

Magdoff, H. (2003). *Imperialism without colonies*. New York: Monthly Review Press.

Chapter Two The New Imperialism

***Editor's Note: This chapter included many tables and charts that could not be reproduced here. Students are encouraged to obtain the original text when possible.**

A focal point of Lenin's theory of imperialism is the classification of imperialism as a special stage in the development of capitalism, arising toward the end of the 19th century. This attempt to give imperialism such a specific historical reference date has been a subject of controversy, the main objection being that many of the features considered characteristic of imperialism are found early in the game and throughout the history of capitalism: the urgency to develop a world market, the struggle to control foreign sources of raw materials, the competitive hunt for colonies, and the tendency toward concentration of capital.

Some scholars get around this problem by distinguishing between an "old" and a "new" imperialism. Whatever semantic device is used, there are good and sufficient reasons for clearly marking off a new period in the affairs of world capitalism. Of the many distinguishing features of this new stage, two, in my opinion, are decisive: First, England is no longer the undisputed leading industrial power. Strong industrialized rivals appear on the scene: the United States, Germany, France, and Japan. Second, within each of the industrialized nations, economic power shifts to a relatively small number of big integrated industrial and financial firms.

The framework for these developments was provided by the introduction during the last 20 to 30 years of the 19th century of new sources of energy and a new departure in technology, which Veblen called "the technology of physics and chemistry." This is a technology that is based on the direct application of science and scientific research, rather than on mere mechanical ingenuity. It was in the final 30 years of the 19th century that:

... a whole century of slow progress and restatement in pure science—particularly in thermodynamics, electromagnetism, chemistry and geology—began to meet up with rapid development in practical mechanical engineering—and particularly in the production of machine-tools—and in industrial methods . . . not only were new industries developed and new sources of power provided—the internal combustion engine, stemming from progress in thermodynamics theory, being only less important than electricity. Innumerable existing industries—mining and road-building, steel, agriculture, petroleum, concrete are but a few examples—were transformed and expanded. Innumerable new products—the modern bicycle, the telephone, the typewriter, linoleum, the pneumatic tyre, cheap paper, artificial silk, aluminum, ready-made clothing and shoes—were manufactured and marketed for the first time. It was in this period that mechanization first became characteristic of industry in general...¹

Even more important than the technological features of this period per se is that this technology as a rule required investment of large amounts of capital and large production units. The main developments that characterize the transformation occurred in steel, electricity, industrial chemistry, and oil.²

Steel. Steel has unique properties that are essential in the construction of machines such as internal combustion engines, electric generators, and steam turbines. It was the introduction of steel rails and locomotives that made possible the carrying of heavy loads at high speeds. This

reduced the cost of transport and provided the means for transforming local and regional businesses into large, national industries.

Before the application of scientific methods, steel was practically a semi-precious metal. "Until [Bessemer and open-hearth] processes were introduced steel making was hardly more than an empirical craft operation... ." ³ The Bessemer process, introduced in 1854, still had limitations for the use of iron ore available in the United States and Europe. The open-hearth method introduced in the 1860's, and finally the "basic process" developed by Thomas and Gilchrist in 1875 made possible the control of the carbon content of steel within very close limits—and opened up the age of steel. Techniques for improving the properties of steel by use of alloys—to obtain the qualities needed for tool steel, armaments, and stainless steel—were developed between 1870 and 1913. Note that during the period 1870-1874 an average of 1 million tons of steel were produced worldwide; during 1900-1904, the annual average world production had risen to over 27 million tons. ⁴

Electricity. While scientific experiments with electricity and theoretical exploration of the subject go back to the 18th century, the application of these experiments and theory to form a large-scale industry occurs toward the end of the 19th century. The first commercial generating stations in London, Milan, and New York were opened in the 1880s. The importance of electricity is not limited to its use as a new source of light, heat, and power. It is necessary, for example, in the refinement of copper and aluminum and the bulk production of caustic soda. (The invention of the process for commercial production of aluminum also stems from this period, occurring in 1886.) For manufacturing processes in general, the application of electricity made possible the kind of precise control which permitted the more complete mechanization on which modern mass-production industry depends.

Industrial Chemistry. Chemical processes in metallurgy, tanning, and fermentation had been known and used for many centuries. But industrial chemistry as a separate and large-scale industry originates in the last third of the 19th century. Here again the transformation is due to theoretical and experimental discoveries in science. The ability to synthesize organic chemicals in industrial processes could not appear before the proper understanding of chemical transformations was achieved. Thus the ability to determine the correct number of atoms in a molecule became possible once there was general recognition around 1860 of the law that equal volumes of gases under the same conditions contain the same number of molecules. The effective concept of the structural arrangement of atoms in a molecule comes in 1865. In contrast with the former almost accidental advances in organic chemistry, the new scientific achievements created the basis for new mass-production industries. The Solvay ammonia soda process and the catalytic processes for the manufacture of sulphuric acid and of ammonia belong also to the same period.

Oil. Here we are not dealing so much with technical and scientific advances as with the discovery and exploration of underground petroleum sources, though of course technical and scientific achievements are significant both in the techniques of extracting crude oil and in petroleum refining. From the historical point of view, it should be noted that large quantities of oil were first discovered in Pennsylvania in 1859. The Standard Oil Company was founded in 1870. Diamond drilling, the effective technique for piercing hard formations, was first invented in 1864 and was introduced in the United States in the 1870's.

The earliest phase of large oil discoveries was concerned with nationwide and international distribution systems for oil in kerosene lamps and for the manufacture of lubricants. The introduction of oil as fuel in industry and transportation follows from later discoveries of oil sources.

Sometimes referred to as a "second industrial revolution," these new phenomena were integral to the shift from a capitalism characterized by dispersed small competitive units to one in which large concentrations of economic power dominated the industrial and financial scene.

How significant these late 19th century technological developments were in accelerating monopolistic trends can be seen by examining the giant corporations of today:

- Of the 50 largest industrial corporations in the United States today, 26 (accounting for 62 percent of the total assets of the whole group) are in steel, oil, electrical equipment, chemicals, and aluminum.
- Of the 50 largest industrial corporations in capitalist countries outside the United States, 30 (accounting for 73 percent of the total assets of the group) are in these same industries.

The Rise of Big Business

OUR ARGUMENT HERE is not that the new technology determined the size of the corporation and the monopolistic trends that accompanied Big Business. Rather, the new technology provided the framework, and often the opportunity, for the quite normal tendencies of capitalist industry toward concentration of power. For example, the transcontinental railroad and its feeders created the possibility for local manufacturers to compete on a national scale. The overexpansion of production that resulted from many local producers' expanding their capacity to meet the enlarged markets resulted in ruthless competition, failures, mergers, and alliances—a familiar pattern of business history. The transformation that took place in the United States business life during the onset of the imperialist stage is well summarized by Professor Chandler:

In the 1870s, the major industries serviced an agrarian economy. Except for a few companies equipping the "rapidly expanding railroad network, the leading industrial firms processed agricultural products and provided farms with food and clothing. These firms tended to be small, and bought their raw materials and sold their finished goods locally. Where they manufactured for a market more than a few miles away from the factory, they bought and sold through commissioned agents who handled the business of several other similar firms.

