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MIDDLE EAST OIL AND
MULTINATIONAL EXPANSIONISM:
A STUDY IN IMPERIALISM AND UNDERDEVELOPMENT

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A STUDY IN IMPERIALISM AND UNDERDEVELOPMENT

By

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A Thesis
Submitted to the School of Graduate Studies
in Partial Fulfillment of the Requirements
for the Degree
Master of Arts

McMaster University

July 1975

MASTER OF ARTS (1975)
(Sociology)

McMASTER UNIVERSITY
Hamilton, Ontario

TITLE: Middle East Oil and Multinational Expansionism: A Study in Imperialism and Underdevelopment

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NUMBER OF PAGES: vi, 206.

ACKNOWLEDGEMENTS

I greatly appreciate the confidence and aid of my thesis committee members - Professors Louis Greenspan, Camille Legendre, Richard Roman, and Dusky Smith - in making this endeavor less hazardous and difficult than it might have been. All of these men have helped me to formulate questions and perspectives in useful ways at one time or another during the research. Dusky Smith, as Supervisor, has had most continuous contact with the progress of my work and been particularly helpful in needed theoretical and stylistic criticism. Qussay Samak, my husband, has not only endured the usual chaos of the thesis companion, but has been a most critical resource in terms of specific data on the Middle East.

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INTRODUCTION

It is surprising that "crises" such as the contemporary one in energy and oil resources as well as refining capacity elicit so little historical and sociological analysis, when, in fact, such "crises" will have ramifications on a global scale and for an unforseen period of time. Such is the context in which the contradictions implicit in the relations between resource-rich and resource-squandering countries become clearer, it is hoped.

In formulating a theoretical approach to the process of underdevelopment--as well as the role of multinational corporations in this underdevelopment, it is necessary to reevaluate the contributions and validity of an important body of theory. This theory, for the most part, has been produced in the developed countries (the United States in particular) for description of and application to underdeveloped countries. The two theoretical approaches to be examined are, firstly, the conventional ideal-typical and diffusionist-acculturational descriptions of socio-economic development which have predominated since the 1940's in the American social sciences, and, secondly, theories of imperialism and center-periphery polarizations which attempt to explain underdevelopment as part of the structural interaction between developed and underdeveloped countries.

The first school, represented by Walt Whitman Rostow's and Bert Hoselitz's theories,has roots in Talcott Parson's statificational descriptions of developed society. The second school, represented by Johan Galtung and Anouar Abdel-Malek, has two types of theoretical perspectives which both recognize the impact of structural relationships and draw upon the same broad definition of imperialism which can be found in the work of Max Weber. The work of Galtung and Abdel-Malek can be usefully contrasted with that of Osvaldo Sunkel, Harry Magdoff, and André Gunder Frank. These three combine the premises of Marxist-Leninist analysis concerning the expanionist growth of capitalism with the implications of the new multinational corporate and financial mode of enterprise, as well as the work of C. Wright Mills concerning the growth of an integrated "power elite" in the stratification of the developed country. Sunkle, Magdoff and Frank clarify those new mechanisms of intervention and penetration to which contemporary underdeveloped countries are subject.

In critically viewing both theoretical perspectives, it will become apparent that the second school emerges as the more useful for analyzing the development of the Middle East. The empirical base of this second school, however, has not been drawn from the Middle East, but from specific case studies of Latin America. At key points Middle East data will be introduced in order to assess the role of imperialism in the Middle East.

In order to substantiate the contention that multinational oil corporations and the American State Department have coordinated imperialistic policies and activities in the Middle East to safeguard access to oil as a cheap natural resource and that this coordination persists and furthers underdevelopment and conflict in the area and throughout the world, three broad premises will be investigated

1) Profitability is the underlying "motive" for imperialistic expansion of control over oil sources in the Middle East.

2) The mechanisms by which this control has been gained and perpetuated may change but are structurally based in the capitalist system and require a description of the type of power base that the major multinational oil corporations draw upon at home, as well as a description of the adaptability of this power base to historical changes in the developed and underdeveloped societies.

3) Instances of the exercise of that power can be best elucidated by focussing upon historically and structurally significant turning points in the gaining of monopolized access to oil in the most lucrative concessions: Iran, Iraq, and Saudi Arabia. (This analysis would cover what are perceived as major penetration and consolidation episodes from the 1920's through the late 1950's, and particularly those gains of the 2nd World War which faced the rise of the U.S. multi oil companies over their European rivals.)

The following outlines the specific types of data to be examined in support of these premises and provides the rationale for selecting certain kinds of data.

Profitability:

Behind the mechanisms set up to control access is a basic profit motive which can be accounted for in dollars and cents. Monopoly pays handsomely. Some of the basic figures on the extent of control of Middle Eastern oil resources and the comparative profit accruing to the multinationals (over time and in comparison with other oil rich Third World countries) will be examined. Profit rates of multinational oil corporations most active in the Middle East will be compared with those of other major American corporations. The importance of price controls and import quotas in maintaining such super profits will be examined, as well as the effect of this source of profits on the overall balance of payments of the U.S. economy. Finally, the profitability of the recent "energy crisis" will be reviewed for the light this sheds on the premise that oil imperialism creates crisis and underdevelopment.

The Structure of the Power Base:

By examining some of the links between the Rockefeller financial group, multinational oil corporations, and State Department foreign and oil policy-making personnel, one can estimate the political and economic dimensions of the power base from which the major oil multinationals draw in their efforts to expand their control and influence. For the process of political and socio-economic intervention in the Middle East is made possible by a more or less coherent economic and political power structure in the United States. This base has been constructed from inherited and reinvested wealth, (in part filtered down from and to a significant extent still controlled by the makers of the Standard Oil Trust), and from the creation of a strong alliance between oil interests and "national security interests". These mutual interests can be documented in policy statements by oilmen and State Department officials, and are also maintained through overlapping career patterns within the economic power and "expertise" base. Through these career lines oil personnel take on key policy-making and executive positions in the State Department, the CIA, the Council on Foreign Relations, ambassadorial posts, etc., moving fluidly from one key post to another.

Focussing in on the Rockefellers

Major oil company personnel and their colleagues in structurally connected financial groups (such as the Rockefellers, Mellons, and Morgans) and affiliated law offices have had a large and structurally significant input over time in policy-making, especially where it affects oil. This has allowed them, particularly since World War II, to muster the whole of the State Department's power (and that of many other cultural, political and economic institutional bases) behind them in their expansion into and acquisition of oil in the Middle East.

These effective capacities for influence will be examined to some extent by focussing on the Rockefeller financial group, which extends its control through four of the five major oil multinational corporations and several "minor" oil companies so active in the episodes to be analyzed. Such a power base, structurally and behaviorally maintained has militated against the opposition of any one oil producing country, as can be seen in the documented attempts of Iran and Iraq to gain control over their own oil resources through nationalization (one of the major threats to monopoly oil control) in the 1950's.

Ideological Disseminations:

The power base can be examined, as well, in its opinion-making and research capacity through a study of funding and directoral interlocks between oil company officials and Rockefeller personnel with universities and think tanks; through the influence of journals such as the Council on Foreign Relation's, Foreign Affairs; and in the power base's general ability to create a receptive "climate" at home and abroad for its operations. This will be examined briefly with a specific example of projects and research centers devoted to the Middle East. (More thorough documentation of this ideological aspect over time would require more extensive research.)

Activation of the Power Base:

Multinational control of oil in the Middle East was established through intervention; negotiation; cooperation with European rivals and competition among oil majors (depending on which tactic furthered whose interests at the time). In the course of several crucial episodes involving securing access to oil in Iran, Iraq, and Saudi Arabia, the closer identity of oil company and State Department interests and actions can be traced. The tactics of cooperation among the multinationals in the face of the threat of nationalism are balanced by recourse to military or counter-insurgency intervention, where tactics such as boycotts failed to bring results. "Open door" policies in the early period required diplomatic support from the State Department when British oil interests monopolized important sources of oil in Iraq and Iran (the earliest oil sources). Raw military threat, C.I.A. intervention and cohersion was a later tactic when nationalistic movements of the 1950's began to threaten multinational monopoly control. The consequences of such capacities for intervention can be seen in the "misdevelopment" and "conflict" which resulted particularly in Iran and Iraq when nationalization was temporarily defeated.

Throughout the episodes to be examined, certain individuals (for example Kermit Roosevelt) played key roles in facilitating both coordination of oil company and State Department interests and coordination of actual counter-insurgency intervention in the form of military coups (Iran, 1953). These individuals act out most vividly those career-line patterns between State and oil multinational personnel depicted in the structural description of the power base.

This overall process of expansion of oil multinational control in the Middle East will be demonstrated by focussing upon the following events which cover a time period of roughly thirty years, from the 1920's to the late 1950's.

A. Open Door: Iran and Iraq in the 1920's

In the post World War I period, American oil companies, backed by the U.S. government, attempted to oust British oil interests in Iran and Iraq which had been secured in the breaking up of the Turkish empire and the consolidation of British and French mandate controls via the secret Sykes Picot agreement of 1915-1916. Pressure by the American companies, particularly Standard Oil of New Jersey, brought American entry into one of these Middle Eastern concessions and co-operation in the form of a cartel of American and European interests by the time of the Red Line Agreement in 1928.

B. Behind Closed Doors: Access to Saudi Arabia and Bahrein, 1930's and 1940's

Gaining access to oil in Saudi Arabia and Bahrein necessitated breaking the Red Line Agreement (an agreement among American and European oil monopolists to expand only together). In order to have solely American control over the newly found concessions in Saudi Arabia and Bahrein, oil personnel close to President Roosevelt (James Moffett of Standard Oil, in particular) managed to have the American government pay off the Saudi King through Lend Lease Aid, after having failed to get the Navy to foot the bill through an oil deal. Personnel from the Gulf Oil empire (Mellon, an ambassador to England) coordinated efforts in syphoning the Lend Lease Aid through Britain at first, at this point weaker than the U.S. This period was a turning point in greatly strengthening the tie between Standard Oil of California's interests and American "national security" interests. It also created a close affiliate group of several of the American multinationals under ARAMCO, with vertical control from well head to markets in a 100% American monopoly.

C. Reaction to Nationalization: Iran and Iraq in the 1950's

The temporary boycotting of Iranian and Iraqi oil by American and European multinationals is a clear example of the monopoly control of these majors over a variety of sources of Middle Eastern oil, allowing them to exert political pressure by cutting production in any country that threatens to nationalize.

The 1953 C.I.A. engineered coup in Iran is an example of the counter-insurgency tactics which follow when boycotting alone fails to bring the appropriate concessions from a nationalistic oil producing country. This episode also elucidates the oil and CIA coordination at the personnel level (with reference especially to Kermit Roosevelt's role in the coup and the subsequent sharing out of Iran's oil concession among the multinationals.)

Such reactions to nationalization of oil resources must be understood in terms of a global strategy which sponsors military regimes and crushes nationalistic or socialistic regimes where possible since such shifts threaten the capitalist system's control of cheap resources and captive markets. Whereas Standard Oil failed in Cuba (at great profit loss it succeeded with the help of the other multinationals and their friends in the State Department with regards to the Middle East. If that structural control, so sound in the 1950's, has suffered any cracks in the last decade and a half, these appear to be minor, for the oil multinationals have recouped losses through several means: total concessions to de jure nationalism and maintenance of de facto monpoly; diversification of oil sources and monopoly control of other energy sources; propaganda against the Arab oil producers and creation of energy crises; the wooing of these producers into financial deals designed to recycle petrol-dollars faster than these can be spent on national self-sufficiency and development; and escalation of conflict and profit through arms deals.

CHAPTER I

THEORIES OF DEVELOPMENT AND IMPERIALISM EXAMINED AND APPLIED TO THE MIDDLE EAST

Part I. Ideal-Typical/Diffusionist-Acculturational Descriptions: Parsons, Hoselitz, and Rostow Reviewed

The following will outline Parsons', Rostow's, and Hoselitz's descriptions of the developed society and the subsequent derived descriptions of development in general, and critically evaluate their basic assumptions.

1.1 Distinct Variables and Value Patterns: Parsons' Structural Mystification

One of the major effects of Talcott Parsons' analysis of stratification is the reduction of structure to its parts (to distinct variables) and, in the process, the elimination of the structural and interactive aspect of exploitation which is important to both the stratification of developed societies and their interaction with underdeveloped societies. The following reveals his a priori assumption:

> Marx...tended to treat the socio-economic structure of capitalist enterprise as a single indivisible entity rather than breaking it down analytically into a set of the distinct variables involved in it. It is this analytical breakdown which is...the most distinctive feature of modern sociological analysis.... It results in a modification of the Marxian view.... The primary structural emphasis no longer falls on...the theory of exploitation but rather on the structure of occupational roles. 1

This is one of Parsons' major ideological statements. Its theoretical and methodological weaknesses will become more apparent as this model is elaborated. Parsons chose to focus, (and was emulated in this choice by Hoselitz), on value-pattern depiction as a key to stratificational description. He asserts:

> ... on general theoretical grounds we can state that the 'focus' of the structure of a system of action lies in the common value-pattern aspect of culture. 2*(italics Parsons')

This second assumption sounds more metaphysical than descriptive; certainly the assertion that "structure" lies in or is equal to a "value pattern" is mystical, if not mystifying. Parsons thus outlines the performance norms and values he asserts as typical of the American social structure; and, by extension, the developed society in general.

> ...we interpret the American value system to be very closely described in terms of the universal-achievement (or performance) pattern.... 3

A great deal of explanatory power is attributed by Parsons to this assumption of the "present value constellation". This universal-achievement orientation is an overriding factor in what he sees as the classlessness and meritocratic ordering of American society.

> Broadly it may be said that the amount of 'looseness' or spread is a function of the relative ascendancy of universalistic-performance values... 4

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*This theory was first published in an article by Parsons in 1940, American Journal of Sociology. One can only imagine the historically probable "reasons" for such theories in the post-depression, war-time U.S. when social scientists' jobs involved, (as they do still) justifying the status quo power structure.

"Spread" refers to the assumed relative independence of different subsystem hierarchies. He finds (discovers?) in the developed society a pluralism based on achievement rather than ascription, universalism rather than particularism, and specificity rather than diffusion of role functions; Parsons gives little elucidation of these "verities". These values, it appears, should have lead inexorably to technological and cultural modernity, to economic development. "The place of science in our cultural system is the most important single example of this generalization".[5] Western "Science", accordingly, is held to be one of those universalistic values responsible for developmental success.

1.2 Achievement Patterns and the Disappearing Act of Family Owners

There are not, Parsons asserts, any interlocking interests at the top, no corporate or other elites that wield power. This "fact" is not only mentioned in passing, with little recourse to substantiating data (in fact, in conflict with a host of data), but held to be the most salient and agreed upon feature of American (read "developed") society. Such an assertion about the "structure" of American society, hence exhibits the same missionary zeal as Rostow's "non-communist manifesto".

> The basic phenomenon seems to have been the shift in control of enterprise from the property interests of founding families to managerial and technical personnel.... This critical fact underlies the interpretation that what we may call the 'family elite' elements of the class structure-(the Warnerian

> 'upper-uppers')-hold a secondary rather than a primary position in the overall stratification system. On the whole their position is far stronger locally than nationally, and on the whole in smaller... less progressive communities. The burden of proof (Parsons refers to proof that there is a strong class of family owners) certainly rests upon him who would allege that we were well on the way to the development of a hereditary top class... 6 (italics Parsons')

The only evidence Parsons alludes to on this point is the following anecdote:

> A notable symbol of this is the recent fate of the Long Island estate of the J.P. Morgan family, which had to be sold at auction in default of payment of taxes. 7*

This assertion that separation of ownership and control is the most agreed upon fact of American stratification is propounded by Ralf Dahrendorf and Daniel Bell, as well.[8] However, it is based on the assumption that bureaucratic management is equivalent to bureaucratic control. Weber made a clearer distinction in saying that control over managerial positions could rest in the hands of property interests outside the organization as such.[9] Ferdinand Lundberg suggested that, "a very small group of families" through ownership interests and control of major banks were still in control of the industrial system. He said, "...in most cases (the largest stockholding) families had themselves installed the management control or were among the directors."[10]

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*Parsons failed, however, to mention the Rockefeller estate is still in tact and is taxed at a rate of almost $300,000 annually.

Paul Sweezy, among others, in a study of the 200 largest non-financial corporations and 50 largest banks (in the U.S.) found that half the corporations and 16 of the banks belonged to eight different "interest groups", binding their constituent corporations together with a significant amount of common control by wealthy families and/or financial associates and investment bankers.[11*] Aside from recognition of ability to control with lower percentages of stockholdings, where stock is widely dispersed, researchers have also traced working control through coalitions, trusts and foundations affiliated to the same family interests.[12] Such composit strength and integrated control not only conflicts with Parsons' description of American society, but also testifies to the resistance such corporate interests have to nationalization and shows their greater abilities to penetrate underdeveloped countires.

An example cited by Theodore Moran shows this interaction clearly. Both Kennecott Copper Corporation and Anaconda Company held extensive copper mine properties in Chile which were nationalized in 1971. Kennecott had aimed at insuring against appropriation by diversifying its power in the form of customers, creditors, and governmental support on three continents. It received compensation greater than the net

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*Although Sweezy later recanted to a large degree, there are others who have substantial data and elaboration on these points. See Bunch, The Managerial Revolution Revisited, for instance.

worth of its 1964 holdings. Anaconda, which had not spread its risk or built enough transnational alliances, lost its holdings, new capital, and compensation. Kennecott was probably controlled by the Guggenheim family. After the damage, Anaconda was reorganized. Fifty per cent of the corporation's staff was fired, and a Chase Manhattan Bank (Rockefeller family controlled) vice chairman became the new executive officer.[13] Where oil is at stake in the Middle East and where corporate interests are equally protected, one might expect similar ability to resist a variety of regional and national controls.

A major weakness in Parsons' analysis is not only this sort of apparent discrepancy in facts relating to the class structure of American society, but the methodological emphasis on _numbers_ of occupational roles as opposed to the structural importance of _key_ occupational roles. It is this point of departure and emphasis in methodology which has been taken up by his critics in the attempt to shoulder that "burden of proof".

1.3 Motivation and Achievement: The Bootstrap Syndrome

These empirical and methodological deficiences have been subsumed by Hoselitz's study of development. He believes if the majority of roles in the underdeveloped society could be changed to imitate the presumed American pattern (i.e., universalistic, achievement based, and specific in function), then socio-economic development would take place _sui generis_.

Parsons, himself, gives a hint of how this would apply to underdevelopment. For instance, instead of pointing to structural stratificational factors operating in the perpetuation of poverty or what we might call "internal" underdevelopment in America--he assures his readers that social mobility has not slackened, that equal opportunities are as available as ever. "Motivation" is all that is lacking in the value structure of the poor.* It is this "motivation", a social-psychological pattern variable linked to achievement that can be seen in the work of Hoselitz as a prescription against underdevelopment. In brief, the poor at home and abroad are merely psychologically and culturally deprived.

For Hozelitz, to change underdevelopment changes must be made in particular pattern variables, a number of roles or parts of the system. His theory ignores socio-historic and economic links between the developed and underdeveloped societies, and assumes underdevelopment to be an original state, or "first stage" (as in W.W. Rostow's theory of economic development and in the same non-empirical way that Parsons assumes the lower class failure to achieve has to do with psychological states).

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*Parsons believes that "the focus is on the determinants of the 'free choice' of the individual." "If the problem focusses on qualities of the personality, then the question is, how do these qualities develop?" Parsons, Op. Cit., p. 437. Parsons does let the cat out of the bag in a tiny footnote on the same page, however: "There is, of course, no reason why this lack of motivation to mobility may not be a function of continuing low status and hence opportunity over generations." If Parsons dealt with this, however, he would need a few facts and might be "dragged into"the theories and data of Lundberg and others about inherited "motivation" (i.e. wealth).

In Hoselitz's own terms, one would apply Parsons to economic development thusly:

> Class stratification and socio-psychological action patterns form strategic variables linked to development levels. Underdeveloped countries typically display sharp social polarities, steep ranking, low mobility, a disregard for economic performance as status-conferring. Ascription-achievement and diffusion-specificity are key dichotomies. The affect of specificity on productivity reflects back on stratification, while achievement-orientation makes individual mobility across groups possible. 14

The task, then, is to identify the ideal-typical differences in beliefs, then in action characterizing the developed and underdeveloped societies. He goes on to point out:

> ...we shall attempt to determine those aspects of social behavior and socio-psychological action patterns which may be said to form crucial or strategic variables in determining the forms and degree of stability of social stratification systems in societies at different levels of economic advancement.... Non-industrial or generally under-developed societies are characterized normally by the principle of ascription - as against that of achievement - as a major force assigning social, economic, and occupational roles. 15

1.4 Roles and Achievement: Hoselitz's Folk Tale for the Third World

Ascription and backward values, Hoselitz asserts, account for the lack of upward mobility, the lack of a democratically pluralistic social structure, and the diffuseness of role assignment leading to little division of labor where tasks are less sharply distinguished from one another. He claims that in "underdeveloped" countries:

> ... distinctions between economic roles and roles in other fields of social action are much less emphasized than in more advanced societies. 16

Small groups are said to be held together more by kinship ties where status differences are small and role allocation is on an ascriptive basis. This ideal "folk" or "traditional" paradigm may have existed at some historical point, but it certainly fails to adequately describe any contemporary underdeveloped society which Hoselitz discusses.

In brief, in focussing upon abstract pattern variables, Hoselitz has failed to address himself to the social whole or to the structural characteristics of underdevelopment, and thus is incapable of going beyond the static ideal-typical paradigm to a meaningful description of either developed or underdeveloped societies. He has not depicted how they interact, much less suggested a viable transformation from the former to the latter.

1.5 Stages of Growth: Rostow's Scenario

W.W. Rostow, rather than analyzing pattern variables, describes the possible stages toward development. His work is, however, tinged with judgements similar to those of Hoselitz in his attributions of characteristics connected with the first stage when he points out that, "the level of productivity was limited by the inaccessibility of modern science, its applications, and its frame of mind."[17] His basic description is that all societies can be identified as lying within one of five stages of development: the traditional society, the preconditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption.[18] He further assumes that all advanced societies have gone through this metamorphosis in becoming developed. The underdeveloped societies have never been other than they are at present, generally at "stage one" or "stage two".

Rostow's approach, like Hoselitz's, does not consider the history of those countries he typifies as underdeveloped (as being at "stage one"). The structure of their relations over time with the now developed countries is not part of his analysis. The historical evidence suggests these relations over time have drastically changed the pre-existing social and economic structures of the now underdeveloped societies. That is, the "stage one" of these countries was reinforced and perpetuated by the now developed countries. The effects of colonization upon India, Latin America, and the Middle East have not been made an integrated part of his analysis, have not been included in his "traditional society" paradigm.

If, on the other hand, such penetration is deemed to be one of the "preconditions for take-off", then where is the economic development which should have followed such "diffusion"? If Rostow believes that investment by the U.S. in Third World countries is part of the "diffusion" of Western economic wealth and Western-modeled "developed" infrastructures, perhaps he could find more believable reasons why so many of these countries, blessed with American exploitation of natural resources, have suffered such huge fiscal deficits and have become so inexorably dependent upon buying U.S. military expertise and products. Why have they agreed to stipulation on World Bank loans which, in fact, make them more dependent, less able to invest in local and national enterprises unless American multinationals benefit from such investment?

It seems, on the contrary, that those countries having had the longest contact with the developed countries (especially in terms of colonial rule) have often developed at a slower rate than other countries. It is difficult to find any contemporary underdeveloped countries which correspond to the first and second stages as delineated by Rostow. Stage three, the critical one for Rostow's analysis of transition, does not really show how a country moves from one stage to another with the possible exception of a country statistically increasing its rate of investment. A not too simple task.

Much burden of Rostow's proof rests on his assumption concerning England's development. Almost any textbook will describe how England did not solely rely on its own efforts to develop. The crucial role played by underdeveloped countries is ignored by Rostow. These countries provided cheap raw materials, consumer markets and/or labor - factors which could be a major reason for industrialization and "take-off" of the developed countries. If the present day underdeveloped countries were to follow the historical model of developed countries, as Rostow suggests, they would then have to exploit still more underdeveloped, but resource-rich countries.

1.6 Fatalism and Investment: The Fatal Flaw

This "diffusionist" stage model suggests that underdeveloped peoples suffer from the motivational flaw of "fatalism"[19] which creates their "resistance" to the diffusion of cultural norms from the developed countries. They should, instead, anxiously await aid from abroad bringing knowledge, skills, technology, organization, capital and values. If capital in fact does "diffuse", or flow, from developed to underdeveloped countries, the scenario would not be so fanciful. Diffusionary capital exists, however it flows in the opposite direction.

This epithet, "fatalism", as a description of Third World "resistance" to "modernization" (or Western penetration - political, cultural, or economic), is not new. The British and French imperialists of the 19th century found the term a neat cover for their own acquisitive interests in creating Iranian monopolies even before oil was discovered. Nationalistic and Muslim "traditional" resistance to foreign penetration was characterized in much the same way as Rostow characterizes the "underdeveloped" psychological flaw of present day nationalistic countries. For example, the French physician to the Iranian Shah wrote that Nasir-ed-Din Shah's "best intentions", (to allow in foreign investment and subsequent crippling debt in Iran), allegedly inspired by "the purest love of the public welfare",

> ...were too often paralyzed by the people interested in the maintenance of the status quo, who found, to boot, a solid support in the phenomenal inertia of Muslim fatalism. 20

The Muslim establishment served, hence, both the progressive role of resistance to foreign domination, and the role of resistance to internal secularization - a critical factor in the most important crises in Iranian history.[21] This "fatal flaw" of fatalism, was perhaps to become fatal for the designs of capitalistic expansion, and it is possible that Rostow, like the French and British imperialists, sensed this paradox.

1.7 Rostow's Methodological and Theoretical Limitations: The Twin Evils of C and N.

Rostow's assumption that capital diffuses to underdeveloped countries requires recourse to facts. One social commentator, Harry Magdoff, has noted that between 1950 and 1965 there was a net inflow from the poor to the rich countries of $16.6 billion dollars.[22] He further adds that a large portion of the capital, which developed countries themselves own in underdeveloped ones, came from the underdeveloped countries. If to this is added the factors of declining terms of trade (for Third World products on the international market), decrease in participation in world trade, the brain-drain (suffered most severely by Third World countries), and a number of monopolized and padded services rendered by developed countries which discourage parallel development in Third World countries, it may be an even more accentuated picture of capital flows out of underdeveloped countries.

Thus, in addition to the theoretical and methodological limitations of the theories discussed, the kinds and consequences of foreign investment and aid are perhaps the major factors that would lead one to reject both the diffusionist and the ideal-typical theories of development. However they appear to be the kind of theoretical backing which informs much of the on-going political, social, and economic policy in regard to the underdeveloped countries. For the political and ideological are inherent in them. Anti-communism and anti-nationalism (C and N) are part and parcel of Rostow's theories.

Rostow admits that communism "is one way in which this difficult job (economic development) can be done", but he warns, prophetically, that communism "is a disease which can befall a traditional society if it fails to organize effectively those elements within it which are prepared to get on with the job of modernization"[23] - in a way conducive to the spread of capitalism.

If communism is the cardinal evil, for Rostow, it is closely seconded by nationalism, a modern version of "fatalism", i.e. a form of resistance to modernization. For Rostow warns that "local talent, energy and resources (should be) channelled on to the domestic tasks of modernization as opposed to alternative possible objectives of nationalism."[24] Nationalism is thus opposed to modernization, according to Rostow - or at least nationalism siphons off precious "energies" which might better be used to entice Western penetration.

But W.W. Rostow has had a good deal more than a warning influence upon policies which affect such countries. During the height of the Cold War, the C.I.A. helped finance the publication of Rostow's The Dynamic of Soviet Society. Rostow also served as President Johnson's Assistant for National Security, at which time he and other members of the Center for International Studies wrote the book (The Center itself had been set up in 1950 with C.I.A. money.) The thesis of the book was that the Soviet Union was bent on world conquest and imperialism unless stopped by the U.S.[25*] (It seems that "imperialism" is a respectable word, for Rostow, only when it applies to the communists. In this ideological linguistic practice he is followed by most of the American social scientists of his era.)

1.8 Role Specificity: A Characteristic or a Catch-Word of Developed Society?

As can be seen from the above, and from André Gunder Frank's work, some of the conventional development theorists and key policy-makers in the U.S. State Department and foreign policy-making bodies such as the Council on Foreign Relations have been very closely associated. Where social theorist and politician non-elect are not one and the same person (W.W.

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*The book was published in classified and unclassified versions; one for the C.I.A. and one for the consumer market - both with the same general thesis, however.

Rostow, for instance)[26*] they are often colleagues or protegés of one another and of top corporate and financial elite representatives (for example, Henry Kissinger).[27**] These roles deviate strikingly from the "ideal types" developed by Parsons and Hoselitz; the majority of which they attribute to achieved rather than ascribed status and designate as specific rather than diffuse in function.

