, 91-92, 103, 124, 154-55, 157, 178
makers of foreign policy; motive of, 551
Malaysia, 223, 236, 326, 329
Mali, 63, 384
Mallory James, 458
Mamdani, Mahmoud, 382
Marcos, Ferdinand, 211, 451
manganese, 162-64
Manufactures Hanover Trust Co., 143
manufacturing investment, 25-26, 39-40, 50-51, 105, 107, 113-14, 130, 135-36, 140-41, 151, 153, 218, 220, 226, 230, 300, 319-41, 343-49, 406
Mao Tse-tung, 51-55, 68, 80, 81, 88, 91, 92, 289, 528, 538
Maoist model of economic development, 347
marines, U.S., 202
markets, 25, 26, 31, 33, 36, 57, 75, 85, 87, 92, 98, 99, 100, 102, 109, 112, 115, 119, 148, 195, 263, 287, 291, 307, 308, 372, 395, 516, 519, 522
Marshall, Alfred, 232
Marx, Karl, 23-30, 40, 42, 55, 62, 67, 68-69, 82, 85, 98, 121, 289, 526, 531
Marxism, 2, 3, 4, 22, 23, 62-69, 71, 74, 80, 81, 87-88, 89, 91, 92-93, 112, 289, 291, 300, 317, 342, 364, 401, 441, 528, 537
mass media, 187, 342, 364, 536, 537
means of production (forces of production), 7, 8, 9, 36, 61
Meany, George, 278, 280
Melman, Seymour, 518
Mengistu, Haile-Mariam, 541
mercantilism, 74, 85-86, 98, 99, 101
merchants, 385, 395
Mercurio, El, 276
metropolis (core) df(14)
Mexico, 60, 62, 79, 81, 135, 137, 200, 226, 230, 252, 261, 263, 265-66, 291, 300, 324, 327, 335, 345, 355, 359, 368, 369-70, 372, 390-92, 399, 420-21, 453, 505, 554
middleman minorities (intermediaries, money lenders), 395
migration of labor, 15, 102, 107, 111, 114, 116, 308, 347, 352, 368, 372, 379, 383-85, 386, 396
Miliband, Ralph, 180
militarism, 168-69, 187, 522, 533, 547
military advisors, 200-01, 213
military, the (army), 78, 82, 100, 177, 195, 203, 511-14, 540

military assistance, 177-78, 192, 194, 204-16, 217, 243, 287, 543, 544, 545
military contracts, 169, 174-75, 474, 485, 491
military dictatorships, 113, 118, 178, 204, 287, 364, 448, 449, 450, 463, 539, 540, 546
military, disintegration of the, 540, 543
military domination, 5, 38, 40, 43, 55-56, 58, 74, 97, 109, 177-78, 193-216, 284-88, 446, 492, 511-14, 517, 520, 525, 543
military intervention, 5, 148, 154, 177-78, 179, 191, 194, 196-99, 217, 287-88, 446, 461, 518, 524, 543, 544-45, 547-48, 553, 554, 555
military sales, 207, 211, 214, 215, 243, 314
military spending (sales), 58-59, 77, 111, 123, 127-29, 168-75, 192, 485-86, 489, 511-14, 518-19, 544, 545-46
military training, 206-07, 213, 216, 257
Miller, S. M., 155
miners, 384, 441
mining investments (raw materials corporations), 105, 108, 109, 114, 131, 136, 139, 140, 152, 155, 167, 190, 226, 243, 292, 301, 319, 330, 406, 466
minority (local) ownership (of transnationals), 218, 219-20, 222, 263, 344, 345
Mitchell, B. R., 99
Mobuto, Joseph, 552
modes of production, 367, 372, 373, 380, 385, 395-96, 531
Mondale, Fritz, 184
money wealth, 96
Mongolia, 63
monopoly (trusts, combinations), 33-34, 35, 36-37, 40, 41, 64, 70, 72, 73-74, 95, 103, 109-10, 112-13, 114, 116, 119, 123, 131, 137, 139, 154, 155, 219, 289, 291, 292, 296, 306, 308-09, 313, 315, 319, 347, 466, 469, 485, 524-25
Monthly Review, 2, 23, 69-70, 76, 80, 82-83, 84, 86, 88-89, 90, 91, 92, 124, 465, 478, 491, 525, 531
Moore, Barrington, 96, 373, 376
Morgan Financial Interest Group, 143, 181, 182, 183, 188-89, 254
Morocco, 60, 210, 236, 503, 548, 552
Morse, Wayne, 190
Moscoso, Theodore, 239
Mossedegh, Muhanmad, 194, 203
Movement for the Popular Liberation of Angola, 65, 546, 552
Mozambique, 63, 65, 288, 424, 426, 537, 551
multinational corporations (*see also* transnational corporations, df(14)

