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IMPERIALISM RE-EXAMINED

Among orthodox American social scientists there have been two notions that have been rejected with vigor for many years. One is what is called the conspiratorial theory of history, and the other is the Leninist theory of imperialism. Academic social scientists have tended to look with disdain on the notion that history can be shaped in any significant way by conspiracy. Incidentally, this attitude is perhaps responsible for the general lack of curiosity among social scientists regarding the gross inadequacies of the Warren Report on the assassination of President Kennedy. Lenin's theory of imperialism has generally been treated by American scholars as undeserving of serious consideration.

From time to time, however, events occur which suggest that it is time to take another look at conspiracy and at imperialism. The assassination of the Rev. Martin Luther King is the most recent case in point. The FBI now admits that the evidence points to a conspiracy. What effect it will ultimately have on history is of course impossible to assess. But it might force American social scientists to take a more careful look at the role of conspiracy as an integral part of the fabric of modern politics, domestic and international.

On the question of imperialism, one frequently finds new evidence to suggest that Lenin's ideas ought to be reviewed. Lenin referred to imperialism as the highest stage of capitalism. Its key element was the export of capital. Imperialism matured when a rich capitalist nation began to shift from the export of goods to the export of capital. Overseas investment was the heart of the process, and it was by means of this investment that the imperial country gradually built a colonial empire. Political domination, according to Lenin, follows in the wake of the export of capital. There is, of course, much more to the theory than this, and it has its defects and weaknesses. But Lenin's treatment of the role of the export of capital is worth considering as one views American foreign policy today.

I was reminded of this as I read a report just issued by the Subcommittee on Foreign Economic Policy of the Committee on Foreign Affairs of the House of Representatives. It was based on hearings held last summer and it is entitled "The Involvement of US Private Enterprise in Developing Countries." The Chairman of the subcommittee was Rep. Leonard Farbstein, a Democrat from New York. The purpose of the hearings and the report was to encourage more American investment abroad in what the committee calls the less developed countries or the LDC's. "Present Government programs," the report concluded, "designed to promote private investment in the less-developed countries are not doing the job. This is made apparent by the fact that the present flow of US private investment is on a plateau and has been stagnant for some years. In the opinion of the subcommittee, it would be in the national interest to increase this flow."

The report contains some interesting facts and figures about the growing gap between the rich nations and the poor nations. "The gap between the economies of the industrialized countries and the LDC's," says the report, "is increasing, a fact which carries with it grave economic and political dangers. The per capita gross national product of the US is over \$3,500 compared with \$105 in Africa...\$90 in the Far East (excluding Japan), \$295 in the Latin American Republics, and \$100 in the Near East and South Asia....Some of the LDC's have borrowed so heavily abroad that interest payments seriously hamper their development efforts. Two-thirds of the new loans that the LDC's currently obtain from the developed countries must be applied to debt repayment."

The picture that clearly emerges from this Report is that the rich are getting richer and the poor poorer and at the same time the poor are getting deeper and deeper into debt as much of their wealth is drained away for the benefit of the nations that are lending them money. The Farbstein committee wants to improve conditions in the less developed countries, and it believes that the way to do this is to continue a moderate foreign aid program but step up private investment. The committee especially wants investment by small and medium-sized firms, and it believes that the presence of American businessmen will stimulate local capital investment and generally boost the economies of the poor countries.

The US government already provides a number of incentives to American investors to invest their money abroad. There are special tax concessions and there is government insurance against nationalization and other risks. One interesting incentive is the underwriting of pre-investment surveys. If an American company wants to go out to a foreign country and survey the situation to find out if it might be profitable to invest, part of the cost of this survey may be paid by the government. I quote from the Farbstein report: "The US Government now pays 50 percent of the cost of a preinvestment survey if the investment is not eventually made. If it is made the investing company bears the entire cost. Some of the witnesses before the subcommittee indicated that industry would like to have increased percentages up to 100 percent of the cost of such surveys borne by the Government if, as a result of survey, the investment is not made. The subcommittee believes that this idea has merit in cases of small- and medium-sized companies. Such a policy could be aimed at inducing US firms that have never gone abroad to do so and to direct investment surveys to areas relatively untouched by private enterprise, when it is in the national interest....The Agency for International Development approved 75 investment survey agreements in 1967, bringing to 280 the number approved since the program started in 1963. Of the 134 surveys completed under the program, 36 firms have made positive decisions to invest, while 98 decided against investing....A preinvestment survey usually costs between \$5,000 and \$30,000." So says the committee report. This means that an American investor can get as much as \$15,000 from the government to make a survey in a foreign country. "It is important," says the committee, "that we do all that we can to make it profitable for American business to invest in the LDC's...."

This is also the view of the Department of State. During the hearings, the subcommittee heard testimony from Anthony M. Solomon, Assistant Secretary of State for Economic Affairs. "Throughout its history," said Solomon, "the State Department has been concerned with private overseas investment. The American private investor has always looked to the Department to protect his legitimate interests overseas and to negotiate the treaties that establish the basic legal framework for his activities abroad. In years gone by this was the extent of the Department's involvement. We negotiated treaties and we made such representations and took such action as was necessary and proper to protect investors' interests. Whether the private investor went abroad or whether he stayed at home was not of great moment to anyone to himself. If he saw opportunities for profit or if he needed new sources of materials he went abroad. No Government agency urged him to do so. No Government program of incentives was developed to encourage him to invest abroad. Today this has changed. Our interest in private foreign investment goes well beyond our earlier limited concern. For balance of payments reasons we are asking American investors to limit their capital outflow to the advanced countries. At the same time we are urging them to increase their investments in the low-income countries. We have the liveliest interest in stimulating US private participation in the economic growth of the developing countries of Asia, Africa, and Latin America....We need the combined resources of government, of private enterprise, of universities, foundations and church groups, of people of all walks of life." So said Anthony M. Solomon, the Assistant Secretary of State for Economic Affairs testifying before the Farbstein committee last August.

