

N. Y. Review of Books

Quill - BMS

Epitome.

Q-x. Urban sprawl, global sprawl

A. Defense as a public good

B. Dimensions of the benefiting interests

C. How do they benefit

1. Not as citizens or persons

2. Protecting exist'g ~~property~~ ^{territory} ~~territory~~

3. Firming up precarious ^{territory}

(and add new section, creating new ^{territory}, as Aram & Stancu)

4. Getting into U.S. ^{market}. (Includes ^{entry}, ^{barriers})

5. ~~Disciplining~~ world ^{market}. ^{entry to cartel}; ^{maintaining} cartel.

6. Lowering ^{prices} -- U.S. Aid, ^{entry}, ^{umbrella}.

7. ^{Net result}: rapid [&] resource values ⁱⁿ world.

4x. Entry to ~~market~~ ^{market}

D. Recoupment

E. Do others benefit?

1. Labor

2. Consumers

3. Taxpayers

4. Suppliers

~~20~~ 20

~~93~~⁴. Do U.S. suppliers benefit?

a. In general, no. M spent for war either comes from taxes & reduces cons. spending & real savg.

or, from new M & is inflating.

Great harm in K-u. thinking, any spending is good. Now we have infln. & unempl., is obvious the idea is not currently valid (no need not go on to show it never was.)

b. Specific suppliers benefit. "Mily. - indl. complex":

"Procurement" - wonderfully approp. word.

Junction City, KS, in Ft. Riley has. (shows reality of today's arms)

Lockheed

Weapons constituencies.

Xp'tn. interests. oil; air lines ^{outside quota system.}

Overseas sellers

On the whole, more concd. than sellers to Civ. market?

✓ Yes, of course, govt. always prefers big, bulk buy's & contracting.

Ownership of land in overseas base areas? Hawaii; most conc. of any U.S. state.

Ownership in regions of mil. contracting? S. Calif, one of most concd.

World Resources, Neo-mercantilism, and Defense Spending
"It is an investment, not a loss, when a man gives for his country." - Dinsmore Ely,
~~Who Benefits from Mil. Spending~~
"Send the Marines" -- little applause.
Defense is largest item by far in budget. Until we incorp. this into ^{gr. of who} benefits, are
A. Is Defense a "Public Good"? straining at gnats, swallowing camel
(Arabian)

a frequent e.g. given. To defend one defends all, if one fails,
all fall. Seems to make domino thry. ~~part of ec. one of basic principles of ec.~~
~~Also I have no credentials as business policy analyst. I do know but propagating about~~
~~ec. That may reflect some poor hope about perfect ability of~~
It runs counter to my understanding of the origin & nature of national
society, ~~but~~ and some non-regulat. thinking about the level
govts., as controlled.
~~of defense & deployment of forces.~~ In fact, seems unrealistic

~~in context of histy. of ^{national} govts. & also condition of U.S. today, maritime~~
^{power.} I begin w. a postulate that a large aim of mil. spending is to extend
U.S. sovereignty beyond borders. Since basic aim is to defend inside borders, (over)

I observe the benefits are unevenly distrib. -- (8

unrelated to the costs). Major benef. (of irreg. spending at
present levels) are ^{Am. outre-mer, overseas Am.} resource owners in the 3rd World. These are
esply. (but not exclusively) U.S. nationals, but include
nationals of ~~all~~ allied countries: They play ^(over) p.l.a

- native & c. local landowners in irreg. nations who
play ball. Like Zamindar class, caciques (kã-sêks).
Thien & c; 14 of El Salvador; 19 of Dominican Rep. They not only play ball (over)
- Eur. & Japanese based firms.
- multinationals, who really ^{give} no allegiance to
any nation, but use nations to serve themselves. Any Am. ownj

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to establish, maintain, ^{expand,} allocate, & police land tenure. And they have always
given disprop. attn. to their borders, & to ^{oceans &c.} no-man's-lands, & to the
control of small, weak, & rapidly changing nations.

then the inql. \$ in mlt. budget is 99% devoted to
inql. expansion. Call it policing the world, or counter-
insurgency, or CIA, or mlt. aid to free world, or show
of force, ---

This inql. or discretionary part of budget is what is
relevant --- what we can manipulate.