Namibia, (Southwest Africa), 551
Nasser, Gamal Abdal, 65, 411, 423, 456, 523
nation states, 15-16, 17-18, 19, 21, 22
National Broadcasting Company, 261, 263, 282
national bourgeoisie, 4, 16-17, 43, 46-47, 51, 53, 55-56, 64, 65-68, 81, 82, 89, 92, 120, 374-75, 377, 388, 389, 390, 414-23, 424, 425, 442, 445-46, 448-49, 454-55, 456-57, 459-62, 528, 533, 535, 536, 539, 540, 543
national defense, 482
national democratic revolutions, 43, 45, 46, 48, 51, 53, 62, 64, 65-66, 81, 89
national liberation, 40, 43, 45-46, 47-49, 55-57, 58-59, 65, 83-84, 120, 200, 216, 285, 375, 425, 526, 528, 530, 542-43, 548, 551-52, 554
National Security Council, 181

nationalism, 15, 34, 46, 65, 118, 203, 205, 216, 342, 345, 364, 417, 424, 426-33, 449, 457, 461, 463, 527, 533, 537-38, 540, 544, 554
nationalist parties (movements), 83-84, 200, 202, 427
nationalization, 53, 120, 166, 168, 179, 193, 220, 240, 289, 390, 447, 459, 527
necessity of imperialism, 31, 37-38, 75-76, 78-79, 87, 123-75, 524, 551
Nehru, Jawaharlal, 449
neo-colonialism, 58, 120, 286-87
the Netherlands, 91, 98, 195, 377-78, 380, 386, 503
Neuman, Frantz, 458
new democratic revolution, 53, 54, 56
new investment funds, 336-38
the New Left, 465-66, 478, 491, 529
New Zealand, 389
newswire services, 257, 268, 273, 275, 282
newspapers, 34, 268, 272, 273, 275, 282
Nkrumah, Kwami, 341, 449
Nicaragua, 118, 120, 200, 205, 210, 252, 285, 288, 355, 551
Nickle, 118-19
Nigeria, 167, 223, 230, 260, 263, 320, 421, 454, 506-07
Nixon, Richard, 182, 183
Nixon Doctrine, 287, 314
noncapitalist development (*see also* petty bourgeoisie regimes), 49, 62-68, 365, 429, 540-41
"North-South," df(12)
Norway, 363, 532
nuclear warfare, 57-58, 527

O'Connor, James, 177, 520
O'Donnell, Gullermo, 447, 458
Offe, Claus, 448
Olympic Boycott (1980), 553
Oman, 194, 195, 203
open door policies, 178, 374
opium, 376
organic composition of capital, 125
Organization of Petroleum Exporting Countries (O.P.E.C.), 113, 130, 149, 165, 213, 220-21, 236, 268, 287, 296, 304-05, 310, 311, 313-14, 318, 333, 335, 447, 498, 542
Ortiz, Fernando, 370, 386
Ottoman Empire, 16, 98, 100, 368, 372, 373, 391, 392
over-population, 318
overproduction, 381

