To St Gerson, Sophie Gerson, and Sender Gartin, longtime warriors in the struggle against imperialism.
Imperialism and the Myth of Underdevelopment

We in the United States live in a capitalist society, and this fact has significance not only for us but for the rest of the world. So let us take a moment to dwell upon the nature of capitalism. The essence of the capitalist system is the accumulation of capital, the making of profits in order to invest and make still more profits. The first law of capitalism is: make a profit off the labor of others or go out of business. And the best way to accumulate capital is not to work hard but to get others to work hard for you. Private gain, not social need, is the central imperative of our economic system. As an erstwhile chairman of Capital and Cooke put it: "We are in the business of making a profit. We are not in business primarily to satisfy society. We're not going to satisfy society very long if we go out of business. So profits are the number-one consideration."

Money itself has no value unless it can command the serviceable things produced by labor. Capital does not grow of itself; it must be mixed with labor to create marketable value. Certainly one can make money by mere speculation—but only because there is a small stratum of people accumulating enough money off the labor of others to invest in speculative things at increasingly higher prices.

One's money must be either spent on direct consumption or invested to accumulate new value from labor. There is a third way, you might say. Money can just be "saved," and one can earn interest on the savings. But savings are a form of investment. And the interest earned on savings are but a portion of the profits once removed. The only reason the bank will give you 7 percent interest on your savings is because it then lends those same funds out to a business at 12 percent. And the only reason the business pays 12 percent interest to
the bank is because it is making, say, 30 percent off the labor of its employees (and using your money to do it).

Wealth comes from two sources: from the natural resources of the environment and from the labor that is mixed with those resources—the mental and physical labor that produces the commodities and services of our society. Profits are the money you make without working. (As just noted, the interest you “earn” on your bank deposit is a form of profit under a different name.) Investment earnings are wealth created by people who work and distribute to people who take no part in the work, the stockholders, for small owners who both work in their own businesses and employ others, it can be said that some of their income must represent the value produced by their own labor and some portion, usually the larger if they are doing well, represents the value produced by the labor of their employees. Corporate managers also work; they administer and supervise and can be considered employees of the firm, albeit highly paid ones who represent the large investor’s interest. Often they themselves are also large investors.

Capital as such does not produce anything. Capital is produced by labor. You could be as rich as Rockefeller but you could never build anything with your wealth. You may have noticed that when labor takes off—be it for a weekend, a holiday, or a strike—nothing is produced. Capital is the surplus value created by labor. "Putting one’s money to work" means mixing it with labor to extract more capital from that labor. Capitalists are always running advertisements telling us how capital creates jobs, commodities, factories, and prosperity. The truth is, purely on its own without labor, capital is incapable of making a pencil, let alone building a pencil factory. Capital is dead labor, the accumulation of past mental and physical effort. It must constantly be mixed with labor so that its value increase its sum. As corporate managers themselves will tell you: investors will not put their money into anything unless they can extract more than they invested. Increased earnings can only come with an increase in the size of the corporate operation. So the system must continually expand. A central law of capitalist motion and development is expansion. The capitalist is engaged in a ceaseless, relentless search for profitable enterprise, for ways of making still more money. (Expansion per se is not a bad thing; it is the exploitative nature of capitalist expansion for private profit that concerns us here.) Fortunately enough, those with great surpluses of money have a most pressing problem of always having to find things to put that money into so as to protect or augment its value.

Furthermore, a capitalist economy is an unplanned and competitive one in which security is guaranteed to no one, not even the corporate giants. A corporate search for security by increasing its hold over resources, developing new technologies (through the application of mental and physical labor), searching out cheaper labor markets, getting government to subsidize everything from production to exports, capturing a competitor’s market, merging with other companies, devising new sales networks and techniques, and the like. The problem is that all the other big companies are doing the same thing. So not even the giant corporations can rest secure for very long.