Major nations not ~~disposed~~ likely to invade eu. other. Major contest is
over inql. areas.

they get involved in U.S. politics. The same routes by which domestic
money controls elections etc. are open to foreign money. Eng. once
beheaded a King when they found him getting money from
French King. But we hardly blink an eye when retiring
U.S. congressmen become lobbyists for sugar exporters.

2
foreign propty. is on his way to becoming a multinational.

"Where your Treasure is, . . ."

And ye - body, too.

"Public Good" implies lose one, lose all. Now we
have lost Cuba, VN, & Comm. China, but not all,
shd. be clear ~~this~~ the world is a chess board on which
you gain & lose a square at a time. (And you can
lose squares w/o losing pieces)

B. Dimensions of the benefiting interests

1. U.S. mercantilism.

Become largest importer primary products.

But more than an importer, an owner, esp. in minerals, of reserves. We are the world's absentee landlord.

Also, indirect importer of cheap labor. Tariff item 807 indices. A separate & very different aspect. ~~The~~ Miners & others aren't interested in cheap labor -- 5% of costs. Low taxes & preemptions are their big concerns.

2. Multinational firms.

America outre-mer. Now the 3rd ^{or 4th} largest

economy in the world, after U.S., Russia, Japan; \$200b.

Value not known. Results from 3 things: cap. flow; power bases, & apprec. Last 2 are larger, and unknown. The 3rd is unknown; the 1st partly. My contribn. is to focus on apprec. E.g. ^{James Atkins} State Dept, says (over) 3. Conc. of ownership. Small no. of benefits.

a. History of absentee ownership, remote inv: province of the large. 20 mining cos. have 95% assets; 24 oil cos., 93%.

b. Data on concn. ^{Megdeff}. Larger oil cos. get most (over) 50 cal. has less on 100 m.a. Directly. Cariques, very few.

c. General rule. The small & poor own & manage declining assets. The rich own rising assets, growth assets — but they can wait. Also, assets requiring pol. influence to exploit.

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U.S. policy in ~~the~~ middle east premised on huge U.S. inv. in oil.
What huge inv.? Look at net cap. flow, more out than in. The
remaining value is approx.

of their profits[†] from overseas.

Large sums. Aramco, '56, to Saudi Arabia, paid
\$280m ~~80m~~ royalties + "taxes". Aramco got ~~208m~~ $\frac{\$280m}{x\%} (1-x)$
where x is Arabia's share, perhaps 20%?

† after tax

Another homely analogy involves a domestic opn. of the military, ~~at~~ a C of E. Buy swamp land, get ag to drain, flood control. Many large fortunes have grown by this means, SFV, Fla., Miss. Delta.

Re appren. as source of values centre-mpt. Note rapid Δ in l.v. in UDC, from very low base.

Overview of common, static anal. is mild.
Dynamic anal. open turns off by closed, Redoubles, supercharges motives.

Expln. Fu. is to establish that res. is worth policing.
Not that DOD has much B/c anal. But priv. owners
~~the~~ need to allocate their political clout.

Not always based on known facts. Cf. Randall, in Magdoff, p. 38.

Open turns. Hi seas one most obvious e.g. Weak govts. are a mixed case.

But as UDC govts. get stronger, motive to use ocean gets stronger.

Some cases.

a. Persian Gulf

British open door - why? Need U.S. mity. aid.
 Aramco moves in.
 After Abadan, need even more. CIA takes (ran).
 Aramco & c. get more.

Iraq erupts, '58. Marines to Beirut. ~~Eisenhower~~
 Doctrine -- intervene if asked. Really the Dulles Doctrine: "The U.S. does not have friends, it has interests."
 position secure --- oil not touched.

Oil works closely w. NSC. Shown by NSC
 suppressing '52 FTC Staff Report, The Int'l. Petrol. Control,
 and anti-trust suit. On grounds of nat. security.

b. Offshore oil in E. Indian ~~Ocean~~ seas.

S. China Sea, Gulf of Siam, Java Sea, Andaman Sea.
~~Ocean~~ Malacca Straits, & Indian Ocean, Bali Sea, Sunda Sea,
 Makassar, Sulu Sea.
 Blanketed by leases. Singapore producing offshore oil rigs.

Uncertain tenure. Many areas claimed by 2 or
 more. So cos. get leases from both. (remembering
 Westworth & the N.H. Grants in Vt.)