Just as "fatalism" became a catch-word of the early and later imperialists to designate Third World resistance to Western economic encroachment ("modernization"), so "ascribed status" versus "specific role" functions and "achievement" orientation became equally hollow but ideologically useful catch-phrases for the development theorists examined so far. Such theorists have, further, attempted to discredit and (where they cannot discredit) to subvert all nationalistic or socialistic attempts by Third World countries

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* André Gunder Frank has noted: W.W. Rostow, author of The Stages of Economic Growth: A Non-Communist Manifesto, went from teaching economics at M.I.T. to helping Kennedy and Johnson in plans for strategic bombing in Vietnam as Director of Policy and Planning and chief advisor on Vietnam. He wrote his work at the C.I.A. financed Center for International Studies. His brother, Eugene Rostow, joined him in Washington after teaching law at Yale.

** Henry Kissinger, protegé of Rostow, and former foreign policy advisor to Governor Nelson (now Vice President) Rockefeller, moved to Secretary of State. Kissinger was also placed (by Nixon) in control over all U.S. intelligence, as head of the National Security Council Staff, the Net Assessment Group, the 40 Committee which passes on all C.I.A. covert action "the most powerful man in U.S. intelligence", (Marchetti and Marks, p. 102) as well as key policy-maker and negotiator for the Middle East.

to control their own economies and to "modernize" under their own aegis.

As André Gunder Frank has pointed out, in reference to Latin American countries, military coups can hardly be described as ascriptive in the sense of being inherited or of being derived from the cultural "mentality" (as Rostow and Hoselitz imply). The emerging national bourgeoises of the Third World would have to be categorized similarly as displaying achievement orientation (though perhaps oriented toward different goals) because power is rarely in the hands of a traditional landed or feudal oligarchy. Even if one were speaking of feudal situations, "achievement orientation" might not be a concept which would illuminate the dynamics of the situation. Also, in capitalist underdeveloped countries where objective power resides in the hands of nationals, it rests with the military or civilians who occupy the top roles in the economic organizations, particularly with those who have commercial and financial ties with the developed metropolis.[28] In this respect, they do not differ from the American, or "developed" society.

Even in the U.S., the Hoselitz/Parsons model for an achievement-based society and the separation of role functions is hardly descriptive. Dwight D. Eisenhower was a general, president of a university, and president of the U.S. within a very short period of time. John D. Rockefeller Senior, Junior, the Third, and the Fourth have all been trustees of the University of Chicago, as is David Rockefeller.

Such categories are also inadequate for Middle Eastern countries where feudal monarchies do remain - Iran, Jordan, and Saudi Arabia. They remain, however by virtue of the "aid" of more "developed" and so-called achievement oriented societies - the United States, for instance. The very "stability" Hoselitz envisioned as a result of the grafting on of Western infrastructures and values is prevented by U.S. military and non-military aid to monarchial regimes which try to force ascription on the many. Instability is, in effect introduced and re-introduced.

For example, the 1953 C.I.A. engineered coup in Iran replaced an "advanced" form of democracy which was "universalistic", created by leaders of "achieved-status" (as well as being oriented toward achievement), and maintained by an elected assembly. The coup replaced this "developed" political model, a threat to Western expansion, with the Shah's royal family and U.S. trained shock troops.[29] The present U.S. Ambassador to Iran is Richard Helms, exchief of the C.I.A., which has maintained a private army in this geographical region for some time. In Saudi Arabia and Jordan feudal monarchies have been supported at first by British and then by American military aid - including functionally-specific U.S. trained armies and police. This "aid" was given (diffused?) to defend and protect functionally-specific goals of U.S. business and political interests.

A more striking example of the exceptions to such categories as Hoselitz and Parsons have designed is that of one of the key participants in the Iranian coup, Kermit Roosevelt. His career pattern is a prime example of diffusion in role pattern, as it is of imperialistic expertise and its rewards.

In 1948, Kermit Roosevelt, of the Oyster Bay Roosevelts, described the "pressure politics" supposedly at work in the congressional middle levels of power as they related to the partition of Palestine.[30] In 1953, via the C.I.A., he provided a real-life lesson in "pressure politics" as he master-minded the coup in Iran. This coup subsequently led to several of the major American multinational oil companies receiving huge concessions in Iranian oil. He then changed roles to become a top vice-president of Gulf, one of those very same oil companies.[31] An oil company Parsons overlooked, for it has been a stronghold of the Mellon family for around three generations. One of several corporations this family uses and has used to máintain and enlarge its wealth.

1.9 Role Weights: Overlooking the Power Factor in the Structure of Roles

André Gunder Frank, in the tradition of C. Wright Mills, would tend to emphasize the top and the bottom roles in society as the most significant in studying development. Frank focusses more on the developed countries as sources of underdevelopment and particularly on the powerful groups and heirarchies in the developed countries. When the United States, via the C.I.A.

in particular, engineers military coups in Latin America and the Middle East, a good deal of what Hoselitz vaguely termed "underdevelopment", occurs. Parliaments and labor unions, which are supposedly universalist, achievement oriented, and functionally specific, tend to disappear with such coups. In this sense not only underdevelopment, but the existence or threat of social and political instability are heightened. These countries do not have an isolated existence. The social structures of these countries are highly integrated with and linked to the U.S. It is not possible to analyze these countries outside of a social universe which is manifestly <u>international</u>. The question, then, is one of <u>role weights</u>. And the question is also one of a realistic perspective on twentieth century social and economic interaction which requires taking into account structural interaction on more than a national or bi-national level.

> In a word, how important is the difference between role specificity and role diffuseness if the socially significant and dominant specific roles are collected together in one or a few individuals who wear many hats simultaneously or in quick and institutionalized succession? 32

The limitations of such theories as those of Parsons, Hoselitz and Rostow go deeper than their own limited analyses of development and underdevelopment. A critique of these must point to the very inadequacy of the role "theory" itself, with its over-emphasis on the individual and its failure to deal with power - i.e. with either the overlap or weight of roles.

An over-lapping, or diffuse role structure is just as striking in the social sciences as it is in the military industrial complex, or in the oil corporation - State Department links of interest in reference to underdevelopment in the Middle East.

1.10 Theorists of Development and the Manufacturing of Underdevelopment

Those who produce theories of development often have a stake in creating underdevelopment. Rostow and others are no exception.

Frank traces the career-hopping of a number of social scientists, pointing out that Arthur Schlesinger Jr., Harvard historian, produced the "White Paper on Cuba".

> ...which was intended to justify the coming invasion of that country at the Bay of Pigs. He later admitted lying about the invasion in 'the national interest'. Stanford economist Eugene Staley wrote The Future of Underdeveloped Countries and then planned it in the renowned Staley-(General Maxwell) Taylor Plan to put 15 million Vietnamese in concentration camps... Since the failure of that effort at development planning, M.I.T. economic historian Walt Whitman Rostow has escalated the effort by writing The Stages of Economic Growth: A Non-Communist Manifesto... at the C.I.A. financed Center for International Studies... and has been operationalizing them on the Potomac as President Kennedy's Director of Policy and Planning... and President Johnson's chief advisor on Vietnam. It is on behalf of Vietnamese economic growth that Rostow has become the principle architect of escalation, from napalming the south to bombing the North... 33

The contradictions implied in such theories as applied to stratification within the developed society and as transferred to explanations of underdevelopment, require an alternative analysis, then. For there may be a strong relationship between the structure and stratification in the developed country and underdevelopment in the periphery, but perhaps it is a different sort than described by Parsons, Hoselitz, and Rostow.

Such coups as were mentioned in the Middle East and Latin America, were, perhaps, Rostow's anti-communist theory put to practice. In a letter to Washington Post correspondent, Chalmers Roberts, Allen Dulles summed up prevailing attitudes in the State Department, referring to the C.I.A. coups in Iran and Guatemala, saying:

> Where there begins to be evidence that a country is slipping and Communist takeover is threatened...we can't wait for an engraved invitation to come and give aid. 34

Part II: Structural Interrelationship: Center-Periphery, The Rise of the Multinational, and Imperialism

1.11 The Developed Society: Mills, Marx et. al.

Another approach to underdevelopment is a body of theoretical and empirical work which, in the social sciences is represented as far back as Weber and draws more on Hobson, Marx, and Lenin than on Parsons. These theories of imperialism focus on the structural concomitents of exploitation rather than on occupations. They tend to focus, in terms of motivation, more on the motivation of those who are in positions of decision-making power within the stratified system. For it is often here that policies are made that lead to the penetration of the socio-economic realm of the under-developed regions in order to safeguard corporate monopoly interests, consumer markets, labor, and access to raw materials. This focus on the powerful as opposed to the powerless is greatly influenced by the work of C. Wright Mills. It was Mills who carried the strongest opposition to Parsons in his description of American stratification:

> The power elite today involves the often uneasy coincidence of economic, military, and political power. 35

Unlike Parsons, Mills does not see a "managerial revolution" and meritocratic pluralism as the "most salient fact" of the twentieth century. Mills sees, on the contrary, a structural rigidity at the top and bottom of the social structure, allowing for power to be manipulated freely by a few with convergent interests and career patterns. The capitalist system has adjusted in ways unlike those assumed by Parsons. Mills counters:

> What the main drift of the twentieth century has revealed is that as the economy has become concentrated and incorporated into great hierarchies, the military has become enlarged and decisive to the shape of the entire economic structure; and, moreover, the economic and military have become structurally and deeply interrelated, as the economy has become a seemingly permanent war economy; and military men and policies have increasingly penetrated the corporate economy. 36

Mills' characterization of the American class structure is based on data more substantial than Parsons' anecdotes of auctioned off family estates. He suggests that members of the <u>elite</u> do not rise substantially from lower classes (i.e. do not exhibit achieved-status), but derive in substantial portions from the upper classes, whether old or new. They are from both small rural communities and metropolitan areas. Mills finds that the bulk of the very rich (corporate, political or military) derive, at most, from the upper third of the income and occupational strata. At the inner core of the elite, commanding roles are interchangeable between one dominant institutional order and another - hence Parsons' assumption of "role specificity" and discrete institutional heirarchies ("spread") appears to be refuted, particularly in describing the powerful.[37]

> The power elite, as we conceive it...rests upon the similarity of its personnel, and their personal and official relations with one another, upon their social and psychological affinities. 38

- and upon their economic interests, as Marx pointed out and as Mills implies throughout his work.

It is from such a description of the developed society that many sociologists began a fresh look at development, and redefined the focus. In this section the focus will be upon the major themes in theories of development, redefined as theories of imperialism. Some deal with the subject in terms of dominance in general, by one nation over another on the cultural, political, military, and economic levels, without attributing any major role to recent economic changes and innovations or to capitalism as an economic model. For these, colonialism and contemporary imperialism are merely varieties of the same broadly defined phenomenon. Theories that exhibit various parts of this broader tendency, exist in the work of Max Weber, Anouar Abdel-Malek, and Johan Galtung.

1.12 Development Viewed from a Power Perspective: New Developments

Other theorists of imperialism consider that strategic changes in the capitalist structure, particularly the rise of the multinational corporation and its greater integration with the military and State Department, have given rise to new forms of expansion and domination. Of these, Harry Magdoff, Osvaldo Sunkle, and André Gunder Frank are the most notable. It is for these latter theorists that the work of C. Wright Mills, Gabriel Kolko, and Maurice Zeitlen has had most impact. For, in questioning many of the assumptions underlying Parsons' stratification theories, these men also indicate that there may be not only a power elite, but a semi-ascriptive hereditary elite within the corporate structure that exerts a great deal of control via corporate wealth, corporate-financial interlocks, and accumulated power in the military and state spheres at home, (as they accumulate wealth through expansion abroad). Such structural integration makes it even more possible to advance the interests of multinational corporate and finance capital at home and abroad.

Multinational corporate power usually outweighs that of the countries in which many needed raw materials are based. There is then some question as to whether it makes sense to speak mainly of "nations" involved in imperialism, which is characteristic of the theorists of the broad approach

(Weber, Abdel-Malek, and Galtung). A recent study ranked non-socialist nations and American-based multinational firms by two indices of economic strength: a) volume of sales of top industrial corporations compared with gross domestic product of nations, measuring value of gross output for each, and b) level of after-tax profits with revenues raised by central governments. This ranking included four of the five major American multinational oil corporations (Standard Oil of New Jersey, Mobil Oil, Texaco, and Gulf Oil). The study indicated that these top twelve industrial corporations, each with sales of over three billion dollars, ranked among the top thirty-eight nations with comparable gross domestic product. These countries represented developed capitalist economies.

> In sum, the major multinational firms are comparable in economic power to the smaller developed capitalist nations and to all but the very largest of the underdeveloped nations. 39

The monopolistic mechanisms by which such economic power is accumulated and combined with political power to affect underdeveloped societies on many levels, then, become a major focus for theorists of the second type.

For the sake of chronological and analytical clarity, the "broad-definition" theorists - Max Weber, Anouar Abdel-Malek, and Johan Galtung will be treated first in an effort to delineate those theoretical strengths and weaknesses which will lay a foundation for some of the more specific points raised by the second group (Magdoff, Frank, and Sunkle).

Weber, Abdel-Malek, and Galtung are representative of those who have reopened the area to sociologists as a "legitimate" focus for research, those who have pointed to its broad implications and to the need for present day cross-disciplinary efforts.

1.13 Weber on "Imperialistic" Capitalism and "Militaristic" Capitalism

Though Max Weber is rarely quoted for his analysis of imperialism, (his respectability in the sociological profession resting on other, still controversial issues of power), his is one of the earlier analyses from a sociological perspective. While somewhat similar to the Marxist-Leninists in his description of the mechanisms of capitalist expansion and control of resources and markets abroad and the economic basis for such expansion, Weber suggests that in considering the forces behind colonialism and imperialism, non-economic factors must be taken into account. These would include "strategic" controls such as military bases, which are only indirectly, if at all, profitable, and social and political power stratification within the expansion oriented great powers. He does not, however, make reference to stratification within the colonized or dependent country. There is no investigation of counter ideologies, of nationalist tendencies, anti-imperialist or socialist movements. Somehow the process of imperialist expansion is considered in isolation and is attributed to the strength or size of "polities", rather than to the characteristics of capitalism itself as an organizational and ideological model. He does, however, point to the profitableness of imperialism:

> The extent to which interests of imperialist capitalism are counter-balanced depends above all on the profitableness of imperialism as compared with capitalist interests of pacifest orientation, in so far as purely capitalist motives here play a direct part. And this in turn is closely connected with the extent to which economic needs are satisfied by a private or collective economy. 40* (italics mine)

In his analysis of the developing mechanisms of financial and corporate monopoly capital interests in conjunction with national great power interests, Weber points to the profitability of 'imperialism' over 'open door' trade arrangements in terms of international economic and cultural domination. In imperialism, Weber includes both capitalist and pre-capitalist forms of colonialism (direct control of the foreign territory) and types of economic and cultural control which are established without direct or formal political control by the imperialist nation. Here, he includes "protectorates", and the analogy could be extended to the Middle East via British controls of Palestine and Iraq in the form of "mandates" (with the sanction of the League of Nations and later the United Nations). It can also apply to the European and US oil "concessions" in the Middle East in that these contracts were of a political nature as well as economic in character. He also delineates the types of financial monopolistic controls that allow modern nations' bourgeois interest groups,

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*Weber seems to have a good deal in common with Hobson. Both suggest that expansionism is a "choice" for a capitalist country, a choice which can be eschewed in favor of provision of increased social services at home and redistribution of income.

particularly munitions makers, to engage in imperialism without even the formal or informal ties of protectorates, expanding their influence in the state via weapons manufacture and sales.

Weber asserts that "the safest way of guaranteeing these monopolized profit opportunities to the members of one's own polity is to occupy it (the weaker country) or at least to subject the foreign political power in the form of a 'protectorate'".[41] In Weber's day, this in fact was the most clear-cut form of imperialism - outright colonial management (or creation of "mandates"), troops, and exploitation of resources. However Weber does not fully explain the roots of such imperialism, which he asserts has always been the "normal form in which capitalist interests have influenced politics."[42] He merely concludes that "Therefore, the 'imperialist' tendency increasingly displaces the 'pacifist' tendency of expansion, which aims merely at 'freedom of trade'."[43] At the same time, Weber concludes that the "revival of 'imperialist' capitalism" is "not accidental" and will continue even more successfully in the future.[44]

Weber also focusses upon the dynamics of the strata within the imperialist country who he believes to have less to gain from expansionist policies: "Experience shows that pacifist interests of petty bourgeois and proletarian strata very often and very easily fail."[45] Here, he refers to the pheonomenon of the impact of ideology on the masses, which he believes are easily swayed or roused to support imperialist drives, having little to lose except their lives (according to Weber), and he asserts that this fear can be "reduced to zero through emotional influence."[46]

Other sociologists, however, have remarked that the ideological impact has been subtler and involved <u>both</u> forms of capitalism as associated with the good of the masses. Some have suggested, in fact, that value-free social theorists serve both ends of the continuum of capitalism:

> Discoveries in the social sciences, like those of Giddings and Sumner, proved that marketeering coincided with human betterment as well as democracy. Giddings discovered that marketeering forays into foreign countries were necessary for the spread of civilization. Sumner opposed the use of the military to perpetuate marketeering interests in general, but he favored military intervention in specific cases that is, where the natives interfered with the 'atmosphere' needed for private marketeering.... Talcott Parsons, Edward Shils, Wilbert Moore, and Marion Levy Jr., among others, are used to defend or promote marketeering expansion in other countries. All these objective, value-free, neutral theorists are, of course, consistent with the humanistic heritage of the United States as interpreted by official sociology. 47

The above-mentioned theorists, may also be consistent with Weber, except for his admission that militant capitalism expands faster than any other kind.

The importance of arms sales to the expansion of capitalism was suggested by Weber; the importance of arms sales to Third World dependency and the very <u>maintenance</u> of capitalism has only recently been investigated, however, by theorists like Magdoff, Frank, and Sunkel. In the Middle East of all Third World regions, for instance, this mode of "expansion" is most striking. Richard Rising suggests that arms sales represent a refinement of imperialist policies rather than the one side of a dichotomized or schizophrenic capitalism (à la Weber):

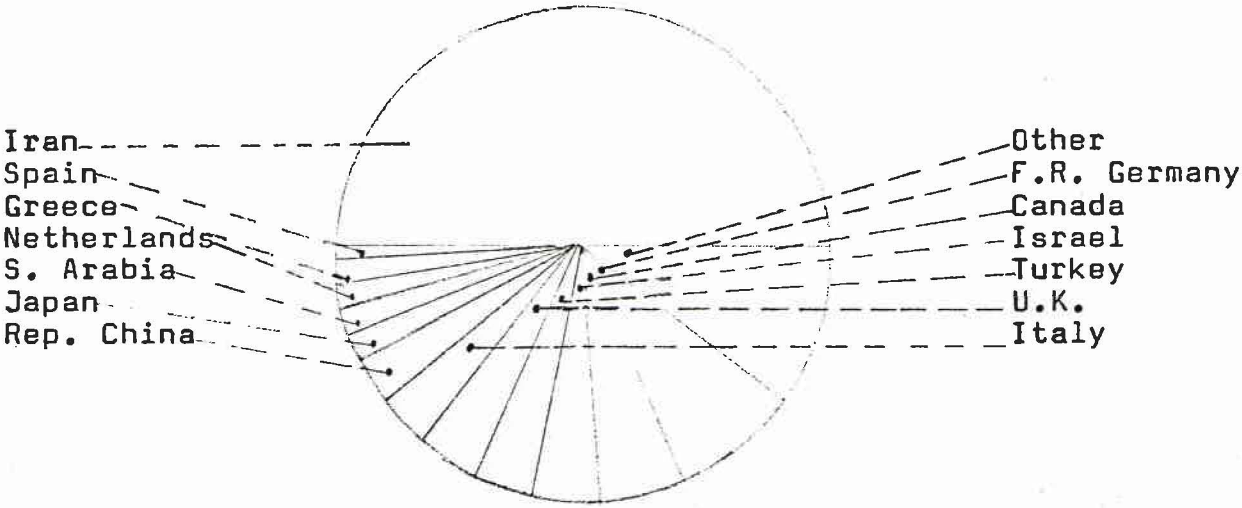
> The modern way to maintain market place stability represents a considerable advance over the 'land-the-marines' method. Yet the modern way remains closely tied to military means. Moreover, it is a true advance in the history of capitalism because it has brought the military and the economy ever closer to one another -- an inseparable sharing of roles... This neo-imperialism consists in building technological constituencies, or dependencies, by the sale of arms and other materials of war and play-war. 48

Weber was one of the first sociologists to point to the tie between militarism and capitalism, in that he said production and trade in munitions was the most "profitable" of capitalist enterprises and that credit extension to other countries or the home country for expansionary wars was another pay off to the financial community. Weber argued that there were those "interested in the existence of large home factories for war engines."[49] He went as far as to say that these people would "allow these factories to provide the whole world with their products, political opponents included.... A lost war, as well as a successful war, brings increased business to these banks and industries."[50]

When the U.S.'s war record is considered, her superior financial situation should be no surprise. Though Vietnam was a "defeat", it may not have been crippling to the U.S. economy. For the purposes of specificity, the U.S.'s arms sales in the Middle East as compared with other areas illustrate

TABLE I

RECIPIENTS OF US MILITARY CASH SALES
FISCAL YEAR 1973 - TOTAL $4,176,700,000



(in $ millions)

	DoD	Commercial	Total
Iran	2,054.3	52.2	2,106.5
Germany, Fed.Rep.	200.5	150.2	350.7
Canada	83.8	126.5	210.3
Israel	163.3	33.7	197.0
Turkey	180.5	1.1	181.6
United Kingdom	117.8	39.7	157.5
Italy	90.0	29.9	119.9
China, Rep.	88.3	6.0	94.3
Japan	50.9	42.9	93.8
Saudi Arabia	60.7	16.3	77.0
Netherlands	46.5	15.5	62.0
Greece	43.5	1.3	44.8
Spain	49.5	9.8	59.3
Total	3,497.7	669.0	4,176.7

Source: Center for Defense Information; As Reprinted in: *Merip Reports*, No. 30, August 1974, p. 24.

Weber's point in terms relevant to the 1970's (see Table I). In all of this discussion, there is no mention however, of the dependency such militaristic, expansionist capitalism creates in the weaker "polities" which can ill afford such luxury buying.

1.14 Weber On "Pacifist" Capitalism

Although Weber pointed to two major factors in the persistence of imperialism - its profitability and its alliance with the expansion of the military sector - he did not necessarily see these as integral parts of "capitalism". While his prognosis is that expansionist, imperialistic capitalism is on the ascendent, his introduction of the counter "pacifistic" capitalism is puzzling. Weber poses a dichotomized capitalism: "imperialistic" versus "pacifistic" capitalism. The latter may be even less meaningful or accurate today than it was at the time he wrote. Even those "pacifistic" forms of capitalism (which encompass, for Weber, all industries not involved in munitions production), would have necessitated expansion for access to cheap raw materials or labor, European countries sought colonies and bases for these sorts of economic controls as well.

In the Middle East oil was the focal point for most European imperialism even in Weber's time. Lord Curzon, a British official responsible for Middle East policy, credited Britain with having ridden to victory on a wave of oil during the First World War. Years later an American strategist wrote:

"that an adequate supply of oil was a vital element in military power was one of the most easily read lessons of (World War I)."[51] This oil came from Iraq - a concession which allowed the British to lessen their dependency on American Standard Oil sales and to more readily defeat the Axis. The creation of British mandates in Iraq and Palestine were most certainly a part of this strategy to safeguard the economically and militarily strategic oil reserves of the Persian Gulf. In the case of Palestine the reasons for "protectorate" status being established could be considered strategic to oil transport; in the case of Iraq the reasons for "protectorate" status involved directly economic as well as strategic or military considerations for the British empire. How, then, does one separate the "imperialistic" from the "pacifistic" industrial gain?

Corporations making munitions also produce civilian airplane engines, cosmetics, napalm, fertilizers, textiles, and synethetics, all of which eliminate dependence on natural rubber. However, these corporations still require great petrochemical resources and (polluting) refineries. Such refineries can be stationed in (and pollute) Third World countries at the profit of the multinational oil corporations which have integrated their product lines. These corporations have a stake in both types of capitalism. In fact, they represent and are examples of both Weber's categories, categories which are not mutually exclusive, but meaningless.

1.15 Abdel-Malek: Imperialism, A Global Perspective

Anouar Abdel-Malek, in the tradition of the 14th century Arab sociologist, Ibn Khaldoun, chose a more fruitful dichotomy for use in analyzing imperialism: dependency and domination on a global scale. Ibn Khaldoun had described "imperialism", or mechanisms of economic, cultural and political domination as they existed in his day in reference to the rise and fall of "dynasties" (or empires). He had also suggested the factors in the fall of empires, one reason being the rise of "group feeling" - or what might become a nationalist or socialist revolution in present day parlance.

Abdel-Malek suggests that a global approach to the study of imperialism must be combined with the "specificity" of country by country and situation by situation studies - in other words by hard data (something which Weber and Parsons did not use in their "global" approaches).

Abdel-Malek's own analysis of the dialectic of imperialism and dependence leads him to posit, on the basis of an assumption of Western control of the technological revolution and its fruits, that the problem is now one of global domination (in a broad cultural sense) and not only of financial, economic and political penetration.[52] His observations serve two functions: to redirect analysis toward a broader scope of reference, hence eliminating the error of focussing only on one or two nations; and to take into account not only the existence of imperialism (or "domination") but also the concomitant resistance to such domination. Though western sociologists should and sometimes do study what they are most familiar with, (for instance, the power structure in which they live) they are urged not to leave the dominat<u>ed</u> out of their analysis, (something which "professional" sociologists rarely do, but "radical" sociologists often do.) For, by concentrating only on the mechanisms by which domination is maintained, a sociologist loses sight of those structural limitations and shifts which can be used to advantage by the dependent partners in the imperialistic relationship. It is no longer only a question, then, of the changing nature of imperialism, but also of the struggles against it.

1.16 The Galtung Dimension: Center and Periphery in a Vacuum

Johan Galtung's "A Structural Theory of Imperialism" is a third and contemporary example of the broadly defined "domination" school of thought on imperialism. His theory may be an example of the extremes to which "structuralism" may be stretched. Unlike Abdel-Malek, he rejects emphasis on the economic aspects of imperialism as related to capitalism. It seems this is an attempt to eliminate any socialist or Marxist "bias" from his model, for Galtung strives for a <u>value-free</u> theory of imperialism.

> Our view is <u>not</u>...marxist-leninist (sic) theory, which conceives of imperialism as a economic relationship under private capitalism, motivated by the need for expanding markets. 53

He does borrow, however, from Lenin, stating that the imperialistic relationship between "center" (the powerful society) and "periphery" (the hinterland society) necessitates a "bridgehead" (or link), but obfuscates the concept "bridgehead" thusly: such that the Periphery center is tied to the Center center with...the tie of harmony of interest.[54*] Just what this "harmony of interest" consists of is not explained, for it might lead to a discussion of "classes".

Galtung focusses on one variable which he discovers distinguishes the center from the Periphery - the "intensity of processing", or the amount of technology used in the processing of goods and services. He suggests that the "intensity of processing" affects the diffusion of development; however, while this variable may be one indicator of development or underdevelopment, it would be difficult to imagine its being a <u>cause</u> of either state.

It is clear from Galtung's emphasis on the multiplicity of positive "spin-offs" (or extra advantage in increasing or improving goods and services) which accrue to the Center, that he has set up a dichotomy (paradox?) of "value-free" superiority of technology at the Center versus inferiority at the Periphery, where there are negative "spin-offs". The only negative spin-off he acknowledges at the Center is pollution (through higher technology). Even here he fails to see the trend of exportation of pollution to the Third World.

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*All of this jargon is sufficiently obscure to allow Galtung to leave <u>classes</u> out of his discussion - by speaking of the "Center center" and the "Periphery center" instead of the specific socio-economic strata that compose these two groups. Lenin was clearer about "bridgeheads"; "compradore bourgeoises" and their activities.

Galtung neither questions politicalnor socio-economic ramifications of the mode of production behind this Western technology nor clearly delineates and historically explains the power structure which facilitates the maintenance of such formidable technological and cultural "spin-offs" as research institutes, pollution, media, etc.

In fact, the uneven regional development itself is part of Galtung's *a priori* description, *not* treated in the explanation; there is no historical *or* specific data given (which would necessitate an explanation of the *origins* of the "Center-Periphery" dichotomy.) Galtung latches on to a potentially useful concept, but fails to give enough meat to the bare bones of the structure. This failure is hardly an oversight, it seems, for in the final analysis, all this abstraction has been carefully arranged so that Galtung can present the following climactic absurdity (value-free as it may be.)

In mentioning several types of economic, political, and cultural organizations which may "impliment" what Galtung refers to as "varities of imperialism", he asserts that organizations are imperialistic insofar as they are "feudally" organized. While he is perhaps correct in pointing to an "unequal division of labor" between developed and underdeveloped societies and the structural interaction within and between nations which creates this unequal division of labor, his analysis in terms of "feudalism" is inadequate to, say, either

General Motors or the International Communist Party. He treats them as though they were comparable--both "feudally organized" and both "expansionist". What then is the use of a theory which raises more questions than it answers? Perhaps the only thing these two organizations have in common is size. Is this the definitive characteristic of "imperialistic"? Galtung suggests that both GM and the International Communist Party, like certain "nation-states" are prey to some inner spirit of darkness; they "reflect the state of affairs in a world that...is too small for many nation-states to stay within their bonds, so they spill over with their gospels, and patterns are established that are imperialistic in nature."[55] (italics mine)

This analysis is less enlightening than Weber's, but stems from the same ideological "necessity" - a necessity to insist that Marx and Lenin were mistaken, that capitalism is not questionable. If Galtung has succeeded in producing "A Structural Theory of Imperialism", it is one free of content as well as values.* Such "value-free" attempts, thinly disguised as analysis of "inequality", also inevitably embrace the status quo.

