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UNDERDEVELOPING THE WORLD

Harvard and Imperialism

**the role
of the
development
advisory
service
(das)**



**If you're going
to change the world,
you've got to start
somewhere.**

Since trade ignores national boundaries and the manufacturer insists on having the world as a market, the flag of his nation must follow him, and the doors of the nations which are closed must be battered down. ... Colonies must be obtained or planted, in order that no useful corner of the world may be overlooked or left unused.

Woodrow Wilson, 1907

I suggest we will perceive: that overriding both the common purposes and cross-purposes of business and government, there is a broader pattern -- a 'consensus' if you will, where public and private interest come together, cooperate, interact and become the national interest.

Fred J. Borch, President
General Electric Company, 1964

If you tried to gauge the politics of a government, you'd never work for anyone. There are very few democratic governments around. We look at economic processes as an on going phenomenon, regardless of the course the population chooses for its government. Development is something that continues regardless of government.

Robert Bowie, Director
Center for International
Affairs
Harvard University, 1969

For ideological reasons the United States, Germany, the World Bank and others have been strong advocates of private enterprise. A country that caters to this preference is bound to profit.

Gustav Papanek, Director
Development Advisory Service
Harvard University, 1967

The DAS and U.S. Imperialism

AN ACCUSATION

United States business relations with poor countries and the political-military policies which support those relations have the effect of subjugation and exploitation for the masses of people in the Third World. It is because of its supportive role in this process of subjugation and exploitation that Harvard's Development Advisory Service (DAS) must be condemned.

Operating on an annual budget of \$3 million, the DAS is the largest project within Harvard's Center for International Affairs (CFIA). The DAS has a "field staff" of almost fifty economic advisors in Colombia, Ghana, Indonesia, Liberia, Malaysia and Pakistan. In these client states of U.S. imperialism, DAS advisors serve the function of stabilizing and rationalizing market economies which are thereby more reliable for international business. Furthermore, in each of these countries DAS advisors support reactionary and repressive ruling elites who thrive alongside the misery of the masses.

We will demonstrate the validity of this accusation. To do so, it is first necessary to state our general understanding of U.S. imperialism and explain the role of U.S. advisors in the imperialist system. It will be impossible to develop a comprehensive argument regarding U.S. imperialism, but some generalizations will be useful. The bulk of this pamphlet will be devoted to an examination of countries where the DAS operates and of the role of

the DAS in those countries. We have given special attention to the case of Pakistan -- the country where the DAS has its oldest and largest operation; and the country which is supposedly the DAS success story. We also discuss Ghana and Indonesia where there are, we think, two of the most politically significant DAS projects. Finally, we offer some comments on why DAS advisors operate as they do and conclude with some suggestions regarding what should be done about underdevelopment and the DAS.

ON U.S. IMPERIALISM

Big business in the United States prides itself on its international outlook. While the entire history of capitalism has been one of international expansion -- seeking out new markets, sources of raw materials, and cheap supplies of labor -- the period since World War II in particular has seen an extremely rapid growth of U.S. overseas investment and trade. In the period 1946 to 1967 the value of U.S. foreign investment increased from \$7.2 billion to \$59.3 billion and the volume of foreign trade has almost tripled.

The ownership of these overseas investments is highly concentrated among the largest firms. In 1966 sixteen firms, all among the top thirty by the Fortune magazine listing, received over half of all profits returned to the U.S. from foreign investments. With the advances in transportation and communications, however, more and more U.S. firms are "going international", and at least 11% of the profits earned in the corporate sector derive from foreign investments. Perhaps more important, foreign profits are growing much faster than domestic profits.

These operations need to be protected. Indeed, for the system to continue its successful expansion, opportunities for growth must be pre-

served. U.S. foreign policy serves this function. Major threats to U.S. investments have brought armed intervention -- Iran, Guatemala, Cuba, for example -- as have threats to areas of possible expansion -- Vietnam and the Dominican Republic. In other cases, more indirect means have served to eliminate or prevent from coming to power governments which would likely place limits on the "freedom" of U.S. business -- Brazil, the Congo, Portugese-occupied Africa are cases in point.

The system by which the U.S. attempts to maintain hegemony in the Third World -- a system best described by the term Imperialism -- employs the carrot as well as the Marines. The Peace Corps, government aid programs, the World Bank, and the DAS, to which we shall shortly return, are examples of the carrot operations of U.S. imperialism.

International capitalism requires stability. Businesses must, first, be assured that their investments will not be nationalized, and, second, be able to project the course of the economy in order to plan production. Thus, rapid and radical social change must be ruled out.

International capitalism means a market system of determining income distribution in poor countries. In those countries labor is abundant in supply relative to capital (i.e., a reserve army exists), and ownership of capital (the means of production) is highly concentrated. Therefore, a market system insures a highly unequal distribution of income.

International capitalism inhibits the development of an indigenous, dynamic industrial bourgeoisie in poor countries. The large corporations based in advanced capitalist countries secure the most desirable investments, repatriate profits to the home country, tie the local middle classes to

foreign interests, and tie the economy in general to their own priorities. Thus even a capitalist road to development is closed.