By the beginning of the twentieth century, many more companies were making producers' goods, to be used in industry, rather than on the farm or by the ultimate consumer. Most of the major industries had become dominated by a few large enterprises. These great industrial corporations no longer purchased and sold through agents, but they had their own nation-wide buying and marketing organizations. Many, primarily those in the extractive industries, had come to control their own raw materials. In other words, the business economy had become industrial. Major industries were dominated by a few firms that had become great, vertically integrated, centralized enterprises. (Emphasis added.)⁵

The Civil War and the railroad expansion provided the opportunity for the maturation of powerful financial institutions that could accumulate the capital and organize the mergers that became what Chandler identifies as the "great, vertically integrated, centralized enterprises."⁶ The new technological innovations discussed above provided the material production bases for such Big Business. The frequent depressions that began in 1873 were the battleground. And the method of business organization for this transformation was the corporation— what Veblen termed the "master institution of civilized life."

The New Drive for Raw Materials

THE NEW INDUSTRIES, the new technology and the rise of competition among industrialized nations gave a new importance to the role of raw materials. The struggle for the

control of iron ore and coking coal on the European continent is a familiar story. Even more important was the pressure to gain control over distant territories whose value assumed new relevance. Barraclough summarizes this trend as follows:

.... the voracious appetite of the new industrialism, unable of its very nature to draw sufficient sustenance from local resources, rapidly swallowed up the whole world. It was no longer a question of exchanging European manufactures—predominantly textiles—for traditional oriental and tropical products, or even of providing outlets for the expanding iron and steel industries by building railways, bridges and the like. *Industry now went out into the world in search of the basic materials without which, in its new forms, it could not exist.* (Emphasis added.)⁷

This was part of a general new pattern of economic relations in the world capitalist system. During the period from 1860 to 1900, three changes in the economic relations between nations are notable: 1) the number of commodities entering international trade on a large scale multiplied greatly; 2) competition between many widely separated regions of the world first appeared or grew more intense; and 3) the standard of living of workers and the profitability of industry in European nations came to depend on maintenance of overseas supplies, while the standard of living of the producers of raw materials came to depend on market fluctuations occurring sometimes on the other side of the world.⁸

As the need for raw materials grew, the rate of discovery and exploitation of the resources increased. "It was the same thirty years [from 1870 to 1900] that most of the undeveloped agricultural areas of the world were opened up and that, with the increase of geological knowledge, though not all were yet exploited, most of the world's great mineral-bearing districts were discovered."⁹ It was in the last quarter of the 19th century that nickel was discovered and developed in Canada, copper and zinc in Australia, nitrogen in Chile, and tin and rubber in Malaya. In sum:

The ring of distant primary producers was widened from North America, Roumania and Russia to tropical and sub-tropical lands and, beyond them, to Australasia and South Africa. *Areas and lines of commerce that had previously been self-contained dissolved into a single economy on a world, scale.* (Emphasis added.)¹⁰

Advance in Ocean Transportation and the World Market

WORLD COMMERCE, as noted earlier, was an essential ingredient of early capitalism and it progressed as capitalism matured. But a new leap forward, involving the feasibility of moving cheaply the bulk raw materials needed for the new giant industries, was made possible by the mass production of steel and technical innovations in shipbuilding. Metal-built steamships using steel hulls, steel boilers, twin screws, and compound engines—a "synthesis of existing inventions"—became the predominant form of ocean transport in the last two decades of the 19th century.¹¹ The problems posed by the higher pressures needed in marine engines "were not solved till the later 1870's and early 1880's when improved steel boilers and tubes enabled shipbuilders to construct ships with triple expansion engines that worked at 150 lb. pressure and more."¹²

The demand for efficient and cheap bulk shipment of heavy products throughout the world, the new metal steamship which made it possible, and rapid communication (trans-Atlantic cable service began in 1866) set the stage for a commercial revolution. This commercial revolution was financed by the simultaneous growth of international banking and the creation of a "single multilateral system of international payments. A world market, governed by world prices, emerged for the first time."¹³

Empire and the New Imperialism

THE ABOVE DEVELOPMENTS also contributed to a speed-up in the industrialization of lands other than England—the United States, Germany, Japan, France, Belgium, and others. This industrialization occurred under circumstances in which concentration of economic power in large business units, mobilization of large masses of capital for particular projects, growth of protective tariffs, and a wave of militarization¹⁴ provided the framework for what was essentially new in the imperialism of the late 19th and 20th centuries. Above all, what was new was the extension of imperialist behavior patterns to most industrialized nations.¹⁵ It was no longer Britain controlling international commerce, carving out spheres of commercial influence, and picking up a colony here and there. Instead, it was the economic and political operations of other rapidly advancing countries rushing for their place in the sun which pinned a new label on modern society.

Under the impetus of this new imperialism no corner of the earth was left untouched: the entire world was transformed and adapted to the needs of the new dominant industry in each industrialized nation, and to the rivalry between these nations under the pressure of these needs.

Imperialism and Colonies

THE COMPLEX of economic and political relations that arose from or were an accommodation to these specially new phenomena encompasses the imperialist era. The change thus marked off is not an abrupt one; it flows directly from well-entrenched tendencies inherent in a capitalist economy. The principal new feature is the concentration of economic power in giant corporations and financial institutions, with the consequent internationalization of capital.

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. In industry after industry, the battle for survival has also been a battle for conquest, from which the giant corporations best fitted for their environment have emerged. Their ways and habits are the result of a process of adaptation to the battle for survival and growth; these ways and habits have been built into their organizational structures and their modes of operation as ways of guaranteeing and sustaining victory.

1) 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 new sources.*¹⁶

Controlling raw materials sources is both a protective device against pressure of competitors as well as a weapon of offense to keep non-integrated competitors in line. Ownership of and control over raw material supplies is, as a rule, an essential prerequisite for the ability of a leading firm or group of leading firms to limit new competition and to control production and prices of the finished products. Moreover, the very size of the large vertically integrated firms gives them the resources to explore and develop potential new supplies throughout the world.¹⁷ The history of the oil industry is of course a classic illustration, but this principle applies also to the aluminum, steel, copper, and other industries.