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*Perhaps the limitations of his theory have something to do with the function of the "peace" research institute under whose auspices it was produced. Though Galtung is not the first (or the best) user of the concept of "center-periphery", he is the only sociologist to claim authorship of "a structural theory of imperialism". Hopefully his endeavor will not overshadow other more fruitful attempts such as those of Osvaldo Sunkel.

Weber, Abdel-Malek, and Galtung have pointed to the multiple economic, social, political (or strategic) aspects of imperialism as "domination" (without specifying connections with capitalism), and thus the need for an interdisciplinary approach to its study. Galtung has given the bare bones of a structural description of its mechanisms on a global scale. None of these, however, has fit his theory to a body of data.

1.17 Sunkel on Imperialism in Latin America: Subsidiarization And The Rise of the Multinational Corporation

Sunkel finds that a number of interacting and overlapping concepts and phenomena are related to imperialism: development, underdevelopment, dependency, marginality, and spacial imbalances. He finds that the previous idealized or mechanical focus on nation-states by conventional theorists of development or of imperialism is inadequate in explaining Latin America's present day status; hence an historical approach is necessary. He notes that "the formative stages of development... and the present structure of the underdeveloped countries are radically different from the assumptions implicit"[56] in descriptions of "mature" capitalist or "immature" underdeveloped societies as either ideal types or stages.

The focus that he, (like Harry Magdoff, and André Gunder Frank) suggests takes the characteristics of underdevelopment as the normal features implicit in the functioning of a given system. For, by treating these symptoms as deviation from an ideal, conventional theorists do not critically examine the system which produces these symptoms.

Sunkel goes beyond Galtung's conceptual framework (and jargon) to analyze the structural features at work and their interaction in the production of the following negative results in the underdeveloped country: slow growth and low income, inequality, instability, unemployment, regional disequalibria, specialization in production of raw materials and primary crops, economic, social, political, and cultural marginality, and dependence on foreign countries.[57]

Sunkel finds the traditional approaches ignore the crucial structural changes involved in an international economic system basically dominated by "transnational conglomerates", (multinational corporations), which permeate and overlap with national economic systems.[58] This is a Neo-Marxist recognition that such monopolies require and obtain raw materials and market outlets (as well as cheap labor) for use in increasing and disposing of economic surplus. Sunkel suggests that the recent relative worsening terms of trade for primary production, the instability of prices, and the general monopolistic nature of primary exporting leads to excess profits flowing out of the underdeveloped country to the foreign based firm.[59] He relates these factors to the creation of subsidiaries in Latin America, (a second element in structural changes) which show the mechanisms of imperialism particular to U.S. multinational expansion into Latin America since the 1950's. It was during this post war period that many Latin American governments found increased investment by American firms, import-substitution and industrialization did not reduce foreign domination, but constituted new ways of integrating the underdeveloped economy into a new international capitalist system. Subsidiaries and affiliates were profitable innovations for multinationals, (whether established in Latin America or Europe.)

The successful growth of transnational conglomerates as organizations, was fascilitated, he suggests (as do Magdoff, and Frank) by the increased support for multinational expansionary goals that governments like the United States have given at home and abroad particularly since the Second World War. Part of this political support has been mirrored in the "enormous expansion of government expenditure - especially in armaments - and the resulting spectacular technological progress."[60] Both the profits and the subsidized research and technological development accrued to the largest multinationals with the cheapest natural and labor resources (or the tightest world-wide monopolies with vertically integrated processing, transport facilities and financial credit access.) These observations on Latin American dependency apply, as well, to the Middle East in analyzing the changes in the mechanisms of control of oil exploitation and marketing after the Second World War - with the exception of the establishment of subsidiaries, which, for the most part, were stationed in Europe rather than in the Middle East itself. Hence, in the Middle East there is a further peculiarity of the structure of domination put forth by Sunkel: i.e., countries with sources of raw materials are not consistently the largest markets for the multinationals which exploit them. A bi-national analysis is, hence useless.

1.18 Magdoff: Adaptation of the System of Imperialism Through Arms Sales

Sunkel and Galtung both point to the structure of polarization but the emphasis upon the economic rationality of this process and the new structural component, the multi-national corporation, are, in Sunkel's, Magdoff's and Frank's work, a clarification through recourse to specific structural change of Galtung's and Weber's vaguer and less substantial notions of "domination" out of largeness, simple greed, or personal lust for power. Secondly, if we are "to discover the essential one-ness of (US) economic, political, and strategic interests",[61] as Magdoff characterizes them, we must account for the adaptation of the system to threats by revolutionary and nationalist movements as well as its adaptation to shrinking markets at home. Military intervention and huge armament programs are part of this adaptation, serving to increase markets and decrease threats to the system. Magdoff sees this role as major provider of military and economic aid as the substance of the political force which maintains the imperialist system in the absence of colonies.[62] The strings attached to such military "aid" are of a lasting nature, creating not only short-term, but long-term debtor dependency for all but the few countries that can pay cash (South Africa, Iran, Saudi Arabia, etc.) The credit arrangements surrounding such deals all for tailoring of terms to political goals, as well as renegotiation and cancelling of conditions abruptly. Repayment can be extracted in leaseholds, rights to economic resources or privileges of trade, military bases, etc.[63]

Reference was made earlier to the lucrativeness of arms sales to the Middle East (Table I). Table II illustrates the over-time balance sheet of U.S. arms sales in cash and credit for 1967-1972. The most heavily armed "friends" of the U.S. in the Middle East are Iran, Israel, Saudi Arabia and Jordan.

Table II

U.S. ARMS SOLD OR GIVEN TO:
(1967-1972) c

	$ in Millions	% Cash
Egypt	-	-
Libya	35.3	84%
Jordan	214.1	48%
Lebanon	1.4	-
Syria	- a	-
Iraq	0.5b	80%
Sub total	$ 251.3	53%
Saudi Arabia	$ 519.0	74%
Arab total	$ 770.3	67%
Israel	$ 1,581.6	37%
Iran	$ 1,762.2	70%

a) Actually seventeen thousand, most of it 1967 and 1968 grant aid.

b) 1967 and 1968.

c) Sales for fiscal year 1974 are said to be $8 billion by U.S. to Middle East.

Source: Armed Forces Journal International, Oct. 1973, as reprinted in MERIP, No. 23, Dec. 1973, p. 21.

These "friendly" Arab governments posed no threat to Israel in the 1967 or 1973 wars; instead they serve the primary function of protecting American multinational oil interests in the area. In this mechanism of soaking the Arabs and Iranians via cash arms deals the multinationals manage to "recycle" petrodollars and create huge cash flows back to the multinational producers and resellers of obsolete weaponry and gadgetry.

It should be remembered in perusing the figures on arms that Israel was given nearly the most aid (only Iran's figure being higher, and Iran was not fighting with the "Arabs" in the 1967 war.) Syria and Egypt, the "enemies" of Israel, and not considered "friendly" by the US, nor useful in terms of oil profits, received nothing, or almost nothing in the case of Syria (both having to rely on the USSR for arms). Iraq, too, being a "socialist" country and of some help to Syria and Egypt at the time of the war, received almost nothing. However, Iran and Saudi Arabia not only rivaled Israel in terms of aid, and in terms of importance re. American oil company interests in both countries, but being "rich" oil producers, were also paying hard cash to be "friends" of the U.S.

In terms of their financial status, this arrangement of paying cash for weapons was not unfortunate in one sense - but a tremendous waste of needed "development" capital in another sense. US weapons manufacturers also manage to expand and reinvest with this hard currency. (Paradoxically, much

Saudi and Iranian cash via American oil profit and arms deals may be reinvested in Israel indirectly - by subsidizing Israel's credit buying of arms.) Such deals help to stabilize the dollar as well.

1.19 Aspects of Imperialism Specific to the Middle East

In the Middle East, this imperialism takes place primarily through the historically entrenched and formerly rivaling oil monopolies that control pricing, distribution, production, and refining. Collectively the "majors" dominate the world's oil reserves. The 7 "majors" are dominated by 5 American multinational oil firms. This expansion and control has been possible because of certain structural factors which are a deterrent to de facto nationalization of these oil sources: No one oil exporting country dominates international oil trade. Each major company can obtain large quantities of oil from at least two or more of them in the event of any threat to continued production. Where these economic and structural deterrents are not sufficient, there are those that Magdoff has outlined:

> manipulation and support of the local ruling groups with a view to keeping the special influence of the metropolitan centers and to preventing internal social revolution. Included here, in addition to C.I.A.-type operations, are military assistance, training the officer corps, and economic aid for roads, airports and the like needed by local military. 64

This control can be extended to what Larry Lockwood and Ray Mauro Marini[65] have called "subimperialism". Subimperialism refers to the expanding economic, political and military power of nations such as Brazil, South Africa, Israel, and Iran and their roles in regional military interventions on behalf of imperialistic powers.

> The 'subimperialist' bourgeoisies have also become addicted to political and military interventions outside their borders, as shown in Brazil's role in the 1971 Bolivian coup or Iran's manoeuvers to establish a 'sphere of influence' in the Arabian Gulf. (And in) Israel's rapidly expanding role as a producer and exporter of arms. 66

In addition to the enormous and primary importance of oil to the multinational corporate structure, there is an interest in maintaining this area as a consumer market of consumer products, technology, equipment, and weapons. Arms sales function to bolster lagging Western absorbtive capacities of surplus production, to maintain regimes most strategic to the suppression of liberation struggles, and to "recylce" petrol-dollars. Recently cash has also been "recycled" in the form of oil sheikh acquisitions of victorian estates in Britain, real estate in the U.S., and faltering corporations sliding into red-tape (such as Pan Am Airlines).

1.20 Tentative Conclusions

This theoretical analysis, suggests there are two radically different ways of approaching the phenomena of underdevelopment and uneven development. Both of these approaches are linked to assumptions about the economic, social, and political stratification of the developed society. On the one hand, there are the ideal-typical and diffucionist descriptions which assume underdevelopment to be a deviation from the "normal" advanced capitalist model of development. This approach, in the work of Talcott Parsons, Bert Hoselitz, and W.W. Rostow, has been critically examined, and found to be inadequate to descriptions of the Latin American and Middle Eastern present-day societies - as well as misleading in its assumptions about the developed society.

The second approach treats the phenomena of underdevelopment as a logical outgrowth or a function of the structural relations between developed and underdeveloped countries. Most of the theorists of the latter approach incorporate the Neo-Leninist/Neo-Marxist view that typical capitalist growth produces underdevelopment and marginality. Osvaldo Sunkel, Harry Magdoff, and André Gunder Frank exemplify this school of thought and have delineated several of the structural changes in imperialism which have occurred since the Second World War and the new mechanisms of maintaining imperialistic relations which the system has marshalled. Their theories can be usefully contrasted, it seems to me, with other attempts to describe imperialism, like those of Max Weber or Johan Galtung, who point to some processes mentioned by Sunkel, Magdoff and Frank but do not attribute importance to the role of capitalism in social, economic and political expansion and control of Third World countries.

In order to analyze the socio-historic context of imperialist intervention in the Middle East, the enormous importance of oil to the area and to the developed countries (to the U.S. oil multinationals in particular, who sell such resources to Europe and Japan) must be analyzed. Using a modified version of the theories expressed in the second approach appears to be the most useful analytical method; certain refinements have been suggested which take into account the peculiar nature of oil monopolies.

It would, from a methodological standpoint, be necessary to present data substantiating the interpretation that certain mechanisms of multinational oil corporations and the State Department in its military and policy-making functions are used and tactics are coordinated to safeguard access to oil as a cheap natural resource in the Middle East.

This process, I believe, can be shown concretely in three ways. First, it is necessary to establish the links between the financial multinational oil and policy-making personnel and to describe the closely coordinated powerful group of interests which motivate and direct imperialistic penetration and control in the Middle East. For, it is necessary to demonstrate that concentrated power--social, economic, and political--is highly integrated at these upper levels of decision making and that this level of power makes this exploitation possible.

Secondly, this approach would entail a description of those resulting effects in the form of: historical instances of penetration and control (monopoly control or rivalistic control) by multinational oil corporations of oil exploitation, processing, transport and marketing and the consequent economic and political dependency created in the Middle East. It will also be important to investigate new "tactics" in the control containment, and suppression of liberation struggles through the creation of "subimperialist" ties (like those with Israel and Iran) which make direct control by the developed country less and less necessary.

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PROFITABILITY: EXPANSION ABROAD AND CONTROL AT HOME

The "Major" multinational oil corporations have been able, through early extension of monopoly control over the greater portion of the world's oil reserves, to sustain profits that outstrip those of all other industries. It is important to note that in the process of acquiring monopoly control and sustaining exorbitant prices, these companies have been a model to others in expanding markets abroad, where investment returns were more lucrative than at home. The dynamic of expansion can thus be seen as profit driven in general and related to the basic rationality of the capitalist system. The multinationals are far greater importers of capital than exporters, and oil multinationals more than other importers of capital. The oil multinationals have managed to increase their profits through import quota protections and tax benefits, and their profits have increased even in the face of what the public has been led to believe is (and in part suffered as) an immediate "energy crisis". It is this profit advantage, which accrues through monopoly control, that such companies protect so jealously from threats such as nationalization by underdeveloped oil-producing countries in their realm.

2.1 The Majors: Pioneers in Expanding Frontiers of Profit

The seven "major" multinational oil corporations controlled, by the 1950's, nearly 90 per cent of oil production outside the United States and the Soviet countries. In addition they controlled 80 per cent of refining capacity in these areas and chartered two-thirds of the world tanker fleet.[1] Of these seven, there are five American "major" multinationals; in order of magnitude of sales, profits, or total assets, they are:[2*] Standard Oil of New Jersey (also known as Esso or Exxon); Standard Oil of New York (also known as Mobil or Socony Vacuum Oil Company); Texaco; Gulf; and Standard Oil of California (also known as Socal). The two European "majors" are British Petroleum (formerly operating in the Middle East as Turkish Petroleum, Anglo-Persian, or Anglo-Iranian), and Royal Dutch Shell. Pioneering in profit maximization, investment in and exploitation of foreign raw materials, these seven have served as models to later multinationals. Though Standard Oil of New Jersey had been the primary pioneer in foreign expansion in Latin America and the Middle East in the 1920's, since the Second World War, the American "majors" together have gained control of 23.75 per cent of Iraq's production, 40 per cent of Iran's production, 100 per cent of Saudi Arabia's production, and 50 per cent of Kuwait's production, to mention only their most lucrative holdings in the Middle East. Access to these concessions was gained over a period roughly between 1928 and 1954.[3]

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*Using 1967 and 1968 Fortune Ranks for the top 100 corporations in terms of sales, profits, or total assets, this ranking holds for 1972 Fortune Rank as well.

Though newcomers, or "minors" made slight inroads into this Middle Eastern monopoly after the 1950's, they too have been predominantly American, for example Phillips and Standard Oil of Indiana. Their holdings are often through shorter term contracts and are far less diversified than those of the "majors". For through outright ownership or long-term supply contracts each of the "majors" secured access to several sources of foreign crude, and this factor underlies their ability to sustain enormous profits in the face of a variety of threats. All seven "majors" gained ownership shares in Iran; four of the American majors (except Gulf) monopolized Saudi Arabia's oil. Jersey led in diversification (and hence took the lead in profits), with oil in every major oil-producing country in the Middle East except for Kuwait, where it obtained long-term supply contracts. Mobil secured oil in Iran, Iraq, Libya and Venezuela, besides Saudi Arabia. Texaco, besides being an important producer in Venzuela, had holdings in Iran and Saudi Arabia. And Gulf, besides Venezuelan oil, managed to get half of the huge Kuwait holdings. The European "majors" had less but similar resource diversification, with Royal Dutch Shell in Iraq, Iran, Venezuela, and Nigeria, as well as long-term supply contracts for Kuwait oil. British Petroleum was a major producer in Iraq, Iran and controlled the other half of Kuwait's production.[4*] (See Table II, "The Major Seven")

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*Venezuelan oil is mentioned here for the purposes of later comparisons of profitability. Many of the American "majors"

CONSOLIDATION of US INFLUENCE in the MIDDLE EAST

Major International Oil Companies	% Interests in Oil Concessions by Country Producing			
	IRAQ (After "As-Is") of 1928	IRAN (After coup) of 1953	SAUDI ARABIA[a] (After 1948)	KUWAIT (After 1944)
SOCAL		%8	%30	
EXXON	(%23.75) share w/Mobil	%8	%30	
MOBIL	(%23.75) share w/Exxon	%8	%10	
GULF		%8		%50
TEXACO		%8	%30	
ANGLO-PERSIAN	%23.75	%40		%50
ROYAL DUTCH	%23.75	%14		
CFP (French)	%23.75	%6		
%Other	Gulbenkian %5	Later 8 smaller American companies shared %1		
TOTAL: % all ownership in oil, production	%100	%100	%100	%100
SUBTOTAL: % American[b]	%23.75	%40	%100	%50

Source: Dates, percentages of all other pertinent data on negotiations can be found passim in George W. Stocking, Middle East Oil, Vanderbilt, 1970. The author has combined his data here to give a composite view of the extent of US interests.
Notes: a) The Aramco concession area was 440,000 sq. mi., comparing favorably with the combined area of California and Texas (426,032 sq.mi.) Source: Aramco, "Arabian Oil and World Oil Needs", 1948, p.35. When Caltex brought Jersey and Mobil in in 1948, the extra capital financed TAP (Transcontinental Arabian Pipeline) for a transport monopoly.
b) The American interests far outweigh "allied" interests.

With only slight changes, this basic structure of diversified control over oil resources in the Middle East has remained in tact and has accounted for the "majors'" ability to control pricing and exploit monopoly-based profits from all their concessions; for, as one oil expert has remarked in referring to monopoly practices in a rather tactful statement:

> ...thanks to their control of the major sources of production and their anxiety to avoid price wars that would hurt them all, they managed to adjust output in the various regions in such a way as both to meet the rapidly rising world demand and to accommodate newcomers without disturbing the price structure. 5

Such petroleum investment and control has, at the same time, become a barometer of the United States' economic growth. Overall petroleum investment by U.S. companies accounted for 30 per cent of all direct investment in 1966 and 40 per cent of all U.S. direct investment in all under-developed countries; this accounted for about 60 per cent of all U.S. earnings in underdeveloped countries in 1965, with the return on such investment averaging 20 per cent in under-developed countries, with a high of 55 per cent in the Middle East.[6]

Baran and Sweezy have pointed out that profit figures cited for the 1950's and 1960's show that Standard Oil of New Jersey's foreign investments were half as large as its domestic

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control other sources as well as domestic sources of oil, but we are interested in Mid-East sources. Tanzer lists other important "minors", ranked by 1967 profits as: Continental Oil, Union Oil, Sun Oil, Marathon Oil; and long-established international "minors" such as Sinclair and Getty. pp. 42-43.

investments, but its foreign profits were twice as large as its domestic profits. The indicated profit rate abroad may then be as high as four times the domestic rate![7] The enormous profitability of these investments clearly leads to a huge and consistent flow of capital to the developed countries, in particular the United States. The successes of the multinational oil companies led the way for post World War II expansion abroad for all multinationals.

> In industry after industry, U.S. companies found that their overseas earnings were soaring, and that their return on investment abroad was frequently much higher than in the U.S. As earnings abroad began to rise, profit margins from domestic operations started to shrink... This is the combination that forced development of the multinational company. 8

Such profits and investment figures bear out Harry Magdoff's contention that developed countries are to a great extent responsible for the active perpetration of imperialism and consequent underdevelopment in the underdeveloped countries in which the multinationals exploit and control raw materials or create captive markets. The driving mechanism behind this imperialistic thrust is expansion of profits and of markets, through access to raw materials, <u>whether or not there is a scarcity of such raw materials in the home country</u>. For as Magdoff suggests,

> The imperialism issue is not so much dependency (by the home country on scarce resources) as the compelling behavior of monopolistic-type business organizations. That the drive for control of foreign resources extends beyond dependency can be seen in the way U.S. corporations sought, fought for, and obtained exploration and development rights for oil...

> when the United States was blessed with a surplus of (this).... A major reason for the oil industry to invest abroad was specifically to protect its foreign markets. 9

2.2 Super Profits Over Time

That such exploitation has been enormously and consistently profitable over time can be seen in figures for oil operations in the Middle East from the earliest period of investment by American oil companies. Though the postwar years were the most profitable "bonanza" years, earlier exploitation for the "majors" was nonetheless almost like getting a license to print money.

For the 1913-1947 period, aggregate financial data for the Middle East oil operations show that total receipts exceeded $3.7 billion. Of this, just over $1 billion met the costs of fixed assets and on-going operations and about $510 million was paid to local governments as rents, bonuses and royalties. The oil companies' net income was thus $2.2 billion. With only $425 million reinvested in the area, $1.7 billion was transferred abroad as profits.[10]

From 1948 to 1960, the "bonanza" years, these very substantial profits soared to unheard of heights. With $28.4 billion in total receipts, operating costs at $4.8 billion, net investment in fixed assets at $1.3 billion, and payments to local governments at $9.4 billion, the income transferred abroad was $12.8 billion as profits.[11]

Since the costs of producing oil in the Middle East have been lower than anywhere else and the monopoly-controlled price structure of the industry artificially high, the profits have been greater and the risks lower than in any other area.[12] Part of the reason for greater profits on Middle Eastern oil is due to the ease of extraction afforded by Middle Eastern reserves, which are characterized by larger pools and the need for fewer wells, since the rock formations are porous and usually the natural gas pressure is sufficient without need for pumping. Cost is reduced also by cheaper labor resources, though this is a non-labor intensive industry and in fact affords few jobs for the developing country in return. In 1959, gross fixed assets per barrel of daily crude oil capacity amounted to only $290 in the Middle East, as compared to $1,340 in Venezuela and $3,190 in the United States. Thus, comparatively less need be and is invested in extraction and output is much greater in the Middle East.[13]

In the early sixties, a Chase Manhattan Bank study showed that the average cost of maintaining and expanding production in the Middle East is 16 cents a barrel, with average Venezuelan costs at 51 cents and U.S. costs at $1.73 a barrel. Middle East costs have generally moved down over the years and Venezuelan and U.S. costs have moved up, but these figures show the order of magnitude of the difference.[14] In the Middle East most wells are free-flowing, in Venezuela about three-fifths of the oil requires pumping, and in the United States nine-tenths of the wells require pumping.[15]

The figures are even more striking when compared with the profitability of Venezuelan oil for the same overall period as was cited for the Middle East (1913-1960). For while gross receipts of oil companies from exports and local sales of crude and refined petroleum products were $29.5 billion from Venezuelan oil operations, they were $32.1 billion for Middle Eastern oil operations. The transfers of profits home were $5.7 billion for Venezuelan oil and $14.6 billion for Middle Eastern oil. The profit rate on investments in oil in the Middle East was hence much greater.[16]

Perhaps this profit motive can be elucidated further by seeing what these "interests" amounted to financially in terms both of the oil companies and various types of overall corporate investment and trade in the 1970's. U.S. interests in the Middle East are primarily oil and secondarily trade (commercial as well as the sale of weaponry). Even though U.S. popularity was low in the Arab world in 1970, due to heavy support of Israel in 1967 and the United States' ongoing Vietnam War, the U.S. had a $592 million dollar advantage in trade with the Middle East as well as a net dollar inflow of over $2.5 billion from trade and investment in the Eastern Mediterranean and North Africa (even after deductions for economic "aid" expenditures.) In 1972, U.S. oil companies had a stake of $6.4 billion in the Middle East (exclusive of the value of the oil concessions themselves, which are for all practical purposes "priceless".) Considering the fact that the Arabian Gulf had, by 1972, about 70% of the capitalist world's oil reserves and furnished about one third of its

1971 production, one must also remember that over one-half of this oil was still controlled by the five "major" American multinational oil corporations.[17] The influence of these multinationals on foreign policy in the area, for this reason alone, has been exorbitant, and must be related to their profits in terms of investment, loan, and similar types of financial leverage these corporate groups thus maintain.

Though it is difficult to estimate present company profits, U.S. Commerce Department sources have given a generally accepted figure of $1.7 billion per year for oil operations in the Middle East and Africa. Revenues from Arab oil in total are projected to reach about $100 billion by 1980. By the end of 1971, according to the U.S. Tariff Commission, U.S. multinational corporations and banks held $268 billion as corporate short-term liquid assets.[18] This type of estimate may be extremely conservative when it comes to calculating the profitability of oil, however. In terms of breakdown, the aforementioned $6.4 billion dollar stake of 1972 alone looked like this[19]:

Table IV

1972 Corporate & Financial Stake in Mid-East Oil

Crude oil and natural gas production facilities:	$3.4 billion
Natural gas plants:	$240 million
Pipelines:	$985 million
Refineries:	$770 million
Marketing facilities:	$550 million
Other:	$435 million
	$6.4 billion

Even though rates of return on investment are said to have declined over the 1960's for the multinational oil companies operating in the Middle East, because of challenges by OPEC, the expropriation of most of the concession area in Iraq, and the influx of "non-majors" into the new concessions in Libya, the profits to be had were still enormous. The rate of return for 1970, calculated by the U.S. Department of Commerce showed a return of 79.2 per cent on net assets, quite a substantial profit by any standards.[20]

2.3 Profitability: The Balance of Payments

This huge outflow of capital from the underdeveloped oil-producing countries, transferred as profits to the multinational "majors", has an enormous impact on balance of payments, constituting a large positive contribution by the United States' petroleum industry as a whole to the United States' balance of payments position. Balance of payments are affected in three ways, through trade, services, and capital investment. It has already been shown that capital investment in Middle Eastern oil has produced comparatively much greater outflows of capital than any other sort of investment. The trade balance has been shown to be overwhelmingly positive in general for the U.S., and when considering oil exports versus imports, the U.S. fairs better than other nations, since it has a very low import quota. Through services such as royalties, licensing and managing fees, transportation and shipping, the American multinational oil companies also create a positive balance of payments.[21]

The concern about the effect of multinational oil profits and monopolistic controls upon balance of payments for various countries (developed and underdeveloped) would merit far deeper analysis than can be afforded here. The effects upon balance of payments of underdeveloped countries exporting oil, has in the past been negative; for underdeveloped countries who must import oil, the effect has been devastating and is a major factor in their continued inability to make use of World Bank loans and the like to develop their economies.[22] The topic is treated briefly here only in reference to overall profitability of the oil industry and particularly the effect of multinationals operating in the Middle East upon the United States' balance of payments. For, here lies one of the major reasons for the continued mutuality of interests between the U.S. State Department and the oil multinationals, a mutual interest which is structurally buttressed by personnel links and career-line dovetailing of the sort to be discussed in Chapter III.

There is a particularly positive impact on balance of payments via investment in foreign affiliates of the integrated U.S. multinational oil companies. These affiliates are predominately in Europe. Oil in the Middle East yields huge profit flows which require little to be plowed back for further developments of the oil sector itself, let alone any other sectors of the oil-producing countries. The fact that investment has been so low, has led some, erroneously, to posit an absence of imperialistic expansion in the Middle East. With greater demand for oil outside the U.S. (marketed by affiliates in Europe, for instance), there is a strong tendency for profits of affiliates to generate a huge and growing profit flow back to the U.S. A Chase Manhattan Bank survey calculated that in 1960 the total net balance of payments of the U.S. petroleum industry as a whole was $206 million, made up of an overseas affiliates' surplus of $384 million and non-affiliates' deficit of $178 million. When the total deficit of the U.S. was $3.9 billion, the "oil-affiliate" offset was about 10 per cent of the total. The survey implies further an increasing significance for "oil-affiliate" contribution to positive balance of payments for the 1960's and 1970's, projecting that the "oil-affiliate" positive blance will increase from $743 million in 1964 to $1,181 million in 1975, or an increase of about 60 per cent.[23]

Before leaving the subject of affiliates, it should be noted:

> That affiliates can be charged higher prices for crude oil than those paid by independent refiners was so widely recognized that it led to the expression 'only fools or affiliates pay posted prices'. 24

Thus, the principle mechanism which has served to underpin the companies' monopolistic control over low-cost crude oil has also been a profitable feature which has brought their interests closer to the interests of the U.S. Government: their affiliates' positive affect on balance of payments, a feature of a high degree of vertical integration within the "major" multinational oil company structure. Ownership of affiliated refining and marketing companies in oil-importing countries (Europe, for instance) constitutes a captive outlet which cannot be won away by competitors and which reduces any pressure on prices which might adversely affect the parent company's corporate profits.

It is difficult to get at the dynamics of imperialism through trade figures, investment figures, or balance of payment figures between any two countries alone; some have argued that the U.S. and its multinationals are not imperialistic with regards to the Middle East (or other Third World areas) on the grounds that more is invested in developed countries.[25*] This argument misses, however, the interconnection <u>between</u> the two types of investment and the far-reaching importance that access to and control of raw material sources has for overall investment potential in vertical expansion of the multinational, expansion in developed countries, and hence overall profit growth.