International capitalism means that socialism is an anathema. Thus, left organizations are ruthlessly suppressed. Reactionary governments are supported in preference to any "left leaning" or "liberal" regime, and even the introduction of minimal social reforms tends to be prevented.

In short, the maintenance of a smoothly functioning system for international capitalism -- that is, for imperialism -- results in the continued misery of the masses.

THE ROLE OF THE DEVELOPMENT ADVISORS

From the point of view of the dominant power, stability is a keynote of an imperialist system. Stability, however, should be taken to include the controlled development and rationalization of market economies. It is in this context that development advisors -- the DAS a bright (but by no means the most brilliant) galaxy among them -- have an important function in the operation of U.S. imperialism.

A chaotic and totally backward economy is of little use to international business. A lack of infrastructure (railways, power), arbitrary restrictions on trade, a poorly developed labor market, a government which cannot control the populace -- these are traits of a society which limit the opportunities for imperialist expansion.

In a society characterized by these traits the advisors have many functions. They run political training institutes to tool up the local civil service. They train the police and military in

techniques to preserve law and order. They advise on the restructuring of village communities to improve labor mobility. There are jobs for social scientists in many disciplines.

The DAS operates in the more purely economic realm, usually in coordination with a local planning commission or finance ministry. The economic advisors suggest what are the proper government investment programs and what should be left to the private sector. They offer advice on the alteration of tariff policy, usually in the direction of opening the market to international competition.

Direct advice on how to deal with U.S. business interests seems to be an area of special pride with the DAS. Although in many instances DAS advice may result in limits being placed on exploitation by U.S. business, this should not be taken as evidence that the DAS and imperialism are at odds. Unlimited and wanton pillage of a poor country by a few large corporations is not in the long-run interests of the imperialist system. In the same way that limits placed upon large corporations within the United States -- by the anti-trust division of the Justice Department, for example -- help maintain the smooth operation of the system, so limits which the DAS and others devise in the international realm have their function.

Stability in the Third World is important for imperialism not only because of its direct economic consequences. In several cases the immediate motivation of U.S. foreign policy seems political. Military alliances are formed, advisors are sent, ruling elites are supported where no significant economic interests are apparent. In some countries, even after U.S. political dominance is secure, international business is able to find few exploitable opportunities. Nonetheless, such cases still

fit into the general picture. First, the interests of international business demand that the fight against communism be carried out on all fronts. Second, it is important that possible areas of business expansion be secured, though not all of them will immediately yield good investment opportunities.

To these countries also, the economic advisors are sent, and they serve the same general function. In short, U.S. economic advisors in poor countries help create and maintain a system in which international business can best function. They play their role in imperialism.

II

The Operations of the DAS

PAKISTAN

Pakistan is the DAS success story. After fourteen years of Harvard advisors in Pakistan, the DAS reported in its annual review for 1967-68:

"Although the President's illness created a period of uncertainty, progress in economic policy and performance was excellent."

This public relations work would have been received with scorn by the Pakistan masses. While the DAS was waving the flag of victory for Pakistan's capitalist development, the people of Pakistan were rioting in the streets of all major cities. Although a new military take-over in early 1969 forced calm upon the country, it is clear that

animosity towards the ruling elite runs deep over corruption, repression, unemployment, and general poverty.

Yet by its own report the DAS is at its best in Pakistan. An analysis of Pakistan reveals the implications of capitalist development in the Third World and the impotence of economic advisors to play any positive role.

Pakistan was carved out of the Indian subcontinent in a rather arbitrary manner by the British in 1947. East and West Pakistan, with 41 million and 34 million people respectively at Independence, and separated by 1000 miles of Indian territory, had been the economic backwaters of the subcontinent. Neither half of Pakistan contained any significant industrial areas: Pakistan was entirely, and remains largely, an agricultural country.

In the 1950's Pakistan was politically chaotic and economically stagnant. GNP per capita remained about constant; agricultural output per capita and available food grains per capita actually declined. The presence of the central government in Karachi, as well as better-developed transportation and other facilities, attracted investors to West Pakistan; no such attractions were available in East Pakistan. Therefore, the existing income difference between the two parts of Pakistan (the West is richer) increased during the 1950's.

In his book on Pakistan, Gustav Papanek, head of the DAS and former head of the DAS team in Pakistan, describes West Pakistan's development in the 1950's as dominated by "robber barons", who exploited near-monopoly positions in the emerging industrial sector to obtain profits as high as 50% to 100% on their investments. Apparently the people of both halves of Pakistan suffered from this phase of development.

The period of economic growth in Pakistan, which the DAS finds so impressive, began at the end of the 1950's. In 1958, political instability ended abruptly with the military coup which brought Ayub Khan to power. Martial law was maintained until 1962; opposition was ruthlessly suppressed; and economic growth began. Per capita product grew at an annual rate of about 2.6% from 1960 to 1965.