~~But~~

important. to have friendly govt's.

Ho Chi Minh. Asked U.S. for help ~~was~~ in anti-colonial struggle, got refused. So we got anxious, sent advisers to SVN. Been there ever since.

People asked what U.S. interest there? Domino theory.

i.e. we're there to protect U.S. property in Malaya, Indonesia. Not a new interest — protected Pearl Harbor in '41.

Is only frosting on the cake that Thieu is now handing out concessions off Mekong Delta. The bonus & terms? Not public, but how much wd. you pay for tenure secured by Mr. T.? That might depend on how much influence you had on Nixon & his new chief strategist from oil, Connally. Chief spokesman for from Mr. Hy. & Gulf of Mex. } Quote Petroleum Eng.; June, '70, via Coronet, July, '71.

offshore oil. Out beyond 3 miles. So Truman extended, behind U.S. nuclear umbrella; fortified by repeated U.S. police actions & CIA, most overtly in Santo Domingo (Dom. Rep.), Guatemala, Nicaragua, Puerto Rico & Virgin Isls. (bes. we own them), and Cuba. (that one bombed out).

Object of creating tenure not just to keep foreigners out, but competitive minded Am's. Congr. controls offshore — & who controls Congr.?

d. Nickel

(L'anco?) mines in Guatemala, N. Caledonia, & Dom. Rep. —
all recently ~~discovered~~ ^{secured} by U.S. forces.

e. Acquiring w/o buying, by prior appropn.

Offshore drilling, ~~by~~ w/o leases.

Would you believe in the Yellow Sea? And the
E. China Sea?

It's on a line between Taipei & Seoul, not
far off Okinawa, naval base.

And whose Navy patrols there? Senkaku Isls. are
there, in dispute. We are in process of dealing w. ^{Chicomyn. to divide up}
the area. We offer them oil rigs from Singapore, & H. Kissinger, & U.N. Sec. ^{which we alone produce.}
It's part of a larger deal, but still there.

f. Air routes, & shipping routes

As we extend Pax Am. over the globe, the privilege
of carrying people & things assumes great value

Struggle for ~~pat~~ Pax. Air routes, great plum.

Oil tankers

Carrying U.S. milty. cargo

g. Peru. Called in Dec. Petr. to explore frontier area, so
U.S. wd. intervene in case of trouble w. Ecuador!

3. Manganese

~~4. Bananas~~

4 ~~3~~. Iron

5 ~~4~~. Copper

6. Bauxite

7 ~~6~~ Misc.

d. Bananas, ^{Coffee} ~~Cocoa~~, Rubber, cattle -- ~~tropical~~ farm products, U.S. owned.

e. Shipping routes? Panama, Gibraltar, Suez

f.

10. Worldwide cartels

Greatest urgency comes from need to protect cartels where
mkt. is worldwide.

Cartels are vulnerable. Overcapacity everywhere, quotas,
holding actions. Have to control everything. Origin of domin-
ance.

11. Specific ones.

a. Airline routes. Isn't it remarkable that we decide
who may mpre. overseas routes?

Pan Am; Pacific routes: TACA; etc.

~~2~~ (2 selling service to US, new ploy)

b. Oil

c. Other minerals

i. Tin

2. Nickel

4. Enhancing value by entering U.S. market.

U.S. quota system ^(see Burney's paper) misinterpreted. Might seem to

hurt overseas firms. But holds down value, lets them

acquire cheap. And what they do get into U.S., they buy at world price & sell at U.S. price. A tariff wd. at least raise rev. Quotas, then they can wait. We pay tax to the quota holder.

Quota system develops leakers
(Residual fuel oil) } - ?

Military procurement. Is outside quota system (Joe Lamm)

All warfare consumes enormous oil: ships, planes, trucks, tanks, etc. Espy. our kind - remote, & machine-using (cap.-intensive warfare.)

Procurement. Shrouded in secrecy, but I'm digging. Distr. V, fictitious entry to U.S., bought at U.S. price. a phantom voyage, transpacific, r.t. Either that or his degree of cross-hauling, half-way around the world.

Expanding quotas. This is probable - (if they can keep U.S. bldg. highway.)

As quotas expand, what will they be based on? Capacity to import. So they build up that capacity ahead of need. And reserves, of course.