The Pacific, 107
Pakistan, 60, 194, 252, 265, 266, 335, 400, 411, 413, 455, 456
Palestine, 552
palm oil, 383
Panama, 195, 200, 264, 285
Paraguay, 11
parliamentary forms, 191, 364, 445-46, 451, 454, 463, 527, 539, 540
Party, The, 429
patents, 349
peasant associations, 257
peasant movements, 447, 451
peasantry, 3-4, 16, 32, 43, 45, 47, 51, 53, 54, 55-56, 64, 66, 68, 74, 82, 83, 88, 89, 92, 96, 98, 100, 102, 113, 114, 119, 290, 373, 375, 377, 380, 392-93, 405, 414, 440, 441, 528, 533, 539
peasantry, private landlord, 96, 98, 101, 372, 373
peasants, 386
pepper, 379
periphery, 2, 6, df(12), 333
Perlo, Victor, 103, 177, 180
Peronism, 389, 391, 423, 449, 454, 455
Persian Gulf (Arabian Gulf, The Gulf), 167
Pertamina, 453
Peru, 205, 223, 250, 264, 266, 268-69, 291, 339, 368, 372, 391, 426, 427, 449

Petras, James, 386, 441
petrochemicals, 452
petroleum (petroleum companies), 105, 108, 109, 114, 120, 131, 136, 137, 139, 140-41, 148, 151, 153, 155, 157, 158-61, 161, 165-68, 174, 179, 188, 190, 220, 230, 233, 291, 304, 307, 311, 314-15, 318, 330, 336, 348, 352, 364, 391, 406, 447, 454-55, 460, 466, 502, 524, 543
petroleum refining, 220, 226, 501
petty bourgeoisie (middle class), 4, 35, 36, 46, 47, 53, 64-65, 66, 82, 118, 228-29, 355-58, 359, 375-76, 398, 400, 405, 411, df (425), 426-29, 441, 442, 449, 455, 456, 459, 460, 462, 527, 535, 537, 539, 540, 541
petty bourgeois regimes (relations of production), 411-12, 413, 423, 427-29, 441, 455, 460, 540-41, 543
pharmaceutical companies, 179, 299, 496
Philippines, 60, 137, 187, 194, 195, 200, 207, 210, 263-64, 265, 266, 278, 285, 411, 413, 451, 505, 554
Pinenne, Henri, 96
phosphates, 238
plantation agriculture, 371
plunder, 23, 70, 72, 98, 368
Poland, 458
Polanyi, Karl, 98
police training, 212, 240
political independence (effect of), 112, 120, 315, 449
political prisoners, 451
Popular Front, 48
popular mobilization, 62, 66, 338, 340, 394, 428, 449, 457-58
population control, 241, 247
populism, 426, 449, 463-64, 539, 540
portfolio investment, 105
Portugal, 13, 39, 100, 195, 284-85, 537
post-Vietnam-era policies, 12, 193, 203, 204, 216, 238, 276, 545, 551-53, 554
Poulantzas, Nocos, 179, 180, 415, 448, 458, 459
precapitalist imperialism, 368-72
preferential trade agreements and common markets, 148
price fluctuations, 348
prices of commodities, 98, 109
primitive accumulation, 23-24, 66, 69, 71, 72, 96, 98, 116, 121
private enterprise promotion, 240
private property, 369
pro-war industries, 190
Procter and Gamble, 268
productivity, 192, 306, 469, 485, 494, 495, 543, 547, 554
professional/managerial strata, 401
profits, 3, 4, 36, 42, 43, 71, 78, 88, 96, 98, 103, 107, 109, 111, 114, 119, 123, 126, 127, 129, 131-37, 139-41, 142-43, 149, 152, 154-55, 161, 165-69, 174, 175, 179, 186, 190, 192-93, 218, 230, 250, 285, 287, 288, 289, 291, 292, 296, 298, 300, 304, 310, 318, 328, 345, 348-49, 397, 416, 450, 452, 461, 466, 468, 479, 483, 488, 491, 524, 530, 542, 543, 546, 551
proletarianization, 87, 89, 185, 375, 386, 387, 390, 392, 397, 410-11, 441, 532-33
protectorates, 107, 109, 148
protein consumption, 352, 355
public relations, 270-82
public utilities, 105
Puerto Rico, 13, 14, 195, 200, 285, 351, 381

