To Si Gerson, Sophie Gerson, and Sender Garlin, longtime warriors in the struggle against imperialism
victories. The ruling class rules, but not quite in the way it might want to, for it must make concessions to popular protest and, at crucial points, it must suffer some of the constraints imposed by popular power at home and abroad. US imperialist policy is increasingly limited by resistant social forces around the globe and within our own country. So even as the destructive capacity of the US military grows, the ability of Washington policymakers to control the world is declining. Those who rule cannot always use their power with indifference to the countervailing forces of socialism, revolution, and democratic protest and resistance.

To those readers who will be quick to apply one or another label to my efforts, let me say that this book does not represent an extremist viewpoint. Its message is quite moderate and democratic; it is a critique of military buildup, police-state oppression, and economic exploitation. There is nothing "extremist" about that. The extremists are already in power. They have turned much of the world into a military garrison and an economic purgatory. Most of the people in the United States and throughout the entire world want an end to the arms race, an end to huge military spending programs, an end to nuclear confrontations, and an end to US interventionism on behalf of the rich and powerful; in effect, they want an end to imperialism—even if they don’t call it imperialism. The sentiments and perspective found herein, therefore, do not represent the viewpoint of a fringe minority but of the great majority of the world—at least on basic points. The fringe minority is composed of those who need all the bayonets and bombs to keep the world as they want it. The majority of the earth’s people are ready for something else, something better. And therein lies our hope.

Notes

3. For a study of class power in the American political system see Michael Parenti, Democracy for the Few, 5th ed. (New York: St. Martin’s Press, 1988).
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 distributed 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 interests. 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—he 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 to realize its value and 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, restless 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.) Ironically 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 corporation searches 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,” better 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 today 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 national to international arenas. About 140 years ago, Marx and Engels noted the phenomenon, describing a bourgeoisie that “chases ... 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 advan-
taged 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. Even 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 basic to
human happiness, are considered in the capitalist mode of produc-
tion, if at all, only to the extent they advance or retard pecuniary
gain.

Capital has no attachment 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 mere spot they stand on does not constitute so 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 concen-
tration 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 400 corporations control about 80 percent of
the capital assets of the entire nonsocialist 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.

Given the low wages, low taxes, nonexistent workers benefits,
and nonexistent occupational and environmental protections, US
multinational profit rates in the Third World are 50 percent greater
than in developed countries. Hence, giant companies like Exxon,
Cargill, Coca-Cola, IBM, Honeywell, Woolworth, Upjohn, 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.

Where business goes so does government—as we shall see. In the
service of big business, the governments of capitalist nations, includ-
ing the United States, have striven 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 affairs of nations.

IMPERIALISM

For some 500 years the nations of Western Europe, and later
North America, plundered the wealth of Asia, Africa, and Latin Amer-
ica. This forcible expropriation of one country's land, labor, markets,
and resources by another is what is here meant by imperialism. Imperial-
ism is of course older than capitalism. Neither Alexander the Great,
nor the emperors of Rome, nor the Spanish conquistadores were capi-
talists. 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 expropriation accelerated and expanded. Along with gold and silver, they took flax, hemp, indigo, silk, diamonds, timber, molasses, sugar, rum, rubber, tobacco, calico, cocoa, coffee, cotton, copper, coal, tin, iron, and later on, oil, zinc, columbite, manganese, mercury, platinum, cobalt, bauxite, aluminum, and uranium. And of course there was that most dreadful of all expropriations—of 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 that 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 a word, 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 $8 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 $63.7 billion. Together, all the multinational corporations and banks in the world take as much as $200 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 exploited them throughout their history. Consider India: As late as 1815, India exported £1.3 million of textile goods to Britain and imported only £23,600 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 manufactures, unless you enable it to give you some produce in return," observed Marx. 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 had exported cotton goods to 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 £53 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 baneful 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. . . .”16 So too did the industrialists and financiers of France, Belgium, and the Netherlands “artificially convert” the economies of various Third World countries, retarding their economic development for centuries.17

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.18

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 Amharic culture of Ethiopia, and impressive stone palaces stood in Zimbabwe.19 Yet Africa under colonial rule soon was exporting raw materials and importing manufactured goods from Europe, like other colonized 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 crudest cannon.”20 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. . . .”21

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 computers and steel pipes—almost all for export markets.22

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 been doing to them. It is not because they have lacked natural wealth and industries but, quite the contrary, because the plenitude 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 more 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.23 Cuba, with a population of only 5 million people in the 1930s, 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 even 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
draconic limitation of one child per family—the only country in history to have done so. For other countries, such as Japan and Barbados, and places like West Bengal and Kerala in India and Java in Indonesia, a substantial increase in population could lead to a serious worsening of already difficult social conditions. In any case, it can be argued that, whatever the social conditions, women in any 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 world at present is sufficient to provide an adequate diet to about 8 billion people—more than twice the world population.” The problem is not in food production but in the distribution and uses to which so much of the land is put. There is evidence suggesting that people are not poor because they have large families; rather they have large families because they are poor. A peasant who had land but no children would have to hire laborers to work the fields and thereby suffer a serious reduction of income. Similarly, landless peasants can increase their income if they have more children, that is, more hands to hire out. And as some of the children reach maturity they can be sent into the cities to work so that they might send back part of their earnings—but only if the family is large enough to spare them. As one Third World peasant puts it: “You think I am poor because I have too many children. If I don’t have my sons, I wouldn’t have half the prosperity I do. And God knows what would happen to me and my mother when we are too old to work and earn.”

As the level 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 opportunities for schooling and careers. That we are so ready to think of people, per se, 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 wealth. The wealth of any nation begins with its people, with society, when actually they are the creative source of all social wealth. The wealth of any nation begins with its people, with society, when actually they are the creative source of all social wealth.

Nor can we blame poverty on the allegedly low productivity, slovenly work habits, and fatalistic cultural passivity of Third World peoples, most of whom admittedly have never heard of the Protestant 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. 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 mused: “You look at this tall, striking glass and steel structure and you wonder how many hours of underpaid Black labor and how many thousands of tons of underpriced palm oil and peanuts and cocoa it cost to build it.” 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 “developing” countries. This terminology creates the misleading impression that these countries are escaping from Western economic exploitation 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

5. Letter to Horatio Spafford, March 17, 1814.
3

Maldevelopment and a “Sharp Philanthropy”

Have we not overlooked all the progress the industrial nations have brought to the Third World? Some people argue: “Western countries did extract wealth from their colonies, but that’s only part of the story. Today these countries, especially the United States, invest large sums of capital which help advance the technology and productivity of backward societies. True they take out more than they put in, since they must make something on their investment, but they also create wealth that benefits the recipient country. It is not a simple zero-sum situation; both parties benefit. And since these poor nations do not produce enough for their own needs, then foreign investments are very much welcomed by them.”

In response to that argument, I would note that indeed there have been large foreign investments in the poorer nations and these are growing larger all the time. Such investments may increase production and profits but they seldom benefit the ordinary people. The “trickle down” theory works even less in the Third World than in the United States. Investments are usually welcomed by the small upper class of the recipient nation, the people who benefit directly from favorable contracts, payoffs, and kickbacks. Investments do not go into a country, as such, but into a particular set of activities that are beneficial to the investor and to those who service investor interests, such as strong-arm rulers who keep the work force in line. Left out of this arrangement, and often victimized by it, are the bulk of the populace.

Consider agricultural production. There is the notion that the people of poor nations would no longer be hungry if—with some help from rich nations—they learned how to produce more food. The truth is that most Third World nations already produce enough grain...