Growth seemed to slow down after the Indo-Pakistan War in 1965, and the economy had barely recovered when the new wave of political uprisings began. Today, under the new military regime of Yahya Khan, all reports indicate that the economy, especially in East Pakistan, is in bad shape.

Thus the DAS period of "success" is confined to the early 1960's, and even the limited "accomplishments" of this period are less impressive on closer examination. The continued unequal distribution of income, inequality between East and West Pakistan, and the growing dependence on foreign aid, demonstrate the limitations of capitalist development in Pakistan.

Income Distribution

Pakistan is not unusual among capitalist countries in having a very unequal distribution of wealth and income. The present Chief Economist of the Pakistan Planning Commission, Mahbub-ul Haq (a former CFIA fellow), has said that twenty families own 66% of industrial assets, 70% of insurance funds, and 80% of bank assets. The other end of the income distribution is described in Pakistan's Third Five-Year Plan. 20% of the labor force has been unemployed (including seasonal unemployment) ever since Independence:

"In the rural areas nearly the entire labour force is idle during that part of the year in which no crops are grown. In urban areas regular unemployment is an ever-present threat to the worker and his family, and innumerable man-years are lost as many employ themselves in 'escape-jobs' like local transport, retail hawking, and other services, forcing productivity down to levels which hardly allow subsistence earnings. The continuing influx of labour into towns and cities makes it difficult to improve this situation."

The situation of those with regular industrial jobs is scarcely better:

"Industrial labour in Pakistan is among the lowest paid in the world. The Minimum Wage Ordinance is applicable in only a few industries, and in these, too, the floor has been set at too low a level.

...labour organization is poor and with a continuous influx of unemployed from the rural areas, it is clear that the bargaining position of urban and industrial workers will remain vulnerable to all sorts of exploitation. That this has happened is evident from the fact that wages remain depressed despite considerable gains in labour productivity."

The apologists for the Pakistan government have little difficulty in dealing with these facts. Recognizing that capitalist development can proceed in no other way, they simply make a virtue of the necessity--the necessity of capitalist development itself, of course, is never questioned.

For instance, Papanek sings the praises of Pakistan's large industrialists. They, we are told, have played the heroic historical role of accumulation. And to have them continue to do so, progressive taxes or other income redistribution policies must be ruled out. If this means raising taxes from the poor, so be it. Thus in recommending a type of taxation which falls heavily on the poor, Haq has written:

"The Government should not hesitate to place major reliance on indirect taxes, like excise duty and sales tax, for capturing a high proportion of the national product. The emphasis on indirect taxes may be criticized as 'reactionary' in an age which takes progressive taxes for granted, but it is indispensable in an underdeveloped country where average incomes are too low to extend the coverage of income-tax and the control of average consumption levels is a matter of national necessity...

The question of means becomes a question of feasibility. In this connexion, there is great virtue in imposing a general turnover tax on domestic production which takes away a certain specified proportion of national output right at the start."

The DAS has played its role in "providing incentives" to the rich. For example, in East Pakistan DAS advisors point to their success in getting the government to turn over several public corporations to the private sector. Within the confines of the present Pakistan system--a system which the DAS seems to have little trouble accepting--the turnover probably made sense: both the private and the public sectors are corrupt, but perhaps the former is more "efficient".

The case of turning over public enterprise to the private sector well illustrates the implications of an attempt to develop a capitalist system. An elite must be relied upon to accumulate capital and organize the economy, tasks they will only perform for high rewards. Inequality is a necessary outcome. In Pakistan, however, the elite is not even required to accomplish the task of capital accumulation. As shall be seen below, foreign capital and aid have taken over the job.

East-West Inequality

All of Pakistan is extremely poor, but East Pakistan is poorer than West. Writing in 1960, Haq estimated that annual per capita income was \$56 in East Pakistan and \$72 in West Pakistan. Before 1965 the Government of Pakistan published seriously inconsistent figures on regional incomes, suggesting that some branches of the government were attempting to conceal the extent of inequality. Since 1965, this inconsistency has been eliminated: now no statistics are released on income by region. Observers agree, however, that there is no indication that the regional income gap has stopped growing.

Many of the causes of regional inequality are obvious. Although over half of the population lives in the East, the central government is located in the West, and roughly 80% of top-level government employees are from the West. Naturally, government spending has flowed disproportionately to the West: both the First and Second Five-Year Plans, covering 1955-60 and 1960-65, allocated more funds for development in the West than in the East. Actual expenditures were even more slanted toward the West than planned expenditures.

Businesses, as well, have many reasons to prefer the West to the East: not only the presence of the government, but also a better-developed infrastructure of transportation, communications, and other facilities, make investment in the West more profitable. Once investments have begun in one region, the inequality is cumulative, as other businesses find it increasingly attractive to locate their plants near existing concentrations of business.

A less obvious, but equally important aspect of regional inequality is the continual transfer of resources from East to West. East Pakistan almost always has a favorable balance of foreign trade--its exports exceed its imports--while West Pakistan constantly has an unfavorable balance of trade. The central government control over foreign exchange makes it possible for West Pakistani importers to obtain, at artificially low exchange rates, a large share of the foreign currency earned in the East. This is very important because the supply of foreign exchange has been a limiting factor in Pakistan's development. In effect, the East has subsidized the development of the West.