racism, 29-30, 395
radicalization, 427, 430, 546
radio, 268, 272, 275
radio swan, 275
railway investment, 26, 31, 80, 95, 104, 105, 109

ratio of economic growth, 116, 117, 118
raw material imports, 1, 36, 38-39, 50-51, 57, 60, 73, 75, 76, 78, 79, 86, 95-97, 100, 101-02, 103, 105, 107, 107-10, 114-15, 119-20, 123, 125, 126, 131, 137, 139, 154-68, 174, 175, 190, 195, 285, 291, 338, 339, 348, 372-73, 378, 381, 383, 386, 524
raw materials specialization, 249, 293, 304, 318, 345, 348
Readers Digest, 267, 282
Reagan, Ronald, 549, 551
real socialism, 536
redistribution of income, 483
reformism (reforms, concessions), 36, 37, 42, 48, 64, 65-66, 82, 83, 90, 342, 465, 536, 538, 540
reinvested profits, 115, 298, 337, 340, 486
relations of production, 390-96, 405
relative autonomy of the state, 444, 446, 448
relative deprivation, 536
religion (the church), 34, 64, 193, 257, 283, 342, 364, 428, 462, 533, 540
rent, 96, 97, 100, 102, 322, 373, 377, 392, 468
rentier states, 41
repartimento, 369
repatriated profits, 41, 109, 115, 126, 131, 135, 178-79, 240, 250, 291-92, 293-316, 317, 332, 478, 488
rapid deployment force, 553
repression, 118, 205, 211, 250, 342, 355, 365, 440, 445, 447, 449, 450-52, 454, 457, 459, 462-63, 488, 490, 535, 538-39, 540, 542, 554
research and development, 139, 169, 489, 517, 519, 542
revolution, 2, 9, 15, 27, 40, 43, 44-46, 48, 49, 51, 53, 54-57, 66, 68, 76, 85, 118, 211, 277, 288, 290, 342, 354, 364, 365, 459, 461-62, 528, 530, 532-42, 546, 551-52, 554, 555
revolutionary agent, leading, 43, 46-49, 53-55, 56, 81-82, 83-85, 89-90, 92, 290, 364, 375-76, 440-41, 443, 526, 528, 532, 534
revolutionary democracies, 64, 65-66
rice, 373, 379
rightists movements (forces), 194, 426, 533
rising expectations, 342, 353, 449, 536, 541
Rockefeller Brothers Fund, 182
Rockefeller Foundation, 182, 246-47
Rockefeller interests, 5, 181-84, 185, 188-89, 548, 550
Rockefeller, David, 181, 182-84, 548, 550
Rockefeller, Nelson, 182, 183
Roosevelt, Kermit, 194
rubber, 313, 380, 384
Rusk, Dean, 182, 185, 238

Sadat, Anwar, 5, 423, 456, 523
The Sahara (Rio de Oro), 552
Samoa, 285
Samoza, Anastasio, 552
Salasie, Haile, 446
Saudi, Arabia, 5, 167, 179, 210, 221, 261, 287, 314, 413, 447, 528, 548, 551, 554
Savark, 211, 451
Schurman, Frantz, 373
Sears Roebuck, 268
Secretary of State (U.S.), Office of 181-83, 188
self-employed, 401
semi-capitalism, 92, 101
semi-colonialism, 39, 41, 44-45, 52, 53, 70
semi-feudalism, 51, 52, 54, 62-63, 80-81, 88, 92, 102, 370, 377, 383, 386, 389-90, 391-92, 401, df(405), 407, 410-13, 442, 528
semi-periphery, 13-14, 85, 86, 89-90. 290, 334
semi-proletariat, 54, 87, 89-90, 92, 102, 290, 372, 375, 386, 440, 528, 535