2) The pattern of most successful manufacturing businesses includes conquest of foreign markets. This is so even where there is as large an internal market as in the United States. In the mass market auto industry, for example, foreign markets exercised an important influence from the earliest days. The sixth Ford car built was shipped to a Canadian distributor. The Ford

Motor Company in its first year of operation started making arrangements for building up its foreign markets.¹⁸

Despite the very high rate of domestic population increase and the opportunities available in the underdeveloped regions of this country, the drive to develop exports of manufactures took root during the very first flush of industrial maturity—less than a decade after the end of the Civil War. In 1871 little over 7 percent of United States exports consisted of finished manufactures; by 1890 this percent rose to almost 12 percent; by 1900 to almost 19 percent.¹⁹ The succession of depressions from 1873 to the turn of the century produced two responses: internally, a wave of consolidations and the move toward Big Business; externally, the drive to capture export markets, including those of industrialized Europe.²⁰

The dynamics of this search for export markets varies from industry to industry, and has different degrees of importance at various stages in the evolution of an industry and in different phases of the business cycle. What must be understood in any case is the special significance for industry to maintain these export markets. Lenin's generalization on this point is most appropriate: "The growth of internal exchange, and particularly of international exchange, is the characteristic distinguishing feature of capitalism. The uneven and spasmodic character of the development of individual enterprises, of individual branches of industry and individual countries, is inevitable under the capitalist system."²¹

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. In one period exports may be the only way out of disaster; in another they may be the best way to maintain the flow of profits. But as the filling of foreign orders becomes built into the capacity and overhead of the business firm, the pressure to maintain these foreign markets over the long run becomes ever more insistent—especially as competitors arrive on the scene.²²

3) 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.²³

But this method of penetrating foreign markets becomes ever more prevalent in the age of the giant corporation, characterized as it is by intensification of national rivalries. The role of foreign investment to capture and exploit sources of raw materials is evident. More than this, though, is the urgency of foreign investment to withstand the competition, or to pre-empt markets, in the countries where competitive corporate giants also exist.

The foreign corporate giants can swing their own weight in controlling their own domestic markets, or in their preferential markets—such as in colonies, dependencies, or "spheres of influence." They can also use their political strength to set up protective tariffs and other trade barriers against outsiders. For these reasons, the ability to compete in other countries and to exercise the land of market control needed by the giant corporations calls for a program of foreign investment. The competition between corporate giants resolves itself either in cartel arrangements or in permanent invasion of each others' markets via the route of foreign investment. Moreover, this procedure becomes more feasible in the age of Big Business, thanks to the large masses of capital available to large corporations from their own profits or from what they can mobilize in cooperation with financial institutions.

The foregoing reasons for the spurt of foreign investment in the age of imperialism are far from exhaustive. There is naturally the attractiveness of increasing profit rates by taking advantage of lower labor costs abroad. Observe, for example, how the Chase Manhattan Bank slips in information on wage rates in South Korea in its report spelling out the attractiveness of investing in that country.

In fact, the main impetus for Korea's economic growth comes from the determination and drive of its businessmen and officials. Americans comment on the dexterity and aptitude of Korean workers, who are available at cash wage rates averaging 65c a day in textiles and 88c a day in electronics. These human characteristics produce industrial results.²⁴

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. Finally, foreign investment arises from the pressure to establish trade in markets protected by tariff walls or trade preferences. (United States investment in Canada, for example, is a convenient arrangement for participating in British Empire trade.)

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.

Our purpose here is not to analyze exhaustively all the factors involved in foreign investment. Rather, it is to suggest that there are clear reasons for the spurt of foreign investment in the age of imperialism—as a consequence of the opportunities and pressures accompanying the rise of Big Business. This is not prompted by the malice of the businessman, but by the normal and proper functioning of business in the conditions confronted. The patterns of these investments should be examined in their historical context, in light of the actual situations business firms deal with, rather than in the more usual terms of an abstraction concerning the pressure of surplus capital.²⁵

4) The drive for foreign investment opportunities and control over foreign markets brings the level of political activity on economic matters to a new and intense level. The last quarter of the 19th century sees the spread of protective tariffs.²⁶ Other political means—threats, wars, colonial occupation—are valuable assistants in clearing the way to exercise sufficient political influence in a foreign country to obtain privileged trade positions, to get ownership of mineral rights, to remove obstacles to foreign trade and investment, to open the doors to foreign banks and other financial institutions which facilitate economic entry and occupation.

The degree and type of political operation naturally vary. In weak outlying territories, colonial occupation is convenient. In somewhat different circumstances, bribery of officials or loans (via banks or state institutions) are appropriate.²⁷ Among the more advanced countries, alliances and interest groups are formed.

The result of these developments is a new network of international economic and political relations. The network itself changes in shape and emphasis over time as a result of wars, depressions, and differential rates of industrialization.²⁸ The forms also vary: colonies, semi-colonies, "a variety of forms of dependent countries—countries, which, officially, are politically independent, but which are in fact, enmeshed in the net of financial and diplomatic dependence,"²⁹ and junior and senior partners among the imperialist powers. The significant theme is the different degrees of dependence in an international economy, an international economy in continuous ferment as a result of the battles among giant corporations over the world scene and the operations of these corporations along with their state governments to maintain domination and control over weaker nations.

The oversimplification which identifies imperialism with colonialism pure and simple neither resembles Lenin's theory nor the facts of the case. Similarly fallacious is the version of Lenin's

theory that imperialism is in essence the need of advanced countries to get rid of a surplus which chokes them, and that this surplus is divested through productive investments in colonies.

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. There is no simple explanation for all the variations of real economic and political changes, nor is it fruitful to seek one. The special value of Lenin's theory is the highlighting of all the principal levers that have moved international economic relations. These levers are the ones associated with the new stage of monopoly and the essential ways monopoly operates to achieve, wherever and whenever feasible, domination and control over sources of supply and over markets. The fact that these are still the principal levers explains why the theory is still relevant. But the particular forms in which these factors operate and become adapted to new conditions requires continuous re-examination.

Modern Features of Imperialism

THE IMPERIALISM OF TO DAY has several distinctly new features. These are, in our opinion: 1) the shift of the main emphasis from rivalry in carving up the world to the struggle against the contraction of the imperialist system; 2) the new role of the United States as organizer and leader of the world imperialist system; and 3) the rise of a technology which is international in character.

1) The Russian Revolution marks the beginning of the new phase. Before the Second World War the main features were the expansion of imperialism to cover the globe, and the conflicts among the powers for the redistribution of territory and spheres of influence. After the Russian Revolution, a new element was introduced into the competitive struggle: the urge to reconquer that part of the world which had opted out of the imperialist system and the need to prevent others from leaving the imperialist network. With the end of the Second World War, the expansion of the socialist part of the world and the break-up of most of the colonial system intensified the urgency of saving as much as possible of the imperialist network and reconquering the lost territories. Conquest in this context takes on different forms, depending on the circumstances: military and political as well as economic.

While the imperialist powers did not give up the colonies gladly or easily, the main purposes of colonialism had been achieved prior to the new political independence: the colonies had been intertwined with the world capitalist markets; their resources, economies, and societies had become adapted to the needs of the metropolitan centers. The current task of imperialism now became to hold on to as many of the economic and financial benefits of these former colonies as possible. And this of course meant continuation of the economic and financial dependency of these countries on the metropolitan centers.

