

CORPORATIONS AND THE COLD WAR

BY DAVID HOROWITZ

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Who makes U.S. foreign policy? The question is by no means academic, for the historical record shows that over the last fifty years and more, U.S. policy has consistently run in channels which are antagonistic to the most cherished ideals of the American Republic, issuing finally in the conflicts which we associate with the Cold War. Those ideals—enshrined in the Declaration of Independence—are democratic in character, and recognize above all the right of nations to self-determination, the freedom to carve out their own paths of historical development. Included in this freedom is the equally sacred privilege of any oppressed people to overthrow by force the institutions of their oppressors and to secure for themselves, after the example of the American revolutionaries, the rights to “life, liberty, and the pursuit of happiness.”

Yet the record shows that as the United States has assumed the role of a great and then dominant world power, it has more and more consistently opposed the major social revolutions of our time. Moreover, in violation of the principle of self-determination, it has intervened militarily, diplomatically, and economically to crush or to cause grave setbacks to these revolutions, whether in Russia or Mexico, China or Cuba, Greece or Vietnam.

Nowhere has this pattern of policy been more evident, certainly, than in the American intervention in Vietnam. In 1945, the Democratic Republic of Vietnam was proclaimed in a document modeled on the American Declaration of Independence and at first was recognized by the former colonial power, France. Yet when that power sought to reassert control of its former colonial territory, establishing a puppet regime in Saigon for this purpose, it found support in U.S. policy. Not only did Washington back France's illegitimate war of conquest with economic and military aid, but when the French failed, Washington itself took over the struggle to defeat the Vietnamese Republic through the quisling government in Saigon. Indeed, more than twenty years after the proclamation of Vietnam's Declaration of Independence, the Vietnamese peasants are still being assaulted by the U.S. armed forces in what has undoubtedly become the most savage and ruthless intervention on historical record.

Nor was this counterrevolutionary expedition exceptional as U.S. Cold War policy, despite the unprecedented ferocity and outright depravity of its execution. As already noted, it formed rather a consistent pattern with other U.S. interventions in Santo Domingo, Cuba, Guatemala, the Congo, the Middle East, China, Greece, and elsewhere during the Cold War years, and in Russia, Mexico, Cuba, China, and other countries earlier in the century. Indeed, counterrevolutionary intervention, which is at the heart of the Cold War and its conflicts, has been a characteristic of U.S. foreign policy ever since the United States embarked on a course of overseas economic expansion following the closing of the geographical frontier more than seventy years ago.

How is this counterrevolutionary policy, which runs directly counter to the high ideals of the American Republic, to be explained? How is it to be explained that the largest "defense" program of any nation in history (and of the United States in particular, which, prior to the postwar decades, never in peacetime maintained a conscription army) is organized around the unprecedented, "un-American," and patently inter-ventory concept of *counter-insurgency*?

These paradoxes can only be explained if it can be shown that there is a group wielding predominant power in the American polity, one whose interests run counter to what have been America's most basic ideals, and which can impose its own interpretation of the American tradition onto the framework of policy-making in the state. If it can be shown that there is a *class* among the plurality of competing interest groups which enjoys a predominance of power and can establish its own outlook as a prevailing ideology, and if it can be shown that these interests are expansionist, anti-revolutionary, and tending to be militarist by nature, then an explanation of the paradoxical character of American policy will have been found and, beyond that, the sources of the Cold War conflicts and their permanence.

Such a "ruling class" can, in fact, be readily shown to exist. Its locus of power and interest is the giant corporations and financial institutions which dominate the American economy, and, moreover, the economy of the entire Western world. "In terms of power," writes one authority on the corporations (himself a corporation executive and former U.S. policy-maker), "without regard to asset positions, not only do 500 corporations control two-thirds of the non-farm economy, but within each of that 500 a still smaller group has the ultimate decision-making power. This is, I think, the highest concentration of economic power in recorded history." In addition, "since the United States carries on not quite half of the manufacturing production of the entire world today, these 500 groupings—each with its own little dominating pyramid within it—represent a concentration of power over economies which makes the medieval feudal system look like a Sunday school party."*¹

As this observer points out, many of these corporations have budgets, and some of them have payrolls which, with their customers, affect a greater number of people than most of the hundred-odd sovereign countries of the world. Indeed, the fifty largest corporations employ almost three times as many people as the five largest U.S. states, while their combined sales are