As Magdoff has pointed out, 24 per cent of U.S. direct private investment in Europe is in oil, for oil refining, production of by-products, and the marketing of these to Europeans and their foreign customers. This oil comes predominantly from the Middle East. The rapid rise in U.S. oil investments in Europe was accompanied by U.S. acquisition of

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*This seems to be a liberal economic theoretical trend in arguing that "imperialism is no longer <u>necessary</u>" and hence does not exist.

nearby oil deposits in the Middle East. If before the Second World War U.S. firms controlled about 10 per cent of Middle Eastern oil reserves, around 1967 the percentage had risen to about 60 per cent. The prosperity of U.S. investment in the European oil industry was to a great extent dependent upon access to cheap oil in the Middle East, and, conversely, profits from Middle Eastern oil have been increased by investment in downstream areas of the industry (redefining and distribution) in Europe.[26]

2.4 Super Profit Protected at Home: Import Quotas, Depletion & Tax Allowances

The top eight American oil companies (including the five "major") controlled at least 44 per cent of the United States' domestic crude production in 1960, and the top twenty oil companies controlled 63 per cent of domestic crude production and about 87 per cent of refining capacity. The five "majors" together control a significant portion of domestic production, refining, and marketing operations. They have, together with other primarily domestic producers, refrained from eroding the domestic price in a number of ways. One of their industry and government sponsored weapons since 1959 has been import quotas.[27]

Thus, profits must also be viewed in relation to increased expenses to the consumer-taxpayer in the developed country or the multinational's "home". The consumer-taxpayer indirectly finances part of the companies' super profits, through the increased costs of import quotas, depletion allowances, and tax benefits to the companies.

The oil depletion allowances of approximately 27.5 per cent, instituted at the turn of the century, have been outright gifts by the government (or taxpayer) to oil company profits. This tax position enjoyed by the industry has been estimated to have cost the U.S. treasury two billion dollars annually in depletion allowances and other tax breaks.[28]

Antitrust and monopoly subcommittee hearings in the U.S. Congress, 1969, further indicated that Americans pay five to seven billion dollars annually in excess costs for fuel oil and gasoline because of protectionist quotas that have kept cheaper foreign oil out of the country.[29] The "majors", thus, profit three ways, through protectionist quotas at home, expansion of markets in other developed countries (particularly European), and monopoly control of oil resources in the Middle East. Oil import quotas instituted in the Eisenhower administration limited imports to 12.2 per cent of domestic production. This created a captive market for high-priced domestic oil. These import quotas have been administered by the Department of the Interior, a long-time defender of the oil industry's interests on the domestic and international front and which has been staffed by many oil personnel themselves.[30]

The following is an example of the importance of such quotas to the profits of the multinationals and to the Rockefellers in particular, whose interests can be tied to four of the five American majors. During a meeting with several governors and former President Nixon's staff expert on oil, Peter Flanigan (a partner in a Rockefeller affiliated firm, Dillon Read) former governor of New York, Nelson Rockefeller, had a telegram delivered to the White House expressing his interests in retaining import quotas. According to Senator Proxmire, the telegram stated:

> ...that Governor Rockefeller supports oil-import quotas, though Mayor Lindsay (then Mayor of New York City) has shown that the quotas cost New York City consumers a minimum of $95 million a year in increased prices and that the cost may go as high, just for New York City, as a quarter of a billion dollars. 31

Nixon, not surprisingly, decided not to eliminate oil import quotas, securing, again, five to seven billion dollars annually to the oil companies.* A similar "protectionist" policy, "Project Independence 1980" of the Nixon administration consisted, among other gifts, of allotting to the oil companies and sympathetic scientists $20 billion in research funds to study the possibility of making profits on other fuels, in case their position in future might indicate lower profits from oil.[32] With this same Nelson Rockefeller engineering domestic policies of the Ford administration as Vice President, multinational oil companies have not only been gifted with import quota maintenance, but price hikes as well for both domestic and imported oil.[33]

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*The structural power of the Rockefeller financial group in oil policy and foreign policy will be pursued later.

2.5 A Profitable Energy Crisis

Whatever the "majors" may have suffered in loss to oil producing countries of total control over pricing of Middle Eastern oil in the 1960's and 1970's, the suffering has not been so great as to affect profits. On the contrary, some observers have intimated that the "energy crisis" was just the thing needed to raise profits to new heights, to get rid of ecological controls at home, and to allow the oil multinationals to become energy multinationals by buying up other sources of energy. They submit that the threatened incursions into profits posed by ecology concerns in the 1960's led the oil companies to allow a predictable shortage of refineries until an anticipated "crisis" would eliminate such pollution controls. Such planned shortages in refining capacity raised profits in the short run and enhanced the major oil companies' overall power position in the long run. The higher payments demanded by OPEC could be deducted from the companies' U.S. taxes, leaving their profits not only in tact, but higher than usual. Such demands by OPEC have allowed the companies to use higher payments as a pretext for raising prices more than proportionately. Price increases in foreign oil also succeeded in bringing formerly higher-cost domestic oil producers closer to being competitive at world prices.*

The problems of the "majors" in the 1960's and 1970's

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*Ackerman and MacEwan work in the Department of Economics at Harvard University. Both are active in the Union for Radical Political Economics and the New American Movement.

have not been in profit maximization, but of an entirely different order:

> For the oil companies, the real problem with the exporting nations is not increasing prices but what OPEC symbolizes. Rising nationalism and relative independence, even when led by local bourgeoisies and reactionaries, can place constraints on the oil companies. 35

The "energy crisis" appears to have been a well-coordinated attempt by the oil companies, now "energy companies", to increase profits and prices for <u>all</u> energy and fuel resources so as to maintain the profit margins that once depended on the total control of low-cost crude oil in the Middle East and elsewhere.[36]

Comments by Allan Hamilton, Treasurer of the biggest energy giant, Exxon (Standard Oil of New Jersey), on the "energy crisis" vividly recall the same monopoly interests in profit through "trust" of John D. Rockefeller himself. Hamilton warned:

> Unless and until the real nature of the crisis is understood, and profit levels become such that the industry is confident that its investments will bear fruit, the supply of energy required will not be forthcoming. 37

These tactics, which allowed the oil multinationals to gain control of diverse energy resources and "weather" the sweet winds of price increases by OPEC, led to the following in dollars and cents profits.

In particular, in relation to the Middle East, it can be seen from the following table that during the period of the so-called "energy crisis", the American "majors", the first

TABLE V

The following table gives a comparative view of the nine largest US oil companies and their relative standing among all corporations in the US as of 1972-1973, during the so-called "energy crisis".

AFTER TAX PROFITS OF THE NINE LARGEST US OIL COMPANIES AND ALL CORPORATIONS[a]
(millions of dollars)

		First 9 mos.		% incr. '72-'73	'72 Fortune Rank
	1972	1972	1973		
Exxon (Stnd. NJ)	1,532	1,039	1,656	59.4	2
Mobil (Stnd. NY)	574	413	571	38.3	7
Texaco	889	622	839	34.9	8
Gulf	447 b	356 b	570	60.1	11
Stnd. of Cal.	547	401	560	39.7	12
Stnd. of Ind.	374	295	390	32.2	15
Shell	260 c	180 c	253	40.6	17
Continental	170	124	153	23.4	24
Atlantic-Richfield	196	130	178	36.9	25
Total all 9	4,989	3,560	5,170	45.2	--
All corporations	55,400	40,300	52,500	30.3	--
The 9 as a % of all	9.0	8.8	9.8	--	Top 25

Source: Adapted from Frank Ackerman and Arthur MacEwan data in "Energy and Power", *Monthly Review*, January 1974, p. 5. Profit figures for the first 9 mos. of '72 and '73, *Moody's Industrial: News Reports*; for '72 totals and all other years, *Fortune*.
Notes: a) first 5 are the Amer. "majors"; b) Before $250 million write-off for "unprofitable operations". c) After $10 million "extraordinary charge".

five companies listed, not only weathered the storm, but, contrary to their public relations campaigns, apparently made a good deal of profit on it. If the average increase in profit for all corporations between 1972 and 1973 is about 30 per cent, such increases for the "major" five multinational oil companies were much higher. For instance Exxon and Gulf's increases of 59.4 and 60.1 per cent respectively are twice the average. The major five multinationals fall within the top twelve of all major industrials in Fortune Rank for 1972. While the average profit increase for all nine of the largest American oil companies in the 1972-73 period was 30.3 per cent, the average increase of the top five "majors", so predominant in the Middle East, was 46.5 per cent.

As one economist put it: "One thing is clear: whether or not there is an energy crisis, there is no profit crisis for the oil companies."[38]

In order to gain and protect monopoly access to and profits from oil sources in the Middle East, one mechanism used, as has been implied in the preceding analysis, was the protection and aid of the U.S. State Department in such areas as tax benefits, depletion allowances, and oil import quotas. It has also been necessary to create the foundation for vertically integrated marketing, that is, markets in Europe. This constitutes the very structure of multinational enterprise, a structure maintained by a continued mutuality of interests between State and multinational corporation through input by oil personnel into strategic governmental decision-making. It is this power base, fascilitating the expansionary thrusts abroad and the protection of multinational oil profits gained in this expansion, which will be examined next. The mutually agreed upon ideology, the mutually prescribed limits of action which protect what came to be viewed as a set of "mutual interests", will be described in Chapter III with a view to indicating the social, economic, and political mechanisms by which this hegemony is maintained.

FOOTNOTES

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2. Michael Tanzer, The Political Economy of International Oil and the Underdeveloped Countries, Beacon Press, Boston, 1969, p. 41.

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10. Charles Issawi and Mohammed Yeganeh, The Economics of Middle East Oil, N.Y., 1962, pp. 188-189.

11. Ibid., pp. 188-189. See also, Joe Stork, "Middle East Oil and the Energy Crisis", MERIP Reports, September, 1973, p. 14.

12. Joe Stork, "Middle East Oil and the Energy Crisis", MERIP Reports, September, 1973, p. 15.

13. Charles Issawi, Oil, The Middle East and the World, Op. Cit., p. 27.

14. George Stocking, Op. Cit., p. 423-424.

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17. US News and World Report, August, 1972; for figures on trade and dollar stake in oil.

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2. Ibid., pp. 45-48, and 391.

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27. Federal Trade Commission, "Investigation of the Petroleum Industry", A Report Submitted to the U.S. Senate, Permanent Subcommittee on Investigations, Washington, D.C., 1973, pp. 13 and 18.

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32. Ackerman and MacEwan, "Energy and Power", Monthly Review, January, 1974, p. 11.

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36. Joe Stork, "Middle East Oil and the Energy Crisis", MERIP Reports September, 1973, p. 13.

7. *Platt's Oilgram News Service*, September 15, 1972.

8. Ackerman and MacEwan, *Op. Cit.*, p. 4.

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CHAPTER III

THE STRUCTURE OF THE POWER BASE: THE ROBBER BARONS REVISITED

3.1 Whose Interests?

The top personnel of the multinational oil corporations have found it helpful and necessary to get into high government offices in the U.S. State Department to protect those profitable assets they sought and gained in Middle Eastern oil fields. Their presence in key positions, particularly those affecting foreign policy, has been structurally significant since the Second World War, but their influence has been strategic in the diplomatic sphere throughout the generation preceding the War. Oilmen have been instrumental in creating a perceived and agreed upon mutuality of interests between themselves and the State Department in their endeavors abroad, such that their enterprises were (and are) viewed as essential to national security. Protection of these oil interests abroad would then merit action by the Government on many fronts, and, as a last resort, the direct coercive intervention of the State Department in their behalf. In creating this mutuality of interests, oil executives have taken on the "responsibility" of serving in Government with rhetoric reminiscent of the white man's burden; their expressed sense of "universalistic" mission and historical necessity bearly covers their more concrete and "particular" imperialistic interests with the language of charity and the fervor to spread economic "development" abroad.

.2 The Oil Companies' Imperial Creed

As early as 1920 Standard Oil of New Jersey had a letailed memorandum tracing existing activities, or the desire 'or participation in actual or potential oil producing properties in: Mexico, Romania, Russia, Venezuela, Poland, Bolivia, Morocco, Algeria, Tunis, Madagascar, Spain, Iraq, Persia (Iran), Palestine, Argentina, Brazil, Alaska, Egypt, China, and the Dutch East Indies.[1*] Jersey was most interested in "opening the door" in Iraq where Anglo-Persian, the British company, was moving in as a result of the San Remo Oil Agreement and the Sykes-Picot Agreement.[2] It is not surprising, then, that in 1920 Walter Teagle, President of Standard Oil of New Jersey and T.A. O'Donnell, President of the American Petroleum Institute, should seek to engage the government's aid and interest to further the company's aims. In a speech before the International Chamber of Commerce, O'Donnell declared (and it was reprinted in Jersey's The Lamp):

> The trend of international events renders it imperative that the Government and the people of the United States grasp the existing situation and act resolutely; they must abandon that in-difference...(in)...their attitude toward the petroleum industry and its problems at home and abroad. Co-operative and constructive action between the Government and the industry will satisfactorily solve the problem (of British competition in Iraq), and in doing this we shall but put ourselves upon an equality with the

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[*] The importance of suspected oil in Iran, Iraq and Palestine is very much related to the rivalries of a number of imperialistic powers and to the break up of the Ottoman Empire and nationalistic uprising within it, as well as to the supported colonization of Palestine by early Zionists and the later creation of the state of Israel.

> British oil companies... The American oil industry asks only the support of the nation in giving it... an equal footing with the nationals of other countries in the development of the world's petroleum resources--and it asks that in the interests of the nation. 3*

In 1946, Leo D. Welch, Treasurer and later Chairman of Standard Oil of New Jersey, the most aggressive of the five "majors", voiced the additional necessity of ideological and practical initiative, beyond lobbying and personal influence. This was the necessity of a Post-War policy by and for the oil multinationals. It was apparently not enough to leave such policy to the Government, for by the 1940's the stakes had become too high (Saudi Oil for instance). Protection of their own interests required getting themselves and their friends into strategic governmental positions on all fronts:

> ...as our country has begun to evolve its over-all postwar foreign policy, private enterprise must begin to evolve its foreign and domestic policy, starting with the most important contribution it can make--men in government. 4

Welch amplified this imperical creed, called "responsibility", in his speech before the National Trade Convention, stressing the implicit corporate nature of U.S. governmental interests abroad and the need for permeation of this creed throughout the political, economic and social institutions of society:

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* Having just recovered from a bout with the public and the government over monopoly at home, Jersey and its friend O'Donnell now asked for the support of the government in its plunders abroad "in the interests of the nation"!

> American private enterprise is confronted with this choice; it may strike out and save its position all over the world, or sit by and witness its own funeral. That responsibility is positive and vigorous leadership in the affairs of the world-- political, social, and economic-- and it must be fulfilled in the broadest sense of the term. 5

elch went on to describe, implicitly, Standard Oil of New ersey's leading role at the vanguard of all big business in his definition of the agenda and the power grab, (i.e. "setting he pace" and "assuming responsibility"):

> As the largest producer, the largest source of capital, and the biggest contributors to the global mechanism, we must set the pace and assume the responsibility of the majority stockholder in this corporation known as the world...Nor is this for a given term of office. This is a permanent obligation. 6

An important part in the development of this imperial creed is the notion that the role of the State is to protect its businessmens' foreign enterprises, using the full array of instruments at its disposal. Business leaders and particularly oil men would be there not only to specify what those interests were, but to indicate what should be done about "bad climates" (for investment and continued exploitation of natural resources) as these might develop. Multinational corporate executives were fully aware of the steps they and the State Department could take together to protect foreign oil assets. Because of the renewed threat and the actuality of nationalization of resources by Third World countries in the postwar era, there was an appreciation by multinational executives that such "development" opportunities as they had to offer might not be so gratefully received as they had assumed. "Bad climates" materialized in Mexico in the 1920's and 1930's and Iran and Iraq in the 1950's as nationalist governments came to power and tried to protect their oil resources for their own citizens. In a sense, a "bad climate" had always been a threat in the Middle East where nationalistic and socialistic movements posed threats to imperialistic penetration in the post colonial period after the second World War. Multinational executives voiced their outrage and indicated that their government should take steps to rectify the situation. A "bad climate" was defined as:

> ...a spirit of indifference and outright hostility in some countries towards American investments and the efforts of our people to see that those investments are managed properly. We have already seen a growing tendency in some nations to nationalize private property, foreign owned as well as locally owned. 7*

As James Terry Duce of Standard Oil's Aramco subsidiary in Saudi Arabia remarked, (in justification for the U.S. Government's building of an air field and major base right next to Aramco's oil fields at Dahran in the early 1940's, supplying an "aid" program and military training as well):

> ...when you begin to find oil in billions of barrels and it looks as though those billions will grow, it becomes not so much a matter of your interest, it becomes a matter of public interest and the <u>national interest</u>. 8

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*From a speech to a Chapter of the Committee of One Hundred, 1953, by Executive Vice President of Ford Motor Company, Ernest R. Breech. Where oil was being nationalized in Iran, 1951, Ford and other multinationals shared the outrage of the oil "majors" and in so doing called for a "watch dog" and interventionist role by the U.S. State Department.

August C. Long, Chairman of Texaco, stated that the primary task of the American government was thus to create "good climates", a "political and financial climate both here and abroad...conducive to overseas investment."[9]

3.3 The Role of the State as Perceived by the State

The Second World War itself was seen by many as a new foundation for such close contact and shared interests between the State and oil multinational interests. Charles Rayner, Petroleum Advisor of the Department of State told a Congressional investigating committee in 1944 that "World War II has been and is a war based on oil."[10] Oil was not only the lure but the lubricant of the war machines involved.

The State Department, in summing up its own role as defender of the multinational oil companies, said,

> Many...cases required long and difficult work.... A study of the cases by representatives of this government would reveal that the latter consistently did their best to render effective assistance to oil companies; that measured in terms of dollars and cents, the cumulative value of such assistance would reach a very impressive figure. 11

The State Department advocated "open door" and the right of American oil interests to share equally in the concessions involved in the "development" of the mandated territories of the Turkish Empire, during the 1920's when these potentially oil-rich territories were being denied nationhood, having been divided up by the British and French into mandates in the infamous Sykes-Picot Agreement drafted in 1915 and 1916. The U.S. State Department again made its oil-inspired imperial policy clear in reference to the dividing up of the same Middle Eastern oil-rich territories at the time of the Second World War:

> This Government has contributed to the common victory, and has a right, therefore, to insist that American nationals shall not be excluded from a reasonable share in developing the resources of territories under mandate.... 12*

3.4 A 'Mutuality of Interests' in Cold War and 'Reconstruction' of Europe

Oil in the Middle East was also easily propagated to be essential to the Cold War strategy. As early as 1948, Kermit Roosevelt, (then a historian and later to be instrumental as the CIA operative in the Iranian coup and to take on an executive position in Gulf Oil for his efforts), expounded on Middle Eastern oil's strategic importance. "If a position in the Middle East was essential to winning the war against Germany, we are now learning that it is equally essential to winning the peace against Soviet Russia."[13**] The government was willing to help the oil multinationals compete against its World War II allies, its enemies, and its postwar enemies. And in supposedly helping its European allies after the war, there would be much for the oil companies to gain in terms of European markets. Kermit Roosevelt fully understood the global implications for extension of markets in Europe supplied by oil

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*There are those who believe creating such mandates for oil expansion was in fact, a major purpose of both World Wars.

**Kermit appears to have a history of connections with oil and with "Rockefeller banks". George Emlen Roosevelt was director of Chemical Bank until 1940; he was then replaced by a brother, Julian Kean Roosevelt, related to the Keans of early Citibank days.

sources in the Middle East under American corporate control; it is this sort of "vision" which bolsters imperial plans and underlies what some analysts loosely term "conspiracy":

> Among other factors which have assumed for the United States new and vital significance in the Middle East are its oil deposits...their importance in the Marshall Plan has been clearly implied...the plan provides for the expenditures of over a billion dollars to reconstruct and expand Europe's refineries and other oil installations...these had best be supplied in large measure with Middle Eastern oil...more cheaply than from the Western Hemisphere, and because it...would enable...North and South America to save their resources... 14*

In this "noble" endeavor of conserving American oil and reconstructing Europe, Kermit Roosevelt knew how to cash in on the profits in Iranian oil that would be shipped to European markets. Similarly, Walter Levy, petroleum consultant, (whose clients included Esso, Caltex, and Shell) knew whom he was representing in his role in the Marshall Plan as head of the oil division of the Economic Cooperation Administration. For by mid-1950, eleven per cent of the value of all ECA shipments to Europe consisted of oil. Levy, for many years the oil industry's guru and petroleum consultant to a number of governments, said, "ECA has maintained outlets for American oil in Europe...which otherwise would have been lost."[15**]

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*Needless to say, many of the refineries and oil installations referred to would be U.S. oil multinational affiliates. Even in 1948 we find expansion camoflaged as "conservation" of resources.

**The Kolkos further describe the creation of Europe's postwar dependence on American multinational controlled Middle Eastern oil. Requests for freight cars under the Marshall Plan were reduced by the Americans from 47,000 to 20,000, and instead the Americans insisted on allocating 65,000 trucks under the program, assuring dependence on oil and gas.

Levy has also been able to coordinate U.S. State Department and oil multinational interests in his role as a prominent member of the Council on Foreign Relations and contributor to its journal, <u>Foreign Affairs</u>.*

3.5 The "National Interest" in Oil in the Middle East

The creation of a "mutuality of interest", or in this case a protection of Standard Oil of California's interests, received Presidential approval in the Roosevelt administration, when James Moffett, Chairman of Caltex (a subsidiary of Socal in Saudi Arabia and a precursor of Aramco) and the Bahrein Petroleum company, persuaded F.D.R. that the Saudi concession was a "vital American interest". Roosevelt wrote to Secretary of State Stettinius that he found "that the defence of Saudi Arabis is vital to the defense of the United States" and that Lend Lease aid should be provided to the Saudi government accordingly. The Saudi air base at Dahran was the first tangible result and the first all-American base in the area, considered essential to cold war strategy.[16]**

An Interdepartmental Committee on Petroleum Policy, with representatives from State, War, Navy and Interior had been meeting early in the same year, 1943, to decide, according

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*The role of the CFR and of its journal, an ideological outlet for the interests being examined, will be described later in this chapter. Walter Levy has also been instrumental in expanding U.S. interests in Canadian oil and tar sands. It is only recently (May 1975) that his role as consultant to the Canadian Government and the "majors" has been pointed out as a "conflict of interests". Certainly his career conflict is nothing new.

**This episode will be elaborated upon in Chapter Four.

to one participant, "whether and how to extend aid to the American oil companies established in the Middle East."[17] The State Department and Petroleum Administration for War representatives to this committee were salaried officers at the time of Standard Oil of California, which had, of course, most to gain in the immediate and monetary sense from such a policy and establishment of such an understanding of national interests for the future.[18]

Thus, as early as 1943, coordination of efforts on petroleum issues that involved access to Middle Eastern oil by American multinational oil corporations was effected by oil personnel in a variety of structures within the State Department, including petroleum agencies, the departments of War, the Navy, and the Interior. Within these various structures they were able to define the issues and construct the limits of possible solutions. Pressure on the President was often accomplished with ease by the already enormously powerful multinational oil companies concerned with safeguarding their own particular interests in the Middle East.

3.6 Support for Oil Monopolies & Policy on 'Nationalization'

In 1945, John Loftus, Special Assistant to the Director of the Office of International Trade Policy, Department of State, voiced the government's concern with protecting multinational oil interests and in furthering their expansion around the world, stating that these concerns went back a generation before the Second World War:

> ...a review of diplomatic history of the past 35 years will show that petroleum has historically played a larger part in external relations of the United States than any other commodity... 19

This policy statement continued to oultine the State's clear-cut ideological support for expansion abroad of American private enterprises (and particularly that of the oil industry) and a condemnation of foreign (that is, indigenous) national-ization of such resources as were at the time being monopolized by the American "majors":

> ...While recognizing the soverign right of any country to assume ownership (upon payment of prompt and adequate compensation) of the petroleum industry or any of its branches, this Government must nevertheless recognize and proclaim that international commerce, predicated upon free trade and private enterprise (which is the conceptual core of United States economic foreign policy), is, in the long run, incompatible with an extensive spread of state ownership and operation of commercial properties. 20(italics mine)

This is, in effect, a warning to Third World countries, that, though they may have legal "rights" to buy back their own resources and the services and industries connected to these, they will not be allowed by the United States to avail themselves of these "rights". The "majors" could not have asked for a better statement of their interests. The same policy statement goes so far as to indicate quite clearly that protection of these multinationals is the primary "function" of the U.S. State Department with regards to foreign policy. It further implies that monopoly control of all vertically related processing, transporting, and marketing of oil will in no way be considered a constraint of free trade, as it would be (legally) in the United States, and will in no way be jeopardized by anti-trust regulations existing in the domestic sphere. In other words, whether legal or not, other countries will not be allowed to nationalize oil resources, and whether legal or not, American companies will operate as monopolies in constraint of trade when it comes to international commerce:

> Another major category of problems concerns the support given by the Department on behalf of the United States Government to American nationals seeking to obtain or retain rights to engage in petroleum development, transportation, and processing abroad. This is the traditional function of the Department with respect to petroleum... There are other crucial situations where concession rights are in jeopardy and where the Department's vigilant attention is required... 21

A more recent example of this expression of an imperialistically oriented "mutuality of interests", expressed on many occasions by US government officials, is one by Andrew Ensor of the State Department, that, "a healthy oil industry overseas is as vital to United States security as a sound domestic industry".[22] Ensor is another of those ubiquitous oil executives who have taken on the "responsibility" of serving both the government and oil multinationals in key decision-making career slots. After many years' service to Standard Oil of California, Ensor served as Director of the Office of Fuels and Energy and formerly as Chief of the Fuels Division.[23] He seemed to be well aware of the role such agencies have as vehicles for multinational oil opinion and decision-making, for they have long ceased being (if indeed they ever were) regulatory agencies.

> It's expected that under the new set-up (Office of Fuels and Energy) oil problems will come to the attention of top policy makers more quickly than in the past and that the views of the Office of Fuels and Energy will be given a good deal more weight. 24*

This vigilance shown by the oil companies in getting their men into the so-called regulatory agencies was matched by the State Department's own higher vigilance, which, by the Second World War was of more than a "diplomatic" nature. As has been noted, and as the policy statements of oil personnel such as Welch of Standard Oil of New Jersey have shown, safeguarding of oil interests required the activity and coordinated strategies of oil personnel throughout the State bureaucracy at the political, economic, and social levels and particularly in key policy-making positions. This coordination of <u>interests</u> would be mirrored in increased coordination of <u>activity</u> of oil personnel and State Department officials, most dramatically when the threat of nationalization became immediate, as it did in the 1950's in Iran and Iraq and as it had already materialized in the cases of Mexico and other Latin American countries earlier.[25**]

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*Clearly, the "new set up" was not merely an agency name change. It functioned to increase oil industry decision-making power in government.

**Here is a detailed analysis of Jersey's attempts at combatting Mexico's nationalization of the subsoil. Jersey was concerned not to allow Mexico to stand as an example to other Latin American Jersey-controlled oil assets and not to give in to the required rentals. Jersey's ability, even in the teens and 1920's, to bring the U.S. to the brink of war with Mexico in order to protect her own monopoly was striking. Such power was again to be utilized in the Middle East.

3.7 "Aid" for the Protection of Oil: the Other Side of "Development"

The full array of instruments to be mobilized by the oil multinationals and the Government to protect the "mutuality of interests" just discussed would include the following tactics (to be elaborated upon in relation to three specific episodes of gaining or retention of access to oil in the Middle East in Chapter IV). These new forms of imperialistic penetration would not entail obtaining formal sovereignty over other countries, but rather the all-pervasive penetration, shaping, and control of the political, social, and economic structures of countries, which, though in actuality could not act independently, would retain nominal independence. The tactics applied would involve a high degree of sophistication, and would also serve, with slight variations, in Latin America, Southeast Asia, and Africa.

These would include military aid, training, and equipment to build up a "stable" professional army, that is, one loyal to U.S.-supported oligarchies and dictatorships.[26*] The military strata, seen as the most promising one in Third World countries such as those in the Middle East, was also thought to be the most capable in learning entrepreneurial skills and applying the proper "technology" (military, ideological, and commercial) in the creation of "good climates" for U.S.

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*During the 1950's, following and preceding the C.I.A. engineered coup in Iran which reinstated multinational oil's control of Iran's oil, the fullest expenditure of American "aid" was designed to insure no further nationalist threat. Military training, assistance, and equipment assured the Shah's army and secret police complete control and assured the U.S. a loyal regime and a "good climate" for continued American investment.

investment and retention of ownership and control of oil resources. Though, in the case of the Middle East, often very little economic investment followed such preparation for "stability".