Senegal, 383
serfdom, 369, 386, 391-92 (*see also* feudalism, semi-serfdom)
service workers, 400, 440,
Shah (Iran), 4, 5, 11, 189, 288, 455, 463, 533, 539, 553
sharecropping, 75, 100, 370, 373, 377, 386, 390, 405, 410, 412, 440
Shoup, Laurence, 180
silver, 291, 368
Singapore, 13, 265, 326, 329, 333
Skinner, E. P., 382
slavery, 2f(9), 16, 87, 98, 102, 185, 370, 371, 381, 382, 385, 386-87, 391, 396
social differentiation 367, 371, 380, 394, 395, 413, 437
social expenditures (social services, welfare), 128, 129, 154, 244, 348, 447, 449, 452, 459, 463, 514, 520-21, 535-38
social order (stability), 107, 186, 280, 285, 338, 448, 450, 452, 460, 462, 488, 539, 543, 544, 554,
social science, 258, 259, 260
socialism, 2f(9), 12, 15, 16, 43, 44, 45, 57, 59, 63, 65-66, 68, 78, 535, 537-38, 539, 541, 546, 555
socialist countries (socialist camp), 49, 57, 59-61, 62, 63, 67-68, 83, 85, 92, 118, 156, 159, 202, 207, 216, 218, 232, 318, 320, 341, 362, 398, 413, 485, 518, 522, 530, 536, 541, 544
socialist development, 342, 365, 396, 464, 539
socialist parties, 110, 277
socialist revolution, 53, 58, 81, 82, 118, 121, 387, 440, 518, 532, 540, 543, 544, 551
socialization (of the labor process), 469, 474
socially necessary labor time, 102
Somalis, 63, 165, 193, 195, 427
Somoa, 200
The South (of the U.S.A.), 386
South Africa, 1, 223, 383, 451
Soviet Marxism, 57-68, 91-92, 347, 415, 528
Soviet Central Asia, 63
Spain, 100, 101, 195, 200, 284, 291, 368, 370, 386, 411, 533
spices, 97, 368, 372
Spanish-American War, 187, 200
Stagenhaven, Rodolto, 368, 382, 386
standard of living, 191, 283, 285, 318, 322, 348, 353-56, 363, 364-65, 440, 448, 449, 454, 457, 485, 490-91, 514, 516, 524, 529, 535-36, 538, 541, 542
the state, 34, 38, 70, 79, 85-86, 91, 96, 98, 107, 112, 115-16, 119, 148, 177-92, 213, 249, 250-51, 271, 336-38, 344, 394, 424, 427, 444-64, 491, 517, 543, 551, 554
state bourgeoisie, df(418), 419, 423, 429, 448, 457, 541
state capitalism, 64, 429, 457
state owned industries, 61, 116, 166, 386, 450, 452-57
state peasant mode of production (Asiatic mode of production, Oriental mode of production, Oriental despotism), 391-93, 396
steel production, 495, 496
Stettinius, Edwards R., 181
strikes, 137, 250, 450, 452, 463, 488, 490, 535, 540
structional theory of the state (and mechanisms), 177-78, 180, 184, 185-86, 213, 216, 551
students (*see also* foreign students), 364, 427, 537
sub-Saharan Africa, 382-386, 424, 528
subimperialism, 177, 193, 216, 287
subproletariat, 100
subsidiaries, 219, 223, 243, 292, 298-300, 318, 321, 336, 339, 344, 346, 379, 445, 461, 524
subsidies, 112, 116
the Sudan, 252
Suez War, 202
sugar, 97, 236, 313, 369-70, 371, 379-81, 386-87, 411
Sukarno, 449
Sumatra, 380, 396

