“Multinationals on Trial”

Review of James Petras and Henry Veltmeyer

By Stephen Lendman

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James Petras is Binghamton University, New York Professor Emeritus of Sociology whose credentials and achievements are long and impressive. He’s a noted academic figure on the left and a well-respected Latin American expert. He’s also a prolific author of hundreds of articles and 64 books including his latest one titled “Multinationals on Trial: Foreign Investment Matters,” co-authored with Henry Veltmeyer, and subject of this review.

Henry Veltmeyer has collaborated with Petras before on previous books. They include “Globalization Unmasked,” “Social Movements and State Power,” “A System in Crisis” and others. He’s Professor of Sociology and International Development Studies at Saint Mary’s University, Canada and Universidad Autonoma de Zacatecas, Mexico. He’s also Editor-in-Chief of the Canadian Journal of International Development Studies and, like Petras, is a prolific author of many books and articles focused mainly on Latin American issues, globalized trade, alternative models and approaches and progressive social movements.

“Multinationals on Trial” deals with a core issue of our time – the economic power of giant corporations, their dominant role as agents and partners of imperialism, and the way they plunder developing nations. The book is a powerful indictment of unfettered “free market” capitalism and how foreign direct investment (FDI) is its main exploitive tool. Below is a detailed review of its compelling contents.

The authors state upfront how controversial corporate giants are, especially with regard to their “type of capital,” how they use it operationally, and “the conditions associated with it.” Specifically, the book deals with foreign direct investment (FDI) and debunks the following commonly held notions:

— that it’s “indispensable” to accessing essential financial resources;

— that it brings with it “collateral benefits” like “technology transfers” and job creation; and

— that overall it’s a “catalyst of development” and thus an “indispensable” vehicle of growth and way for developing nations to integrate into the “new world economic order.”

Rather than aiding these nations, the authors call FDI “a mechanism for empire-centred capital accumulation, a powerful lever for political control and for reordering the world economy.” They offer an alternative approach in the final chapter, free from FDI imperial bondage.

Chapter 1 – Empire and Imperialism

The oldest empires go back centuries before the better known ones in ancient Rome, Persia and the one Alexander the Great built, but the authors deal only with the modern post-WW II era dominated by the US. Imperial Britain was shattered, colonialism was unraveling, Soviet Russia was devastated, and America stood alone as the world's preeminent economic, political and military superpower with every intention to keep it that way.

It did so going back to when US delegates dominated the Bretton Woods, NH UN Monetary and Financial Conference to establish a postwar international monetary system of convertible currencies, fixed exchange rates, free trade, the US dollar as the world's reserve currency linked to gold, and those of other nations fixed to the dollar. In addition, an institutional framework was designed to establish a market-based capital accumulation process that would ensure (post-war) that newly liberated colonial nations would pursue capitalist economic development beneficial to the victorious imperial powers that would soon include the Axis ones as well.

Post-war, the "US foreign policy establishment" began an unending debate on how America could stay preeminent and solidify its dominance. It began with NATO, OECD and other formal alliances with our western European partners that were "built on the foundation of the transnational corporation (as the) economic 'shock-troops' of the system." Tactics varied along the way, but the goals remained unchanged – "to enhance US hegemony and its domination of the new world order." This requires having supportive allies and the US public willing to go along with overseas adventurism like the Bush administration's foreign wars that became overreach and "a major impediment to empire building."

The authors state that wherever imperial power is projected in any form it generates diverse resistance in "every 'popular' sector of 'civil society.' " They also stress that its "omnipresence" can be a weakness, not a strength, and may lead to its impotence. This is the condition of America today under the Bush administration. Its plan for imperial dominance is in tatters, or as the authors put it, "wishful thinking or imperial hubris." It failed in the Middle East, Central Asia, Venezuela and may be unraveling in Pakistan under Musharraf's dictatorship. The country is a rogue nuclear state in unresolved turmoil that has a lot to do with deep social unrest and a very unpopular US alliance in the "war on terror."

Nonetheless, the US remains strong and resilient, and today's defeats don't spell its demise or even signal retrenchment. With its power and resources, it can blunder often as it has in the past, then rebound, and again go on the attack as its doing in Somalia, continues against Cuba, and against Hugo Chavez in Venezuela as it seeks a way to oust its Latin American nemesis despite past failed efforts.

So despite setbacks, America's imperial agenda persists, and here's how it functions:

— through "unequal" bilateral and multilateral trade and other agreements;

— with lots of help from willing "outside collaborators and subsidized clients;"

— through a "divide and conquer" strategy that worked in Yugoslavia, did at first in Afghanistan (under tribal warlords) and apparently is the scheme in Iraq with the Kurdish North already separate;

— – political destabilization, assassinations or coup d'etats to remove opposition regimes and install compliant ones; and

— proxy or direct war as a last resort when others fail to accomplish regime change; but even conquest doesn't guarantee success as Iraq and Afghanistan prove; resistance builds, military costs mount, public support wanes, allies withdraw support and the whole effort may fail but not deter new ones at other times in other places.