Control of international loans of the World Bank and the International Monetary Fund could also be used to bring about further penetration of American investment. Such manipulation of "aid" would include easy-term loans for American arms and for projects (commercial, agricultural, military, etc.) which allowed American corporations and their capital-intensive, non-labor-intensive, techniques to penetrate the underdeveloped country more readily. The implications for economic development are, of course, vast.[27]

Where "bad climates" were to be expected by foreign investors, tactics would involve C.I.A. networks and counterinsurgency units, such as the one headed by Kermit Roosevelt in the Iranian coup; bribes to "buy off" presidents (such as the one offered Nasser); and, perhaps, assassination squads.[28] Counterinsurgency units would be instrumental in eliminating revolutionary "elements" and in reinstating or propping up "friendly regimes" while overthrowing nationalist, socialist and popular regimes. Stationing regular troops in bases controlled by the US, would allow for such "emergency" deployment of troops as was accomplished in Lebanon in 1958 by the U.S., when Iraq, Syria, and Egypt were perceived as posing a socialist threat to the status quo (good climate?) in the area.

(The economic reason? Iraq had just nationalized its oil in 1958 when a Baathist communist, government came to power.) They would also include aid to Hussein of Jordan to slaughter thousands of Palestinians in 1970 (Black September.)

3.81 Bribes: Bribes to high officials have been a "tax-deductible" option for control abroad used by multinational oil executives. In the 1950's CIA rumor had it (according to Marchetti and Marks) that the going rate for "buying off" a third world president was $2 million. (Perhaps military strata are also viewed as easier to buy off.) Nasser embarrassed such a donor, Kermit Roosevelt (of the CIA) and the Eisenhower Administration, by using the gift to build the Cairo Tower--symbol of his independence and refusal to be bought off. The Tower went by the name of "Roosevelt's Erection" in CIA circles, and goes by the name of "Eisenhower's Prick" in student parlance in Cairo.

3.82 Assassination squads: David Begay, a 24-year-old ex-Green Beret Navajo Indian, reported to UPI reporter, John Leahigh, early in August 1973, that he had carried out an assassination assignment to kill three leaders of the Palestinian liberation group, Al Fatah, in Jordan 1970. He was part of a "dark-complexioned" group of counter insurgents (mostly American Indian or Spanish-speaking) in the 14-day "operation", which he said was coordinated by the CIA, and was designed to create trouble between Arabs and Israelis. It is more likely that this was part of a King Hussein and CIA design to eliminate the Palestinian resistance in Jordan. The "news item" was not dealt with by the overhead press, nor commented upon by the CIA. (Liberation News Service, No. 546, Aug. 15, 1973.) This is only one recent example of such operations. They are secret, and, perhaps, numerous.

3.83 Arms: Comparative figures are cited elsewhere. CBC Radio, June 17, 1975 quoted a U.S. Senator saying the U.S. exported $8 billion worth of arms to the Middle East in 1974 alone. The U.S. exports more arms than all other countries combined - and this to countries hardly able to afford such wasteful extravagance. Arms deals help keep Third World countries in debt for hard currency and the U.S. deficit at a minimum. New oil money is a prime target of military arms deals.

The manipulative possibilities, political especially, of foreign aid were unwittingly summarized by D.A. Fitzgerald, a high official in a series of US government agencies in charge of foreign aid from 1948 to 1961. In an interview with US News & World Reoort, he remarked:

> A lot of the criticism of foreign aid, is because the critic thought the objective was to get economic growth, and this wasn't the objective at all.... It depends on what the major purpose is, and half the time the major purpose is to meet a short-term political crisis--and economic development, if any, is only an incidental result.[29*]

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*Though such statements are, in one sense, gems, they only re-assert what is intuitively known by the populace of Third World countries as well as by liberal to radical populations in the West. These confessions only put imperialistic creeds of the Welch variety into functionalistic, "pragmatic" Pentagonese: "short-term political crisis", etc.

Oil companies' personnel and those of their corporately linked financial and industrial institutions are often actively involved in coordinating these varied instruments of the State's coersive power; its "soft ware", or foreign aid; as well as continuing to shape foreign policy in general. They bring to bear their own panoply of influence, or "expertise", in the forms of artificial price structures and price manipulation of oil; production manipulation; boycott of oil produced by "intransigent" or bad-climate-producing nationalist governments in the Middle East has been used in the past and stands as a possible tool in future. The boycott was utilized against Iran in the early 1950's and Iraq in 1958 (with less success); it was also a threat in the 1970's "energy crisis". Many of these mechanisms were afforded by the structural component: monopoly-controlled access to a number of sources of oil in the area and elsewhere.

In defining the mutuality of interests of the multinational oil companies and the Government in expansion abroad, it has been shown throughout this chapter that it was an ongoing policy of the multinationals to influence and formulate domestic and foreign policy concerning oil, its control, and its marketing. Such concern went so far as to include the shaping of the social, political and economic "climate" in which the industry would choose to operate abroad. Where such a climate did not exist or appeared to be threatened, the State would use cohersion (of both direct and indirect economic, political and social-sorts) to "rectify" the situation.

3.9 Focussing in on the Rockefellers: Concentration of Power in Oil Interests

In focussing on the Rockefeller group's financial working control of four of the five oil multinational "majors" (as well as a number of important "minors"), it is possible to understand the extension of socially and financially based power behind these corporations and behind such over-all policies as have already been outlined. It is also possible to trace the structural importance of Rockefeller-linked personnel in continuing the policy of "men in government" that Welch and other multinational oil executives realized was so important in furthering their control abroad, and especially in the Middle East. Rockefeller group executives have been particularly active in the State Department, major banks and lending institutions, ambassadorial posts, the C.I.A., the Council on Foreign Relations, and in the funding and directing of a number of foundations, universities, and think-tanks that play a large part in defining the issues, setting the limits on possible solutions, and fascilitating the creation of an ideological climate at home, receptive to such decision-making.

Rockefeller interests have been strategic in nature and quantitatively major since the Nineteenth Century in the American petroleum industry. Their monopoly control, established during the Standard Oil Trust period, was extended at first through petroleum and transportation and later through a multitude of other industries as well. A number of sociologists and historians maintain that much of this diversity of control has been sustained, regardless of the Anti-Trust Act's "dispersal" of the Standard Oil Trust of John D. Rockefeller's creation. Rockefeller control of industries and institutions particularly relevant to multinational oil enterprises has been maintained and can be traced through friendship and kinship ties.

In making sense of this nexus of power, the pluralistic stratification model of sociologists such as Talcott Parsons appears to be most questionable and least useful as a description of power in the developed country, the United States in particular. The descriptions of Ferdinand Lundberg, Maurice Zeitlen, William Domhoff, and others appear to be more accurate characterizations of ruling-class wealth and power in the developed country. When the question of "development" is turned on its head and redefined in terms of the dynamics of imperialism, theories of development such as those of W.W. Rostow and Bert Hoselitz must give way to the more lucid descriptions of observers like Harry Magdoff, André Gunder Frank, and Osvaldo Sunkel; for these delineate the threat and control that such a power base represents for the underdeveloped country, oil producing or other.

As James Knowles has suggested, "the principal international threat", of such a highly concentrated power base, "stems from the continued position of the oil industry as the (Rockefeller) Group's industrial mainstay."[30] He has recognized that this constitutes a threat to peace in a number of underdeveloped areas:

> The two areas in the world which pose the greatest potential danger to peace--the Middle East and Southeast Asia--are also (or soon will be, in the case of Southeast Asia) the two major oil-producing areas of the world. The Middle East's position as a leading oil producing area... (being) of course, well known. 31

The economic and political stake the Rockefeller Group has in these areas and the success that it has "in shaping American foreign policy around the principle that continued American military and economic presence in both the Middle East and Southeast Asia is necessary and desirable"[32*] constitute major factors in the continuation of "conflict", or what might more appropriately be seen as the political and economic intervention and arms build ups that characterize imperialism in these areas.

3.10 Rockefeller Control of the American "Majors"

Oil companies such as Standard Oil of New Jersey (Esso, Exxon), Standard Oil of Indiana, Standard Oil of California, Standard Oil of New York (Mobil, Socony-Vacuum), and Marathon Oil (formerly Standard Oil of Ohio), were part of the original Standard Oil Trust. When the Trust was "broken up", 1911-1912, Standard Oil of New Jersey's controlling stock interest in the other Standard Oil Companies was passed on to the stockholders of Jersey. The largest of these stockholders was the Rockefeller family. John D. Rockefeller, Jr., owned the most Rockefeller oil stock at the time of the Temporary National Economic Committee (T.N.E.C.) investigations, in 1937-1939. In avoiding

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*Knowles, if anything, understates the case, for he implies that such "threats to peace" and existence of oil are merely coincidental pairs.

tax payments on his estate, he established trusts for his wife, children and grandchildren before his death. The bulk of this wealth, Lundberg has found, is still intact.[33]

Stockholdings of the Rockefeller family itself are the primary example of direct control of these corporations, though the exact amount of oil stock held by the family is difficult to calculate. At the time of the T.N.E.C. investigations, the Rockefeller family holdings in these oil companies, (including trust funds, personal holdings, and Rockefeller foundation holdings), were as follows, in order of magnitude:[34*]

19.52% of the stock of <u>Marathon Oil</u> (Stnd. of Ohio)

16.34% of the stock of <u>Mobil Oil</u> (Stnd. of New York)

13.15% of the stock of <u>Stnd. Oil of N.J.</u> (Esso)

12.32% of the stock of <u>Stnd. Oil of California</u>

11.36% of the stock of <u>Stnd. Oil of Indiana</u>

This stock ownership accounted for working control by the Rockefeller family of three of the five American "majors", which at the time of the T.N.E.C. investigations had already made bold expansionary moves to control much of the prolific and profitable Saudi Arabian and Iraqi oil production, refining, marketing, etc. Marathon Oil and Standard Oil of Indiana were to become two of the important "minors" in gaining access to Middle Eastern oil. Lundberg estimated the market value of the above listed securities was $4.588 billion in 1964, and

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*This was the last major inquiry into the stock ownership of the largest 200 industrials.

that the total wealth of the Rockefeller family was then in excess of $5 billion. A good portion of the family wealth was and still is therefore, apparently, tied to oil.[35]

This wealth continued to be reinvested in these companies, as the Patman investigations of foundations have shown.[36] By the end of 1966, nine Rockefeller family foundations, with combined assets of $1.43 billion, held the following percentages of stock in the same oil companies:

3.5% of the stock of Stnd. Oil of Indiana
2.7% of the stock of Stnd. Oil of N.J. (Esso, Exxon)
2.4% of the stock of Marathon Oil (Stnd. of Ohio)
1.2% of the stock of Mobil Oil (Stnd. of N.Y.)
.9% of the stock of Stnd. Oil of California [37]

Patman concluded from the above sorts of indicators that the multimillion dollar Rockefeller foundations have replaced the Standard Oil Trust which was broken up in 1912. The picture of Rockefeller-linked control emerges more clearly in the "Patman Report" listing Mobil Oil assets held by Rockefeller-related organizations as of 1966. Comparative statistical information is available for all five of the American majors with regard to stock ownership by major banks, insurance companies, foundations (particularly Rockefeller linked), and universities. When the data in the following three tables are compared with that presented later in the table of directoral interlocks (of the five majors with other financial, political, educational, research, and Third World related institutions) a network of power both financial and political, as well as ideologically potent, becomes evident.

The Rockefeller Financial Group, according to the financial data compiled by Knowles (1973), has "working control" of the following six oil companies, the first four being majors. Knowles defines "working control" as involving either family ownership of ten percent or more of a company's stock, or significant family stockholdings (more than five percent) in combination with the family holding down two or more top level positions in the company's management. By key management positions, Knowles means: Chairman of the Board, Vice Chairman of the Board, President, Chairman of the Executive Committee, and Chairman of the Finance Committee.[38]

TABLE VI

WORKING CONTROL OF OIL COMPANIES BY THE ROCKEFELLER GROUP:

Company	'69 Fortune Rank	'69 Assets (in millions)	Controlling Family	Type of Control
Exxon (Stnd. NJ)	2	17,537	Rockefeller	stock
Mobil (Stnd. NY)	7	7,162	"	"
Texaco	8	-	"	*
Stnd. of Cal.	13	6,145	"	stock
Stnd. of Ind.	18	5,150	"	"
Marathon Oil (Stnd. Ohio)	126	1,299	"	"

*The more intricate control involved in Texaco's case will be elaborated upon in the text.

Weakly tied to the Rockefeller Group, but relatively strongly tied to groups like the Mellons and Morgans through directoral interlocks and stock ownership are the following oil companies: Gulf, Shell, Continental, Cities Service, and Sun Oil.[39*]

Through trust departments with sole voting rights over ten percent of stock and through a network of interlocking directorships, the Rockefeller Group has working control over Texaco.[40] In the case of Rockefeller Group control of Texaco, the connections are more intricate than with the examples of the three Standard Oil Trust linked oil companies, (Exxon, Mobil, and Standard Oil of California). At least ten percent of Texaco's voting stock is under the sole voting control of ten or fewer bank trust departments. (This percentage has been generally accepted as sufficient to indicate controlling interests where stock is widely dispersed.) It is also known that one or more of the bank trust departments in the Rockefeller Group controls enough voting power to merit a position within the controlling coalition: the four large banks in the Rockefeller group are: Chase Manhattan Bank, First National City Bank, Chemical Bank (all of New York), and First National Bank of Chicago, ranking second, third, sixth, and tenth among all banks in the U.S. in terms of 1969 assets.[41] Every position among the top fifty holdings of the First National City Bank's 1971 trust department stock portfolio of

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*Rather than constituting opposing "blocs", it seems that these families have found ways to coordinate their interests on many fronts. In regard to expansion of control of oil resources in the Middle East, Gulf has proved to be predominantly co-operative with the other "majors".

$6.8 billions was large enough to merit such a position.[42]

On Texaco's twelve member board of directors, there are two director interlocks with Rockefeller core financial institutions (i.e. the aforementioned four banks and three life insurance companies--Metropolitan, Equitable, New York Life). However, there are also four director interlocks between Texaco and the Rockefeller-Whitney controlled Freeport Minerals Company. Knowles finds, in pursuing this directoral interlock constellation further, that Rockefeller ties and potential control emerge more clearly:

> When the one director interlock with Chemical Bank, the three director interlocks with Freeport Minerals, and the one double interlock between Chemical Bank and Freeport Minerals are combined, they account for five out of twelve of Texaco's directors. A sixth director with ties to the Rockefeller Group is Robert Roosa, who is a trustee of the Rockefeller Foundation and a partner in the private banking firm of Brown Brothers, Harriman and Company, (another Brown Brothers partner, Robert Lovett, is a director of Freeport Minerals.) 43**

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*Texaco ranks 12 in First National City Bank's Trust Department portfolio. FNCB is one of the major Rockefeller controlled banks. Since the top 5 holdings of FNCB accounted for 25% of the bank's total stockholdings and the top 50 holdings accounted for 70%, one can see how important Texaco's rank has been. Each of the 50 holdings represented an investment of from $50-700 millions.

**There are two Robert Lovett's who are connected with Freeport. Below are some of their curriculum vitae. (Sources include Who's Who and Moody's Directory.)

obert A. Lovett: Board of Director M.I.T., and N.Y. Life and Freeport, etc.

obert S. Lovett: Director Freeport Minerals; well established partner of Brown Brothers Harriman & Co.(1949-1950 and other years); Special Assistant to

Combined with these kinds of interlocks and stock ownership is the fact that Texaco has long been jointly involved in the Saudi Arabian oil concession, at first with Standard Oil of California alone, as Caltex, and later as one of the four members of the Aramco 100% monopoly (Standard Oil of California, Texaco, Mobil and Esso). Texaco is also one of the five largest American participants in the Iranian oil concession. In both of these joint ventures in the Middle East, Texaco has shares exactly equal to those of Standard Oil of California, Esso, and Mobil, suggesting not only equal access and control but also coordinated management from the beginnings of access to oil in underdeveloped countries of the Middle East as well as at home. For a comparison of the exactitude of these percentage shares, see Table III entitled "The Major Seven, Consolidation of US Influence in the Middle East," (Chapter II). If anything, these ties abroad indicate closer cooperation and interdependence among the American majors--firms which are clearly very closely coordinated financially and managerially by the Rockefeller Group.

Looking at the share holdings of Rockefeller linked foundations shows more clearly their importance in maintaining Rockefeller control of major oil companies. The following table, lists Mobil oil assets held by seven Rockefeller-related foundations and charitable trusts, as of 1966.[44]

:he Secretary of War (W.W.II) 1946-1947; Under Secretary of ;tate 1947-1949; Secretary of Defence 1950-1951 (replacing J.C. larshall); Union Pacific (father was chairman of the Board); 'reeport Sulfur; N.Y. Life; Life Member of M.I.T. Corporation.

TABLE VII

ROCKEFELLER-LINKED FOUNDATIONS' SHARES IN MOBIL OIL

Foundation	Mobil Oil Shares	Market Value
Rockefeller Foundation	600,000	$28,050,000
Rockefeller Bros. Fund	404,832	18,925,896
Sealantic Fund, Inc.	3,601	35,908
Sleepy Hollow Restorations	34,000	1,589,500
Colonial Williamsburg	142,000	6,620,750
China Medical Brd. of N.Y.	17,000	731,000
Rockefeller Inste.	1,090	46,870
Totals	1,202,523	$55,999,924

As of 1972, the total market value of the assets of the Rockefeller Brothers Fund[45*] was reported as $268 millions. The largest holdings in their portfolio were: Standard Oil of New Jersey (Esso-Exxon), Standard Oil of New York (Mobil), Standard Oil of California, Chase Manhattan Bank, and the Rockefeller Center. All of these are historically identifiable and well-known businesses of the Rockefeller family.[46]

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*Charles Schwartz, "What the Rockefeller Family Owns", International Socialist Review, Vol. 36, No. 1, January 1975, pp. 34-35., Reprinted from a report prepared for members of the U.S. Congress in November 1974, entitled: "Probing the Rockefeller Fortune", by G. William Domhoff and Charles Schwartz. This report pointed to the types of probing which should have been (but were not) part of the investigation of Nelson Rockefeller's wealth and power. Note that of the 15 persons listed as trustees of the Rockefeller Brothers Fund, more than half are members of the Rockefeller family. Of the 12 listed as officers, only two (the chairman and vice chairman) are in the family, but three others are employees of Rockefeller Family and Associates (whose members invest and manage the Rockefeller family wealth and sit on the board of directors of an enormous number of top ranking corporations, financial institutions, universities and other institutions.) Thus, the same people are involved in managing investments for the Rockefeller Brothers Fund and for the family and appear to coordinate investment policies.

TABLE VIII

NINE ROCKEFELLER FOUNDATIONS: SOME OF THEIR OIL HOLDINGS
(Date: 1966)

	Stand. Oil Co. New Jersey		Stand. Oil Co. Indiana	
	No.of Shares	Mkt.Val.	No.of Shares	Mkt.Val.
1. Rockefeller Foundation	4,090,849	$258,740,199	2,000,000	$ 96,500,000
2. Rockefeller Bros. Fund	695,035	43,960,964	---------	----------
3. Sealantic Fund, Inc.	2,110	132,930	---------	----------
4. Sleepy Hollow Restorations Inc.	42,500	2,688,125	40,000	1,930,000
5. Colonial Williamsburg,Inc.	95,000	6,032,500	114,200	5,538,700
6. China Medical Brd.of N.Y.Inc.	43,000	2,967,000	-------	---------
7. Standard Oil (Indiana) Foundation	63,467	4,014,287	109,248	5,271,216
8. Agricultural Development Council, Inc. (formerly Council on Economic and Cultural Affairs)	8,015	506,949	-------	---------
9. Rockefeller Institute	640,000	44,000,000	240,000	10,980,000
Total	5,679,976	363,048,954	2,503,448	120,219,916

Source: "Tax Exempt Foundation and Charitable Trusts: Their Impact on Our Economy," 6th installment, Subcommittee Chairman's Report to Subcommittee No. 1 (Wright Patman, Chairman), Select Committee on Small Business, House Representatives, 90th Congress, March 26, 1968, pp. 32, 34.

	Stand. Oil Co. Calif.		Stand.Oil Co. New York	
	No.of Shares	Mkt.Val.	No. of Shares	Mkt. Val.
	231,525	$13,920,441	600,000	
	265,422	15,958,498		
	-------	----------	(see preceding table)	
	22,500	1,352,813		
	63,668	3,335,997		
	4,600	294,400		
	------	---------		
	2,546	153,078		
	130,001	8,320,064		
Total	720,262	43,835,291	1,202,523	55,999,924

The following table lists ownership of shares in the five American majors by major banks, insurance companies, foundations, and universities. The data has been tabulated from annual reports, proxy statements, prospectus filings (1970), and reports to regulatory commissions. Interlocks have been gleaned from 1970 annual reports and cross-checked with Standard and Poor's Register of Corporations, Directors and Executives, 1971. Ownership data on banks is from the 1968 "Patman Report", (Staff Report for the Subcommittee on Domestic Finance, Committee on Banking and Currency, House of Representatives, 1968.).[47*] The data is arranged here in table form in order to show the magnitude of blocks of ownership by institutions other than private individuals and to show the extent of Rockefeller influence through core financial institutions, foundations, and universities. Those universities which own major blocks of stock in the five "majors", are, in several cases, linked to Rockefeller family and foundations through directoral interlocks or through Rockefeller lawyers or investors sitting in key positions on university boards of trustees or financial committees, affording these men the ability to manage and vote such stock holdings. For, among other universities, of those listed in the following table, Harvard, Yale, Princeton, Northwestern,

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*Ridgeway has dealt with this data in a prose fashion without systematical presentation in the form of tables.

and Rockefeller University exhibit strong financial and decision-making influence by members of the Rockefeller family or others connected with the Rockefeller Group. The same goes for the Ford Foundation, the Carnegie and the Sloan Foundation.[48*]

Schwartz suggests that there is a good deal of "evidence that there is an effective coordination between the financial activities of educational and research-funding institutions (universities and foundations) and those of the Family",[49] and that this means that "the Rockefellers were able to give away hundreds of millions of dollars into tax-exempt institutions without losing the economic power which ownership of that money implies."[50**]

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*Knowles presents a table of "Positions Held by Persons with Close Ties to the Rockefeller Group in Idea Developing Institutions", selections include:

Harvard: C. Douglas Dillon, Dir. Chase Manhattan, is President of Board of Overseers.

Yale: J. Richardson Dilworth, Dir. Chase Manhattan and chief Rockefeller family financial advisor is Successor Trustee.

Princeton: Laurence Rockefeller is a trustee; Harold Helm, Dir. of Chemical Bank and Equitable Life, is Chairman of the Finance Committee and trustee. James Oates, Dir. of First Nat'l Bank of Chicago and Chase Manhattan is Chairman of the Executive Committee of the Board of Trustees. Robert Goheen, Dir.of Equitable, is President of Princeton (1957-), and a director of Carnegie and Rockefeller Foundations.

Northwestern: James Oates (above) is a Life Trustee.

Rockefeller: David Rockefeller is Chairman and trustee. J.R. Dilworth (above) is Treasurer and trustee.

**The extent of Rockefeller control via bank trust funds is most probably more concentrated than information on funds would suggest, for it is known that several of the "street names" attached to such trust funds may mask Rockefeller control.

INSTITUTIONAL OWNERSHIP OF MAJOR

SHAREHOLDINGS IN THE AMERICAN "MAJOR" OIL COMPANIES

Oil Company	Major Banks[a]	Major Insurance Cos.[a]	Major Foundations[b]	Major Universities[c]
Stnd. Oil of N.J. (Esso) total common shares outstanding,1970: 221.7 million shares	*Chase Manhattan (2 interlocks; manages 1 fund with investments in Jersey) *First National City Bank, 1 interlock; manages 1 fund with investments in Jersey) Morgan Guaranty (manages 2 funds with investments in Jersey Bankers Trust)	Owned 6.2 mill. shares in Jersey, major holdings, 1969: INA Continental Great American John Hancock Prudential *Metropolitan	Rockefeller Foundation held 3 mill. shares. 9 Rockefeller foundations held 5.7 mill. shares. Other major holdings: Ford Foundation Carnegie Corp. Alfred P. Sloan Kresge Foundation Duke Endowment	Owned 1.7 mill. shares in Jersey. Major holdings: Rockefeller U. Harvard Yale M.I.T. Princeton
Stnd. Oil of N.Y. (Mobil) total common shares outstanding, 1970: 101,313,000 shares.	*F.N.C.B. (2 interlocks); First Nat'l Bank of Boston, Cleveland Trust Co, Bankers Trust Co., (each have 1 interlock with Mobil) *Chase Manhattan and Morgan Guaranty (each manage 1 fund with investments in Mobil.)	Owned 4.3 mill.shares in Mobil. Major holdings: INA John Hancock *Metropolitan Federal Insr. (with 1 interlock) Prudential *N.Y. Life	Rockefeller Foundation, (600,000 shares); 7 Rockefeller foundations held 1,202,523 shares. Other major holdings: Alfred P. Sloan (74,000 shares) Carnegie Corp. (68,000 shares) Ford Foundation (139,000 shares)	Owned 773,068 shares. Major holdings: Harvard Columbia

(table continued next page)

Oil Company	Major Banks[a]	Major Insurance Cos.[a]	Major Foundations[b]	Major Universities[c]
Texaco Average outstanding shares, 1970: 272,344,000.	Manufacturers Hanover Trust (2 trust funds with investments in Texaco) *Chemical Bank (2 trust funds with investments and 2 interlocks with Texaco) Continental Ill. Bank (1 trust fund with investments in Texaco) *F.N.C.B. (1 interlock) Cleveland Trust Co. (1 interlock) Union Nat'l Bank of Pittsburgh (1 interlock)	Owned 7.1 mill. shares. Major holdings: Prudential John Hancock *N.Y. Life Travelers Insr.	Ford Foundation (252,000 shares) Alfred P. Sloan (118,652 shares) Andrew Mellon (1 mill. notes & bonds) Kellogg Foundation (14,182 shares & $500,000 in notes) Duke Endowment (20,000 shares) Kresge Foundation (6,500 shares)	Owned 2 mill.shares. Major holdings: Harvard Princeton Northwestern U. of Texas U. of California Columbia Cal. Tech.
Gulf Total common outstanding shares, 1970: 207,596,392	Mellon Bank & Trust (4 interlocks and 10 trust funds with investment in Gulf) Mellon Bank holds 17.1% of outstanding common stock (this accounts for 1.9% sole voting right and 10.8% partial voting right over Gulf) *First Nat'l Bank of Chicago (1 trust fund)	Owned 9.8 mill. shares. Major holdings: INA Continental Gen.Reinsr.Corp. Aetna Cas.& Surety Canada Life Assur. (has 1 interlock) Prudential *N.Y. Life *Equitable *Metropolitan	Andrew W. Mellon (10,213,709 shares) Ford Foundation (250,000 shares) Alfred P. Sloan (56,768 shares) Kresge Foundation (5,000 shares) Kellogg Foundation (19,934 shares)	Owned 2.3 mill. shares. Major holdings: Harvard U. of Pittsburgh Princeton U. of Texas Northwestern

(table continued next page)

Oil Company	Major Banks[a]	Major Insurance Cos.[2]	Major Foundations[b]	Major Universities[c]
Stnd. Oil of California Total common shares outstanding: 84,837,251	(banks not listed by sources used)	Owned 2.2 mill.shares Major holdings: Continental Insr. Prudential (1 interlock) INA Home Insurance Aetna Cas.& Surety Fireman's Fund (1 interlock)	Andrew W. Mellon ($2 Million in bonds and notes) Ford Foundation (15,000 shares)	Owned 705,244 shares Major holdings: Harvard Rockefeller U. U. of California Princeton

Notes: a Those major banks considered to be "core financial institutions" of the Rockefeller Financial Group are listed with an asterisk. These include: Chase Manhattan, First National City Bank (F.N.C.B.), Chemical Bank (all of New York), and First National Bank of Chicago. These rank second, third, sixth and tenth in 1969 assets for the U.S. (James Knowles, The Rockefeller Financial Group, A Warner Modular Publication, Module 343, 1973, pp. 4-5)
Those major insurance companies considered to be "core financial institutions" of the Rockefeller Financial Group are listed with an asterisk. There are three, including: Metropolitan, Equitable, and New York Life. (Knowles, The Rockefeller Financial Group, A Warner Modular Publication, Module 343, 1973, pp. 4-5). The four banks and the three insurance companies had total assets of over 113 billion dollars in 1969. (If this included the four banks' trust department holdings, the total would be about 148 billion dollars.) (Knowles, p. 5) Both the banks and insurance companies have a clear pattern of interlocking directors, as outlined throughout Knowles study. This presents the possible framework for coordinated investment and decision-making wherever there is strong influence (via interlocks, share ownership, or trust fund management) by these institutions in an oil company.

b Rockefeller foundations are explicitly listed. Other foundations such as: Ford Foundation, Carnegie and the Sloan Foundation also exhibit strong influence by the Rockefeller group. (Knowles, pp. 46-51.) Shares held by these foundations may be, to a greater or lesser degree, controlled by the Rockefeller group, depending on other factors such as whether there are interlocking directors.

(Notes continued on next page)

c Particularly Harvard, Yale, Princeton, Rockefeller U., and Northwestern seem to be closely tied to the Rockefeller financial group. (See note 45, this Chapter.) Shares held by three universities may, thus, be voted by Rockefeller group members who sit on boards of trustees.