super-profits, 103, 119, 465, 467-68
surplus capital, 36-37
surplus value, 31, 77, 86, 307, 308, 468
Sutcliffe, Robert, 103
Sweden, 13, 482, 494
Sweezy, Paul, 69, 74, 76-77, 82-83, 87, 91-92, 177, 289, 366
Switzerland, 482, 503
Syria, 60, 63, 65, 365, 552
Szymanski, Albert, 178, 180, 448, 458

Taiwan, 136, 139, 206, 260, 265, 319, 334, 339, 354, 362, 552
takeover of local corporations by transnationals (acquisitions), 344-45
Tanzania, 15, 63, 252, 365, 386, 427
tariffs, 112, 116, 120, 152, 250, 285, 327, 338-39, 426
Tawney, R. N., 373
taxes, 33, 50, 96, 97, 100, 152, 168-69, 189, 240, 286, 290, 299-300, 373, 376, 383, 389, 394, 444, 467
tea, 97, 313, 368, 379-80
technocracy, 447
technology, 74-75, 79, 81, 97, 114, 116-17, 118, 120, 139, 166, 168, 287, 291, 298-99, 311, 336, 339-40, 341, 345, 363, 384, 398, 420, 424, 461, 485, 489, 508, 511, 515, 516, 517, 518, 524, 526, 527, 533
television, 257, 261-63, 268, 272, 273, 275, 282, 364
tenancy (land tenure), 81, 87, 88, 100-01, 373, 377, 380, 384, 391, 392, 405, 412-13
tendency for the rate of profit to equalize, 27, 114, 307
tendency for the rate of profit to fall, 25, 28, 31, 126
terms of trade, 72, 101-02, 103, 110-11, 112-13, 114-15, 165, 291, 310-16, 318, 348, 546
textiles (textile industry), 74-75, 97, 98, 105, 110, 137, 322, 324, 329, 371, 420
Thailand, 39, 194, 203, 207, 223, 260, 265, 400, 551
third world, df(10-12)
Thompson, J. Walter, 269
tobacco, 369-73, 380, 387
torture, 211
trade, 15, 27, 67, 70, 74-75, 85-86, 97-98, 114, 120, 368, 505-11
trade agreement, 339
trade dependence, 217, 230-236, 256
trade exploitation, 313-15
trade unions (labor unions), 42, 45, 110, 137, 154, 193, 257, 271, 275, 277, 364, 440, 447, 450, 452, 457, 465, 467, 469, 474, 488, 490, 534, 538
trademarks, 349
trading companies, 98
trading posts, 97-98
transfer of technology contracts, 339
transfer pricing, 135, 298-300
transition to socialism (transformation) 28, 44-45, 49, 52, 53, 56, 62, 63-65, 338, 396
transfer of wealth, 466, 479, 491, 543
transmission of radical class consciousness, 375
transnational corporations, df(14)
transnational decision making, 218, 222
tribal mode of production, 382, 384, 385, 391, 396, 398, 412, 442
tribal (patriarchal) society, df(9), 12, 43, 49, 62-63, 70, 83-84, 92, 101, 528
tribute, 95, 101, 121, 291, 368-69, 371, 386
"trickling down" effect on wages (from profits on imperialism), 470, 471, 478, 488
Trilateral Commission, 182, 184-85, 545-48, 555
Trinidad, 371
Trotsky, Leon, 55-56, 68, 70, 72, 88, 91, 92, 289, 526, 528, 538
tungsten, 161-64

Tunisa, 60
Turkey, 195, 223, 266, 421, 451, 454
two-stage revolution, 45, 52-53, 56, 81
Tyagunenko, V. L., 60-62