Now they are based on refinery capac. in U.S. Thus reserving the windfall to domestic firms, who can buy cheap outside U.S.

(OVER)

LNG -- now coming from Algeria, delayed by Fr. request for dipl. support in case of nationalization.

Mily. bases. Services to Troops. Rent on base

In. govt. complex. just as U.S. cities do.
Moreso, bas. Am. cities have bases from Army land. for govt. set
rents, plus added profit.

Fente. Those who doubt thy of Idley base, from p.u-
shd. note how cities vie for milty. bases.

5.

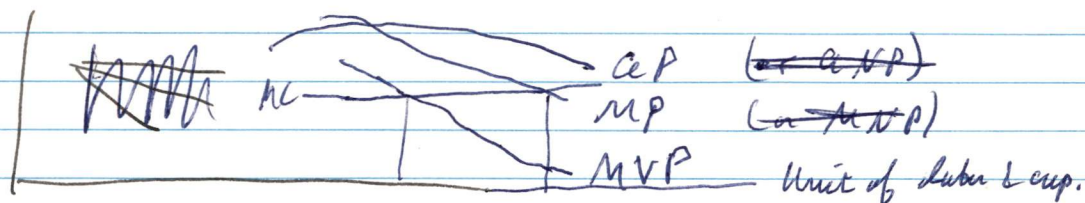
E. Maintenance of cartel discipline

There are 2 kinds of tenure.

Basic tenure, good, economical. (Keep out subingul.

inputs. Guided by MP instead of AP. (Cattle, fishermen, & prospectors are good e.g.s) Tenure creator rent.

Mugy. tenure, too restrictive. (Keep out interlopers from mkt. Creator mugy rent.



(We wd. often A welfare to have open tenure of some lands, to offset mugy. Tenure of mkt.)

A worse problem. Since mkt. are worldwide,

to keep poachers out you must literally control the world. *Not true, but to preclude. Sometimes called indl. leadership, or statesmanship.*

Used to be, set up a cory tariff, exploit local mkt.

Is bad enough - once involved Civil War. But now,

resources are worldwide, so are mkt. So what the

multi-nationals are doing is using U.S. forces to police

worldwide mineral cartels -

You might think Pax Am. meant open door for ^{many} firms. The rt. to do bus. under Am. flag, is common rt. of all Am. But 152 FTC Rpt. on IPC, quashed by NSC, '53, to protect Am. security. (over)

Policing takes form of letting responsible members of the club get in there and tie up the res. by advance

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Pent. Papers, p. 27

The NSC ~~also~~ is the group that said, '52, the fall of SVN wd. endanger Middle East. In mil. terms that's pretty far fetched, since now Thailand is beating up under the prospect bravely! But in oil cartel terms makes lots of sense. Oil under some ~~undisciplined power~~, maverick power. lots of undisciplined oil float's around world whets; ed. upset Arabians.

exploration. That means keeping in power the local govt that play ball; & policing the oceans; and subsidizing exploration.

{ In Pentagon Papers, foreign aid discussed passim. Purpose is never admit, dynamic, progress. Always "stability", "security". Not mth (over) Cartels plagued by overcapacity. 1. their nature.

The price-umbrella effect. Extremely vulnerable to

one outbreak of coupon. One big maverick could

break up the whole game. So they must control

No limit to their need for power. Short of whole world.

everything. Here is origin of domino theory. Here is where it truly applies. The people who applied this to politics were probably trained in cartel admin. LBJ above all.

Coupon, for consumer, and equally, coupon for

ress. They need more sheiks, to play off. They

need to be able to pull out of one country completely,

as Iran, bring to terms.

In general, they get best terms when newly arrived. Then, locals are thrilled to see money; need

support; are naive, can be plucked. As old OPEC

states demand more shares, cos. explore the world, to

get better shares. Just now, they can get very

good terms in the Far East.

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stability: here, the talk is of provocation strategy, open.
rolling thunder, massive retaliation, brinkmanship, measured response.
The stability sought must have to do w. delicate balance
of the inst.

Virtually open terrain. Who will get bonus for drilling in Yellow Sea?
In Strait of Malacca, Gulf of Aden, Java Sea, etc., dealing w. U.S.
dependencies.

One landlord they combine w. is U.S. govt., & Cal. & T.S. &
La., on offshore bids. Here they're helped by ~~being~~ sitting on
both sides of the table, too. (But they work that over as
well.)