Source: Financial data on shareholdings found in: James Ridgeway, The Last Play, E.P. Dutton and Co. Inc., N.Y., 1973, pp. 274-305. Ownership of shares had been tabulated from annual reports, proxy statements, prospectus filings (1970) and reports to regulatory commissions. Interlocks are from 1970 annual reports and Standard and Poor's Register of Corporations, Directors, and Executives (1971). Further bank ownership of shares from "Patman Report" (1968).

Although such stock ownership breakdowns as are afforded by the preceding table by no means account for all shares outstanding, they do point out the high concentration of ownership by a few major institutions, many of which have close links with the Rockefeller financial group. In the case of Gulf oil, the Mellon group seems to have most solidified financial control. In several cases a number of banks, some of which are not closely linked to the Rockefeller group, seem to share financial control through directoral interlocks and or shareholdings through management of trust funds with investments in the particular oil company.[51] Similar control is shared by institutions such as insurance companies, major foundations, and major universities with large shareholdings. However, when Rockefeller control threads through these institutions quite frequently, as it appears to do from the data presented, then one can see how intricate and complex the control has become (control that was once easily traceable in the Standard Oil Trust.)

3.11 The Expertise Appendage of Imperialism: Foreign Policy and the Middle East, Rockefeller and other "Inputs":

Aside from the concentration of major oil company directoral interlocks with a variety of general, and particularly policy-making institutions (Amer. Petroleum Inste., CFR, Foreign Policy Assoc., etc.), there is also a clear interest on the part of the majors in directing the activities of a number of Third World related institutions (re. policy, education, research and business). The majors, as a group, are represented

DIRECTORAL INTERLOCKS: AMERICAN "MAJORS" WITH POLICY-MAKING INSTITUTIONS, THIRD WORLD-RELATED INSTITUTIONS, AND EDUCATIONAL/RESEARCH INSTITUTIONS

Oil Company	Policy-Making	Third World Related	Educational/Research
Stnd. Oil of N.J. (Esso)	(2) Amer. Petroleum Institute (2) Council on Foreign Relations (CFR) (2) Foreign Policy Association (2) Int'l Chamber of Commerce (2) Nat'l Foreign Trade Council, Inc. (2) Nat'l Industrial Pollution Control Council	(2) Aramco (2) Near East Foundation (2) Trans-Arabian Pipeline Co.	(2) Amer. Institute of Chemical Engineers (2) Cornell (2) Educational Broadcasting Corp. (2) Harvard (*) Near East Foundation
Stnd. Oil of N.Y. (Mobil)	(1) American Petroleum Institute (1) Industrial Relations Counselors	(1) Aramco (1) Asia Foundation (1) Center for Inter-American Relations (1) Council for Latin America (1) Tri-Continental Corporation	(1) Alfred P. Sloan Found. (*) Asia Foundation (*) Center for Inter-Amer. Relations (1) Institute for International Education (1) Princeton (1) Time, Inc.

(table continued next page)

Oil Company	Policy-Making	Third World Related	Educational/Research
Texaco Oil	(1) Amer.Petroleum Institute (1) Center for Strategic & International Studies (1) CFR (1) Nat'l Bureau of Economic Research	(*) Center for Strategic & International Studies	(1) American R & D Corp. (*) Center for Strategic & International Studies (*) Nat'l Bureau of Economic Research (1) Notre Dame Univ. (1) Rockefeller Found.
Gulf Oil	(1) American Petroleum Institute	(mainly Canadian-tied, example: Trans-Canada Pipelines (1); Canadian Niagara Pr. Co. (1), etc.)	(1) Carnegie-Mellon U. (1) Southwest Research Institute (1) Univ. of Pittsburgh (1) Univ. of Toronto
Stnd. Oil of California	(1) American Petroleum Institute (1) Business Council (1) Internat'l Chamber of Commerce (1) National Petroleum Council	(1) Aramco (1) Iran California Oil (1) Trans-Arabian Pipe-line Co.	(1) California Inste. of of Technology (1) Stanford Research Institute (1) Time, Inc.

Notes: (*) before a listing indicates the institution appears more than once in columns related to that oil company. Some institutions appeared to have multiple functions.

(1) indicates 1 interlock; (2) indicates two interlocks, etc.

(Notes continued on next page)

The table constitutes a partial listing of directoral interlocks with institutions perceived by the author to be important in relation to the chosen headings or categories. It does not include all possible interlocks with such institutions as might fit under such categories, because sources available are limited.
It does not include wholly-owned subsidiaries (corporations, institutes, capital assets such as mines, etc.) in Third World countries, in industrialized countries, or in the sources, transport facilities, research institutes, and the like.
The table does not indicate "Rockefeller group" or other "family" interest reinforced by personnel interlocks, foundation interlocks, funding, etc.

Source: Tabulated and selected from data available in: James Ridgeway, The Last Play, E.P. Dutton and Co., Inc., N.Y., 1973, pp. 274-305. Interlocks are from 1970 annual reports of each oil company, and from Standard and Poor's Register of Corporations, Directors, and Executives (1971).

The following is a possible alternative way of tabulating the data of the preceding Table.

TABLE XI

DIRECTORAL INTERLOCKS: AMERICAN "MAJORS" WITH POLICY-MAKING INSTITUTIONS, THIRD WORLD-RELATED INSTITUTIONS, AND EDUCATIONAL/RESEARCH INSTITUTIONS

	Esso	Mobil	Texaco	Gulf	Socal
Policy Making (General)					
Amer.Petroleum Inst.	(2)	(1)	(1)	(1)	(1)
Business Council					(1)
Center for Strategic & Intn'l Studies			(1)		
Council on Foreign Relations	(2)		(1)		
Foreign Policy Assoc.	(2)				
Industrial Rels. Counselors		(1)			
Internat'l Chamber of Commerce	(2)				(1)
Nat'l Foreign Trade Council Inc.	(2)				
Nat'l Industrial Pollution Control Council	(2)				
Nat'l Petroleum Council					(1)
Educational/Research (General)					
Alfred P. Sloan Found.		(1)			
Amer. Inste. of Chem. Engrs.	(2)				
Amer. R. & D. corp.			(1)		
Calif. Inste. of Technology					(1)
Carnegie-Mellon Univ.				(1)	
Cornell Univ.	(2)				
Educational Broad-casting Corp.	(2)				
Harvard Univ.	(2)				
Inste. for Intern'l Education		(1)			
Nat'l Bureau of Economic Research			(1)		
Notre Dame Univ.			(1)		
Princeton Univ.		(1)			

(Table continued on next page)

Table XI continued

	Esso	Mobil	Texaco	Gulf	Socal
Educational/Research (General) cont.					
Rockefeller Foundation			(1)		
Southwest Rsch. Inste.				(1)	
Stanford Rsch. Inste.					(1)
Time Inc.		(1)			(1)
Univ. of Pittsburgh				(1)	
Univ. of Toronto				(1)	
Third World Specific: Policy/Educ./Research					
Asia Foundation		(1)			
Center for Inter-Amer. Rels.		(1)		(mainly	
Council for Latin America		(1)		Canadian-fied)	
Near East Foundation	(2)				
Economic					
Aramco	(2)	(1)			(1)
Iran Calif. Oil					(1)
Trans. Arabian Pipeline	(2)				(1)
Tri-Continental Corp.		(1)			
Total interlocks (by company for institutions listed.)	2 x 13	11	7	5	10

on all those institutional boards of directors partially listed in the previous two tables, ("Directoral Interlocks: American 'Majors' with Policy-Making Institutions, Third World-Related Institutions, and Educational/Research Institutions".) The same data has been arranged in two separate formats because the formats emphasize a variety of points of control or influence concentration. Individually, the majors have varying degrees of input in one or another area, particularly with reference to Third World, or specifically Middle Eastern-related institutions. It is clear from the tables, for instance, that Esso is the most active, particularly in policy-making institutions, and Esso is the most heavily represented in all types of institutions. (Esso has a total of 13 double interlocks, as opposed to totals of 11, 7, 5, and 10 single interlocks each for Mobil, Texaco, Gulf, and Socal.) Along with Mobil and Socal, Esso is heavily represented in the Middle East-related institutions. This makes sense when these oil companies' heavy dependence on and inter-involvement in Middle Eastern oil sources are kept in mind. The data also implies that one interlock by any major could serve as a vehicle of opinion for all majors sharing similar interests in the particular institution and its activities.

It is clearly to the majors' advantage to have access to and to influence specific research, as well as to influence financial, business, and socio-political decisions. Such influences may be helpful to the oil companies in the long run in safeguarding their access to oil, to safe "climates" for investment in the Third World, etc. This access and policy-making strategy has been part of their over-all policy at least since 1946 (as Leo Welch so clearly stated.) It was in the post W.W. II period that regional studies began to be funded-first Russian studies, and later Asian, African and Middle East institutes.

The basic oil company directoral interlock data provides only a partial and superficial idea of the extensive connections between policy-making, financial, foundation, and research and education-related institutions--and the connections between these institutions and either the oil companies or the Rockefellers. In order to understand the coordination of "mutual interests" between the State and the oil companies in shaping foreign policy-making or institutions, programs, and development schemes related to the Middle East, a more focussed approach is required. More detail emerges in focussing on a sampling of some of the most powerful institutions of policy-making, education and research. The Council on Foreign Relations, and a few universities with Middle East and "development" related institutes, provide typical examples. Such examples would show how projects related to Middle Eastern "development" or "misdevelopment" are strategically connected to oil interests, Rockefeller interests in particular, and to the State Department or CIA resources necessary for shaping and carrying out such projects. These projects may be offshoots of the CFR, a leading university or its Middle East-related department or research program. The actual initiation of any particular policy or project may begin at any institutional point--the CIA, the State Department, the oil industry, the Rockefeller connected foundation, etc. Funding is usually channelled through a foundation. The project is processed into a "product" through the interaction of the foundations and the university or research institution in terms of facilitating research and the development of analysis of a particular regionally-related study, (that is, where the project is not directly contracted and/or funded by the CIA, which has often been the case.) The data so "processed" can then be acted upon by a number of financial, business, or development-related institutions with the ability to affect the Third World countries in question (including, the potential for action by the CIA itself, in terms of counterinsurgency, intervention, tracking of "radicals" and of students foreign and domestic, and the like.)

Because of a high level of coordination between such institutions in terms of funding, policies, personal career lines and directoral interlocks, it eventually becomes irrelevant whether the funds or the initiative for a particular project come from the government, a Rockefeller connected foundation or institute, the CFR, or the CIA itself--in terms of the project's potential for influencing "development" of an imperialistic nature, accompanied by increased penetration of the economy and superstructure, in the Middle East. Let us take a closer look at some of these policy-shaping and implementing institutions in order to give a firmer foundation to the assertions outlined so far.

3.12 The Council on Foreign Relations

A number of researchers concentrate analysis on interlocking directorships and stock ownership within and between the major American and international financial and corporate groups. This can be enlightening in reference to the Middle East when the focus is on multi-national oil companies and financial groups such as the Rockefeller Group. However, there are other important contributions to be made in terms of filling out one's understanding of the structure of a power base, and in terms of the sociology of knowledge. James Knowles, for instance, recognizes the necessity of tracing the creation and sources of ideas, particularly in relation to policy-making and research:

> in order to examine the Rockefeller Group's role in the development of the ideas which affect public policy, it is first necessary to identify the sources of these ideas. They are primarily the universities, the Defense Department-affiliated "think-tanks" (e.g., the Institute for Defense Analysis, and the RAND Corporation), the so-called "independent" research institutions (Brookings Institution, and the Stanford Research Institute) and the very influential and restricted business-academic clubs (the Council on Foreign Relations, the Committee for Economic Development.) All of these institutions have felt the influence of the Rockefeller Group either through the direct participation of persons closely tied to it or from the fact that most of these institutions are financially dependent on Rockefeller-controlled foundations. 52

One very important club, composed almost exclusively of businessmen and certain academics interested in foreign policy, the Council on Foreign Relations, has been described as a "School for Statesmen" by Washington journalist, Joseph Kraft; and its members have been characterized as a "group of men, similar in interest and outlook, shaping events from invulnerable positions behind the scenes."[53] Whether in Republican or Democratic administrations, "the roster of members has for a generation...been the chief recruiting ground for Cabinet-level officials in Washington."[54]

The CFR is one of the most prestigious and influential foreign policy making bodies (or lobbies) in the world. Though founded in 1921, it had little influence until Rockefeller and Carnegie Foundations began channelling financial support for its operations in the late 1920's. Its 700 "resident" members (N.Y. City area) and 700 "non-resident" members (from other cities) represent elites of finance, media, business, academia, State, military, and CIA. Membership is by invitation only.[55]

Both Secretary of State, Dean Rusk (Democrat) and Secretary of Treasury, C. Douglas Dillon (Republican) during John Kennedy's administration were chosen from the CFR membership, as were 7 assistant and undersecretaries of State, four senior members of Defense and two of the key members of the White House staff (Schlesinger, Democrat; and Bundy, Republican).[56] This is to mention only one, "Democratic", administration in the long and continuing history of the Council's staffing of key governmental positions. Rusk was also past president of the Rockefeller Foundation (1952-1960). Dillon was also a Director of Chase Manhattan; Chairman of the Finance Committee and Trustee of the Rockefeller Foundation; President of the Board of Overseers of Harvard University; Vice-chairman of the Committee for Economic Development; Ambassador to France (1953-1957); Under Secretary of State for Economic Affairs (1958-1959); and Undersecretary of State (1959-1960) to mention a few posts influential in policy-making and "development" research.

Knowles gives a run-down of Rockefeller domination in terms of personnel and financing of the Council on Foreign Relations:

> John J. McCloy (President of the World Bank, 1947-1949), past board chairman of Chase Manhattan Bank, was Chairman of the CFR from 1953 until 1970 when he was succeeded by David Rockefeller, board chairman of Chase Manhattan. The Council has received generous grants from the Rockefeller Foundation and the Rockefeller Brothers Fund, as well as from the Ford Foundation (especially while McCloy was its chairman, from 1953 to 1965). The largest individual donation the Council has ever received, $500,000, came from David Rockefeller in 1964:..(which) was announced...along with a grant of $2 millions from the Ford Foundation. 58

To round out the picture in the State Department during the same time period during which the 1953 Iranian coup and the oil companies' boycotts of Iranian and later Iraqi oil took place, the following career lines and intricate interconnections of oil, Rockefeller influence, CFR input, and foreign policy are strategically important. For, as Knowles observes:

> Both the State Department (while under the direction of John Foster Dulles and Dean Rusk) and the CIA (while under the direction of Allen Dulles) appear in many instances to have designed and implemented foreign policy with oil interests in mind... Allen Dulles, brother of John Foster Dulles and also a partner in Standard Oil of New Jersey law firm of Sullivan and Cromwell, was Director of the CIA from 1953 to 1961. Before assuming this post, Dulles served as President of the Council on Foreign Relations. 59

The CFR's reknown and influential journal, Foreign Affairs, has had the key contributors and editors on foreign policy and oil, including Henry Kissinger (of affiliation with the Rockefellers, the Rostows, Harvard, and present-day forger of Middle East policies and negotiations). The Council sponsors a plethora of research, and its results, by powerful academics and opinion-makers, and schedules hundreds of meetings and lectures for business leaders and academics, especially in "study or discussion groups to develop coherent policies in specific areas".[60*]

An examination of Middle East-related institutes and programs at two well-known and prestigious universities, Harvard and Columbia, reveals similar links, career patterns of directors, and funding. It also reveals a rationale or plan behind the initiation of such "research" programs.

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*The July 1974 issue of Foreign Affairs contains an apologia for the oil multinationals by aforementioned oil consultant, CFR member, Walter Levy, arguing that oil multinationals have done such a good job in the past that consumer nations should continue to rely on the majors in future, lest "chaos" ensue in the form of a free market, or OPEC control of production, pricing, or marketing, (instead of monopoly control by the oil multinationals).

3.13 Harvard's CIA: The Center for International Affairs, and Other Harvard "Development" Branches of Imperialism for the Middle East

Harvard is the base for several international institutes serving the American "imperial creed" and its power structure, for instance: The Center for International Studies (jointly with M.I.T.), The Center for International Affairs, The Development Advisory Service, The Center for Middle Eastern Studies, The International Seminar, (so heavily influenced by Kissinger and by Rockefeller funding).[61]

The Center for International Studies was funded primarily by the CIA, from its inception in 1951. Its first director, Max Millikan, was a former assistant director for the CIA. According to confidential letters exposed by students in 1969:

> The Center...has its origins in a number of attempts to mobilize the academic and intellectual community around certain problems of the Cold War. In the summer of 1950, M.I.T., which has been engaged for some years for research on behalf of the US military establishment, was asked by the civilian wing of the government to put together a team of the best research minds available to work intensively...on how to penetrate the Iron Curtain with ideas.... 62*

On the relationship between CIA operatives and M.I.T. researchers, the background documents state:

> ...it is of the greatest importance that there be a full and continuous interchange of ideas between the researcher and the person or persons who, he hopes, will make some use of his ideas. 63 **

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*This contains photocopies of confidential documents and letters found in Harvard files during student strikes in the late 1960's.

**From confidential documents photocopied during a student takeover of administrative offices at Harvard.

The Center for International Studies, was based on premises that psychological warfare, and the research behind it, should be complimented by economic development, and the theories behind it, to increase "stability" in areas friendly or neutral to the U.S. These and other related points showed the Center's scope and devoted it to devising methods for improving propaganda to the Third World, and strengthening US imperialistic policies in the wake of the Cold War.

Harvard's Center for International Affairs was started in 1957 under Dean McGeorge Bundy. From confidential letters, it is clear that the following were involved in its beginnings: Robert Bowie, its first Director, and Assistant Secretary of State then under John Foster Dulles; McGeorge Bundy; Dean Rusk of Rockefeller; Jim Perkins of Carnegie, later President of Cornell and Director of Chase Manhattan; Don Price of Ford and the Kennedy Administration; Raymond Vernon; Henry Kissinger; and Thomas Schelling.[64]

After discussing the usual means of managing and financing such programs at Harvard on international studies and other State Department related projects, conversations with Rusk and Ford Foundation, etc., Bundy reveals in a letter to then Assistant Secretary of State Bowie that the Middle East, as a regional studies area is well under way at Harvard:

> Meanwhile, I must say, general experience here in related areas continues to give me the feeling that money enough for effective operations will be easy to get when we have the right leadership. Our Middle East Center is now in a fair way to get itself solidly

> financed on a five-year-basis, with hopeful prospects for a longer period, and this happy result is almost certainly due to the combined effectiveness of Bill Langer and Sir Hamilton Gibb. In the still more urgent field of American foreign policy, I think we would be in a strong position to mount a more rapid and large scale attack as soon as we can extract you from the clutches of Harvard men in the Department of State.
>
> Sincerely yours
> McGeorge Bundy 65*

Harvard's own agency for peddling American development in the Third World is the Development Advisory Service, established in 1962. This grew out of Edward Mason's supervising of an 8-man team drawing up a plan for economic development in Pakistan in 1954. Mason devised a similar plan for Iran (after the coup), to insure "development" allowing in American investment, and strengthening of the Shah's regime. DAS packaged similar advisory teams for: Argentina, Greece, Iran, Pakistan, Indonesia, Malaysia, Ghana, Liberia, and Colombia (in most cases sent just after the coups.) Reports on such programs indicate that PL 480 "Food for Peace" was used to support tottering military regimes (with weapons, not food) in many of these cases.66**

The following are some of the State Department AID

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*Photostat of letter dated February 8, 1957, from Bundy to Bowie.

**Mason was a member of the President's Committee to Strengthen the Security of the Free World, Chairman of the Advisory Committee on Economic Development of AID, and consultant to the World Bank--to round out his career hopping and potential to utilize all kinds of resources for development schemes.

Contracts with Harvard for Technical Service as of 1968:

> Worldwide/Research study directed toward comparative studies of resource allocation and development policy/Harvard, President and Fellows/'67 $722,882.
>
> Arabian American Oil Co./Trachoma/School of Public Health '64-'69/ $600,000. 67

Aside from other CIA links with Harvard discovered by the students on strike in 1969 (contracts, consultants, overseers linked with the CIA, CIA recruiting at Harvard), while Kissenger was running his "summer seminars" with CIA money, he was also bringing together Third World technocrats and "experts" on the Third World to compare trade secrets. This summer project received money, as well, from American Friends of the Middle East and the Asia Foundation (both CIA "pass-throughs").[68] With "friends" like that, who needs enemies?

Of influential social scientists from Harvard there are, to mention a few of the stars: S.M. Lipset, Talcott Parsons, and David McClelland, the latter two extremely influential in sociological and economic theories of underdevelopment. McClelland was particularly interested in devising programs for underdeveloped countries to instill motivational "achievement" values which he believed essential to the success of Western capitalism.[69*] On the whole, then, these "educational" institutions are far more than child-care centers for the adolescents of the Middle Class; they serve identifiable goals for the business of the powerful.

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*The implications of such theories have been examined in Chapter I.

3.14 Columbia's SIA: The School of International Affairs, Meeting the Needs of the Empire's Expansion

A Vice President of Columbia University, Lawrence Chamberlain, wrote, in scanning the history of Columbia:

> About the same time that university science departments were co-opted for purposes of war, the knowledge and skills of the social sciences... were also conscripted for military service. The need for applying a blend of disciplines and skills to the problems of little-known areas--for purposes of warfare, governmental administration, and diplomacy--precipitated the establishment of new research and institutional patterns, because the conventional departmental structures were simply not adequate to meet the demands of the job. 70*

Clearly, just as the oil companies defined their interest in shaping domestic and foreign policy in accordance with their need to expand and protect their control of oil resources abroad, it was necessary to utilize the resources of the university to the same ends. Not only have prominent members of the board of trustees and key administrators of Columbia served as directors in the major oil multinationals, but Rockefeller financial and foundation institutions have played a major role in shaping and creating Regional Institutes under the School of International Affairs, in much the same postwar pattern delineated for Harvard. The SIA, founded in 1946, originally had only one regional institute, the Russian Institute; at present there are eight, covering major segments of the world.[71]

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*During the Student Strikes. Quoted from Columbia's Envoy, Fall, 1965.

Andrew Cordier, one of the recent trustees of Columbia, was also a trustee of the Near East Foundation, an advisor in the State Department, Dean of the School of International Affairs, Secretary General of the UN (1946-1961), and trustee of the Carnegie Endowment for International Peace. Three other recent, key trustees of Columbia: President Grayson Kirk, H.F. McGuire, and F.R. Kappel--were also directors of major multinational oil companies.[72] Several other trustees were prominently connected with Rockefeller financial institutions (banks and insurance companies) or foundations. Since the 1930's, Rockefeller Center Inc. has leased the land for its buildings from the university.[73]

Columbia not only trains diplomats and intelligence personnel at the School of International Affairs, but also trains specialized technicians and creates new technology needed by oil multinationals, particularly in the offshore oil industry (via Lamont Geological Observatory).[74] Columbia has connections with the CIA similar to those elucidated in the case of Harvard's institutes and research projects. Columbia also boasts a long and important list of 24 faculty and administrators who are also members of the Council on Foreign Relations, most of whom (20), are also on the School of International Affairs' Advisory Council or its special institutes.[75]

The list could continue, with an enumeration of other research and "development" activities at other universities;

of foreign policy institutes connected with these, of projects and regional studies programs; their funding, initiations, links with the Rockefellers, with oil, with the CFR and the CIA and with assassinations, setbacks, and upheavals both socio-economic and political in the Middle East. Indeed, such a piece of research would be a welcome addition from the sociological profession. For, the examples given here seem to be indicative of an overall postwar thrust in the "idea-making" institutions and their role in the power base that administered and prepared for the intricacies and contingencies of multinational oil companies in the Middle East in the post-war period. As US corporate and financial interests have perceived the "threat" of Third World nationalism, they have stressed the necessity of "nation-building" and "development" in these countries, meaning the creation of a favorable infrastructure for Western capital investment or exploitation of natural resources; entailing penetration, manipulation, and cooptation of indigenous elites and the aid that the social sciences can bring in this endeavor.

FOOTNOTES

1. Gibb and Knowlton, The Resergent Years 1911-1927 (A History of Standard Oil of New Jersey), Harper, 1956, p. 277.

2. Ibid., p. 283.

3. Ibid., pp. 265-266.

4. Quoted in Richard Barnet, Roots of War, Atheneum, N.Y., 1972, p. 200; from a speech entitled "Approach to the Problems in Maintaining and Expanding American Direct Investment Abroad", by Leo. D. Welch, 1946.

5. Ibid., p. 19.

6. Quoted in Robert Engler, The Politics of Oil, The University of Chicago Press, Chicago, 1961, p. 267. Italics mine.

7. Quoted in Barnet, Roots of War, Op. Cit., p. 148.

8. Quoted in Robert Engler, Op. Cit., p. 249. Italics mine.

9. Quoted in Barnet, Op. Cit., p. 200. Long's speech was to The New York Chamber of Commerce in June 1957.

0. Quoted in Barnet, Op. Cit., p. 201.

1. "United States Foreign Petroleum Policy", State Department paper, Report No. 10, Part 15, Report of Subcommittee Concerning Investigations Overseas, U.S. Senate, 78th Congress, 2nd Session 1944, p. 578.

2. "United States Foreign Petroleum Policy", Op. Cit., p. 576.

3. Kermit Roosevelt, "The Partition of Palestine: A Lesson in Pressure Politics", Middle East Journal, II:1, Jan., 1948., p. 8.

4. Ibid., p. 9.

5. Joyce and Gabriel Kolko, The Limits of Power, New York, 1972, p. 447.

6. George Stocking, Middle East Oil, Vanderbilt, 1970, p. 97.

7. Herbert Feis, Seen From E.A.: Three International Episodes, New York, 1947, p. 110.

8. Ibid., p. 110.

9. John A. Loftus, "Petroleum in International Relations", U.S. Department of State Bulletin, Vol. XIII, August 5, 1945., pp. 173-175.

0. Ibid., pp. 173-175. Portions in parentheses appear in the original. Italics mine.

1. Loftus, Op. Cit., pp. 173-175. Italics mine.

2. Platt's Oilgram, April 27, 1965.

3. Tanzer, Op. Cit., p. 55.

4. Petroleum Intelligence Weekly, June 28, 1965.

5. Gibb and Knowlton, The Resergent Years: 1911-1927 (A History of Standard Oil of New Jersey), Harper, 1956, pp. 363-366.

5. See B. Nimurand, Iran: The New Imperialism in Action, N.Y., 1969.

7. Barry Rubin, "America's Mid-East Policy: A Marxist Perspective", Journal of Palestine Studies, Vol. II, No. 3, Spring 1973, pp. 51-52. See also A.G. Frank, Latin America: Underdevelopment or Revolution, on the role of international loans in perpetuating underdevelopment and dependency.

3. Marchetti and Marks, The CIA, The Cult of Intelligence, Alfred A. Knopf, N.Y., 1974, pp. 28-29; Tanzer, Op. Cit., pp. 325-326; Barnet, Op. Cit., p. 202.

9. U.S. News & World Report, February 25, 1963, pp. 49-50.

0. James Knowles, The Rockefeller Financial Group, A Warner Modular Publication, Module 343, 1973, p. 53.

1. Ibid., p. 53.

2. Ibid., p. 53.

3. Ferdinand Lundberg, The Rich and the Super Rich, N.Y., 1968, pp. 154-156; See also: The New York Times, May 20, 1960, p. 1; and James Knowles, Op. Cit., p. 18.

4. From T.N.E.C. statistics published in 1940, as cited in James Knowles, Op. Cit., p. 17.

5. Ferdinand Lundberg, The Rich and the Super Rich, N.Y., 1968, pp. 158, 161-2.

36. Wright Patnam, Chairman of the House of Representative's Banking and Currency Committee in 1968.

37. U.S. House of Representatives, Select Committee on Small Business, Subcommittee Chairman's Report, *Tax Exempt Foundations and Charitable Trusts: Their Impact on Our Economy*, Washington, 1968, pp. 12-13. ("Patman Report")

38. James Knowles, *Op. Cit.*, p. 20, including data selected for the above table.

39. Knowles, *Op. Cit.*, pp. 4-5.

40. *Ibid.*, p. 24.

41. *Ibid.*, p. 4.

42. Knowles, *Op. Cit.*, p. 23.

43. *Ibid.*, p. 30.

44. U.S. House of Representatives, Select Committee on Small Business, Subcommittee Chairman's Report, *Tax Exempt Foundations and Charitable Trusts: Their Impact on Our Economy* Washington, 1968.

45. Charles Schwartz, "What the Rockefeller Family Owns", *International Socialist Review*, Vol. 36, No. 1, January 1975, pp. 34-35. Reprinted from a report prepared for members of the U.S. Congress in November 1974, entitled: "Probing the Rockefeller Fortune", by G. William Domhoff and Charles Schwartz. This report pointed to the types of probing which should have been (but were not) part of the investigation of Nelson Rockefeller's wealth and power. Note that of the 15 persons listed as trustees of the Rockefeller Brothers Fund, more than half are members of the Rockefeller family. Of the 12 listed as officers, only two (the chairman and vice-chairman) are in the family, but three others are employees of Rockefeller Family and Associates (whose members invest and manage the Rockefeller family wealth and sit on the boards of directors of an enormous number of top ranking corporations, financial institutions, universities and other institutions.) Thus, the same people are involved in managing investments for the Rockefeller Brothers Fund and for the family and appear to coordinate investment policies.