* Numbered notes will be found at the end of the article.

over five times greater than the taxes the states collect. As one American political scientist summarized it:

Our ideology permits us to rest happy in the thought that the Anti-Trust Division of the Justice Department could, if it so desired, "break up" General Dynamics or International Business Machines into congeries of separate companies. The fact of power, however, is that this has not, cannot, and will not be done because government is weaker than the corporate institutions purportedly subordinate to it. This is the politics of capitalism. It is not at all expressive of a conspiracy but rather a harmony of political forms and economic interests on a plane determined by the on-going needs of corporate institutions.²

It is, in the last analysis, the dependence of men individually and collectively on the corporately organized and controlled economy that provides the basis of the corporate domination of U.S. policy, especially U.S. foreign policy. The basic fulcrum of this corporate power is the investment decision, which is effectively made by a minute group of men relative to the economy as a whole. This decision includes how much the corporations spend, what they produce, where the products are to be manufactured, and who is to participate in the processes of production.

A single corporation can draw up an investment program calling for the expenditure of several billions of dollars on new plants and products. A decision such as this may well determine the quality of life for a substantial segment of society: Men and materials will move across continents; old communities will decay and new ones will prosper; tastes and habits will alter; new skills will be demanded, and the education of a nation will adjust itself accordingly; even government will fall into line, providing public services that corporate developments make necessary.³

But this is not the whole extent of the power of the corporate investment decision. In the national economy, the small oligarchy of corporate and financial rulers, who are responsible to no one,⁴ determine through their investment outlays the level of output and employment for the economy as a whole. As Keynes observed, the national prosperity is excessively dependent on the confidence of the business community. This confidence can be irreparably injured by a government which pur-

sues a course of policy inimical to business interests. In other words, basic to the political success at the polls for any government, as to the success of its specific programs, will be the way the government's policies affect the system of incentives on which the economy runs—a system of incentives which is also the basis of the privileges of the social upper classes.

This does not mean of course that the business community as such must prefer a particular candidate or party for that candidate or party to be victorious. It means, much more fundamentally that, short of committing political suicide, no party or government can step outside the framework of the corporate system and its politics, and embark on a course which consistently threatens the power and privileges of the giant corporations. Either a government must seize the commanding heights of the economy at once, i.e., initiate a course of social revolution, or run things more or less in the normal way, that is, according to the priorities and channels determined by the system of incentive payments to the corporate controllers of the means of production. This is an unspoken but well understood fact conditioning politics in capitalist countries, which explains among other things why the pattern of resource allocation—the priority of guns over butter, of highway construction over schools and hospitals—is so similar in all of them. It also explains why, despite the congressional and parliamentary enactment of progressive tax laws in all these countries, the spirit of the law has everywhere been thwarted, and nowhere has the significant redistribution of income promised by these democratically ratified statutes taken place.

The sheer economic pressure which the corporations can exert over the policies of democratically elected governments is lucidly manifest in the experience of the Wilson Labor government in England. For, while owing its office to labor votes and labor money, this government was forced by "the economic situation," i.e., by domestic and international capital, to pursue precisely the policies which it had condemned as *anti-labor* while in opposition.

Of course, under normal conditions, and particularly in the United States, where no labor party exists, the corporations

have less subtle means at their disposal for ensuring policies conducive to their continued vigor and growth. For

all the political activities and functions which may be said to constitute the essential characteristics of the [democratic] system—indoctrinating and propagandizing the voting public, organizing and maintaining political parties, running electoral campaigns—can be carried out only by means of money, lots of money. And since . . . the big corporations are the source of big money, they are also the main sources of political power.⁵

The means by which the upper classes maintain their privileged position and vested interests in countries where universal suffrage prevails vary with the differing traditions, social institutions, and class structures of the countries involved. They vary also with their historical roles. Thus, in the twentieth century, as the United States has replaced Britain as the guardian power and policeman of the international system of property and privilege, the corporate ruling class, with its equally expanding overseas interests, has less and less been able to entrust policy to indirectly controlled representatives and has more and more had to enter directly the seats of government itself.