Ulyanovsky, R., 63, 64, 65-66
underconsumption (lack of investment opportunities), 31, 35-36, 77, 87, 90, 103, 125, 127, 129, 152, 200
underdevelopment, 50-51, 69-71, 82, 86, 92, 318, 531
unemployed (reserve army of labor), 29, 102, 113-14, 187, 191, 250, 318, 338, 340, 342, 346, 351-55, 355, 363, 365, 485, 488, 490, 514-16, 519, 520, 527, 534, 544
unequal exchange, 73, 86, 101, 103, 111, 291, 306-16, 478, 479, 524, 526
uneven development, 37, 39, 41, 70, 95
Union of Soviet Socialist Republics (Russia), 2, 8, 9, 11-12, 15, 16, 28, 44, 49, 52, 56, 76, 88, 91, 161, 165, 168, 190, 195, 232, 284, 341, 347, 440-41, 492, 496, 503, 511, 514, 522, 524, 531, 533-34, 536-37, 540-41, 545, 546, 547, 548, 549, 550, 552-554
United Arab Emirates, 167
united front, 47, 53, 66
United Kingdom (England, Britain), 9, 24-26, 29-30, 39, 42, 50, 56, 79, 91, 98, 99, 101, 103, 104, 105, 107, 108-09, 139, 149, 179, 188, 195, 200-02, 207, 232, 284, 315, 318, 342-43, 362, 364, 386, 389, 390, 422, 447, 465, 485, 492, 494, 495, 498, 502, 503, 505, 514-16, 518, 519, 533, 537, 554
United Nations, 17, 28, 69
United Press International, 268, 282
United States International Communications Agencies (U.S.I.A.), 261, 271-75, 276-77, 282
United States investment in other advanced capitalist countries, 498-503
United States Navy, 195, 201
universities, 193, 257, 258-60, 342
University of Chicago Economics Department, 260
unrest (social disruption, popular pressure, *see also* social order), 192, 203, 241, 342, 363, 364-65, 426
urban poor, 82
Uruguay, 60, 109, 194, 205, 264, 335, 348, 385, 426, 451-54

Vance, Cyrus, 5, 182, 184, 545, 546-47, 550, 551
Varga, Y. 57-58, 414
Vargas, Getulio, 390, 449
Veblen, Thorstein, 517
Venezuela, 13, 141, 161, 205, 221, 230, 261, 264, 266-67, 268, 269, 333, 364, 399, 449, 454, 554
Vietnam, 1, 5, 12, 59, 62, 169, 180, 187, 202, 210-11, 284, 396, 440, 464, 514, 523, 528, 536, 537, 540, 544, 548, 549, 551-52, 554, 555
the Vietnam war, 268, 490, 544
the Virgin Islands, 200, 285
Vision (the magazine), 267
the Voice of America, 272

wage labor, 87, 92, 109, 111, 115, 121, 372-73, 381, 383, 384, 387, 390, 396, 399, 401, 410
wage levels, 102, 104, 110, 113, 116, 136, 137, 152, 249, 307, 310, 335, 342, 353, 354-57, 364, 365, 440, 448, 449, 450, 459, 465, 468-69, 471-85, 488, 490, 494, 495-97, 510, 514, 515-16, 519, 520, 521, 527, 535, 538
Wallerstein, Immanuel, 13, 85-91, 96, 290, 334, 367, 531
Wanke, Paul, 178
wars, 33, 39, 57-59, 78, 161, 522, 530
watch manufactures, 139