Grow or die: that’s the unwritten rule. To stand still amidst the growth of competitors is to decline, not only relatively but absolutely, causing a firm’s financial structure to collapse. The dynamics of a market economy—the accumulation of profit and the need to invest surplus capital, the demand for strategic overseas materials and new markets, the fluctuations in consumer spending, the instabilities of old markets, the threat of recession and depression, the pressures of domestic and foreign competition—all these things force corporations into a restless, endless drive to expand, compelling them to gather as much strength as they can. Those ecologists who dream of a “no-growth capitalism,” hence to preserve the environment, do not seem to realize that the concept is an oxymoron.

I once heard a corporate executive explain why his company was expanding overseas. He noted that the regional firms in New England that years ago decided not to pursue national markets are now extinct. He could not even recall their names. The same fate awaits those companies that one day do not go international, he concluded. Whether it really is all that drastic, the point remains that the history of capitalism is a history of expansion from local to regional to international arenas. About 140 years ago, Marx and Engel’s noted the phenomenon, describing a bourgeoisie that “drives . . . over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.” Given its expansionist nature, capitalism can never stay home.

The attractions of Third World investments are evident: a relative lack of competition, a vast cheap labor pool, the absence or near absence of environmental and safety regulations and corporate taxes,
and the opportunity to market products at monopoly prices. As the practical limitations of investments are reached in one country and the margin of profit narrows, outlets are sought in other less advantaged and more vulnerable lands. As Harry Magdoff states:

"What matters to the business community, and to the business system as a whole, is that the option of foreign investment (and foreign trade) should remain available. For this to be meaningful, the business system requires, as a minimum, that the political and economic principles of capitalism should prevail and that the door be fully open for foreign capital at all times. Ever more, it seeks a privileged open door for the capital of the home country in preference to capital from competing industrial nations."

The quality of products and services, the safety of commodities, the protection of the natural environment, the conditions supportive of community life and human development, the opportunity to do gratifying and socially useful work, the care of the vulnerable and handicapped, in sum, a whole range of values that might be basis to human happiness, are considered in the capitalistic mode of production, if at all, only to the extent they advance or retard pecuniary gain.

Capital has no attachments to any particular place or people. It has no loyalty to God or country, nor any disloyalty, for that matter.

"Merchants have no country," observed Thomas Jefferson way back in 1814. "The more spot they stand on does not constitute to strong an attachment as that from which they draw their gains." (However, merchants will also grow attached to the country that protects their gains.)

Along with expansion and growth comes the increasing concentration of capital. There are more than 200,000 corporations in the USA today, but 100 companies control more than half the nation's industrial assets. Fifty of the largest banks and insurance companies own half of all the financial assets. Ten firms make 22 percent of all the profits.

Of special interest to us is the international scope of this capital concentration. Some 480 corporations control about 80 percent of the capital assets of the entire non-socialist world. One-third of the assets of US industrial corporations are located outside the United States. Eight of the nation's nine largest banks now rely on foreign sources for over 40 percent of their total deposits. Many of these holdings—often the larger portions—are in other industrial coun-
tries. But more and more investment is going into the Third World. Citibank, for instance, earns about 75 percent of its profits from overseas operations, mostly in the Third World. American and other Western corporations have acquired control of more than 75 percent of the known major mineral resources in Asia, Africa, and Latin America. The USA is South Africa's largest trading partner and its second-largest foreign investor, with investments amounting to about $2 billion as of 1986. US banks provide the apartheid regime with one-third of its international credit.6

Given the low wages, low taxes, non-existent workers benefits, and non-existent occupational and environmental protections, US multinational profit rates in the Third World are 50 percent greater than in developed countries.7 Hence, giant companies like Exxon, Cargill, Coca-Cola, IBM, Honeywell, Woolworth, Mobil, ITT, Gillette, and Reynolds make more than half their total profits abroad. As early as 1963 Business Week noted the trend:

In industry after industry, U.S. companies found that their overseas earnings were soaring, and that their return on investment abroad was frequently much higher than in the U.S. As earnings abroad began to rise, profit margins from domestic operations started to shrink. . . . This is the combination that forced development of the multinational company.8

Where business goes so goes government—as we shall see. In the service of big business, the governments of capitalist nations, including the United States, have steered mightily to create and maintain the conditions of investment and accumulation in other lands. This may not be the only function of US foreign policy, but it is the function that is often ignored by those who would minimize the role played by international capitalism in the ills of nations.