In the postwar period, the strategic agencies of foreign policy—the State Department, the CIA, the Pentagon, and the Treasury, as well as the key ambassadorial posts—have all been dominated by representatives and rulers of America's principal corporate-financial empires. In addition, all the special committees and task forces on foreign policy guidelines have been presided over by the men of this business elite, so that on all important levels of foreign policy-making, "business serves as the fount of critical assumptions or goals and strategically placed personnel."⁶

While the corporate-based upper class in general occupies a prodigious number of positions in the highest reaches of the "democratic" state, it need not strive to occupy all the top places to impose its own interpretation of the national interest on American policy. For precisely because the prevailing ideology of U.S. politics in general, and of the federal government in particular, is corporate ideology, reflecting the corporate outlook and interests, and because, therefore, the framework of articu-

lated policy choices lies well within the horizon of this outlook, political outsiders may be tolerated and even highly effective in serving the corporate system and its programs.

There are two principal ways (in addition to those already discussed) by which corporate ideology comes to prevail in the larger political realm. In the first place, it does so through the corporate (and upper class) control of the means of communication and the means of production of ideas and ideology (the mass media, the foundations,⁷ universities, etc.). However, even this control, which is vast but not ubiquitous in ensuring the general predominance of the ideas of the dominant class, is not left to work at random. Thus, in Professor Domhoff's investigation of the American ruling class, he found that "in most instances" non-upper class political leaders "were selected, trained, and employed in [special] institutions which function to the benefit of members of the upper class and which are controlled by members of the upper class." Such leaders, Professor Domhoff concluded, "are selected for advancement in terms of the interests of members of the upper class."

The second basic way in which corporate ideology comes to prevail, particularly at the foreign policy level, is by the very fact that the dominant reality of society is corporate, and therefore political "realism" dictates for any statesman or politician that he work in its framework and accept its assumptions. If the horizon of political choice is limited to an area in which the corporate interest is not directly challenged, because it would be both imprudent and impractical (utopian) to do so, if the framework of private property in the means of production is accepted as not realistically subject to change, then the "national" interest, which is the concept under which politicians and statesmen tend to operate (particularly in foreign policy), necessarily coincides with the interests of the corporations, the repositories of the nation's wealth, the organizers of its productive power, and hence the guardians of the material basis of its strength. In a class-divided society under normal (i.e., non-revolutionary) conditions, the national interest vis-à-vis external interests inevitably is interpreted as the interest of the dominant or ruling class. Thus, in a corporate capitalist society,

the corporate outlook as a matter of course becomes the dominant outlook of the state in foreign affairs.

This is not to say that there is never a conflict over foreign policy between the corporations as such and the state. Just as inevitably there are differences between the corporate interests themselves, within a general framework of interests, so there are differences between the corporate community outside the state and the corporate representatives and their agents in the state, resulting from the difference in vantage and the wider and narrower interests that each group must take into account.* But here, too, the horizon of choice, the framework of decisive interests, is defined by the necessity of preserving and strengthening the status quo order of corporate capitalism and consequently the interests of the social classes most benefited by it.

What then is the nature of corporate ideology as it dominates U.S. foreign policy, and what is its role in the development of the Cold War? As a result of the pioneering work of Professor William Appleman Williams and his students,⁸ these questions can be answered precisely and succinctly. The chief function of corporate ideology is, of course, to make an explicit identification of the national tradition and interest—the American Way of Life—with its own particular interest. This identification is accomplished by means of an economic determinism which takes as its cardinal principle the proposition that political freedom is inseparably bound up with corporate property, that a “free enterprise” economy is the indispensable foundation of a free polity (where “free enterprise” is defined so as to coincide with the status quo order of corporate capitalism, not with an outdated system of independent farmers and traders).

Starting from this root premise, the ideology, as articulated by American policy-makers since the nineteenth century, maintains that an expanding “frontier” of ever new and accessible markets is absolutely essential for capitalist America’s domestic prosperity,⁹ and hence that the extension of the American system and its institutions abroad is a primary necessity for the

* We are dealing here with the United States. In countries where a labor party assumes government office, the relationship is more complex, but for the reasons outlined above the policy results are basically the same.

preservation of the American, democratic, free-enterprise order at home. Originally formulated as an "Open Door" foreign policy to prevent the closing of the external frontier by European colonialism, and to ensure American access to and eventual domination of global markets, this policy has become in the postwar period a policy of preserving and extending American hegemony and the free enterprise system throughout the external frontier, or, as it is now called, the "free world." From Woodrow Wilson's First World War cry that the world must be made safe for democracy, it was but a logical historical step to Secretary of State Byrnes's remark at the close of the Second World War that the world must be made safe for the United States. This is the core of America's messianic crusade: that the world must be made over in the American image (read: subjected to the American corporate system) if the American Way of Life (read: the corporate economy) is to survive at home.