Resources are also transferred from East to West through internal trade. Many of the industries of West Pakistan are small and inefficient, charging prices well above world market prices, and surviving only because of tariff protection. Consumers in both parts of Pakistan are forced to pay heavily for the development of West Pakistan's industries.

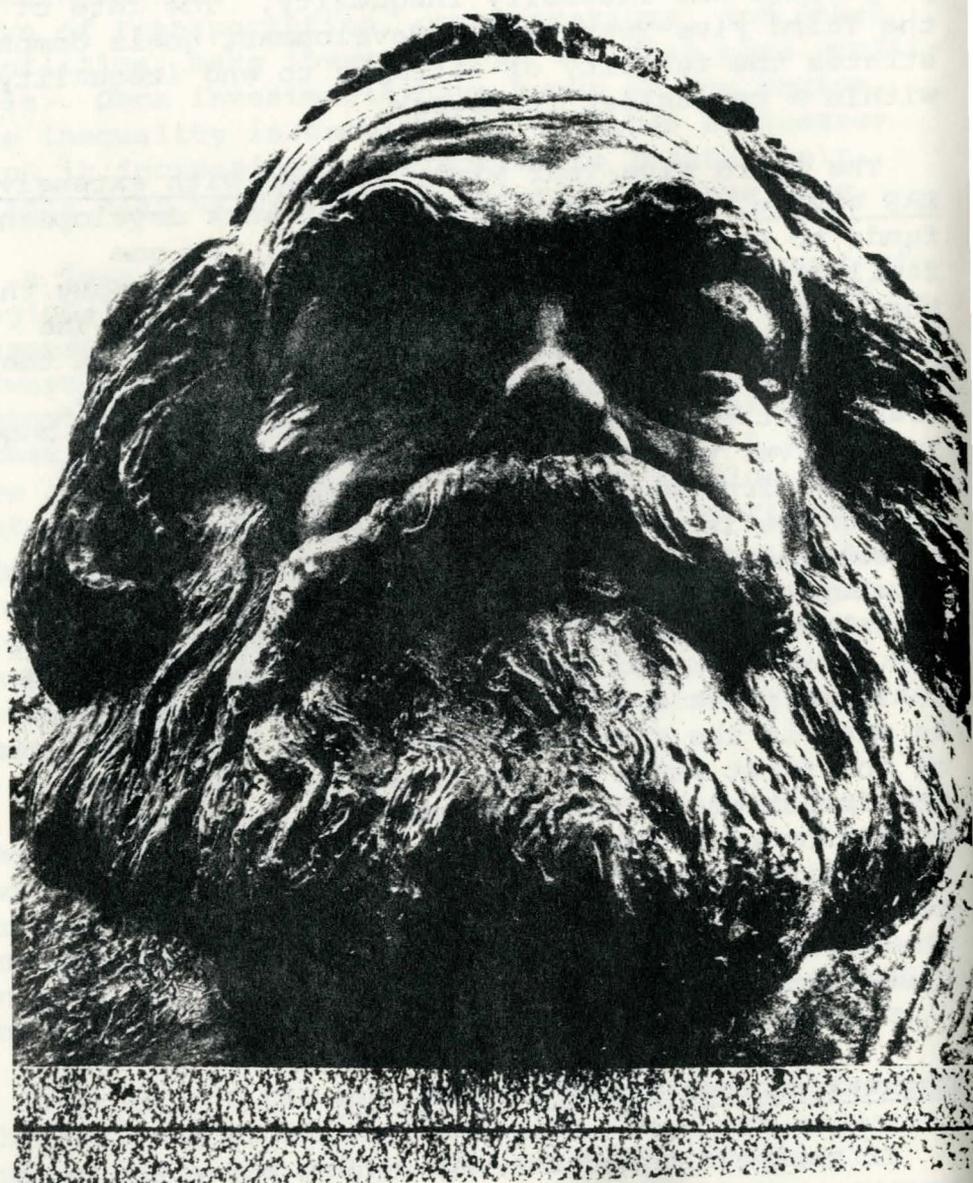
What do the DAS and its allies in the government, the Pakistan Planning Commission, do about regional inequality? Naturally, they say they oppose it. Indeed, the government is constitutionally committed to a policy of bringing about income parity between the regions. But formal commitments by advisors, planners, and the government mean little in the face

of the realities of capitalism -- realities which perpetuate and intensify inequality. The fate of the Third Five-Year Plan's development goals demonstrates the futility of attempts to end inequality within a capitalist framework.