Neither in the period right after the Russian Revolution nor in our own day does the central objective of extending and/or defending the frontiers of imperialism signify the elimination of rivalries among the imperialist powers. However, since the end of the Second World War this central objective has dominated the scene because of the increasing threat to the imperialist system and because of the greater unity among the powers imposed by United States leadership.³⁰

2) Up to the end of the Second World War political and military operations in the imperialist world system were carried on in the traditional method of alignment in blocs: competitive interests in one bloc were temporarily repressed for the sake of a joint offense or defense against another bloc. The composition of these blocs changed over time as did the tactical advantages sought. Since 1945 the new phenomenon is the assumption by the United States of leadership of the entire imperialist system. As a result of its maturing economic and military

strength and the destruction inflicted on rivals by the war, the United States had the capacity and the opportunity to organize and lead the imperialist network of our time.

The organizing of the postwar imperialist system proceeded through the medium of the international agencies established toward the end of the war: the United Nations, the World Bank, and the International Monetary Fund—in each of which the United States was able, for various reasons, to exercise the leading role. The system was consolidated through the activities of UNRRA, the Marshall Plan, and the several economic and military aid programs financed and controlled from Washington.

The new perspective of United States leadership was referred to indirectly by Secretary of State Rusk when he called attention to the fact that the United States is "criticized not for sacrificing our national interests to international interests but for endeavoring to *impose the international interest upon other nations*" (Emphasis added.) This criticism is not rejected by the Secretary of State. Indeed, he is proud of it: "This criticism is, I think, a sign of strength—of our strength and the strength of international law." Further, he continues to spell out the ambitious vista of United States foreign policy:

But we know we can no longer find security and well-being in defenses and policies which are confined to North America, or the Western Hemisphere, or the North Atlantic community.

This has become a very small planet. We have to be concerned with all of it—with all of its land, waters, atmosphere, and with surrounding space¹

In view of the limitations of the United Nations, stemming from participation of socialist countries, the practical administration of this global and spatial concern was affected by a series of treaties and declarations covering the non-socialist world.

These diplomatic arrangements were stimulated and given substance by the proliferation of military bases around the planet. The new role of the United States in this respect can be seen in the fact that U.S. armed forces in the 1920's were stationed in only three countries abroad. During the Second World War, U.S. armed forces were to be found in 39 countries. Today, through distribution of military assistance and the direction of military training of foreign armies, U.S. military groups are located in at least 64 countries. These, as can be seen in Table I, are well spread out over the globe. That these forces and their equipment have not remained idle and that their presence exerts influence, even in the absence of direct action, is too obvious to need spelling out.

An important aspect of the new United States leadership position is its direct replacement of other imperialist powers. Eugene V. Rostow, Under Secretary of State for Political Affairs, put it this way in a radio interview: ".... in many ways the whole postwar history has been a process of American movement to take over positions of security which Britain, France, the Netherlands and Belgium had previously held."³²

Nor has United States business been caught napping while all this has been going on. For example, United States banks abroad are no longer concentrated mainly in Latin America, but are now spread out over the globe. And the United States position in the lush Middle East oil industry has been transformed. Table 2 presents estimates of the change in the relative position of the United States with respect to Middle East oil. While United States firms controlled less than 10 percent of the reserves in Middle Eastern oil leases before the Second World War and 72 percent was held by Great Britain, the positions are now reversed: the United States now controls almost 59 percent while the British share has fallen to a little more than 29 percent. The reasons for this reversal are not to be sought in the greater ingenuity or ability of the United States oil industry but rather in the politics of the Middle East, the uses of United States Lend Lease during the Second World War, postwar foreign aid programs, and the ingenuity of the State Department and other government agencies.³³

3) The new technology, spurred on by the war, is much more international in scope than the older technology, and therefore has special implications for the current and future operation of imperialism. The most obvious aspect is the technology of space. The large number of "space"

stations around the globe manned by United States technicians is one of the international features. Another is the preeminent role of the United States in communications satellites, so that not only *Life*, *Readers' Digest*, *Time*, Hollywood movies, and the publications of the United States Information Agency are on hand, but United States television fare is instantly available: all useful means for attaining a "cultural" unity which mirrors the United States guidance of the imperialist system. With this have also come new international legal arrangements, as noted by Secretary Rusk: "And to start building a single global communications satellite system, we have created a novel international institution in which a private American corporation shares ownership with 45 governments."³⁴

In addition, the technologies of atomic energy and computers have special international features. The enormous investment in research and development required for these industries gives a special edge to the corporations which are large enough to be multinational in scale. Without trying to trace the causal interconnections, we should be aware of the happy blending of the new technology and the international corporation: a) The United States has firms which are large enough to have, or be able to obtain, sufficient capital to develop the necessary technology and take advantage of preempting the field in other countries, b) United States *firms* are supported in this technical lead by huge government grants of research and development, c) These same firms have had experience in international operations, either on their own or in cooperation with the United States government in the process of the latter's stretching its various military and foreign aid activities around the globe, d) Along with generous government assistance has come an integrated apparatus of scientific research and technical development in the large corporation, one result of which is the considerable reduction of the lead time between scientific advances and the introduction of new products, thus giving the international corporation a global edge over smaller and less powerful rivals. Finally, e) the technological advances embodied in the jet plane have made more feasible the coordinated management of the multinational corporation.

Demand for External Sources of Raw Materials

ONE OF THE FEATURES of imperialism that persists unabated to this day is the reliance of the giant corporation for its monopolistic position, including the size of its profits, on foreign sources of raw materials. What is new in today's imperialism is that the United States has become a "have-not" nation for a wide range of both common and rare minerals.

A strange sort of reasoning crops up these days in academic discussions of this subject because advanced industrialized countries are importing a smaller value of raw materials in proportion to output of final products than in the past. This trend reflects increasing efficiency in the industrial uses of raw materials resulting from: 1) improvements in technology and design; 2) increased complexity of consumer products (that is, more manufacturing work is applied to a given amount of raw materials); 3) development of synthetic materials (rubber, plastics, fibers); and 4) improved organization of scrap collection and utilization.

This increasing efficiency in raw materials use is undoubtedly important. It has a serious bearing on the prosperity and viability of the underdeveloped primary commodity producing countries. It is an important contributor to the differential rates of growth between the industrialized and non-industrialized countries. It is involved in the increasing financial dependency of many underdeveloped economies, which will be discussed below. But a strange leap in reasoning is needed to conclude that the strategic role of raw materials has changed for the advanced countries. No matter how efficient industry becomes in the use of aluminum or in the extraction of alumina from bauxite, you can't make aluminum without bauxite and you can't make an airplane without aluminum. And when in the United States 80 to 90 percent of the bauxite supply comes from foreign sources, the assurance of such supply is of crucial importance to the aluminum industry, the airplane industry, and the country's military power.

Another factor often cited as tending to minimize the raw materials problem is the technical achievements in the processing of low-grade ores, and the use of substitute materials (e.g. plastics for metals). Significant technical strides have indeed been made but, as the data we are about to present will show, these achievements have not reversed the trend. With all the amazing accomplishments of scientists and the wonders of electronics and atomic energy, they still have not discovered how to make ordinary metals behave, except within narrow limits, according to the will of the user.