The picture that emerges of American overseas economic policy from these hearings is one in which US government aid helps create what is called the infra-structure, that is the roads, schools, hospitals, communications, and so forth, which cost money but yield no profits. These things provide the foundation for the modernization of the economy. Then private investors come in and build the commercial structure which they subsequently control. Eventually the local population benefits to some extent, its purchasing power goes up, and it can buy more American goods and services.

The testimony of Mr. Solomon raises an interesting question. What is the reason behind the change that has taken place in the relative roles of government and the private investor in this business of investing overseas. Formerly the investor was the leader, and government came along afterward to provide special assistance. Now it appears that the government is the leader pushing the private investor to invest abroad. Why the change? I don't know, but I think it would be an interesting question to research, and I imagine that some light might be shed on the question by an extremely interesting new book entitled Who Rules America? by G. William Domhoff. The book is a sociological study although Mr. Domhoff is an Assistant Professor of Psychology at the University of California's campus at Santa Cruz. Domhoff says that America is ruled by a governing class, "a social upper class which owns a disproportionate amount of the country's wealth, receives a disproportionate amount of the country's yearly income, and contributes a disproportionate number of its members to positions of leadership." The members of the upper class, according to Domhoff, "dominate major corporations, foundations, universities, and the Executive branch of the federal government, while they merely have influence in Congress, most state governments, and most local governments."

One of the problems of any analysis based on the concept of class is how to define the boundaries of the class. How do you determine to which class a particular person belongs? The interesting thing about the Domhoff book is that it provides very clear and definite criteria for determining membership in the upper class. The first is listing in the social register. Second, is attendance at one of a list of 24 private preparatory schools. Third is membership in one of a list of 20 very exclusive gentlemen's clubs. Fourth, a person is considered to be in the upper class if his father was a millionaire or a $100,000 a year corporation executive or lawyer. Fifth, you join the upper class if you marry into it. Sixth, you are in if your father, mother, sister, or brother is listed in the social register, went to the right schools or belonged to the right clubs. And finally, you belong if you are a member of one of the families described in Cleveland Amory's books Who Killed Society? or The Proper Bostonians.

Of course these are arbitrary criteria, but the interesting thing about them is that they fit a rather neatly homogeneous group of people. But more important, Domhoff amasses a great deal of data to show that most of the important leadership positions in American governmental and private institutions are filled by people who either are from this group, or have been selected by people from the group. He also shows how this group tends to monopolize the wealth and to design a tax system that favors the wealthy. He also points out the absolutely dominant role they play in determining American foreign policy through such agencies as the State Department, the CIA and the large foundations, the Universities and the Council on Foreign Relations.

Returning to the question I posed earlier, namely, why has the government taken on the new role of pushing business into foreign investment rather than tagging along after it, I think what may have happened is that the difference between the government and the corporate economy has virtually disappeared and the upper class tends now to coordinate its aims through the government. The government is the instrument of the upper class, and the aim of the upper class is to expand its influence and its wealth. American overseas economic policy is designed primarily for this purpose.

One of the journals of opinion of the business world recently provided some insight into how all of this relates to the war in Vietnam. The publication is called "Nation's Business, and the February issue contains an article entitled "When the War Ends: A World of Opportunities". "The best thinkers on the subject in business and government," says the article, "agree that magnificent business opportunities await in Viet Nam, Thailand, Laos, Indonesia, Malaysia and Singapore. As the military situation in Vietnam improves, they expect the flow of business to double, triple and quadruple. There are dark spots and danger areas, of course, but nothing is foreseen that would keep Southeast Asia from becoming an industrial-business outpost of the first water."

The article quotes Herbert Salzman, who is the Assistant Administrator for Private Resources for AID. "In Southeast Asia," says Salzman, "there is a tremendous surge in purchasing power as a direct and indirect effect of the US presence. This creates markets and an effective demand for products, many of which could and should come from the United States. Yet Japanese investment is sharply increasing. Why shouldn't our business share in the profitable investment opportunities? Although American investors are increasing, many firms which should be sharing in these markets are holding back--afraid to do what they are in business to do, to take risks and earn profits."

The magazine then points out the advantages of investing in Vietnam. I quote from the article again: "No taxes on profits or dividends for five years. No tax on real estate, mines, quarries, land and royalties for three years. No tax on rural property and loan contracts for two years. There are no import duties planned on spare parts and equipment and there is a 25 per cent tax exemption on reserves built up from retained earnings if they are used for expansion. The American businessman moving into the Vietnam market is protected 100 per cent by the federal government against expropriation, inconvertibility of currency and war risk. He is protected up to 75 per cent of his debt capital on extended risk, including commercial risk, and 50 per cent of his equity investment." The magazine then quotes a RAND Corporation study which says, "Many of the new industrial investment projects launched within the past five years experienced rates of return of the order of 20 to 40 per cent; and capital recovery in two or three years has not been unusual."

For many years I was of the opinion that the Leninist theory of imperialism was too simple to explain a complicated international phenomenon. I still think that it has weaknesses as all political theories do. But I must say that as the war in Vietnam continues, as the American government and the American business community becomes more and more frank about what they are doing in the less developed countries, the more I think it is time that academic social scientists give Lenin a little more credit for focusing attention on what is really important in determining foreign policy.

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