The Third Five-Year Plan, written with extensive DAS advice, appears to allocate 8% more development funds to East Pakistan than to West. No one familiar with the Pakistan situation could deny that the 8% difference would do little to reverse the trend towards increasing inequality. But even the appearance of 8% more for the East is based on fraudulent calculations. First, funds for the huge Indus River project in the West are arbitrarily excluded from West Pakistan totals. Second, the assumption is made that the private component of investment (private investment is included in total development funds) would be equal in the two parts of Pakistan during the Plan period (1965-70). Yet all those involved know it was a farce to pretend that the private sector would invest anywhere near as much in the East as in the West. The experience of the first years of the Third Plan has revealed the fraud: once again, the West gets most of the money for public and private investment. DAS efforts to solve the major social problem of regional inequality seem to be paper efforts, and their only effect is to help veil the government's dishonesty.

Capitalism and Growth in Pakistan

If capitalism and the DAS cannot solve the most urgent social problems in Pakistan, what can they do? DAS members defend capitalism as an efficient system for capital accumulation and economic growth in Pakistan. The success of private enterprise, with only indirect government controls, in producing



If Africa, Asia and South America go communist, don't blame him.

Karl Marx is not responsible for famines in Asia or epidemics in Africa. It's not his fault that the average South American earns 75¢ a day.

All he did was predict the consequences.

That a population living in misery will turn to communism as a way out. Unless something is done to alleviate these conditions.

But the countries themselves don't have the economic resources to make these changes. The U. N. doesn't. Even the United States doesn't.

They need the help of world industry. Particularly U. S. industry.

Industry is in an ideal position to do this. It can deal directly with the people of a country. It can change their lives in a way no government can.

A small case in point: in 1958, Olinkraft, a subsidiary of Olin, bought a paper mill in Igaras, a small town in the remote interior of Brazil.

Igaras was the kind of town on which communism thrives—a declining mill, no doctors, shoeless children, men working an 84-hour week, etc.

It wasn't hard to increase the production of the mill eightfold, to lower hours and raise wages, to reforest the woodlands—but that wasn't enough.

We hired a doctor, nurses, teachers; expanded the school; built a dispensary, a clubhouse; provided free medical and dental care (and medicines at cost to non-employees); financed housing loans and helped set up a cooperative store.

And then the people joined in. They rebuilt their own homes, paid for their own teachers, built and operated their own store and, in effect, revitalized the whole town.

But the people weren't the only ones to benefit. Olinkraft did well enough from the mill to start an extensive expansion program.

Igaras, of course, is only one town. But Olin is only one company. Imagine this kind of success multiplied by tens of thousands of companies and towns all over Africa, Asia and South America.

The deeds of industry may well be as important as the gospel of democracy

Olin

Pakistan's growth in the 1960's, is the major theme of Papanek's book, Pakistan's Development: Social Goals and Private Incentives.

But the evidence, from DAS sources as well as from their critics, suggests that savings by Pakistani capitalists have not been sufficient to produce growth. Instead, investment has become more and more dependent on foreign capital, largely foreign aid. This imposes the economic burden of repayment of loans on the country, as well as tying Pakistan politically to the aid-giving countries.

Papanek estimated total savings as a percentage of GNP rose from over 9% in 1960 to over 11% in 1965. However, a Pakistani reviewer of Papanek's book suggested that Papanek generally exaggerates the rate of savings in Pakistan. Haq's estimate for 1960 was much lower, under 6%; furthermore, he calculated that the rate was higher in East Pakistan than in West:

"On the face of it, it seems surprising that East Pakistan should have a gross domestic saving rate of 8% in 1959-60 compared with less than 5% in West Pakistan; when West Pakistan is believed to have a higher per capita income, more inequalities in the distribution of its regional income, a bigger capitalist sector in its large-scale industry, and more developed financial and savings institutions. There can be no doubt that the saving potential of West Pakistan is higher than that of East Pakistan. If actual saving has been much lower than its saving potential, this is just because of the fact that it has not been required to save more. The inflow of external resources enabled West Pakistan to enjoy a high rate of gross investment (over 13% in 1959-60) without the necessity of generating a

high rate of domestic saving. On the other hand, the high rate of actual saving witnessed in East Pakistan was hardly an institutional phenomenon. It was forced on the economy."

In other words, more than two-thirds of investment in West Pakistan in 1960 was financed by capital from East Pakistan or foreign countries.

For Pakistan as a whole, all estimates, including Papanek's, indicate that 30%-40% of all investment is financed by foreign aid. Papanek's cheery predictions for Pakistan's future are crucially dependent on the continuation of this aid, as he admits in his concluding chapter: from 1965 to 1975, he writes:

"foreign loans and grants are projected to provide more than one-third of total investment funds. ... At least over the next decade (until 1975), an end to loans and grants would stop any substantial increase in per-capita income under Pakistan's present economic and political system."

As a consequence of the growing dependence on foreign loans, the Third Five-Year Plan projections show the percentage of export earnings absorbed by debt repayments growing from 10% in 1965 to over 15% in 1970.

DAS advisors seem unable to comprehend the reasons for rising debt payments, and complain about the U.S. switch from grants to loans in foreign aid as if it were a bureaucratic blunder, rather than a step towards easing the U.S. balance of payments problem. If present patterns continue,

and if Pakistan's export earnings do not increase phenomenally, Pakistan will need more and more aid to cover the finance charges on past aid. One solution, a revolution that repudiates past debts, is not recommended by the DAS.