If expansion (and militarism) had held the key not only to American prosperity,¹⁰ but to American security as well, the postwar period would undoubtedly have realized Secretary of State Byrnes's ambitious goal. In the last stages of the war and the first of the peace, the United States successfully penetrated the old European empires (mainly those of France, Great Britain, and the Netherlands), assumed control of Japan and its former dependencies, and extended its own power, globally, to an unprecedented degree. By 1949, the United States had liens on some 400 military bases, while the expansion of direct overseas investments was taking place at a phenomenal rate. Thus, while between 1929 and 1946 U.S. foreign investments had actually declined from \$7.9 to \$7.2 billion, between 1946 and 1967 they increased an incredible eight-fold to more than \$60 billion. It is this global stake in the wealth and resources of the external frontier that forms the basis of the U.S. commitment to the worldwide status quo (though it may not always provide the whole explanation for particular commitments and/or engagements). It is this commitment to the internal status quo in other countries (the State Department actually runs a course for foreign service officers and ambassadors called "Overseas

Internal Defense") that renders Washington's expansionist program not the key to security but the very source of Cold War conflict, with its permanent menace to mankind's survival.

For the expansion of corporate overseas investment has to an overwhelming degree not produced beneficial results, and the status quo, of which the corporations inevitably constitute a dominating part, is almost everywhere a status quo of mass human misery and incalculable suffering. In the words of one observer of the corporate scene:

No one acquainted with the behavior of Western corporations on their pilgrimages for profit during the last fifty years can really be surprised that the . . . explosions now taking place [in the underdeveloped world] are doing so in an anti-American, anti-capitalist, anti-Western context. For many years these continents have been happy hunting grounds for corporate adventurers, who have taken out great resources and great profits and left behind great poverty, great expectations and great resentment. Gunnar Myrdal points out that capitalist intervention in underdeveloped countries thus far has almost uniformly had the result of making the rich richer and the poor poorer. . . .¹¹

This has indeed been the undeniable historical consequence of capitalist corporate expansion, although this is not what one is led to believe by the orthodox theorists and academic model builders who function so frequently as the sophisticated apologists of the American empire and the policy of counterrevolutionary intervention necessary to maintain it.

In the writings of such theorists, the expansion of America's monopolistic giants and their control of the markets and resources of the poverty-stricken regions is presented as entailing the *net* export of capital to these capital-starved areas, the transfer of industrial technologies and skills, and the flow of wealth generally from the rich world to the poor. From this point of view, revolutions in the underdeveloped world which challenge the presence and domination of foreign corporations and their states are either misguided or sinister in intent, and contrary to the real needs and interests of the countries involved. Indeed, for those who maintain this view, revolutions are regarded as alien-inspired efforts aimed at subverting and seizing control of the countries in question during the period of great difficulty

and instability prior to the so-called take-off into self-sustaining growth. This is the argument advanced by W. W. Rostow, former director of the State Department's Policy Planning Staff and the chief rationalizer of America's expansionist counter-revolutionary crusade.