As to the world control, all this is justified as
nat. defense. If the Soviets didn't exist ~~if~~ ~~if~~ they wd.
have to be invented -- & maybe they were.

Resoupment of subsidy by taxn? Instead,
 D. Added incentive & gain from preferential tax treatment.

The gains enjoyed — & the incentive to lead U.S. forces into deep water — are magnified by preferential tax treatment. In a nutshell, the Treas. shares cap. costs (i.e. other taxpayers do) but does not share resulting income. Result is extraordinary thrust to explore.

1. Expensing discovery costs. (intangibles)
 This alone is full tax exemption. (Also domestic, but here we have private.)
2. No tax on accrued

- i. No local property tax — esp. if overseas, or under water, outside any jurisdiction.
- ii. No inc. tax ~~on~~ ^{on} accrued

Unless you sell, & then get cap. gain

~~iii~~. When cash flow begins, that may be taxed. But accrued never is, as such.

(Cash flow from date of prodn. is ~~just~~ int. & amortn. of PV. i.e., is $> PV$. Reaching PV is a separate inc.)

3. Depletion, 20%. Never paid tax on A. Based on well-head value --- another recovery of development costs.

4. Deferred tax on unrepatriated inc.
 (Available to fr. subsidi. — not branches.) (Inc. under fr. law)
 Inflates cap. held abroad, & doubly invisible leakage ~~flow~~ in balance of payments, & move to police, at expense of U.S. taxpayers. (Cover)

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Actually, "deferral" is too weak a word.
Foreign chartered corps. are not subject to U.S. ^{corp.} inc. tax,
even tho fully owned by U.S. nationals.

Only their inc. from U.S. sources is taxed.

Who's to know if they consume much of the inc. while
abroad?

5. DISC? They're never satisfied - boundless appetite.

(Also applies in "possession" of U.S.)

6. a. Full credit for fr. taxes. a "Fr. Tax Credit". Since 1918.
~~tax~~ (limited to max. of the U.S. tax due from that country; '54, max. lifted!)
You can deduct state taxes from taxable inc. They

can deduct fr. taxes from their tax. [★] Mineral royalties, nat'l. become 'taxes'.
b. Credit for fr. taxes not paid! [★] So when Venez. e.g. takes hi royalties,
Under "tax-sparing" treaties. we pay -- not the oil cos.

7. Low fr. taxes, thanks to U.S. aid.

i.e., we ~~for~~ pay taxes for caudillos & zaminidars, ~~so they~~
and fight their wars, so they can be easier on mineral
producers.

8. Interest on tax? (Shows primary ~~tax~~ concern w.
equities & control?)

9. A from \$ devaln. - partly brought on by subsidizg
cap. outflow.

10. Shift profits to low tax jurisdn. by using arbitrary
internal prices.

11. No tax on corp. inc. in U.S. possession & P.R. { Canal Zone; Samoa;
Virgin Is. And why not
Hawaiian Corps Ltd? }

12. ~~Was~~ H. Western Hem. Trade Corps. -- 38% corp. rate.

Is some regroupment when sugar caudillos have retired Congressmen, but little else.

~~In some total breakdown of law & order. Crime in the sector.~~

Moved under noble phrases like Reconstruct Eur., share our wealth, ec. dev., share our
bounty w. the poor. We shared all that, but not w. the poor.

★ Not available to you or me. Must own 10% of stock in fr. corp.
Before '51 it was 50%.

★ Actually a little better yet. The ~~taxable~~ inc. taxable by U.S. is after
fr. tax. While the fr. tax was based on inc. before tax, & is allowed as credit
vs. this smaller U.S. liability

E. Do others benefit? from mthy. spending?

1. Labor

a. New frontier concept.

~~Turner~~ Turner thesis, virgin resources as safety valve.

We don't migrate out now, ^{We do} ~~but~~ ^{Over} bring the cheap res. in, but ---

We don't work abroad, ^{We do} ~~but~~ export mining machinery & eqpt., but --- Cap. intensive. Lag between inv. & recovery.

Refute. Slow down replant. inv.; & sub. primary for labor.

~~Marxian~~ Marxian, Capm. must keep expanding to employ labor

Refute. We're after the mines, not the metals. Exports ~~don't create jobs~~ are small.