Another consequence of foreign aid is political dependence on the donors. Since no other country can afford to give aid on the same scale as the U.S. it is certain that Pakistan will not stray far from the fold. The recent flirtation with China, though it produced some military aid and the collaboration of Pakistan's Maoists in maintaining law and order, is simply not a viable economic alternative to U.S. "generosity".

Pakistan: Conclusion

A succession of capitalist governments, operating with DAS advice, have done nothing for the people of Pakistan. Income inequality, between classes and between East and West, shows no signs of decreasing. Repression and corruption are as common today as when Harvard first intervened in the 1950's. Capitalism in Pakistan is not an independent, developing system, but a very dependent client of the major capitalist powers, unable to finance its investment plans without massive foreign aid.

Its ideological orientation prevents the DAS from offering advice which can help the Pakistani people change their society. Pious declarations of good intent and juggling statistics in Five-Year Plans are little help. The success about which the DAS boasts, an apparently temporary period of rising income per capita, means little as long as it occurs within the capitalist framework of inequality, repression, and dependence on foreign benevolence.

The DAS cannot change that framework; at its best, it can provide technical improvements in transportation, agriculture, planning methods, etc. At present such improvements, far from leading to basic change, can only serve to stabilize an illegitimate military government. And the people of Pakistan undoubtedly view that government and its American advisors as "part of the problem, not part of the solution."

INDONESIA

The pattern of development characteristic of Pakistan is apparent in the other countries in which the DAS is involved. Some of these, like Indonesia, are richer than Pakistan in natural resources, and offer more opportunity for exploitation by American business interests. Beginning in 1965 with the coup by General Suharto, Indonesia has attempted to create a stable climate for foreign investment. This process involved "eliminating" a half million communist sympathizers; returning to private owners the previously nationalized rubber and palm oil plantations, signing investment guarantee treaties with the United States, Denmark, the Netherlands and West Germany; offering an incentive program to investors which gives them tax privileges and liberal repatriation of profits provisions; and inviting the DAS to come and advise.

These programs -- encouraged by the DAS -- have had their desired effect. Foreign investment has increased tremendously. As of July 1968, seventy-three foreign investment projects had been approved by Indonesian technical teams. Into what sectors does this investment go? As U.S. News and World Report noted in August 1968, "Private foreign investment, which Indonesia is wooing, is not likely except in such extractive industries as oil, mining, and logging."

The effect of such investment will be to tie Indonesia into a pattern which in the long run must lead to stagnation. It shifts the allocations of resources to industries where prices in the world market have been falling. Indonesia must import processed goods from developed nations at high prices, while providing the natural resources needed for the production of the goods at continually dropping prices. Even Newsweek recognizes the effects of extractive investment on Indonesia:

"So far, foreign investment has focused primarily on the extraction of raw materials -- such as oil, timber and aluminum -- and will do little to help the general economy. In fact, few of these investments will have much immediate impact at all." (June 23, 1969)

The DAS, according to its own documents, has been essential in shifting the Indonesians towards this type of development program. It claims that its consultants

"played a major role in an attempt to alter the direction the economy was going. The essence of one proposal was a doubled inflow of foreign resources and some changes in import and tax policy."

While the DAS would argue that it advises Indonesia how to get the best deal possible with foreign investors, it is committed to encouraging foreign investment. The result is to tie Indonesia into the American corporate empire, and inevitably to place it in a position of subservience to the American economy. This provides great benefits for American corporations, but little or none for the average Indonesian citizen.

The DAS is part of a much larger process of transferring the "prize" of Indonesia to U.S. control; for, as Richard Nixon put it in Foreign Affairs (October, 1967),

"With its 100 million people and its 3000 mile arc of islands containing the region's richest hoard of natural resources, Indonesia constitutes the greatest prize in the Southeast Asia area."

GHANA

Harvard has sometimes been accused of ignoring the black revolution, of insensitivity to the oppression of black people at home and abroad. Some departments may be uninvolved, but not the DAS, with its projects in Ghana and Liberia. The only problem is that, as in Pakistan and Indonesia, the DAS is involved on the wrong side in Africa.

For years Kwame Nkrumah, when he headed Ghana's government, was a world-wide symbol of African independence. He appeared able to defy the imperialist powers which had dominated Africa, and pursued a non-aligned foreign policy. Domestically, he made halting steps towards nationalization of the economy. He was, however, far from being a genuine revolutionary: he was very involved in maintaining personal power and vanity, made many compromises with foreign businesses and governments, and accumulated a large debt financed by loans from European powers. But Nkrumah's anti-imperialist leadership internationally and his militance on domestic matters were sufficient to alienate the U.S. and the Ghanaian military. In early 1966, a western-backed coup toppled Nkrumah's government.