What may seem dramatic in the laboratory or in a pilot plant is often a far cry from what is needed in practice to transform an entire industry. Managers of business may plan for the future, but they live in the present. Any president of a big corporation who did not aggressively pursue acquisition of foreign leases for raw materials because in the historical long run a domestic substitute will probably be found, would most properly be fired from his job.

Thinking in terms of national planning (for the good of the people) or in abstract economic analysis (in terms of cost curves) does not help to understand the impact of foreign raw materials supplies on the policies of business and government. The question boils down to the nature of control and behavior in business, and the government's realistic response to the operational needs of business. Thus, great developments in the exploitation and use of shale oil, which may some day eliminate domestic dependency on foreign sources, do not and will not diminish the rivalry among oil firms to acquire every bit of oil under land or sea they can lay their hands on. The decisive issues are not consumer and social needs but the controls business firms desire in order to manage world production and prices for the sake of greater profits.

While monopolistic behavior patterns produce the eager drive for foreign supply sources, the shift of the United States from a "have" to a "have-not" nation has likewise resulted in an intensification of the urgency to obtain and control foreign resources. The central point for minerals industries is shown in Table 3. As can be seen from the last column of this table, up until the 1920's, the United States was a net exporter of minerals; the change in trend is postponed by the depression when consumption of raw material declined. The situation, however, reverses significantly during the war years. But the new situation faced by the United States, simultaneous with its new role as organizer and leader of the imperialist network, shows up dramatically in the 1950s, when in place of its former position as a net exporter, close to 13 percent of domestic consumption is supplied by imports. This change did not occur because of the growing need to import esoteric materials not found in the United States. On the contrary, the reason was the rapid jump in imports of the more common materials which traditionally were abundant in this country. This can be seen in Table 4, where a comparison is made between net imports of six garden-variety minerals and the domestic extraction of these materials: the situation today is compared with the prewar years.

It is true that in recent years technical innovations have increased the utility of domestic ores. Nevertheless, the tendency to increasing reliance on foreign sources of supply persists, partly to get one's money's worth out of an investment already made, partly as a protective device to keep the lesser quality ore sources in reserve, and partly for immediate financial advantage where foreign ores are more economical. As specialists in the field see it, in the absence of a further breakthrough in technology that would make the very low grade iron ore, derived from taconite and similar rock, decidedly cheaper than foreign ore, the prognosis is for increased reliance of our steel industry on foreign sources of ore. Thus, it is anticipated that about half of the iron ore to be consumed in 1980 will be met by foreign sources, and that by 2000 the import ratio will reach 75 percent.³⁵

The dramatic reversal in the self-sufficiency of the United States with respect to raw materials was succinctly summarized in a report by the staff of the President's Commission on Foreign Economic Policy:

This transition of the United States from a position of relative self-sufficiency to one of increasing dependence upon foreign sources of supply constitutes one of the striking economic changes of our time. The outbreak of World War II marked the major turning point of this change.

Both from the viewpoint of our long-term economic growth and the viewpoint of our national defense, the shift of the United States from the position of a net exporter of metals and minerals to that of a net importer is of overshadowing significance in shaping our foreign economic policies.

We have always been almost entirely dependent on imports for tin, nickel, and the platinum group of metals. In addition, our requirements for asbestos, chromite, graphite, manganese, mercury, mica, and tungsten have been generally covered by imports. Prior to World War II this was about the extent of our list of strategic materials, that is mineral substances of which our requirements are wholly or substantially supplied by foreign sources. At present, by contrast, *the United States is fully self-sufficient only in coal, sulfur, potash, molybdenum and magnesium.* (Emphasis added.)³⁶

Strategic Materials

THE DEFENSE DEPARTMENT operates with a list of strategic and critical materials as a guide to the stockpiling program. These are the materials which are assumed to be critical to the war potential of this country and where supply difficulties can be anticipated. However, war products are not the only ones for which these materials are strategic. Many civilian products in today's technical environment rely on the same materials. (Mica, for example, appears on this list. Mica is used in the electrical industry in condensers, telephones, dynamos, and in electric toasters.) The import dependency of these materials is shown in Table 5. For more than half of these items, 80 to 100 percent of the supply in this country depends on imports.

For 52 out of the 62 materials, at least 40 percent has to be supplied from abroad. And, according to a report of the International Development Advisory Board (a special commission set up by the President in the 1950s), *three quarters of the imported materials included in the stockpile program come from the underdeveloped areas.* The political and military response to this fact is clearly formulated by the President's Board: ". . . it is to these countries that we must look for the bulk of any possible increase in these supplies. The loss of any of these materials, through aggression, would be the equivalent of a grave military set-back."³⁷ The jet engine, the gas turbine, and nuclear reactors are having an important influence on demand for materials which can only be obtained from abroad. The nature of this new need was spelled out in the report of the President's

Material Policy Commission:

The advent of the gas turbine and jets for fighter aircraft, and the possible development for commercial flying and later for automobiles, has accentuated the need for materials to withstand high temperature and stress. One reason why it has taken so long to develop the gas turbine commercially is that there were no materials that could withstand red heat and at the same time take the stress of the centrifugal forces generated by 20,000 revolutions per minute. Since in the gas turbine the higher the temperature, the greater the efficiency, there is urgent need for metals, ceramics, or other substances that can operate under stress in the range above 2,000 degrees Fahrenheit.

There are also requirements for materials for carrying out nuclear reactions, many of which occur at high temperatures. Some of these materials must have a low capacity for neutron absorption as well. Thus, the need for higher and ever higher temperature resistance becomes one of our most critical problems.³⁸

What this means can be seen quite clearly when we narrow our focus on one product—the jet engine, which since this report was prepared has become a commercial as well as military

means of transportation. Table 6 lists the six critical materials which are needed to make a jet engine. Except for molybdenum, we are dependent on imports for an adequate supply of all these items. For three of the materials, the dependence is complete. In the last column are listed the current main producers of each product in the non-Communist world. In parentheses after each country is given the percentage its output represents of total production in the non-Communist world.