("Equalizing res. endowment thru trade?")

b. From Δ spending? Keynesian

No,

- reduces other spending

- or ΔP

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Mining uses little labor anyway. 6% of export value,
Arabia, is labor cost. And much of that is not U.S.
labor.

c. From disprop. demand for labor
and mity. supply
i.e. is mity. $\propto$ more labor-intensive?

i. Insofar as draft is involved, does not properly
 Δ demand for labor. It is involuntary servitude.

Slavery - it gives better insight to give it its proper
name. Temporary, but on other hand the work is
more dangerous to some, and immoral to others, than
what slaves required to do.

So the actual conscript cannot be said
to benefit. He is forced. A big minus in any case for labor
gaining.

(ii.) If labor benefits, it is by taking these
competitors off the market, in greater measure than
other res. are taken off the market: (& fully paid for) :
land, res., capt.

How much capt. is taken off market? Recall
that mity. produces no final consumable output. It's a
social investment. Some is annual matce. & opn.

cost, or current overhead, can be regarded as current
expense, ~~&~~ paid off by current res.

But part is premised on securing future gains.

That part is a capital invt. — not returned currently.

Everything of expansionist cast is capt. — where benefits are deferred, supposition, conjectural

This kind of actg. needs to be developed — a real PPB, w. some insight into capt. thg. It's not a matter of how large a share of naly budget is for labor. (over).

In case of ^{continental} frontier expansion, U.S., it was very capt.

intensive: Big inputs, long wait before payout.

High assocd. capt. needs

Likewise, urban expansion.

So, I'm sure, worldwide expansion.

(More study needed) (pp. 17-18, 57 paper)

Esply if actg. is on a fiscal basis. (i.e., when do we get tax revs. from overseas prop'ty, to pay for cost of policing it? If we believe tax return, there are profitless ventures

Made labor grow — helps old men count.

Land acqu.
Acquis. ~~land~~
implies a
rejection from
others. & future
costs. Is sterile,
worldwide.

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Any more than housing. If C_0 were all labor,
still cap. intensive bcs. most of what buyer pays is interest.

2. Consumers?

i. Not really the idea. It was cartel dominance in U.S. that drove us overseas in first place: i.e., undermining of res. of superior central loan. Urban sprawl on global scale. Cartel mutes. is the dominating theme, as I showed.

FTC vs. NSC, '52. Re Int. Petr. Cartel

Quota system shows who gains.

Overincentivizing cap. outflow, \$ devalu., hurts cons.

ii. A effic., by allow'g intl. specialization?

~~Fax shelter~~

Our set of policies, of which mdy. is integral,

force invt. & trade in unnatural directions.

Urban sprawl on a global scale, rather than opt. intl. specialization. And export-oriented plantation agr. (over)

iii. ~~And~~ Slow payout. The same thing that makes mdy. cap. intensive, makes inflay.

3. Am. Taxpayer?

Min. recoupment, as shown.

When Eng. was center & we were the colony, it was s.e. cotton,
w. slavery, & underdeveloped local ecs. Foreign domination, ~~thru~~
thru ~~that~~ Eng. func., the orientation of xptr. to the sea,
etc., stifled the local networks & ec. Big owners exported.

So, today, plantn. agric.: sugar, bananas, copra, rubber

And mines: rails to the sea, single purpose, insulated - -
no dev. of indigenous ec.

5. Does democ. in U.S. benefit?

W.W. II, ~~tax~~ tax system became more regressive.

~~Cause of war~~

Desire to distract people from domestic reform

Create empl. -- like pyramids, Gt. Wall, etc.

✓ Cloak for legislating ~~sp~~ for property. E.g. timber, cap. gains.

Raw mtl's. - e.g. oil concessions, Ramparts.

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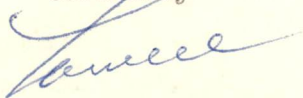
14 Plateau Circle
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12 August 1972

Mason Gaffney

Dear Mason:

The TRED volume manuscript went into the Press Friday without your paper and Becker's summary of the seminar. I did not try to include in the introduction how your paper fits into the volume--waiting for your revision. The Press is insistent that we go ahead at once.

Cordially

A handwritten signature in blue ink, appearing to read 'Lowell', written over a horizontal line.

Lowell Harriss