The new military government, the "National Liberation Council", was enthusiastically pro-capi-

talist, and eager to attract foreign investment. But it was hampered by its lack of technical expertise in setting up the machinery of government, and so the government turned to Harvard's DAS for help. The attraction was mutual; Ghana's generals needed the DAS, while the DAS was professionally intrigued by the situation. As Papanek explained in an early report on Ghana, "the government is particularly receptive to foreign advisors", and

"...there is an extremely interesting set of problems -- an economy that has gone very far towards collectivization and centralization, and which is now reversing the process to some extent."

The DAS advertises its role in Ghana, and other countries receiving substantial foreign investment, as helping the governments get larger concessions from the investing companies. But since the 1966 coup, Ghana has faced more pressing problems than its negotiations with private investors. Nkrumah's supposed debts, 330 million pounds when he was overthrown, had to be faced. How did the major capitalist countries treat Ghana in settling the debt? As the DAS told the story in 1966,

"Negotiations with the creditors proved surprisingly tough. The U.S., delighted with the turn of events in Ghana, was anxious to provide strong support to the new government, but since it is an insignificant creditor it played a relatively modest role in these discussions. ...

...the Germans and the British were tough and intransigent, arguing that they did not want to create a dangerous precedent for negotiations with the Indonesians, the Indians, the Turks, and others."

Why didn't the government of Ghana simply repudiate the debt? After all, the West was backing the "new Ghana" politically. Unhappily for Ghana, the western nations are businessmen first and ideologues second. A 1968 DAS report explained the situation:

"At the time of Nkrumah's overthrow, it might have been possible to repudiate or scale down many of the more doubtful debts. The government decided against this course, partly out of a sense of responsibility and obligation ("a gentleman does not welch on a debt") and partly under strong pressure from the creditors. Some countries threatened to cut off all aid and all export credit guarantees if the debt were not fully honored. ... Philosophy and practicality combined to induce the new government to honor Nkrumah's obligations."

The economic consequences for Ghana were disastrous:

"The new debt was stretched out, but at rather high interest rates and only for a short period of time."

Concretely, Ghana has made repayments of 79 million pounds, almost a quarter of the amount outstanding in 1966; but interest payments, reschedulings, etc., have raised the amount still due to 373 million pounds, well above the amount owed at the time of the coup. The taxes obtainable from foreign investors are insignificant alongside debts of this magnitude -- the largest investment so far is \$6 million by Firestone Rubber.

The DAS appears shocked at the harsh treatment Ghana has received from its foreign creditors -- treatment which undermines efforts to promote a stable government. One might conclude from this

treatment that capitalist development and dependence on the West would do little for Ghana's future. But with the theoretical blinders worn by the DAS, no alternative to capitalist development is considered. From their point of view there is nothing they can do but to continue to work within the capitalist framework of international inequality

In fact, the only solution the DAS can imagine is more of the same techniques. According to Papanek's report on the Ghana situation:

"Whatever is done, ...ours clearly is a project that cannot be successfully brought to an end within the next two or three years. My own guess is that a more realistic appraisal would be ten years from now."

The people of Ghana have a less limited vision than the DAS. In increasing numbers, it seems, they can imagine a change of government. Rumblings of discontent have reached the news media of New York and London. The Financial Times of London, in a special supplement on Ghana, noted that unemployment is rising, the government is displaying "insensitivity" to trade unions, and quaintly summarized the government's popularity as follows:

"...the National Liberation Council is certainly not as popular at home as it is for instance with the IMF (International Monetary Fund) or foreign business."

The National Liberation Council exposed itself when its own leader, General Ankrah, was forced to resign for taking bribes from foreign companies. It has now been replaced, through farcical free elections, by a new "democratic" regime committed to keeping Ghana within the Free World Empire.

Perhaps we should advise the advisors: Stay out of rifle range -- the attacks of the people of Africa, Asia and Latin America will not be as gentle as those of Harvard radicals.

III

Conclusion

WHY?

Why do DAS advisors operate as they do? This is not the place for a detailed discussion of their motives. They are involved in the "real world" of politics: like all politicians, they must be judged by their actions, not by their intentions. But since the charge of "conspiracy theory" will doubtless be raised, some comment on DAS motives is needed.

First, DAS advisors begin with the wrong theories. Like most American social scientists, they see their role as developing technical solutions to problems within the context of capitalist society. Within the confines of this outlook, they can be of little service to the masses, whatever their intentions.

Secondly, DAS advisors work for the wrong governments. With theories that never question the assumptions of capitalism, they are invited to be advisors only by governments that never question the assumptions of capitalism. Governments attempting a socialist transformation of their economies are not interested in Harvard's advice.

No conspiracy theory is needed to explain the role of the DAS. It does not matter whether DAS

advisors see themselves as well-intentioned reformers, apolitical technicians and civil servants, or conscious apologists for U.S. business. Whatever the intent, the function of DAS advice is to support governments that are friendly to foreign business interests, but repressive to their own people.

REVOLUTION AND SOCIALIST DEVELOPMENT

With or without Harvard's help, international capitalism oppresses the people of the underdeveloped world. Pakistan, Indonesia and Ghana are typical of the non-communist countries of Asia, Africa and Latin America. By now the pattern is clear -- and clearly outrageous.