The facts presented here are of course no mystery to business or to the government planners and coordinators of policy. President Truman established in 1951 the Materials Policy Commission, cited above, to study the materials problem of the United States and its relation to other non-Communist countries. The resulting five-volume report was issued with much publicity in the midst of the Korean War. The theme of raw materials sources as an ingredient of foreign policy crops up not only with respect to direct United States requirements but also as it concerns United States responsibility as the leader of the "free world" to see to it that Western Europe's and Japan's supplies of raw materials are assured. Consider, for example, this frank statement by former President Eisenhower:

One of Japan's greatest opportunities for increased trade lies in a free and developing Southeast Asia....The great need in one country is for raw materials, in the other country for manufactured goods. The two regions complement each other markedly. By strengthening of Vietnam and helping insure the safety of the South Pacific and Southeast Asia, we gradually develop the great trade potential between this region....and highly industrialized Japan to the benefit of both. In this way freedom in the Western Pacific will be greatly strengthened.³⁹

And finally, two more citations—one from the Republican side and one from the Democratic side of policy making. The Rockefeller Brothers Fund report on foreign economic policy offers these propositions:

Europe's economic security today depends on two indispensable factors: 1) her own intellectual and technical vitality and economic enterprise; and 2) an international structure which will enable Europe to have access to foreign markets on fair terms and adequate supplies of materials, if Europe can offer reasonable value in return for them. Nevertheless, the economic situation of the industrialized nations remains precarious. If Asia, Middle Eastern and African nationalism, exploited by the Soviet bloc, becomes a destructive force, European supplies of oil and other essential raw materials may be jeopardized.⁴⁰

W. W. Rostow, President Johnson's closest adviser on national security affairs, seems to be well aware of the underpinning of the imperialist network as it applies to raw materials and to the special role of the United States in today's imperialism. Testifying before the Joint Congressional Committee, Rostow explained the relations between industrialized and underdeveloped nations as follows:

The location, natural resources, and populations of the underdeveloped areas are such that, should they become effectively attached to the Communist bloc, the United States would become the second power in the world. . . . Indirectly, the evolution of the underdeveloped areas is likely to determine the fate of Western Europe and Japan and, therefore, the effectiveness of those industrialized regions in the free world alliance we are committed to lead. If the underdeveloped areas fall under Communist domination, or if they move to fixed hostility to the West, the economic and military strength of Western Europe and Japan will be diminished, the British Commonwealth as it is now organized will disintegrate, and the Atlantic world will become, at best, an awkward alliance, incapable of exercising effective influence outside a limited orbit, with the balance of the

world's power lost to it. In short, our military security and our way of life as well as the fate of Western Europe and Japan are at stake in the evolution of the underdeveloped areas. We evidently have a major national interest, then, in developing a free world coalition which embraces in reasonable harmony and unity the industrialized states of Western Europe and Japan on the one hand, the underdeveloped areas of Asia, the Middle East, and Africa, on the other.⁴¹

United States as the Leading Capital Exporter

Along with the political and military changes after the Second World War, when the United States assumed the role of undisputed leader of world capitalism, came the clear-cut preeminence of the United States as a capital exporter. While the urgent need to develop foreign raw material sources contributed to the momentum of capital exports after the war, the acceleration of investment in foreign manufacturing ventures added a new dimension to the internationalization of capital.

To appreciate better this new feature, let us first examine the competitive aspects of world trade in manufactures. Table 7 presents estimates of the shares of five industrial nations in world export trade in manufactures. Aside from the remarkable change in Italy's fortunes during the last two decades, and the rise of Japan's trade, the most noteworthy changes over the practically 70 years covered is the juxtaposition of the United States and the United Kingdom. Britain's share of world trade in manufactures declined from 33 to 12 percent, while that of the United States increased from 12 to 21 percent. But note also that the United States was not able to maintain the lead it took right after the war: between 1950 and 1967, the United States share declined from almost 27 to almost 21 percent, about the same as its share after the First World War. However, isolating just these figures is deceptive. For beginning with the First World War, and at an accelerated pace after the Second World War, a major share of the competitive struggle for markets was taken over by building factories or buying up businesses abroad. The new situation in this respect is presented in Table 8. This table shows the relative position of leading capital exporters at the time of the First World War, at the end of the boom of the 1920's, and in 1960. During the initial period shown on this table, the United Kingdom was the outstanding foreign investor: half of external capital investments were owned by British citizens. Despite the fact that the United States was a debtor nation until after the First World War, it had already started to get its feet wet in this field, beginning with the onset of its participation in the imperialist way of life.

The interwar years, and the consequent change in position to that of a creditor nation, gave the United States its opportunity and it raced ahead to the point where it was getting close to the position of the oldest and best entrenched capital exporter. By 1960, United States foreign investments accounted for almost 60 percent of the world total. (These data apply to both portfolio and direct investment. Direct investment—the ownership of branches and subsidiaries—was the most important factor in this expansion of United States investment. Hence, if the data were shown for direct investment alone, the United States share would be even larger. While all the information is not available for the post-1960 period, it seems clear that the United States share has kept on increasing in these years as well.)

Because of this huge expansion of investment in manufacturing industries abroad, the United States is able to compete in foreign markets directly rather than by exports alone. What this means can be seen from the data in Table 9 for the years 1957 and 1965, the latest year for which such information is presently available. The first three columns show the sales experience of United States firms abroad (branches or subsidiaries of United States corporations). The last three columns report the amount of exports from the United States for the same industries.

It is especially noteworthy that in all the industries, by 1965, the sales of foreign affiliates are higher than exports from United States based plants. More than that, the increase during these

years has been larger in the case of foreign affiliates plants than in exports. For the industries combined, sales of foreign-owned plants rose 14 percent, while exports from the United States went up 55 percent. Sales from manufacturing firms abroad assist in the penetration of foreign markets in a double way. Not only do they obtain a share of the market in the country in which the subsidiary is located, but they enter into the foreign trade channels of the competing powers. This can be seen by an examination of Table 10. Thus, United States plants located in Europe sell only 77 percent of their output to the local markets in which the plants are located. Exports to other countries account for 22 percent of the sales of these plants. Note the relatively small percentage of exports from the underdeveloped world (Latin America and other), the significance of which will be pointed out later when we discuss the issue of financial dependency of underdeveloped countries.

The impact of these overseas sales from direct investment is what was no doubt in the mind of the investment banker who wrote in a recent article in *Foreign Affairs*:

The role of U.S. direct investment in the world economy is staggering. According to the U.S. Council of the International Chamber of Commerce, the gross value of production by American companies abroad is well in excess of \$100 billion a year. That is to say, on the basis of the gross value of their output, U.S. enterprises abroad in the aggregate comprise the third largest country (if such a term can be used to designate these companies) in the world—with a gross product greater than that of any country except the United States and the Soviet Union. Of course, these enterprises are large users of raw materials and components produced locally, so that their contribution to the net product (values added) is much less than their gross sales.⁴²

As far as manufacturing is concerned, the huge foreign business operation is mainly concentrated in Canada and Europe, as can be seen from Table II. And since the Second World War, in an environment influenced by the Marshall Plan and NATO, the trend has been the flow of manufacturing capital to Europe.⁴³

But the United States is not the only contender for these markets. The cross currents of investment, as a reflection of the competition among giant corporations for markets, is shown in Table 12. English firms invest in France and West Germany. Belgium invests in France, West Germany, and England. Obviously, however, the position of the United States as a foreign investor in Europe is overwhelming. As might be expected, the concentration of investment by a small number of giant firms has resulted in the United States firms' having quite impressive shares of the market in particular industries in Europe. Observe from Table 13 that United States firms control over half of the automobile industry in Britain, close to 40 percent of petroleum in Germany, and over 40 percent of the telegraphic, telephone, electronic, and statistical equipment business in France (the control of computing machines in France is 75 percent).