46. *Ibid.*, p. 35.

47. James Ridgeway, *The Last Play*, E.P. Dutton and Co., Inc., N.Y., 1973, pp. 274-305, passim.

48. James Knowles, *Op. Cit.*, pp. 46-51.

49. Charles Schwartz, *Op. Cit.*, p. 34.

50. *Ibid.*, p. 34.

51. G.W. Domhoff, "Rockefeller Economic Power--an Overview", *International Socialist Review*, Jan. 1975, p. 9.

52. James Knowles, *Op. Cit.*, p.46.

53. Quoted in G. William Domhoff, *Who Rules America?*, Prentice Hall, N.J., 1967, p. 29.

54. Quoted in Theodore H. White, *The Making of a President,1964*, N.Y., 1965.

55. G. William Domhoff, *Who Rules America?*, Prentice Hall, 1967., p. 73 and *passim*.

56. Dan Smoot, *The Invisible Government*, Dan Smoot Report, Inc., Dallas, Texas, 1962, as quoted in Domhoff, *Ibid.*, p. 73, and *passim*.

57. Knowles, *Op. Cit.*, pp. 42-50.

58. Knowles, *Op. Cit.*, p. 46.

59. *Ibid.*, p. 51.

60. Knowles, *Op. Cit.*, p. 46.

61. *How Harvard Rules*, Published by Africa Research Group and *The Old Mole*, Cambridge, Mass., 1969, pp. 15 ff.

62. *How Harvard Rules*, *Op. Cit.*, p. 15.

63. *Ibid.*, p. 16.

64. *Ibid.*, p. 17-18.

65. *How Harvard Rules*, *Op. Cit.*, p. 19.

66. *Ibid.*, p. 22.

67. *How Harvard Rules*, *Op. Cit.*, pp. 25-26.

68. *Ibid.*, pp. 27-30.

69. *Ibid.*, pp. 75-76.

0. Who Rules Columbia?, Published by North American Congress on Latin America, (NACLA), September 1968, p. 10.

1. Who Rules Columbia?, p. 9.

2. Ibid., p. 8.

3. Ibid., pp. 6-8.

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5. Ibid., p. 17.

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CHAPTER IV:

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Part I. Iran and Iraq in the 1920's: American Majors Open Doors

4.1 Sketching a New Map of the Middle East: World War I

The history of oil imperialism, particularly British, in the late 19th and early 20th centuries in the Middle East, though fascinating, will be only briefly reviewed to facilitate an understanding of American multinational oil moves into this region and to suggest the background for British-American imperialistic rivalries (and cooperation) for Iraqi and Iranian oil during and subsequent to the First World War. As a result of this war, the spoils (political and economic) of a new region of the world--one suspected to be richer in strategic resources than any other (as well as an outlet for growing market needs)--were to be carved up by the victors. (Though the U.S. garnered a good deal of power elsewhere, it wasn't until the Second World War that she outstripped the British in the Middle East.)

In 1915-1916, a draft of the secretly negotiated Sykes-Picot Agreement outlined British and French plans in the Middle East--a piece of outrageous skullduggery, too late exposed by Lenin and Trotsky in 1917. Sir Mark Sykes, a British orientalist and Charles Georges-Picot, formerly French Consul in Beirut, proposed to arrange the map of the defeated Turkish Empire so that Britain would receive as spoils or "protectorates" what are equivalent to Iraq and Palestine (including Jordan and present-day Israel), and France would receive Syria and Lenanon, (hence eliminating a natural unity of Greater Syria, i.e. Syria, Jordan and greater Palestine, and fascilitating the introduction of a European enclave of Zionist settlers to create present-day conflict and Israel out of Palestine.) This would facilitate mutual exploration for oil; transport of "British" Iraqi oil via the Mediterranean at Haifa; keep "third parties"--particularly the U.S., Germany, Italy, Japan, and Russia--out of the area; and safeguard oil monopoly, transport lines for troops and oil, and Persian Gulf strategic waterways for marketing and control of India and other parts of the British Empire. Such puppet regimes as could be installed with the help of the British agent, T.E. Lawrence (and others) through secret diplomacy, coups, misdirected revolts or mandates would insure British and French "rights" to enterprises, ownership of transport facilities, customs and duties setting, access to fresh water and ports, and supplying of advisors and functionaries to insure a compliant infrastructure, army and police force in those feudal monarchies to be installed. The agreement would also insure freedom from any interference, internal or external in such privileged exploitation by virtue of arrangements between Britain and France about control and use of Cypress and other strategic military bases.

In reference to the building of the Baghdad Railway, the document outlines the powers to be denied the Arab countries which were at this time pressing for national liberation and self-determination as states:

> It is to be understood by both Governments (French and British) that this railway is to facilitate the connexion of Baghdad (oil) with Haifa (port) by rail... and (Britain) shall have a perpetual right to transport troops along such a line at all times.... There shall be no interior (between "protectorates") customs barriers between any of the above". 1

Not only were the Arabs to be excluded from any of the benefits of such "development" and ready-made "infrastructure", but a further proviso boycotted any selling of arms to Arabs. The agreement also extended such "protection" to the Saudi Arabian peninsula, a most strategic waterway area and also possibly oil-rich, as yet unexploited except for British support of a local tribal leader or two. A major tactic in the entire scenario was dual-power cooperation for the avoidance of competition from other potential marketeers. Bases would also be denied others in Saudi Arabia, by these self-styled "protectors of the Arab State".

Arab dissent, which was vehement against such already obvious political encroachment and control of resources was to be gagged by dealing secretly with puppet figures installed by the British, like Fiesal and Emir, who were willing, with the help of British and French troops to suppress rebellion against the two "protectors" (and their extension, the Zionists in Palestine), in exchange for absolutist feudal monarchies who borrowed their power from the colons. Installation of such feudal monarchies (Iraq, Jordan, Saudi Arabia) was a precusor of present-day American support for these, and an interesting commentary in itself upon the politically and economically "modernizing" benefits of Western imperialistic diffusion into the area at a time when republican tendencies and "universalistic" values were at a peak.

4.2 The Winning Combination: Aid as Imperialism and Indigenous Elites

However the contradictions within these regimes also facilitated their penetration by British, and later American, imperialism. Iran of the 19th century, for instance, was a "despotic" yet "disunified" society, divided into Russian and British realms of influence, based on pursuit of oil and strategic access to waterways. Internal tribal and familial rivalries as well as nationalities and "feudal" bossism in the rural areas also maintained a central government of a weak and dependent character. The British imperialist tactic was to maintain such weak central governments, regimes that if, nothing else, could sell off and barter away the whole country's resources in the form of oil concessions, tobacco monopoly's, etc. The United State's tactic, in the service of her oil monopolies, would be to strengthen such regimes, rather than weaken them--through military training, support of indigenous elites, economic advisors, police training, and military weapons sales.[2] Because neither Iran nor Iraq, during the 19th century, had been colonized in the sense of occupation and direct control, it may have been even more difficult for the indigenous anti-imperialist nationalist forces to deal with the American form of "subtler" penetration (the "compradore" type); for the anti-imperialist advocates, though massive, represented basically quite disperate interests: the intellectuals, the peasants, the native merchant class, the religious and legal elite (Muallim)etc. In other words, they could not unite against a strong "native" central elite (the Shah and his regime) as constituted by the U.S. as they could against the "external" British. Hence many of them welcomed the Americans, who they saw as "clean cut" businessmen and objective development-aiding economists rather than outright exploiters. This guise of "mediator" and economic "aid" bearer is exactly the role that won for the American majors a position of prominence in the oil picture as well as the political realm.*

Another tactic which the Americans found useful as well as necessary, as newcomers in the Middle Eastern oil

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*The above does not suggest that the history of British and American imperialism in Iran and Iraq is identical. Rather the tactics used by the Americans were in both cases somewhat different from those of the British, though the goals were identical. The actual course of events and possibilities for anti-impirialistic nationalistic regimes to succeed differed between Iran and Iraq partially because of timing and other events influencing the possibilities for or risks in crushing revolt such as the oilmarket situation, the strength of other non-submissive regimes, the potential for war with Russia.

monopoly, was to appear friendly and helpful, to actually cooperate with the British, in order to "open the door" (but not too wide). This, of course, had to be secret initially in order not to conflict with their "saviour" role in "mediating" (between the British oil company and Iranians for instance.) More exploiters became preferable to one, though it hardly changed the fact of an oil monopoly.

4.3 The Petroleum Industry and State: Structural Characteristics-World War I to World War II

At the same time, it was during the First World War that the closer collaboration of the petroleum industry in a common front with the U.S. government had its beginnings. The National Petroleum War Service Committee was set up under the War Industries Board in 1917 and was headed by Jersey Standard's Chairman, A.C. Bedford. He was farsighted in his thinking about the necessity of a firm base and cooperation at home for expansion abroad; saying:

> We must keep our eyes on the goal of still more complete and wholehearted cooperation, of a more perfect coordinated unity of aims and methods. 3

A basic goal of the American Petroleum Institute in uniting the American "majors" was creation of a foreign policy stressing American national interest in getting access to foreign oil resources (particularly those monopolized by the British). This included identification of the oil industry's interests with "national security", naval reserves, and so on.

Secretary of State, Charles Evans Hughes (who later became chief counsel of API) and Secretary of Commerce, Herbert Hoover (a former oil company mining engineer) were quite helpful in representing the industry's interests in the possibilities of expansion of oil control in the Middle East. These two, in fact, played more involved and specific roles in the penetration of Iran and Iraq during this period and later. ("Expertise" was and is so important in these matters, that the same people appear over and over in different roles.) They found it useful to publicize a supposed "energy shortage", talk of dwindling domestic reserves and alleged needs of an expanded American Navy, much as the oil bureaucrats did after the Second World War when they felt the need to create an ideological "climate" at home for expansion into Saudi Arabian oil resources. Both of these "energy crises" were manufactured by the same sorts of interested parties, the oil companies and their friends in the State Department. Hughes, Hoover and others helped form a syndicate of American companies interested in Iraqi oil and backed by the U.S. government. Hoover took the leading role in implementing the policy, admitting in 1921:

> I am in touch with the petroleum industry in the country in an effort to organize something we can get behind. 4

This American group was formed under the leadership of Standard

Oil of New Jersey with Socony, Sinclair, Texaco, Gulf, Atlantic, and Mexican Oil. (Some of the less powerful companies lost out in the deals later, through judicious manipulation of economic and political power by Standard Oil.)

Early in 1922, the American group met with the State Department's trade advisor, Arthur Millspaugh, to work out effective use of combined strength. Millspaugh's role in oil imperialism in Iran, more specifically, was to become that "mediator" and economic and financial American "advisor" ex officio who directed Iranian governmental programs, "development" policy in Iran, and oil policy (back stage) in the 1920's. For at this time, Reza Khan was being supported (after his coup) by the British, as an alternative to more democratic nationalist regimes. The former weak and "volatile" regime had also invited Russian intrusion. Both Czarist and Communist Russia were considered threats to Iran, as a "buffer", and oil-rich, state important to the British sphere of interests. The U.S. took the same interest in Iran and harboured the same "fears" of Russia - as an imperialist rival <u>or</u> a threat to Western oil expanisonism via revolutionary socialist spread. (In this sense, Cold War strategies in the area were merely continuations of earlier policies.)[5]

At the same time there were hints by Anglo-Persian Oil's Chairman, Sir John Cadman, that American and British interests were similar, and joining forces might help from the technological, financial, and political points of view. To underline such good will, the British Foreign Office began allowing Socony geologists to conduct oil exploration in Palestine. A Washington Naval Conference began working out agreements to limit American-British naval rivalries. The U.S. State Department found it unfeasible to publically admit U.S.-British oil agreement, but instead insisted on "open door" in the limited, self-interested sense. The U.S. had to quiet oilmen's (American and British) fears that "open door" might mean letting in the Japanese, Italians, French, and others; so clarification of its position came. It did not intend "to make difficulties or to prolong needlessly a diplomatic dispute or so to disregard the practical aspects of the situation as to prevent American enterprise from availing itself of the very opportunities (i.e. monopoly) which our diplomatic representations have striven to obtain."[6] In fact the Iraqi's and Iranians both wanted as many takers for their oil as they could get, in order to minimize the adverse effects of British monopoly. By the end of 1922 an agreement between the American Group and Anglo-Persian/Royal Dutch Shell had been concluded on the principle of American participation in Iraqi oil.

In 1924, there was a part played by the Federal Oil Conservation Board in the further cooperation between the U.S. government and her oil industry "majors". Secretaries of the Interior, War, Navy, and Commerce on this board saw the role of the board as "avoidance of economic waste" through the restriction of supply of oil by a regulatory agency to maintain high domestic crude prices--a precusor of later oil industry subsidizing in the form of import quotas. Clearly the Federal Oil Conservation Board, like its modern day equivalent "watchdogs" were watching out for the oil companies, rather than for the domestic taxpayer and consumer--contrived energy shortages being one of their tools in accomplishing these goals. For around 1924 there had been huge oil discoveries in Texas, Louisiana and California. A crude glut forcing prices down wasn't good for the oil industry.

The American Petroleum Institute under Hughes' aegis did its part in pushing for exemption of oil operators from anti-trust restrictions. (The national interest as identical with oil interests being so much easier to propagandize in an atmosphere of "energy crisis".) Similarly the Federal Oil Conservation Board called for legislation allowing oil producers to "coordinate production" in order to minimize "the pressure of a competitive struggle".[7]

The FOCB felt that its role was:

> ...to acquaint the general public with the nature of these resources (U.S.) and to create that better understanding (i.e. camouflage?) of the foreign fields which is essential to a sympathetic

support of American oil companies now
developing foreign sources of supply. 8

4.4 Creation of the First Cartel in the Middle East: Monopoly at Home Pays Off Abroad

All of these manoeuvres had no concerete pay off, however, until the "As-Is Agreement" of 1928 was signed (also called "The Red Line Agreement". This temporarily ended British-American squabbling over the spoils as they joined hands in their exploitation of Iraqi and future oil finds in the Middle East, within an area equivalent to the Turkish Empire indicated on the map by a red line.) Officially the agreement restricted production by participants (British and American) in Middle East oil except under conditions of joint agreement by the international oil cartel as it was formed in the Iraq Petroleum Company. Standard Oil of New Jersey, Shell and Anglo-Persian agreed to cooperate in marketing as well as setting production limits. International markets were to be pooled and divided on the basis of shares in IPC.

The American group was admitted to 23 3/4% interest in Turkish Petroleum Company, which became the Iraq Petroleum Company in 1929. Shares in production, marketing, etc. were divided among participants in the following way with only the larger multinationals (and those with more financial and governmental backing) appearing on the final slate:

TABLE XII

Multinational Shares in the

Iraq Petroleum Company, 1929, Following "As-Is"

Company	Percentage of Shares
American Group:	
Atlantic Refining Co.	16 2/3%
Gulf Oil Corp.	16 2/3%
Pan American Petrol and Transport Co.	16 2/3%
Standard Oil of New Jersey	25%
Standard Oil of New York	25%
(Subtotal)	23 3/4% of total
European Group	
Anglo-Persian	23 3/4%
French Group	23 3/4%
Gulbenkian (entrepreneur)	5%
Royal Dutch	23 3/4%

Source: Gibb and Knowlton, The Resergent Years 1911-1927 (A History of Standard Oil of New Jersey), Harper, 1956, p. 306.

It is clear from the above that Standard Oil had control of the American Group in terms of shares, putting them on an equal footing with any other single European oil company unless the Europeans could cooperate in a tighter fashion, which did not appear to be the case. But, Standard Oil (and its structural advantage) seems to have had even more to do with the direction of this "agreement" than such figures indicate. Teagle, President of Jersey Standard, was instrumental in calling in the other American interests and in creating a united front of these through careful selection and political manoeuvering; for, he needed the complete support of the State Department in negotiations, hence, could not go it alone:

> The State Department could not well support the claims of a single American company to the exclusion of other American companies--particularly since that company happened to be Standard Oil, so lately the object of legal attack and investigation in government circles. 9

The shapers of Jersey's Middle East policy understood this well; they had had their sights on oil since 1910 when Standard Oil had sent a geologist, Worthington to Iraq and Iran who brought home favorable reports. Sadler, a director of Standard Oil of N.J., for one, outlined the necessity for cooperative exploitation in the Middle East, in a letter, September 27, 1921, to President Teagle:

> I agree with your idea that Standard Oil Company cannot hope to get the serious backing from the State Department if it attempts to enter the Mesopotamian (Iraqi) field alone.... it will be necessary to take some other interests with us. I also think that we should select the associates carefully and keep the list as small as possible. Personally my suggestion would be the Standard Oil Company of New York (surprise!), Sinclair, Doheny (Pan American Petrol and Transport Co.), Texas, and it seems to me necessarily, the Gulf. 10

Eventually most of Teagle's "hunches" turned out to be true, except it was possible to "eliminate" Sinclair, when an unfortunate, if "timely", Teapot Dome scandal weakened its position;its elimination was also a result of Rockefeller and Morgan banks refusing Sinclair credit. The companies merely drafted a letter to Secretary of State Hughes on the investment potential in November 3, 1921 and Herbert Hoover and others took care of the details of implementation. "As-Is" was adopted in 1929 by the top three "majors" and by the American Petroleum Institute, after which it was presented to the Federal Oil Conservation Board (whose members dovetailed and had been at the API meeting). While there was no "official" governmental approval given or "necessary" for such cartel arrangements, the Attorney General intimated that there would be no opposition either perhaps because of the carefully engineered energy crisis.[11]

One can see, even in the early 1920's that Congressional and other levels of power were easily ignored and carefully sidetracked via usage of State Department personnel and "regulatory" agencies created for the purposes of furthering big oil interests. Although this structural feature was to become, perhaps more striking after the Second World War, it would be a mistake to assume that the feature was not already in effective reach. It was left to the British to handle the details of the granting of the Turkish Petroleum oil concession; they withheld the new constitution demanded by Iraqi nationalists who had staged serious revolts in 1920. Then the British backed Feisal as a puppet king in an effort to insure an oil concession and suppression of revolt.[12] Such suppression was, however, unsuccessful until 1929, by which time the Americans had mustered ample support at home and in the Middle East (through previously mentioned channels and programs) to receive their full share of the concession in Iraq - a concession so lucrative that stalled plans for rapid exploitation of Iran were no profit loss whatever.*

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*It is also important to look at these powerful expansionary moves into the Middle East in terms of the Worldwide picture; for Standard Oil of New Jersey's ability to withstand nationalistic pressures in Mexico in the 1920's were facilitated by Standard's diversification of access to oil in other Latin American countries, and, in the 1930's by access to the cheapest source of oil (and the most heavily guarded by British and American power), that in Iraq and Iran. Its later monopoly in Saudi oil would create even greater odds against both the possibility of Third World oil producers nationalizing their own resources or getting better terms or "participation" in oil industry. For control of many rich sources at cheap rates gave Standard the tool to freeze out competitors and nationalists alike by fixing production, dumping and glutting, boycotting, and other mechanisms.

Part II. Behind Closed Doors: Access to Saudi Arabia and Bahrain, 1930's and 1940's

4.5 Jumping the Red Line and into the Jackpot

While the American "majors" were temporarily resigned to sharing restricted expansion, by the beginning of the 1930's they were already looking for other deals on their own. By the end of the 1930's the U.S. portion of Middle Eastern oil reserves was to rise to 42% by virtue of breaking the Red Line and moving into Saudi Arabia, Bahrain, (and Kuwait later on.) By World War II, an American State Department economic advisor stated these less timid expansionary goals, possible in part via the deterioration of British power in the Middle East and the rest of her crumbling empire:

> It has been taken for granted...that American interests must have actual physical control of, or at the very least assured access to, adequate and properly located sources of supply. 13

An ARAMCO public relations man summed up the early history of Standard's entry into Saudi Arabia, when Gulf and Standard Oil of New Jersey were itching to break the status quo arrangement of Red Line. His account, while filled with enthusiasm and the bending of facts, indicates unwittingly the Company's revolutionary, if not so romantic, thrust:

> At that fateful moment, emissaries of the Standard Oil Company of California appeared on the scene and the wary king's gaze softened.

> SOCAL was ripe not only for new foreign fields but for a revolutionary approach to the principles and methods to be used in developing the oil resources of 'under-developed' foreign lands. Innocent of government backing or political motives (!), sincerely interested only in oil and a fair division of its monetary reward, the American firm convinced the king of the purity (sic) of its intentions. In 1933 it accepted from him, on behalf of the infant subsidiary then known as California Arabian Standard Oil Company, a concession giving it the most restricted and underprivileged position then enjoyed by any Western enterprise in an Eastern country. 14*

In fact, this was a success unchallenged anywhere, and very good PR work had to continue in order to disguise in some way the highway robbery of the conditions under which Standard Oil was actually operating, both in terms of profit returns and exploitation of Arabian workers, the economy and the whole "virginal" governmental apparatus; for, in Saudi Arabia, Standard had the biggest "company town" ever imagined--a whole huge country; no successful uprisings; a completely feudal monarchy on hand to be supported on a few extravagances; no organized "democratic" intellectuals, workers, or peasants

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*The Aramco history from which it was taken was entitled "Big Oil Men from Arabia", p. 35. (The American success story writ large?) Such "harsh" treatment as this PR man claims Standard put up with, consisted of concession rights for 60 years (instead of the usual 99) and the absolute right to explore, drill, produce, transport, handle, and export oil and oil products and all other carbonic substances--in exchange for a loan (they could have paid cash!) to the Saudi King, a royalty of 4 gold shillings per ton of crude and assurance of initial production in September 1933. Poor Standard; and without any "help" from the Europeans <u>or</u> other Americans in counting the profits.

to speak of to jam up the works; and no potent competing rapists in the country's silent surrender. If this was not enough, the prize brought with it the first all-American base in the Middle East (figuratively and literally).

Standard Oil set about to "people" its new country. Indeed Standard was not compelled to train or utilize any Arab workers, skilled or unskilled, so lock outs could be entirely effective should any crises occur. In the afore-mentioned PR man's terms:

> Its executives had to become sociologists, its welders diplomats (already trouble on the job?) its roustabouts educators, in a situation that had no precedent in practice or theory...they ended by setting off, if only through their very presence in that unsophisticated world, a chain reaction of developments that has reached into every aspect of Arabian life and culture. 15

Standard's policies via ARAMCO were, in fact, to serve as the pilot model for all U.S. companies exploiting the resources of "underdeveloped" countires. Through the complete control of much of the society, under the guise of a hands-off policy toward religion and "culture" as well as other symbolically loaded parts of the society, Standard could appear, to be "disinterested" in the internal affairs of its acquisition while actually pulling all the important political, economic, and international financial strings. This was revolutionary for the progress of imperialism--never had the British been so "disinterestedly" successful. And, the success has lasted, nearly in tact into the 1970's. It is only in the last few years that the spread of a threatening Arab socialist and anti-imperialist movement has occurred in the Persian Gulf. Such a crisis could be forstalled through financing right wing governments and Muslim anti-communist religious groups; through processing Saudi students in U.S. universities and sending them back to work for Standard or the CIA at home; through combatting exemplars of revolt from Nasser and Kassem to the Palestinians, South Yemini and Dofar revolutionaries - but even granting nationalization of oil production itself even giving inches to OPEC may not stem the potential revolution whose seeds were sown by Standard Oil in the 1930's. So enormous were the advantages, that one wonders what reservations the oil companies had; it seems that "they longed for assurance that the signed concessions should have a stronger basis than the will of a mortal and impetuous ruler"[16] even though without their support he could never have maintained such absolutitist powers as were created in the Saudi monarchary.

4.6 Gulf and Kuwait: the Mellon Connection

At the same time that Standard was moving in on Saudi oil, Gulf was "negotiating" for a half of the Kuwait oil concessions; for Gulf, however, this meant cooperation in a joint venture with the British. Gulf had family connections which proved quite useful in such negotiations:

> Happily for Gulf, its head man, Andrew Mellon, was now U.S. Ambassador to London. Combining national and personal concern...Mellon persuaded the British government to accept an agreement

> highly favorable to Gulf, considering that Britain exercised virtual suzerainty over the disputed territory. 17

Kuwait has 1/6 of the world's oil, an oil of high quality and easy extraction. Kuwaiti oil places fifth as the worlds largest producer, following the U.S., the U.S.S.R., Venezuela, and Saudi Arabia. Mellon had managed to get a 50-50 deal (not shared with the Kuwaitis, but) with the British. This is some indication of not only the Mellons' family power as controllers of the Gulf Empire, but also of the usefulness of the position of Ambassador to London at the time. Considering the history of Mellon financial and industrial as well as political power, it is small wonder that Standard had considered it, unfortunately necessary to include Gulf in the American Group of the Red Line Agreement. After the breaking of this agreement, the participants could again strike out in a seemingly competitive way. Eventually, for instance, Standard shared in the Kuwaiti digs through mutual agreements with the Kuwaiti participants to supply Standard and others with oil for long term contracts. In this way, should any oil producing country threaten nationalization or cutting of production, there would always be alternative sources. This mechanism of mutual supply contracts was also very important in the fixing of prices, the creation or elimination of gluts, shortages etc.

4.7 F.D.R.'s and Moffett's Influence: The Taxpayer Finances Ibn Saud for Standard Oil

The formation of a mutuality of interests between expansionist oil multinationals' interests and the Government's conception of "national security" for the United States is shown quite clearly in Franklin D. Roosevelt's aspousal of Standard Oil of California's particular interests in Saudi Arabia. Standard Oil of California's subsidiary, Aramco, which owned 100% of Saudi Oil in 1943 wanted the U.S. government to pay the Saudi King (Ibn Saud) $6 million dollars to take up the slack he had experienced during the war. (For during the Second World War, religious pilgrimages to Mecca had been interrupted, damaging the King's only other major source of income. A sad comment on the state of "industry", as well as the recipients of profit in the Saudi government.) Though U.S. domestic reserves were so plentiful that even an offer to supply the Navy with low cost oil for the above price ($6 million contract) was not well received, Aramco found it necessary to argue that an "energy crisis" was imminent. An Interdepartmental Committee on Petroleum Policy began meeting early in 1943. It's most absorbing concern according to one participant was "whether and how to extend aid to the American oil companies established in the Middle East".[18] State, War, Navy and Interior representatives were present; those of the State Department and Petroleum Administration for War to this committee were salaried officers at the time of Standard Oil of California, which had the most to gain from such a policy and establishment of such mutual interests.

Eventually through the lobbying of James Moffett, Chairman of Caltex (later Aramco) and the Bahrein Petroleum Company (also a Standard Oil of California subsidiary), and because Moffett was a personal friend of F.D.R., the Saudi concession received the sought for status of "vital to American interests". Roosevelt wrote Secretary of State Stettinius that he found "that the defense of Saudi Arabia is vital to the defense of the United States". He therefore authorized $6 million in Lend Lease aid to Ibn Saud to be handled through Britain as a go-between. The taxpayer pays Standard's bribes to Middle Eastern potentates, in the name of "national security".[19]

4.8 The Moffett Link: Typical Career Pattern Gone Astray

Such selling of influence as Moffett could provide only became known to the public because of a suit he filed against Aramco for failing to pay the promised price.

> In 1949 Mr. Moffett sued the Arabian American Oil Company for $6,000,000 on the ground that as a result of his efforts in Washington in 1941, this country had required Great Britain to take care of the budgetary requirements of Saudi Arabia out of a $425,000,000 loan the British were negotiating from this country." 20

Moffett said the company had saved $30,000,000 that King Ibn Saud had demanded of it under threat of cancelling the company's oil and mineral concessions. He testified that he had been chosen for the job of obtaining financial aid because of his close friendship with F.D.R.. The court could not refute the evidence, but Moffett lost the suit because *he* was accused of "peddling influence"! "In later years he acted as an unofficial advisor to President Roosevelt on Far Eastern matters."[21] A man with such "expertise", connections, and experience in both oil and the Middle East could always be useful, but his public image had to be damaged a bit to make him "harmless". After all, he did his job, but was arrogant enough to try to blow the whistle on his employers.

Moffett had been the son of an oil man associated with John D. Rockefeller; he had started in 1906 in Vaccuum Oil Company; in 1909 he had become director of sales and assistant to the president of Standard Oil Co. of Louisiana. By 1919 he was a director of Standard Oil Co. of New Jersey. In 1924 he became a vice president and soon after a senior vice president of same. During 1933, however, he resigned such business posts to become industrial advisor of the National Recovery Administration. Here he performed several useful tasks for Standard Oil. When Harold Ickes was Petroleum Administrator for the War, Moffett clashed with Ickes and tried to get him removed from the post becauze Ickes proposed that if the Arabian pipeline was to be paid for by tax monies, it should be run by the government--not a satisfactory solution for Standard. Moffett tried to have Ickes fired. Standard decided to pay for its own pipeline. Moffett said he had resigned from chairmanship of Caltex and Bahrein Petroleum Co. Ltd., two jointly owned subsidiaries, "to fight the methods of Secretary Ickes in dealing with the oil situation." Fighting "creeping socialism" or American "nationalism" of any of its oil services was apparently a very important service to render his government (Standard). In World War I he had been in charge of purchase of fuel oil and gas for the allied armies... where a lot of profits were to be had, including from the Germans. He had also been involved in initial exploitation of Saudi oil reserves. The kind of expertise he had must have been as extensive as his connections--and just as dangerous if ever turned against Standard. But, Standard must have had friends even more influential. At any rate the man was "expendible" as well as "necessary", as one sees from his last few jobs.[23] His career-pattern is more indicative of what Parsons described as "ascribed" with "particularistic" and "univeralistic" values, and both "specific" in function and "diffuse" in function. In other words, the categories are meaningless and can never indicate the accumulation of power in the structure at certain levels of occupations, or in certain key positions of the social structure and in the organization of the oil industry.