But our anger at the results of capitalism around the world would be meaningless if there were no alternative. If revolution and socialist development were impossible, we might well despair of ever seeing material improvement in the lives of most of the world's people. Malthusian doubts about population outrunning food supply would be in order. Some of us, seriously concerned about underdeveloped countries, but seeing no way to create real improvements, might end up working for liberal institutions trying to achieve marginal reforms -- institutions like the DAS.

Such despair is unnecessary. Cuba, China and Vietnam have shown that revolution is possible, and that it does make a difference to the lives of the masses. In Cuba, illiteracy has been virtually eliminated, and each year Cuban medical schools graduate three times as many doctors per capita as do medical schools in the United States. In China, the threat of starvation has been overcome for the first time in history, and impressive beginnings of industrialization have been forged. In Vietnam,

before the escalation of the war, land reform was carried out by the NLF in the South, and schools and hospitals were built in every province of the North.

These changes were not brought about by foreign aid or advisors, by better planning techniques, by negotiations with foreign business interests, or by anything resembling gradual, peaceful reform. They were brought about, and could only be brought about, by revolution: the complete and violent destruction of the old order, and the creation of a new, socialist society.

The experience of socialist revolutions has shown that poor countries can save and invest enough to develop without foreign capital. The obstacle to development is not the absolute level of poverty, but the institutions which maintain poverty. In the case of Pakistan, one of the absolutely poorest countries in the world, Haq, as quoted above, described a substantial, unused capacity to save. The institutions of capitalism prevent the constructive use of domestic savings, and encourage a dependence on foreign capital inflows, in many more countries than Pakistan. Only a socialist revolution can mobilize the potential savings, eliminate luxury consumption by the upper classes, and in general use the country's economic surplus for the benefit of the people as a whole.

The destruction of capitalism frees an underdeveloped country to use its resources effectively. Capitalism tends to favor technically complex, capital-intensive forms of production, which do not make use of available labor, and which in fact leave many workers unemployed. Socialism permits labor to be organized and used for the country's development more sensibly than could ever be done under capitalism. The development of agriculture in China is a good example. The organization of large agricultural units, with part of the labor force working

on irrigation and other improvements, has increased agricultural productivity tremendously. Only a revolution that expropriated land from the land-owners could have carried out this reorganization.

Less tangible, but no less important, than the direct economic advantages of socialism is the social meaning of a revolution. A successful revolution is, above all, the people taking control -- of the resources of their nation, of the factories and fields, of their own lives. This control means that a revolutionary government will be responsive to the needs of the people, and, in turn, that a revolutionary government will be able to count on the enthusiasm of the people.

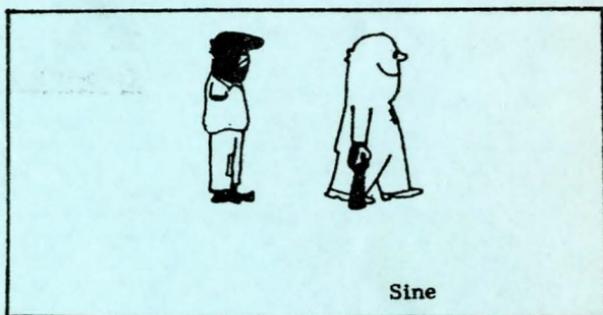
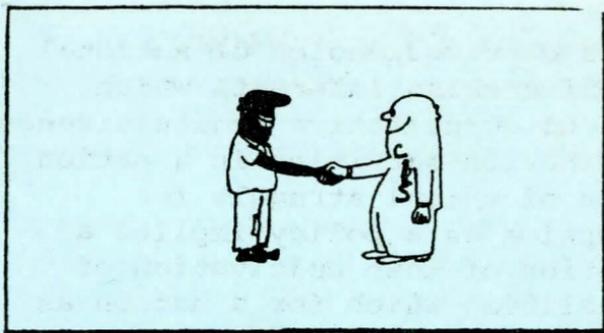
Thus, it has been possible for revolutionary countries to accomplish tasks viewed as impossible by those whose vision has been limited by the reality of capitalism.

Socialism is possible. It is more than possible -- it is necessary for meaningful development. Imperialism promises only repression, inequality and foreign domination to the people of the Third World. Advisors, like the men of the DAS, only serve to stabilize and rationalize imperialism, leaving the basic evils of the system intact.

THE FIGHT AGAINST THE DAS IS PART OF THE FIGHT
AGAINST IMPERIALISM.

"Imperialism is a depraved choice of national life, imposed by self-seeking interests which appeal to the lusts of quantitative acquisitiveness and of forceful domination surviving in a nation from early centuries of animal struggle for existence. Its adoption as a policy implies a deliberate renunciation of that cultivation of the higher inner qualities which for a nation as for an individual constitutes the ascendancy of reason over brute impulse. It is the besetting sin of all successful states, and its penalty is unalterable in the order of nature."

J. A. Hobson
Imperialism



This pamphlet was written by students and Movement research people in Cambridge. Copies may be obtained from The Old Mole, 2 Brookline Street, Cambridge, Massachussetts, 02139.