The tie-in between monopolistic trends and the flow of investment to Europe is indicated by the following; in "the three biggest European markets (West Germany, Britain, and France) 40 percent of United States direct investment is accounted for by three firms—Esso, General Motors, and Ford. In all Western Europe, 20 United States firms account for two thirds of United States investment.⁴⁴ Between 1950 and 1965 "more and more of the major companies have bought or built their way into Europe. By 1961, 460 of the 1000 largest U.S. companies had a subsidiary or branch in Europe. By 1965, the figure had risen to 700 out of 1000."⁴⁵

In short, the internationalization of capital among the giant firms is of a much higher order today than was the case fifty years ago when Lenin wrote his work on imperialism. Is self-reliant development in the Third World at all possible as long as these countries remain enmeshed in the imperialist network and the basic dependency relationship remains? At bottom, the true issue rests on the choice between reform under imperialism and a breakaway from imperialism. The changes advocated by the New International Economic Order, even if by some miracle they

were adopted, would not overcome the impoverishment of the masses, backward agriculture, distorted industrial and economic structures subservient to the metropolises, illiteracy, inadequate education and health services, and all the other ills that beset these societies. Solutions for such problems can only arise from internal changes in class power leading to a revolutionary alteration of social priorities which elevate the interests of the masses to the paramount position.

General, your tank is a mighty machine.
It shatters the forest and crushes a hundred men.
But it has one defect:
It needs a driver.

BERTOLT BRECHT

Chapter Two

1. F. H. Hinsley, ed., *The New Cambridge Modern History* (Cambridge: Cambridge University Press, 1962), vol. XI, pp. 2-3.
2. The discussion on technology is based on the following: Thorstein Veblen, *Absentee Ownership* (New York: B.W. Huebsch, 1923), Chapter X ("The Technology of Physics and Chemistry"); Geoffrey Barraclough, *An Introduction to Contemporary History* (Harmondsworth: Penguin, 1967); David S. Landes, "Technological Change and Development in Western Europe," in H. J. Habakkuk and M. Postan, eds., *The Cambridge Economic History of Europe* (Cambridge: Cambridge University Press, 1965), vol. VI, Part I; J. D. Denial, *Science in History* (London: Watts, 1954); C. Singer, E. J. Holmyard, A. R. Hall, and Trevor J. Williams, eds., *A History of Technology* (Oxford: Clarendon Press, 1958), vol. V.
3. Abbott Payson Usher, "The Industrialization of Modern Britain," *Technology and Culture* (Spring 1960), pp. 119-20.
4. William Ashworth, *A Short History of the International Economy Since 1850* (London: Longman, 1962), p. 22.
5. Alfred D. Chandler jr., "The Beginnings of Big Business' in American History," *Business History Review* (Spring 1959), reprinted in Carl N. Degler, ed., *Pivotal Interpretations of American History* (New York: Harper and Row, 1966), vol. II, pp. 109-10.
6. Along with the growing role of the investment banker was the increased use of the stock market for industrial securities. Before 1880, the stock exchanges dealt almost exclusively in railroad and bank securities. Until the late 1880s industrial companies remained too small and too little known to speculators. It was not until 1890-93, at the start of the major concentration and merger drive, that industrial securities began to be listed on the stock exchange and to be traded by leading brokerage houses. See Thomas R. Navin and Marian V. Sears, "The Rise of a Market for Industrial Securities, 1887-1902," *Business History Review* (June 1955), pp. 105-38. See also Gabriel Kolko, *The Triumph of Conservatism* (New York: Free Press, 1963), Chapter i.
7. Geoffrey Barraclough, op. cit., p. 54.
8. Based on A. J. Youngson, "The Opening Up of New Territories," in *The Cambridge Economic History of Europe* (Cambridge: Cambridge University Press, 1965), vol. VI, Part I.
9. *The New Cambridge Modern History* (Cambridge: Cambridge University Press, 1962), vol. XI, p. 5.
10. Ibid., p. 6.
11. A. J. Youngson, op. cit.
12. See note 9 above.
13. Ibid., p. 6. As an historical reference point for this commercial revolution, note that the Suez Canal and the first transcontinental railway in America are opened up in 1869.

14 "There was some diminution in the size of armies in the period of tranquility after 1815, but after 1870 there was, among the great powers, a steady growth in the size and cost of armies and navies." Quincy Wright, *A Study of War* (Chicago: University of Chicago Press, 1942), vol. I, p. 233. Per capita defense appropriations in 1880 in the United States were \$1.03; in 1900, \$2.53; in 1914, \$3.20. *Ibid.*, vol. I, p. 671.

15 For excellent historical studies of the development of imperialist patterns in American history, see William Appleman Williams, *The Contours of American History* (Cleveland: World Publishers, 1961), especially the section, "The Age of Corporation Capitalism"; Walter La Feber, *The New Empire: An Interpretation of American Expansion, 1860-1898* (Ithaca: Cornell University Press, 1963); and Thomas J. McCormick, *China Market: America's Quest for Informal Empire, 1893-1901* (Chicago: Quadrangle Books, 1967).

16 Note that giant U.S. corporations learned early in the game the desirability of controlling their raw material supplies. Vertical integration, including control over the mining of their own raw materials, was characteristic of the giants in oil, fertilizer, steel, copper, paper, explosives, and other industries. See Alfred D. Chandler, *op. cit.*

17 When Lenin gives his explanation of the transformation from competition to monopoly, he notes: "Concentration has reached the point at which it is possible to make an approximate estimate of all sources of raw materials (for example, the iron ore deposits) of a country and even, as we shall see, of several countries, or of the whole world. Not only are such estimates made, but these sources are captured by gigantic monopolist combines." *Imperialism: The Highest Stage of Capitalism* (New York: International Publishers, 1939), p. 25. Later in the essay: "Finance capital is not only interested in the already known sources of raw materials; it is also interested in the potential sources of raw materials, because present-day technical development is extremely rapid, and because land which is useless today may be made fertile tomorrow if new methods are applied ... and large amounts of capital are invested." *Ibid.*, p. 83.

18 Mira Wilkins and Frank Ernest Hill, *American Business Abroad: Ford on Six Continents* (Detroit: Wayne State University Press, 1964), p. 1.

19 Matthew Simon and David E. Novack, "Some Dimensions of the American Commercial Invasion of Europe, 1871-1914: An Introductory Essay," *Journal of Economic History* (December 1964), Table 2.

20 Note also: "The composition of manufactured exports has been changing ceaselessly since 1879 in a fairly consistent direction—away from products of animal or vegetable origin and toward those of mineral origin. Among those of mineral origin, the trend has been away from commodities closely tied to the production of raw materials, such as petroleum products, to metal products, including machinery and vehicles; and within the metal products group the shift has been to the more complex machinery and vehicles." Robert E. Lipsey, *Price and Quantity Trends in the Foreign Trade of the United States* (Princeton: Princeton University Press, 1963), pp. 59-60.