wealth transfer, (international capital flows), 3, 5, 18, 23-24, 25, 26, 27, 29, 31, 41, 69-72, 74, 76, 77, 86, 92, 95, 97, 101, 103, 109-12, 114-15, 290-316, 317, 332, 525-26
Weber, Hans, 458
western life styles, 349, 364
wheat, 100, 236
Williams, Eric, 98, 370
Wolf, Eric, 368, 370, 373, 386
Woody, Jack, 382
working class (proletariat), 3-4, 9, 15, 28-29, 32, 33, 35, 40, 42, 44, 45, 46-47, 51, 53-57, 60, 64, 65, 66, 68, 70, 78, 82-83, 85, 88, 90, 92, 98, 101, 112-13, 116, 118, 120, 187, 191, 277, 285, 290, 292, 331, 338, 354, 364, 375, 393, 399-400, 430-43, 449, 462, 464, 465, 521, 526, 527, 528-29, 533-34, 535-40, 542
working class movements, 451-52, 463, 464-91, 532
World Bank (International Bank for Reconstruction and Development), 17, 83, 178, 193, 246, 248-51, 527
"world order bargain," 546
world's policeman, 518
world capitalist system, 7, 80, 81, 85, 88-89, 92, 186, 301, 310, 315, 318, 333, 335, 337, 338, 340, 363, 375, 387, 514, 518, 519, 531, 542
world system (*see also* the world capitalist system), df (15), 18, 19-20, 40, 57, 70, 71-72, 91, 349, 499, 504
world systems theory, 72-91
World War I, 39, 57, 530
World War II, 6, 57, 530, 537
world vision, 264
Wright, Eric Olin, 178

Yemen, 63, 65, 548, 549
Young, Andrew, 5, 182, 184, 545

Zaire (Belgian Congo), 203, 252-53, 335, 386, 410, 412, 503, 552
Zambia, 412, 503
Zamindar, 376-77
Zeitlin, Maurice, 386, 441
Zimbabwe (Rhodesia), 1, 288, 383, 385, 412, 552

ABOUT THE AUTHOR

ALBERT J. SZYMANSKI is an associate professor of sociology at the University of Oregon, where he has been teaching since 1970. He has been active in the progressive movement within sociology since 1968. He is a founding member of the Union of Radical Sociologists, and has been on the editorial board of the *Insurgent Sociologist* since 1971.

Dr. Szymanski has published three previous books: *The Capitalist State and the Politics of Class*, 1978; *Sociology: Class, Consciousness and Contradictions* (with Ted Goertzel), 1979; and *Is the Red Flag Flying?: The Political Economy of the USSR Today*, 1980. He has also published in many professional sociology journals (including the *American Journal of Sociology*, *Social Forces*, and the *American Sociological Review*), as well as in many radical journals (including the *Monthly Review*, the *New Left Review*, the *Review of Radical Political Economies*, and the *Insurgent Sociologist*).

Dr. Szymanski received his Ph.D. from Columbia University in 1971 and his B.A. from the University of Rhode Island in 1964.

Albert Szymanski

THE LOGIC OF IMPERIALISM

Szymanski's provocative text is the first to systematically compare world systems theory and classical Leninist philosophy.

Drawing on statistical data from government and corporate sectors, THE LOGIC OF IMPERIALISM provides a coherent framework for analyzing both theoretical and methodological issues important to understanding imperialism. Szymanski reviews and interprets such issues as the relations between core and periphery, colonialism and neo-colonialism, modes of production, movement of international capital, the idea of an *aristocracy of labor*, economic development in the Third World, and inter-imperialism rivalry. He then evaluates the contributions of other scholars including Luxemburg, Mao, Trotsky, Baran, Sweezy, and Fanon, to the continuing debate on imperialism.

Professionals, academics, and students in the fields of sociology, political science, international relations, economics, socioeconomic development, and social movements will find THE LOGIC OF IMPERIALISM valuable.

Albert Szymanski teaches sociology at the University of Oregon. He is the editor of *The Insurgent Sociologist*, and author of THE CAPITALIST STATE AND THE POLITICS OF CLASS (1978), CLASS, CONSCIOUSNESS AND CONTRADICTIONS (1979), IS THE RED FLAG FLYING? THE POLITICAL ECONOMY OF THE SOVIET UNION TODAY (1979) as well as many provocative articles in the journals of the left.

0-03-057494-3