Part III. Reaction to Nationalism and Communism: Iran in the 1950's

4.9 Overall Strategies of the 1950's, Oil Security and the C.I.A.

Foreign Policy-oriented security arrangements of the Cold War period were characterized by a number of innovations in the strategies and tactics directed toward Third World countries in an effort to protect American corporate interests and "investment" in these countries. It was felt in the coprorate board rooms, in the Council on Foreign Relations, in the CIA and in the White House that both communism and its sister nationalism were the same threat--and in one sense they were, for they both threatened monopoly capitalism, if not capitalism in general. It was expressed in the 1960's more openly by Kennedy, but the actual institutional mechanisms for carrying out a full-fledged anti-communist and anti-nationalist campaign with the instrument of the CIA and CIA-sponsored <u>counterinsurgency units</u>, <u>coups</u>, etc. had definitely begun in the 1950's; one very explicit example being the CIA-sponsored and performed coup against Premier Mossadegh. What was new was not coups, but rather the careful planning and structural strengthening, the stepping up of financial backing for the counterinsurgency apparatus, for support of right-wing political and religious groups in Third World countries, etc. The power of the CIA was being consciensciously bolstered; academics were being consulted and research directed toward one strategy: knowing and controlling the affairs of Third World countries strategic in the larger battle. Where oil was threatened, every means was then on hand to secure its safety in U.S. companies' hands. Former agents who participated in C.I.A. plans and in the finer points of actual implementation in Third World countries note this trend:

> Convert operations against the communist countries of Europe and Asia continued, but the emphasis was on clandestine propaganda, infiltration and manipulation of youth, labor,

> and cultural organizations and the like; the more heavy-handed activities--para-military operations, coups, and countercoups--were now reserved (as they had always been) for the operationally ripe nations of Asia, Africa and Latin America (and the Middle East). 24*

The nature of C.I.A. intervention in the Middle East is one of the least sociologically or politically analyzed aspects of intelligence, yet it is here that the economic stakes have been the highest since before the Second World War. The issues have often been discussed in terms of national "selt-determination" for the Israeli Jews or the Palestinian Arabs, but few accounts analyze the political in terms of the economic interests, they, instead, assume that the Cold War is a blanket explanation for U.S. involvement here. The ideology of the Cold War has been a most effective veil for the quite specific interests the U.S. oil and arms industries have in the Middle East. The highest levels of power protect these interests.

> ...the USIB (U.S. Intelligence Board)...lists the targets for American intelligence, and the priority attached to each one.... Although in a crisis situation, like the implementation of the Arab-Israeli cease-fire in 1967, (and 1956 and 1973!) Henry Kissenger or occasionally the President himself may set the standards... (Deleated...) 25**

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*Infiltration and manipulation of youth, labor and cultural organizations also took place in the Third World countries and was further facilitated by fingering Third World, particularly Middle Eastern and Latin American, students, financing them and later using them as agents for the C.I.A. in their home countries. The Muslim Brotherhood was and still is a very cooperative anti-communist help-mate in this type of activity.

**Portions of this C.I.A. exposé which were censored by the

This "conflict" area is so important to the U.S. that she has managed to play, throughout each battle, the "mediator" role publically while actually being an active participant in the fray. Kissenger, chief negotiator, turns out to be directing the C.I.A.'s most important intelligence and intervention activities in the Middle East (as elsewhere). The highest technology is also activated:

> ...except for special cases such as the Arab-Israeli situation, there has been little reason to apply satellite reconnaissance against other, less powerful (than the U.S.S.R. and China) countries. 26

> The National Security Agency provides uncoding and cryptographic machinery to nations such as Israel, and then uses such knowledge to interpret messages, for instance in Egypt. 27

These factors are some indication of the importance of the area throughout the postwar period as well.

"Laundered" guns and money are handled through various C.I.A. departments.

> The Management and Services Directorate's Office of Finance, for example, maintains field units in Hong Kong, Beirut, Beunos Aires, and Geneva with easy access to the international money markets.... (They) frequently turn to the world's illegal money changers.... 'Sterile' weapons for C.I.A. paramilitary activities are obtained in the same fashion.... 27

Such guns and financing have been used against the Iranians in 1953, and the Palestinians since then, to crush their moves in Lebanon, Syria and Jordan--often using Middle Eastern

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**continued.
C.I.A., even the second time around when many portions were grudgingly reintroduced, very often have to do with Henry Kissenger's "clandestine operations" role, particularly in the Middle East. It is hence difficult to piece the specifics together, but it is clear, since Watergate, that he is not going to be exposed, if Rockefeller and C.I.A. can help it.

reactionary regimes for actual implementation.

The C.I.A. hardly need be used directly or everyday in the Middle East, however, because the American military has been so successful in having U.S. aims reached through arming Israel, Jordan and Iran and letting them carry on the actual fighting, but the fact that Iran and Saudi Arabia (besides Israel) are the most heavily armed by the US. lends more support to the contention that only oil really explains such manoeuvers in the long run. These latter nations have not been fighters in any of the "Arab-Israeli" wars. One wonders, sometimes, about specific events and their usefulness, however, for the C.I.A. directed Israeli attack on the Liberty (a U.S. spy ship) in 1967 certainly seems accidental or "misdirected".[29]

More recently former C.I.A. director Richard Bissell outlined to the Council on Foreign Relations what the policy for Third World country intervention and counterinsurgency is and has been for some time. If one recalls the analyses of Parsons and Rostow, briefly, one can see that Bissell attributes the very opposite characteristics to "underdeveloped" countries. It is because they are not highly organized, characterized by roles with overlap at the top, or security conscious, that they make for easier penetration by the C.I.A. This would be true of the Palestinians and the Lebanese, characterized by many externally fostered splits.

> Simply because (their) governments are much less highly organized, there is less security

> consciousness; and there is apt to be more actual or potential diffusion of power among parties, localities, organizations, and individuals outside the central government. 30

Following the analyses of Parsons, Hoselitz, Rostow or Galtung they are therefore: "Universalistic", "Diffusionistic", "Non-Feudal"... but that would be eating their words, turning them inside out, etc. Their analyses have merely been the 1950's ideological cover that allowed the actual convert action to escalate unnoticed by Western press or academia, labor unions, or Congress--those diffuse-in-function, powerless, loci of liberal criticism in the American social structure. The C.I.A. has been only one of the "activist" parties in the power base behind the events in Iran and Iraq of the 1950's. The rest of the power structure had been made so "highly organized" (to use Bissell's words) that oil interests automatically had priority.

> ...we find that out of 91 individuals who held these offices (Sec. or Undersecretary of State and Defense, Secs. of the three services, Chairman of the Atomic Energy Commission, and Director of the C.I.A.) during the period between 1940 and 1967, 70 of them were from the ranks of big business or high finance, including 8 out of 10 Secretaries of Defense, 7 out of 8 Secretaries of the Air Force, every Secretary of the Navy, 8 out of 9 Secretaries of the Army, every Deputy Secretary of Defense, 3 out of 5 Directors of the C.I.A., and 3 out of 5 Chairmen of the Atomic Energy Commission. 31

According to Gabriel Kolko, investigating 234 top foreign policy decision-makers, "men who came from big business, investment and law held 59.6 percent of the posts".[32]

Though Barnett, in his analysis of American foreign policy in the 1950's and 1960's, makes the mistake of assuming economic interests follow the flag, he does admit the structure that allows for the opposite (flag following economic interests) scenario as a more consistent explanation:

> In Southeast Asia and the Middle East, the non-corporate interests are much more developed. In these areas the interests of the Sixth Fleet and the American Jewish Committee have on occasion, taken precedence over the interests of the oil companies. (What are the interests of the Sixth Fleet?) Nonetheless, even in such situations, corporations exert an enormous influence on policy merely by having made commitments in the area which then set the frame of reference within which the State Department must operate. 33

The "frame of reference" was the same in the 1950's as it had been in the 1940's: oil interests. The additions of C.I.A. improved mechanisms for counter-insurgency were not a deviation from this, nor a sign of anonymous and chaotic power in this newly expanding organization. More or less the same people were carrying the same overall policies, and the C.I.A. was only one sharper instrument to aid that penetration of oil resources and keep whatever threatened such interests (i.e. nationalism and communism) at bay.

4.10 Iranian Coup 1953: Mossadegh, Oil and the C.I.A.

Mossadegh was a nationalist leader who had great mass support in the early 1950's, part of the support attributable to his internally popular nationalization of oil in Iran. This was not so popular a policy with the Shah or his supporters in the army, since, along with oil independence went Mossadegh's socialistic plans. The army was already American trained.

The people most obviously involved in the coup were the following readily recognizable names, so closely connected to the American oil "majors" and State Department. The coup of August 1953 was prepared during the Truman administration and staged during the Eisenhower Administration; the Dulles brothers were in charge of State Department and C.I.A. John Foster was from the law firm of Sullivan and Cromwell--Rockefeller law firm; Allen Dulles had associations with the Middle East going back to World War I, as well as associations with the Rockefellers. Kermit Roosevelt,* the C.I.A. man in charge of the Iranian coup, later left "public service" to become Vice President of Gulf Oil (one of the companies that shared the oil concession after the coup's success). Herbert Hoover Jr.,** an oil company consultant, was dispatched by the State Department to Iran following the coup to work out a new formula between the new government of the Shah and General Zahedi (the army head and Shah's choice for new Premier). The Shah took Thorkild Rieber as special advisor on petroleum, a man who had been chairman of the board of Texaco until forced to resign in 1940 for alleged pro-German sympathies. (--There is always another place at the top for a man of such experience regardless of his sympathies, perhaps. The same was true for Moffett.) Harriman and Acheson (both connected with similar

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*Kermit Roosevelt Sr. fought with the British in Iraq and Palestine in the 1st. World War and served in the British occupation in Egypt in 1940. (Who's Who) Perhaps the Middle East was a family hobby.

**Herbert Hoover, Sr. played an important role as Secretary of Commerce in the American entry into the Iraq Petroleum Campaign in the 1920's. See Part I of this Chapter. It must run in the family.

oil interests, played roles of "mediators" between the Iranians and British.[34*]

A very brief rundown of the New York Times Index for 1953 on Iran tells the story fairly plainly. If more recent sources are anything to go by (including exposés by former C.I.A. agents) then Pravada was one of the few papers with the correct analysis at the time.

Iran:

June 1, 12:8, 1953	Dulles links US Aid to fight on communism.
June 2, 4:5, 1953	" " " " " " " "
July 10, 4:2, 1953	Eisenhower rejects plea for more aid till oil dispute is settled, reply to Mossadegh May 28.
July 22, 1:5, 1953	100,000 Tudeh partisans demonstrate, dwarfing Nationalist crowd of 5,000; show Anti-US feeling; criticize Shah and US 'spy nests'.
Aug. 20, 1:8, 1953	Royalist troops and pro-Shah mobs oust Mossadegh and seize control.
Aug. 20, 3:1, 1953	Moscow-Pravda charges US aided Shah's group; says Brigadier General Schwarzkopf brought order for coup and U.S. supplied funds; charges economic pressure.
Aug. 20,26:2, 1953	U.S. denies Schwarzkopf visit official, Schwarzkopf silent.
Sept. 2, 1:8, 1953	President Eisenhower pledges emergency aid.
Sept. 6, 1:2, 1953	President Eisenhower grants $45 million in economic aid.

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*Richard Helms was a Deputy Director in the C.I.A. during the Iranian coup (1947-1965) until he became director of the C.I.A. (1965-1966). He is presently the U.S. Ambassador to Iran - no less important a post, yet one that keeps him safely out of the Watergate backwash and C.I.A. "investigation". (Who's Who 1972-73).
An interesting note on "power" and "class" with reference to the following sociology of criminology might be:
"Common criminals" (the poor and weak) get sent to prisons;

This description of "Tudeh partisans" versus "Nationalists" is rather fanciful, but must have been useful to the U.S., since "both" groups were anti-imperialist and nationalist. "Spy nests" appears to be in quotes to imply it was propaganda, whereas it was truth.

The "pro-Shah mobs" were paid through Kermit Roosevelt's agents, dispensing thousands of dollars to organize crowds chanting pro-Shah slogans, after which Zahedi came out of hiding to take over. On August 22 the Shah returned in triumph. Mossadegh went to jail and leaders of the Tudeh were executed.[35]

U.S. aid began around 1943 to take on new importance in Iran with the sending of a military mission to train and equip the Iranian Army. Col. Norman Schwarzkopf of the US Army was sent to Iran to help set up a new police force to protect the Shah; he was formerly commander of the New Jersey State Police. And, he was very much part of the events surrounding the coup.[36]

4.11 Iran Pays for U.S. Aid, for Coup, and for Majors' Access

The pay-off for the U.S. was inestimable compared to the costs, which can be tallied in terms of foreign aid to Iran which the U.S. funneled in directly after the coup to secure the government it had instated and to deter further attempts at either nationalism or revolution.

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*continued.
Maffiosi get transferred to another state, to the C.I.A. on contract, or to Sicily; State Department, oil and C.I.A. thugs get shuffled back and forth or to a Third World country on contract - or perhaps an ambassadorial job outside the country.

> In the three years following the coup d'etat, $250 million in aid was poured into the new regime: $85 million in 1954, $76 million in 1955, and $73 million in 1956. In the first year, $1.7 million of these funds went for bonuses to the Iranian army, gendarmerie, and police. 37

The State Department was thinking of completely taking over Iranian oil, but US oil firms were against this, as were the British.[38] However, Herbert Hoover Jr. (on behalf of the State Department) and Thorkild Rieber (former chairman of Texaco) worked out a formula more suitable to the American and British oil multinationals. Nonetheless, for political reasons the facade of nationalism was kept. A consortium of Western companies would manage and have exclusive rights to its output until 1994. Anglo-Iranian (which had changed its name to British Petroleum) got 40%; Shell received 14%, Compagnie Francaise des Petroles got 6%; and the 5 American "majors" got 40% (which they later reshared when eight smaller US independent oil companies.) Since the Iranian government got no additional revenues on the assets of the industry it now owned, the Iranian "agreement" was considered one of the most attractive contracts in the oil industry in the Middle East. The consortium was representative of the height of control of the Middle East by American oil majors.[39]

The aid side of it as mentioned above, had preceded the actual coup, so much of the aid being instrumental in the coup. In 1947 the US gave Iran $25 million in credit for arms and munition purchases and $10 million in loans for additional arms purchases. The Iranians had to agree to a regular military mission to Iran and renewable contract obtained whereby it was forbidden to discuss military problems with other foreign advisors, without prior permission by the U.S.[40] In 1949, the Point-4 Aid Program made Iran a major recipient. Iran's economic development was to be overseen by Morrison-Knudsen Co. Inc. - a major supplier of military "needs" throughout the world.[41]

> During the 1950's the Shah, with massive American aid ($1 billion between '53 and '63, plus technical assistance and arms, Bill, 138), built up the Army as his main source of strength and strengthened his police forces, carried out purges of the armed forces, news media, government and educational institutions. 42

In 1957 SAVAK, the C.I.A. of and for Iran (State Security and Intelligence Organization) was established with assistance from the C.I.A. and additional and continuing cooperation from Israel.[43] There are those who would contend that Iran (at least on the surface) is a prime example of the capitalist success, and of course one can find statements by important State Department officials of the U.S. to the effect that this was exactly the plan. However, the sort of economic growth established there does not meet the people's basic needs, primarily because the plan established capital-intensive industry (even in agriculture) tied into the American multi-national subsidiaries network, creating unemployment, rapid urbanization and "slumification", etc. and on the whole has met with firmer resistance (which in turn has been viciously repressed.) Fuller accounts of the failure of this "success" are available; but Iran has served a more important function for the U.S. and Israel (indirectly) as a subimperialist power in its own right in the Gulf area. Iran has been a mainstay (along with Pakistan, Saudi Arabia, and Israel) in the "defense of the Gulf" area, in terms of crushing revolution in the 1960's and 1970's.* But, this goes somewhat beyond the intended analysis of the present work. (It is these sorts of trends and questions which must be worked on in future.)

<u>Nationalization As A Symbol</u>

One wonders why the possibility of actual, as opposed to titular, nationalization of Iranian oil should have caused the American power structure to be mobilized so strongly and so aggressively in the form of a coup. Was Mossadegh, or a national bourgeois government in Iran such a threat? Surely the U.S. could have lived with and accommodated such a regime. (Since then "less friendly", and less dependent regimes <u>have</u> been accommodated.)

However, it must be remembered that just as oil multinationals' interests stretched around the world, so did

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*Some accounts of Iran have already been footnoted. For further accounts and analyses of Persian Gulf events and Iran's or other nations' subimperialist roles there, see: "Pakistan's Role in U.S. World Strategy", <u>MERIP Reports</u>, No. 16. "U.S. Policy and the October War", <u>MERIP Reports</u>, No. 23, "Middle East Reading Guide", (a bibliography) <u>MERIP Reports</u>, No. 28, "Neo-Piracy in Oman and the Gulf", <u>MERIP Reports</u>, No. 36, "Iranian Nationalism and the Great Powers", <u>MERIP Reports</u>, No. 37.

the reaction to their exploitative enterprises and their political and economic intervention in the internal affairs of oil producing countries. The reaction, in the 1950's, was most frequently in the form of nationalist movements which had the potential, at least, for turning into socialist ones. This, at least, was the view of the oil executives, the Pentagon, State Department and C.I.A. While the major oil companies had failed earlier in combatting nationalization in Mexico, they had succeeded in reversing nationalization in Bolivia. President Truman had confided to New York Times columnist Arthur Krock that he felt the Mexican action was justified, but that

> if...the Iranians carry out their plans as stated, Venezuela and other countries on whose supplies we depend will follow suit. That is the great danger in the Iranian controversy with the British. 44

Boycotts and Other Medicaments of the Majors

American oil companies had demonstrated solidarity with Anglo-Iranian, (B.P.) with the result that Iranian production had "fallen off", been cut back, from 243 million barrels in 1950 to 8 or 9 million barrels in 1952-1953. This appeared to be a clear attempt to destabalize Mossadegh's regime by pulling the rug out from Iran's economy. Two other factors were perhaps even more threatening. Mossadegh and his supporters had rejected a World Bank "offer" after its "fact-finding" tour) to finance the production and refining of Iranian oil, selling it to the AIOC at "current Persian Gulf rates" with a discount and reemployment of AIOC technicians. Instead, the Iranians were attempting to rebuild their economy on industrials other than the oil industry (i.e. to "develop" economically). This trend would, in the long-run have been "fatal" to "major" oil interests around the world. Secondly, the Iranian dispute with the British oil company had already been legally, if impotently, won at Le Hague and there was fear that it might come to the attention of the United Nations - even though the "big powers" might have had no trouble at that point in creating a "majority" vote in favour of the oil companies.*

Dr. Millspaugh, the American "ex officio" economic advisor in Iran had complained at such uppity attitudes, saying the Iranians ought not to be giving their doctor instructions for treatment. A nationalistically conscious Iranian countered:

> When a doctor wants to operate on a patient, he first of all has to make him unconscious. 45

In Iran's "case" it was deemed necessary to put the patient out. When Iraq demanded similar indigenous control in 1958 during its revolution, boycott by the majors was used, <u>as well as</u> the Truman Doctrine: landing American troops in Lebanon and British troops in Jordan.

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*They had, in 1948 been able to "create" such a majority in favor of Israel's statehood, as the Rockefellers and others have since reminded Israel.

FOOTNOTES

1. Quoted from the "Sykes-Picot Agreement" in ed. Walter Laqueur, The Israel-Arab Reader - A Documentary History of the Middle East Conflict, Bantam, 1971, pp. 14ff.

2. "Iranian Nationalism and the Great Powers: 1872-1954", MERIP REPORTS, (Middle East Research & Information Project), No. 37, May 1975, p. 27.

3. Gerald Nash, United States Oil Policy, 1890-1964, Pittsburg, p. 26. Also on the structural ties: Gabriel Kolko The Triumph of Conservatism, Chicago, 1967; and MERIP REPORTS, No. 20.

4. John De Novo, American Interests in the Middle East, 1900-1939, Minneapolis, 1963, p. 186; and MERIP REPORTS, No. 20.

5. Ibid., p. 189.

6. Ibid., p. 189.

7. Walter Measday, "A History of Federal Coordination with the Petroleum Industry", in U.S. Senate Hearings before the Committee on the Judiciary, Subcommittee on Antitrust and Monopoly, Governmental Intervention in the Market Mechanism, the Petroleum Industry, March 11-April 2, Washington, D.C., 1969, p. 579.

8. Ibid., p. 581.

9. Gibb and Knowlton, Op. Cit., p. 291.

10. Gibb and Knowlton, Op. Cit., p. 292.

11. MERIP REPORTS, No. 20, p. 9.

12. Gibb and Knowlton, Op. Cit., p. 296ff.

13. Herbert Feis, Seen from E.A.: Three International Episodes, N.Y., 1947, p. 93.

14. Quoted in O'Connor, The Oil Barons, p. 337.

15. O'Connor, Op. Cit., p. 338.

16. Feis, Op. Cit., p. 105.

17. O'Connor, _Op. Cit._, p. 339.

18. Feis, _Op. Cit._, p. 110.

19. Feis, _Op. Cit._, p. 105; O'Connor, _Op. Cit._, p. 339; and _New York Times_, Mar. 26, 31:1, 1953 on James Moffett's relationship to Mid East Oil, Standard, and Roosevelt.

20. _New York Times_, Obituaries, Mar. 26, 31:1, 1953.

21. _New York Times_, _Ibid_.

22. _New York Times_, Mar. 26, 31:1, 1953.

23. _New York Times_, Mar. 26, 31:1, 1953.

24. Marchetti and Marks, _The C.I.A. and the Cult of Intelligence_, Alfred A. Knopf, N.Y., 1974, p. 27.

25. Marchetti and Marks, _Op. Cit._, p. 81.

26. _Ibid._, p. 207.

27. _Ibid._, p. 200.

28. _Ibid._, pp. 73 and 253.

29. Marchetti and Marks, _Op. Cit._, p. 208.

30. _Ibid._, p. 26.

31. Barnett, _Roots of War_, p. 179.

32. Gabrield Kolko, _The Roots of American Foreign Policy_, Boston, Beacon Press, 1969, pp. 19 ff.

33. Barnett, _Roots of War_, p. 184.

34. Joe Stork, Middle East Oil and the Energy Crisis: Part I", _MERIP Reports_, September, 1973, No. 20, _passim_.

35. "Iranian Nationalism and the Great Powers", _MERIP Reports_, No. 37, May 1975, p. 26. See also: Kolko, _The Limits of Power_, New York, 1971, pp. 237, 238, 419, and Millspaugh, _Americans in Persia_, Washington, D.C., 1946, and Nimirand, _Iran: The New Imperialism in Action_, New York, 1969, and Barnet, _Intervention and Revolution_, New York, 1968.

36. René Theberg, "Iran: Ten Years After the White Revolution" _MERIP Reports_, No. 18, June 1973, and _New York Times_, May 22, 1973 on Schwartkopf and the Iranian coup.

37. Robert Engler, The Politics of Oil, p. 206.

38. Kolko, The Limits of Power, p. 419.

39. Ibid., p. 419.

40. Avery, Modern Iran, London, 1965, p. 104.

41. René Theberge, Op. Cit., p. 6.

42. Nimurand, Iran: The New Imperialism in Action, N.Y., 1969, and Rene Theberge, Op. Cit., p. 6.

43. M. Zonis, The Political Elite of Iran, Princeton, N.J., 1971.

44. Quoted in MERIP Reports, No. 20, Part I.

45. Elwell-Sutton, L.P., Persian Oil: A Study in Power Politics, London, 1955, p. 280.

CONCLUSIONS

From the point of view of structural changes in the capitalist system, the postwar period has shown not only with the United States but on an international basis - a strong tendency toward consolidation of an international ruling class based on ownership and control of multinational corporations. The rise of the multinational organization, while it has drastically increased the scope and capacity for exploitation of resources and markets abroad, also indicates the structurally interdependent power nexus which the multinational relies on for its operation, expansion, and protection.

These facets of exploitation of oil in the Middle East have been traced from the beginnings of oil production in the region, until the late 1950's when it had become the most important of all oil producing regions. We have been concerned, not only with the rivalry of imperialistic nations (for instance the U.S. and Britain) in gaining monopoly access to oil in the Middle East, but also their cooperation. This cooperation has only taken place with consensus and initiation by the "major" oil multinationals. For, while independent oil companies' interests often came in conflict with the interests of the majors, they rarely carried the political and financial "weight" that "majors" had amassed. The questions of imperialism have not been couched in terms of "nations", "states", or even "the oil industry" itself, but in terms of power relations within and between competing organizations and institutions. For it is these possibilities for the amassing of great political and financial "wealth" at home which have facilitated the penetration and control of Middle Eastern oil producing countries (as well as countries which are only secondarily strategic to the protection of oil: Jordan, Israel, etc.) It must be remembered, however, that the dynamic works both ways, particularly with oil imperialism. Here is one of the most strategic of all raw material resources - one which has been made more strategic through the influence of Standard Oil and its allies, as could be seen in the history of the "reconstruction" of Europe and the establishment of markets and subsidiaries in Europe to accommodate the postwar glut of oil created by needless exploitation of oil in the Middle East by the "majors".

Sources mean the necessity for markets just as surely as markets are an incentive to increase oil sources. Power bases at home increase the potential for successful economic expansion abroad (as do shrinking markets at home and profit margin shrinkage). But the power and financial structure in the U.S. was also strengthened and bolstered by access to unlimited oil at unlimited profit rates in the Middle East. It would not be too much of an exaggeration to state that such a power structure which now lies behind American imperialistic ventures was in large part due to Middle Eastern oil. It would be difficult to see a pattern of dissonance between oil "interests" and State Department, C.I.A., or other political or military "interests". It is this fact that need be "disproved" by sociologists such as Parsons, Rostow, Hoselitz, and the like who would talk of the possibility, indeed the necessity of "economic development" American style for the "underdeveloped countries". The reaction of nationalism and the conscious, if sometimes ineffective, solidarity which has grown in the Third World has in many respects been strongest where the penetration of oil imperialism has been greatest.

We have not made much reference to organized resistance in terms of O.P.E.C.'s strength. At this point some suggestions as to which factors might prove most revealing in future analyses are in order. It seems possible that the increased strength garnered by the major multinationals has, in the 1960's and 1970's been based on their ability to diversify and vertically control not only <u>oil</u> resources but sources and markets for <u>all other energy sources</u>. This strength will mean, perhaps, that nationalization of oil resources will no longer prove threatening to the major "energy multinationals". Recent negotiations of this sort with a number of Middle Eastern oil-regimes would bear out this assumption.

When a monopoly exists in all energy resources oil becomes "less strategic" to nations or multinationals. Just as "plastics" were a revolution of sorts in the industrial world, one directed and controlled fairly well by the oil multinationals, so nuclear, solar, and other forms of energy will undoubtedly have their "downstream" effects and the nature of products and markets will shift to accommodate these new forms.

We have, in looking at the stratification aspects of the power base behind such penetration, been concerned with the career-patterns of individuals in key posts - posts which proved effective in safeguarding oil interests. It seems overly abstract and insufficiently concrete to describe a power structure without reference to the people involved. Similarly it is useless to describe the over-all dynamics of such a power structure, organizations or institutions, without investigating the "specifics" Anour Abdel-Malek referred to. That is without looking at specific and strategic junctures where resistance to penetration occurred or where successful monopoly was established alone or in cooperation with European oil companies. Sociologists who forget that resistance to such Leviathanlike structured power exists, do a disservice to such resistance. While it is damaging, perhaps, to expose the activities of anti-imperialist organizations, silence and ignorance are not the only alternatives. While the use and creation of secondary powers as subimperialist outposts and participants in the same process of safeguarding oil and capitalism is a major new dynamic of imperialism in the Middle East, it cannot be studied or analyzed fruitfully without full awareness of such anti-imperialist and socialist resistance as is now present in the Persian Gulf and Palestine. For it seems that resistance is more formidable from "outside" the system than it is from within. Sociologists studying development in future will need to ask themselves some of these questions, and, in the first formulations of their focus, will have to determine, personally, where their energies are most useful (and useful to whom.) While it may be useful to "redefine" the focus on "development" to a focus on "imperialism", in fact to legitimize this focus in the sociological discipline, sociologists will, more and more, have to ask themselves whether "legitimacy" as a "profession" can be combined with usefulness in aiding change of a progressive sort. It is this sort of dilemma that calls for what C. Wright Mills termed a "Sociological Imagination".

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