IMPERIALISM

For some 500 years the nations of Western Europe, and later North America, plundered the wealth of Asia, Africa, and Latin America. This forced expropriation of one country's land, labor, markets, and resources by another is what is here meant by imperialism. Imperialism is of course older than capitalism. Neither Alexander the Great, nor the empresses of Rome, nor the Spanish conquistadores were capitalists. They did not systematically accumulate capital through the
rationalized exploitation of free labor and the expansion of private markets. But these earlier plunderers all had one thing in common with capitalists: the desire to expropriate the wealth of other peoples' land and labor. They were all imperialists. Capitalist imperialism differs from these earlier forms in the systematic ways it invests in other countries and shapes the productive forces, penetrates the markets, and transforms the economies and cultures of the colonized nations, integrating their financial structures and trade into an international system for the extraction of wealth.

When the merchant capitalists replaced the mercantilist monarchs, the process of exploitation accelerated and expanded. Along with gold and silver, they took flax, hemp, indigo, silk, diamonds, timber, malaccas, sugar, rum, rubber, tobacco, calico, cocoa, coffee, cotton, copper, coal, tin, iron, and later on, oil, zinc, columbium, manganese, mercury, platinum, cobalt, bauxite, aluminum, and uranium. And of course there was that most devastating of all exploitations—all human beings themselves—slaves. Millions of people were abducted from Africa, while millions more perished in the hellish passage to the New World.

The stupendous fortunes thus were—and still are being—extracted by the European and North American investors should remind us that there are very few really poor nations in what today is commonly called the Third World. Brazil is rich, Indonesia is rich, and so are the Philippines, Chile, Bolivia, Zaire, Mexico, India, and Malaysia. Only the people are poor. Of course in some areas, as in parts of Africa south of the Sahara, the land has been so ruthlessly plundered that it too is now impoverished, making life all the more desperate for its inhabitants. In fact, the Third World is not "underdeveloped" but overexploited. The gap between rich and poor nations is not due to the "neglect" of the latter by the former as has been often claimed. For forty years or more we have heard how the nations of the North must help close the poverty gap between themselves and the nations of the South, devoting some portion of their technology and capital to the task. Yet the gap between rich and poor only widens because investments in the Third World are not designed to develop the capital resources of the poor nations but to enrich the Western investors.

From 1970 to 1980, the flow of investment capital from the United States to the Third World amounted to about $3 billion. But the return flow from the Third World to the United States in the form of dividends, interest, branch profits, management fees, and royalties was $6.3 billion. Together, all the multinational corporations and banks in the world take as much as $20 billion every year from the Third World nations. Nor should this come as a surprise since, as we already noted, the first rule of capitalism is that sooner or later more must be taken out than put into any business venture. Why else would companies and banks invest, except to make more than they started with?

Third World nations would have been only too grateful if they could have escaped the attentions of the Western self-enriching nations that explored them throughout their history. Consider India: As late as 1813, India exported £1.3 million of textile goods to Britain and imported only £26,000 from that country. But Britain placed prohibitive tariffs on Indian imports, and used its armies and gunboats in India to prevent that country from taking retaliatory protective measures. By 1830 the trade balance was reversed. As British "textile goods" flooded India, Indian industrial centers like Dacca fell into decay, and Indian weavers, spinners, and metal workers were driven out of business. But "you cannot continue to inundate a country with your manufacture, unless you enable it to give you some produce in return," observed Mara. Only then will it have some funds to purchase the "finished goods" dumped on its markets. Thus, to complete the imperialistic relationship, Britain promoted the large-scale production of agricultural raw materials in India, especially cotton plantations. Hence "a people who formerly bad exported cotton goods so all parts of the world now exported only raw cotton to be worked up in Britain and sent back to India as textile goods!" Yet India's earnings from this arrangement proved insufficient and by 1853 India had accumulated a national debt of £35 million. This was financed from the labor of the common people and had an additionally regressive effect upon the economy. From 1850 to 1900, India's per capita income dropped by almost two-thirds. India was forced deeper into poverty and denied the opportunity of its own development so that it might serve as a provider for British capitalism.