21 *Op. cit.*, p. 62.

22 It is customary to think of competition and monopoly as direct opposites. This is proper according to dictionary definitions. However, in Marxist literature, the terms competition and monopoly are used to designate different phases of capitalist society. In neither of these phases is there either pure competition or pure monopoly. Indeed, it is the essence of the theory of imperialism to recognize that competition exists within the monopoly phase. Competition is between giants of the same industry (within and outside the nation) and between industries (steel vs. aluminum vs. plastics, for example).

23 Thus, all the iron material for India's railroads was imported from England. Even in the United States, which had a growing iron industry, iron rails were imported from England. South Wales iron masters took part of their payment for dais iron in the form of bonds of the railroad companies.

24 Korea, *Determined Strides Forward*, The Chase Manhattan Bank, May, 1967, p. 3.

25 For a critique of the "surplus capital" abstraction and suggestions for more significant analysis of current developments, see Paul A. Baran and Paul M. Sweezy, "Notes on the Theory of Imperialism" in *Problems of Economic Dynamics and Planning: Essays in Honour of Michal Kalecki* (Oxford and New York: Pergamon Press, 1966). Reprinted in *Monthly Review* (March 1966).

26 It is one of the significant ironies of these times that the wave of protectionism followed on the heels of the widespread adoption of the international gold standard. "The agrarian crisis and the Great Depression of 1873-86 had shaken confidence in economic self-healing. From now onward the typical institutions of market economy could usually be introduced only if accompanied by protectionist measures, all the more so because since the late 1870s and early 1880s nations were forming themselves into organized units which were apt to suffer grievously from the dislocations involved in any sudden adjustment to the needs of foreign trade or foreign exchanges. The supreme vehicle of the expansion of market economy, the gold standard, was thus usually accompanied by the simultaneous introduction of the typical protectionist policies of the age such as social legislation and customs tariffs." Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957), p. 214.

27 For documentation and analysis see George W. F. Hallgarten, *Imperialismus Vor 1914* (Munich: C. H. Beck, 1951); and Herbert Feis, *Europe, The World's Banker, 1870-1914* (New York: Augustus M. Kelley, 1961).

28 On the question of uneven rate of development: "Thus, Great Britain stood in much the same relation to most of the regions of Europe around 1850 that Europe and the United States bore to the Orient and South America a half century later." L. H. Jenks, *The Migration of British Capital to 1875* (New York and London: A. A. Knopf, 1927), pp. 187-88.

29 Lenin, op cit, p. 85. It is noteworthy that Lenin specifically rejects the definition advocated by Karl Kautsky which confines imperialism to the acquisition of raw materials supplying colonies; that is, the attempt by industrialized capitalist countries to control and annex agrarian regions. He debates this point in terms of the conditions existing prior to and during World War I: "The characteristic feature of imperialism is precisely that it strives to annex not only agricultural regions, but even highly industrialized regions (German appetite for Belgium; French appetite for Lorraine), because 1) the fact that the world is already divided up obliges those contemplating a new division to reach out for any kind of territory, and 2) because an essential feature of imperialism is the rivalry between a number of great powers in the striving for hegemony, i.e., for the conquest of territory, not so much directly for themselves as to weaken the adversary and undermine his hegemony. (Belgium is chiefly necessary to Germany as a base for operations against England; England needs Baghdad as a base for operations against Germany, etc.)" Ibid., pp. 91-92.

30 We are referring here naturally to the main drift. France's attempt to break out of the close ties of the U.S. international system is one example of strain. Another example of potential strain is the program of important groups in West Germany to create a true political bloc in Europe which, on the one hand, can compete more effectively with the U.S. and, on the other hand, can be used to pull back some of Eastern European socialist countries (notably East Germany—but others as well) into their own imperialist "associations." These tensions are involved in the maneuvering with respect to the international gold exchange and dollar system, which will be discussed later in the article.

31 This and the preceding quotes are from Department of State *Bulletin*, May 10, 1965, P- 695-

32 *The Economist*, January 27, 1968.

33 For the background information on this, see Robert Engler, *The Politics of Oil* (New York: Macmillan, 1961); and Harvey O'Connor, *The Empire of Oil* (New York: Monthly Review Press, 1955). The clearest demonstration of the role of politics is found in the acquisition by the United States of oil reserves in Iran after the CIA-directed overturn of Prime Minister

Mossadegh. Before the nationalization by Mossadegh of the British-owned Anglo-Iranian Company, U.S. firms could not break through this British preserve. After the overturn, five U.S. firms—Standard of New Jersey, Socony, Standard of California, Texaco, and Gulf—obtained 40 percent of the oil interest previously held by Anglo-Iranian. For the details on this, see Chapter 8, "The Blending of Public and Private Abroad," in the above-mentioned book by Engler, and Chapter 31, "The Threat from Iran," in O'Connor's book.

34 Same as fn. 31, p. 700.

35 Hans H. Landsberg, *Natural Resources for U.S. Growth* (Baltimore: Johns Hopkins Press, 1964), p. 206.

36 The Commission on Foreign Economic Policy, *Staff Papers Presented to the Commission*, Washington, D.C., February, 1954, p. 224.

37 International Development Advisory Board, *Partners in Progress*, Washington, D.C., March, 1951, p. 46.

38 The President's Materials Policy Commission, *Resources for Freedom*, Washington, D.C. June, 1952, Vol. IV, *The Promise of Technology*, p. 11.

39 Address at the Gettysburg College Convocation, April 4, 1959, in Public Papers of the Presidents of the United States, *Dwight D. Eisenhower 1959*, Washington, D.C., 1960, p. 314.

40 Rockefeller Brothers Fund, *Foreign Economic Policy for the Twentieth Century* (Garden City: Doubleday, 1958), p. n for the first item, p. 16 for the second.

41 Subcommittee on Foreign Economic Policy of the Joint Economic Committee, Congress of the United States, 84th Congress, and *Session, Hearings*, December 10, 12, and 13, 1956, pp. 127, 131.

42 Leo Model, "The Politics of Private Foreign Investment," *Foreign Affairs* (July 1967), pp. 640-41.

43 A frequent explanation for the upsurge in U.S. investment in Europe is the attraction of the European Economic Community (Common Market). This is contradicted in an analysis by Anthony Scaperlanda: "... the general assumption that the E.E.C.'s creation would cause a reallocation of international investment is not supported by the empirical data. Instead, the non-E.E.C. area has either maintained or increased its share of United States direct investment in Western Europe." "The E.E.C. and U.S. Foreign Investment: Some Empirical Evidence," *Economic Journal* (March 1967), p. 26.

44 Christopher Layton, *Transatlantic Investment* (Boulogne-sur-Seine, France: Atlantic Institute, 1966), p. 18.

45 *Ibid.*, p. 18.