In fact, this view rests neither on historical experience, which shows the presence of foreign capital and power to have had a profoundly adverse effect on the development potential of the penetrated regions, nor on a sound empirical basis. Far from resulting in a transfer of wealth from richer to poorer regions, the penetration of the underdeveloped world by the imperialist and neo-imperialist systems of the developed states has had the opposite effect. As a result of direct U.S. overseas investments between 1950 and 1965, for example, there was a *net* capital flow of \$16 billion *to the United States*, and this was just a part of the negative transfer. Similarly, when looked at in their political and economic settings, the much heralded benefits of the advanced technologies transplanted into these areas, but remaining under the control of international corporations, also tend to be circumscribed and even adverse in their effects. Indeed, regarded in terms of its impact on total societies, rather than on particular economic sectors, the operation of opening the backward and weak areas to the competitive penetration of the advanced and powerful capitalist states has been nothing short of a catastrophe. For as Paul Baran showed in his pioneering work, *The Political Economy of Growth*, it is precisely the penetration of the underdeveloped world by advanced capitalism that has in the past obstructed its development and continues in the present to prevent it. Conversely, it has been primarily their ability to escape from the net of foreign investment and domination that has made a chosen few of these countries, like Japan, an exception to the rule. Professor Gunder Frank and others have continued the work that Baran initiated, showing how foreign capitalist investment produces the pattern of underdevelopment (or "growth without development" as it is sometimes called) which is the permanent nightmare of these regions.

The view expounded by these writers, which is based on a

thoroughgoing and concrete historical and social analysis, makes fully intelligible the fact of anti-imperialist revolution in the underdeveloped world and its inevitable conflict with the Western powers. Only this view can show revolution as the real full-blooded historical phenomenon that it is, rather than the implausibly contrived product of foreign-generated conspiratorial intrigue.* It also explains why communist and socialist revolutions have been so intimately and integrally bound up in the contemporary era with struggles for national liberation and self-determination. For the gateway to national political independence and economic development in the penetrated and dependent regions leads inevitably through the *class* revolution—i.e., the expropriation of the corporations' foreign and domestic agents who dominate the politics and economics of these countries, siphon off the national wealth, and prevent its utilization for overall national industrial development.

However, while the recent history of the Cold War can be seen to fall easily into this structural pattern of corporate expansion and national resistance, of social revolutionary upsurge and counterrevolutionary intervention, the international conflicts of the entire postwar period present a somewhat more complicated problem for analysis. For in the early postwar years, the conflict between Russia and the United States over the peace settlement in Europe dominated relations between all states to an exceptional degree. Moreover, while this conflict was certainly related to the Open Door expansion of the corporate system¹² and the rising nationalist and anti-capitalist revolutions in the underdeveloped world (from southeastern Europe to Asia), its domination by great-power politics and by the abrupt power shifts resulting from the war, gave to it a different appearance and a character somewhat different from the conflicts of the later period.

This exception notwithstanding, the fanatical anti-Communism which took root in this period and which has been

* Perhaps the acme of absurdity in promoting the conspiracy theory was reached when President Johnson justified the intervention of 30,000 Marines in the Dominican Republic by the presence of 53 alleged Communists supposed to be behind the Dominican Revolution.

such a central and consistent feature of America's messianic Cold War crusade, fulfills a clearly discernible and indispensable function in corporate ideology and the success of the corporate program. For as a system which is by nature expansionist (from the sheer pressure of the world market and the competitive struggle to control it) and which generates nationalist resistance and revolt that must be countered and contained, the American corporate empire is beset by a real and basically insoluble problem: How can it justify the counterrevolutionary intervention necessary to extend and to preserve itself in terms of an American ideology of democratic pluralism and revolutionary self-determination? The corporate answer to this dilemma, arrived at early in American history, and in which anti-Communism now plays the central role, is to present the intervention as a program of "containment" against a third threatening imperial force or party. Thus just as the U.S. thrust into the markets of China at the turn of the century was carried out under the cover of containing European colonialism, so the takeovers in Cuba and the Philippines were presented as efforts to save those countries from the clutches of imperial Spain. The pre-Communist origins of what has become a crucial ideological gambit in U.S. foreign relations are symbolized in the fact that when Bolshevism first triumphed in Russia, and there was no external Communist power on which to blame the revolution, Lenin and Trotsky were presented as *German* agents, and U.S. counterrevolutionary intervention as an attempt to contain German imperialist expansion.²⁸ When the second major Communist revolution was occurring in China, it could of course be presented by the State Department as a takeover by Russia, despite the substantial evidence available to document the rift between Stalin and Mao, about which the State Department was well aware. From then on, any Communist revolution, no matter how nationalist in character or content, became in State Department White Papers the illegitimate offspring of "Communist imperialism" centered in some conveniently located Communist capital.