In the nineteenth century, British industrialists similarly transformed China and Egypt from exporters of manufactured goods into providers of raw materials for British industry. In 1856, Engels remarked on the beneficial effects of Britain's colonization of Ireland: "How often have the Irish started out to achieve something, and
every time they have been crushed politically and industrially. By consistent oppression they have been artificially converted into an utterly impoverished nation. . . . 12 So too did the industrialisation and financiers of France, Belgium, and the Netherlands "artificially convert" the economies of various Third World countries, retarding their economic development for centuries. 13 In the early 1900s, British firms appropriated about two-thirds of India’s economic surplus and one-tenth of Malaya’s. In other words, British investments did not finance the colonial territories, rather the colonies provided finance for Britain. Likewise, before World War II, Dutch capitalism annually extracted an amount of economic surplus from what is now Indonesia equal to about one-sixth of Holland’s national income. 14

Africa has been one of the lands most often misrepresented as "primitive" and "underdeveloped" by imperialism’s image makers. The truth is, as early as the 1400s, Nigeria, Mali, and the Guinea coast were making some of the world’s finest fabrics and leathers. Katanga, Zambia, and Sierra Leone produced copper and iron, while Benin had a brass and bronze industry. As early as the thirteenth century, finely illuminated books and manuscripts were part of the Arabic culture of Ethiopia, and impressive stone palaces stood in Zimbabwe. 15 Yet Africa under colonial rule soon was exporting raw materials and importing manufactured goods from Europe, like other colonised places.

The advantages Europeans possessed in seafaring and warfare proved decisive. "West Africans had developed metal casting to a fine artistic perfection in many parts of Nigeria, but when it came to the meeting with Europe, beautiful bronzes were far less relevant than the cruel cannon." 16 Arms superiority also allowed the Europeans to impose a slave trade that decimated certain parts of Africa, set African leaders against each other in the procurement of slaves, and further retarded that continent’s economic development.

Attempts by African leaders at development, including the area of arms technology, were suppressed by the British, French, and other colonizers. From the seventeenth to the twentieth centuries, Europe imposed imperialist trade relationships, forcing Africa to sell its raw materials and buy manufactured goods on increasingly disadvantageous terms. As Walter Rodney points out: "There was no objective economic law which determined that primary produce should be worth so little. Indeed, the [Western capitalist] countries sold certain raw materials like timber and wheat at much higher prices than a colony could command. The explanation is that the unequal exchange was forced upon Africa by the political and military supremacy of the colonizers. . . . 17"

The investors exploit not only the Third World’s land and natural resources but also its labor. United Brand, Standard Fruit, Del Monte, and Cargill no doubt are in El Salvador for the sugar, bananas, and other such agribusiness export products. But they, along with Alcoa, USX, Westinghouse, Phelps-Dodge, American Standard, Pillsbury, Proctor & Gamble, Chase Manhattan Bank, Bank of America, First National Bank, Standard Oil of New Jersey, Texaco, and at least twenty other major companies, are in that tiny country also for the cheap labor. They reap enormous profits by paying Salvadoran workers subsistence wages to produce everything from aluminum products and baking powder to components and steel pipes—almost all for export markets. 18

If Third World nations are impoverished, then, it is not because of their climate or culture or national temperament or some other "natural condition" but because of the highly unnatural things imperialism has done to them. It is not because they have lacked natural wealth and industries but, quite the contrary, because the wealth of their resources proved so inviting to the foreign pillagers, and the strength of their industries so troublesome to competitive foreign industrialists.

Nor is overpopulation the cause of Third World poverty. The most desperately impoverished areas of the Third World, such as Northeast Brazil and the various famine regions of Africa, are among the most sparsely populated. Countries like India, Pakistan, and Indonesia, whose poverty is often blamed on their supposedly excessive human fertility, actually have less people per square mile than England, Wales, Holland, Japan, Belgium, West Germany, Italy, and a few other industrialized countries. 19 Cuba, with a population of only 12.5 million people in the 1950s, suffered widespread poverty and hunger; today with a population of 11 million no one is starving.

This does not mean that population growth is never a problem. It is and will become more serious if populations continue to grow at present rates. Thus, while China today under Communist rule seems able to feed its enormous population of over 1 billion, it may have reached something of an "absolute" demographic limit. At least its own leaders seem to think so and have tried to impose a
The Sword and the Dollar

draconic limitation of one child per family—the only country in
Barbados, and places like West Bengal and Kerala in India and Java
serious worsening of already difficult social conditions. In any case, it
part of the world should have access to birth control information and
devices if they so wish.

The truth is that "the amount of food crop produced in the
billion people—more than twice the world population." The prob-
which so much of the land is put. There is evidence suggesting that
have large families because they have large families; rather they
but no children would have to hire laborers to work the fields and
ants can increase their income if they have more children, that is,
they can be sent into the cities to work so that they might send back
them. As one Third World peasant puts it: "You think I am poor
have half the prosperity I do. And God knows what would happen to
and their mother when we are too old to work and earn." As
levels of prosperity advances, and people achieve a more
secure and varied life and accumulate a modest surplus, large families
are no longer functional. More likely they are a hindrance to oppor-
tunities for schooling and careers. That we are so ready to think of
as the cause of hunger says a great deal about how we
are conditioned to regard people: as an economic liability, a drain on
society, when actually they are the creative source of all social
human labor." Nor can we blame poverty on the allegedly low productivity,
slowly work habits, and fatalistic cultural passivity of Third World
work ethic. In fact, millions manage to stay alive in the Third World
only by driving themselves to the limits of exhaustion, often traveling
long distances to work, toiling twelve and fourteen hours each day.

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Even in their own homes they labor hard to compensate for the
absence of services and amenities more affluent persons take for
granted.

Observing the Lever House on New York’s fashionable Park
Avenue, W. Alpheus Hunton muses: “You look at this tall, striking
glass and steel structure and you wonder how many hours of under-
paid Black labor and how many thousands of tons of underpriced
palm oil and peanuts and cocoa it cost to build it.”28 Hunton’s
comment graphically makes the point: Third World poverty and
multinational industrial wealth are directly linked to each other. The
large companies invest not to uplift impoverished countries but to
enrich themselves, taking far more out than they ever put in.

Publications on both the Right and the Left, along with the
United Nations itself, describe the Third World as composed of “de-
veloping” countries. This terminology creates the misleading impres-
sion that these countries are escaping from Western economic explo-
itation and emerging from their impoverishment. In fact, most of
them are becoming more impoverished. Third World nations are
neither "underdeveloped" nor "developing"; they are overexploited
and maldeveloped.

Notes
1. Chairman of Castle and Cooke of Dole Standard Fruit Co., interviewed in
the documentary film Controlling Interests (San Francisco: California Newsreel,
1978).
2. See Karl Marx, Capital, volume 1 (Middlesex, England: Penguin Books,
1976), for a full exposition of this.
3. Karl Marx and Frederick Engels, Manifesto of the Communist Party, re-
6. Jonathan Aronson and Elliot Stein, Jr., “Bananas Milk the Third World,”
Progreso, October 1977, pp. 49–51.
(Moscow: Progress Publishers, 1973) available from Imported Publications, Chicago;
see also E. G. Goldschmid, Open Roads of Latin America, Five Centuries of the Village
27. The $6 billion is a net figure from which about $6 billion in reparations-capital has been subtracted.


35. Ibid., p. 76.

36. Ibid., p. 180; also Stavrianos, Global 600, pp. 196-204, 279-308.


43. Quoted in Rodney, How Europe Underdeveloped Africa, p. 349.