Historically, of course, there has never been a legitimate resistance or revolt from the point of view of the ruling power. American revolutionaries themselves were portrayed by their

opponents as agents of the French. So it is as but part of this old historical pattern that U.S. counterrevolutionary intervention in defense of the social status quo in Vietnam should be officially justified by portraying the Vietnamese guerrillas in the south as mere agents of their brothers in the north, and then by insinuating that the north is a puppet of Moscow or Peking. In this way, Washington, like all previous ruling powers, seeks to present its own role as that of the would-be protector of its intended victim, and in this case also as defending self-determination and therefore acting in accord with America's traditional ideals.

The increasingly violent contradiction between the American policies of expansion and counterrevolutionary intervention and American ideals has its roots in a past that long pre-dates the Cold War, although it is undoubtedly the Cold War ascendancy of U.S. power that has made the contradiction so acute. This contradiction between American program and American creed reflects an equally important conflict between the structures of American social and political life, and the American democratic framework. For in a profound sense, foreign policy is but an extension of domestic policy: the inequality of privilege and power in American society mirrors (and serves) an even more insidious global inequality. Similarly, the gathering revolt against the corporate system at home is but one of the outward ripples of the post-1917 global revolutionary upsurge against the imperialist world system that America in part inherited and in part has taken over from the old European colonial powers. It should be clear from this that neither world history nor American policy, neither the Cold War nor the U.S. role in it, can be understood without a previous understanding of the class character of American society and the nature of the corporate system that underpins and structures it.

Notes

1. A. A. Berle, Jr., "Economic Power and the Free Society" in Andrew Hacker, ed., *The Corporation Take-Over* (New York: Doubleday, 1965), p. 97. This is a collection of papers originally prepared for the Center for the Study of Democratic Institutions, Santa Barbara.

2. Hacker, *The Corporation Take-Over*, Introduction, pp. 10-11.
3. Hacker, *The Corporation Take-Over*, p. 9.
4. Berle, in Hacker, p. 91. Cf. C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956), p. 126n: "As political organizations [the corporations] are of course totalitarian and dictatorial, although externally, they display much public relations and liberal rhetoric of defense."
5. Paul Baran and Paul M. Sweezy, *Monopoly Capital* (New York: Monthly Review Press, 1966), p. 155.
6. Gabriel Kolko, *The Roots of American Foreign Policy* (Boston: Beacon Press, 1969), p. 26.
7. See Horowitz, "Charity Begins at Home," *Ramparts*, April 1969; "The Billion Dollar Brains," *Ramparts*, May 1969; and "The Sinews of Empire," *Ramparts*, October 1969.
8. William Appleman Williams, *The Tragedy of American Diplomacy* (New York: Delta Books, 1962); Walter La Feber, *The New Empire, An Interpretation of American Expansion 1860-1898* (Ithaca: Cornell University Press, 1963); Lloyd C. Gardner, *Economic Aspects of New Deal Diplomacy* (Madison: University of Wisconsin Press, 1964). On the immediate Cold War origins, see also Gar Alperovitz (another Williams student), *Atomic Diplomacy: Hiroshima and Potsdam* (New York: Simon & Schuster, 1965).
9. See the essays by Professors Gardner, Eakins, and Williams in the forthcoming *Corporations and the Cold War* (New York: Monthly Review Press, 1969).
10. On the ultimate connection between corporate capitalist prosperity and militarism, see Rosa Luxemburg, *The Accumulation of Capital* (New York: Monthly Review Press, 1968); Joan Robinson, "Marx, Marshall and Keynes," in *Collected Economic Papers II* (New York: Oxford University Press, 1960); and Baran and Sweezy, *Monopoly Capital*. Cf. also the essays by Professor Phillips and C. Nathanson in the volume cited in footnote 9.
11. W. H. Ferry, "Irresponsibilities in Metrocorporate America," in Hacker, *The Corporation Take-Over*.
12. See the essay by Professor Gardner in the volume cited in footnote 9.
13. Cf. William Appleman Williams, "American Intervention in the Russian Revolution, 1917-1920," in *Containment and Revolution* (Boston: Beacon Press, 1967).

This is the introductory chapter of a collection of essays entitled Corporations and the Cold War, edited by David Horowitz and available from Monthly Review Press, 116 West 14th Street, New York, New York, 10011.

published by
 New England Free Press
 791 Tremont St.
 Boston, Mass. 02118