Chapter 2 – Imperialisms, Old and New

The authors note that capital accumulation is the "fundamental driving force of economic growth," has been for over 100 years, and occurred in six phases:

— capitalist industrialization in the 19th century up to around 1870;

— the fusion of industrial and finance capital and emergence of monopolies and territorial divisions among imperial powers (the US, Europe and Japan) up to 1914;

— imperial war, depression, Fordism-type mass production, "taming of capitalism" social reform and defeat of fascism to 1945;

— the "golden age" of capitalist high growth, decolonization, nation-building and state-led "international development to 1973;"

— transitional crisis and restructuring in the 1970s; and

— the age of Washington Consensus neoliberalism, globalized trade, free market "reforms" and "neoimperialism" to the present.

The authors note that incomes across the world converged somewhat during the "golden age of capitalism" post-WW II up to 1970 after which things changed. Now after a generation under Washington Consensus neoliberalism, no such convergence exists and the Global North-South disparity keeps widening to the detriment of developing nations. North-based corporate giants have grown so huge and dominant that the largest of them represent half or more of the world's 100 largest economies. In addition, multinational corporations (MNCs) "as a global entity" account for over 90% of world trade with 30 – 40% of it being intra-firm. The authors argue that these institutions operate as "functional units and an agency of economic imperialism."

Post-WW II, the US alone held the "commanding heights" of the world economy. Compared to today, the authors cite statistics that are staggering. With 6% of world population, the US had over 59% of its developed reserves. It generated 46% of its electricity, 38% of its production, and it held half or more of world gold and currency reserves. Twenty-five years later all that changed, and by 1971 a dwindling supply of gold and growing trade deficit got Richard Nixon to close the gold window, abandon the Bretton Woods system, and let the US dollar float freely in world markets. Ever since, the greenback has been faith-based with no intrinsic value and no longer "good as gold." Since it's uncollateralized paper or fiat currency, it's strong when it's in demand but weak, like today, when it's out of favor.

During the troubled 1970s, the US manipulated exchange and interest rates to improve its export position, and in the Reagan era began a generational assault on labor that ended the long-standing practice of industry sharing productivity gains with its workers. Corporations also began relocating labor-intensive production abroad to low wage countries that in the 1980s "became a cornerstone of a new global economy." With it came foreign direct investment (FDI) with the rest of the book focusing on its harmful effects.

The authors point out that in 1970 a “triadic structure” (in the US, Europe and Japan) characterized the world economy. However, after two decades of restructuring, a different picture emerged with China and a group of newly industrialized countries in Southeast Asia becoming the most dynamic center of world growth with the US struggling to hang on to its economic dominance even while its major corporations continue to prosper because they operate worldwide.

A critical corporate issue is productivity growth and how to overcome its pronounced sluggishness. Solutions used embrace “technological conversion” that includes new production, communication and transportation technologies. It also involves an assault on labor that caused a sharp reduction in its share of national income (10% alone from 1974 – 1983). It means loss of jobs as well because businesses downsize and shift operations abroad to low wage markets where workers are usually unorganized and more easily repressed.

The authors point out that by the 1980s “a new international division of labour and a global production system were in place” in what emerged as a “new world order” of global capitalism. New governance rules were established that were embodied in the 1994-formed World Trade Organization (WTO). By 1990, Washington Consensus neoliberalism became the “new imperialism” with big demands that developing states privatize public assets, deregulate their markets and open them to allow free trade and financial flows.

Under this system, MNCs are the world capitalist system’s “basic operating unit” and “key agents of US imperialism” that all too often involves the projection of military power in the form of war. Their success and profitability are vital to a healthy economy and a thriving imperial project. The authors explain that the “US state identifies the interests of corporate capital with the ‘national interest,’ ” and it freely commits the state’s resources on its behalf for that dual benefit.

Chapter 3 – Foreign Investment at Work

Until the 1980s, MNCs were constrained under host country rules. But the “new economic model” freed them to move almost at will as developing nations began opening their markets, deregulating them, and welcoming MNCs for the perceived benefits their capital and technological expertise could provide. The authors explained the process and what happened under it.

They began by noting capital flows are public and private. The former is between governments in the form of “foreign aid” gifts or most often loans from the US-dominated IMF, World Bank and Inter-American Development Bank that come with unpleasant strings. The private kind consists of three main types: foreign bank lending from commercial banks or international lending agencies, portfolio investment (PI) financial instrument purchases like stocks and bonds, and foreign direct investment (FDI) that itself comes in two forms.

FDI involves the purchase of at least 10% of a foreign business enterprise’s assets. “Greenfield” FDI involves the creation of a new facility like a factory while the “Brownfield” type buys assets of existing firms through mergers or acquisitions. In Latin America in the 1990s, over half of FDI was the latter kind.

The subject of debt financing is then discussed with the authors noting at reasonable levels it’s vital for enhancing growth. But not to excess that got developing countries in trouble for the past three decades. Even in the 1980s, it became clear that debt levels were so high in Latin America they made economic growth impossible. They also caused a debt crisis by mid-decade that especially affected Argentina, Brazil and Mexico.

The Global North thus needed Plan B to reduce the debt bomb to manageable proportions, avoid default and allow troubled countries to maintain their payment obligations. One measure taken was the so-called "Brady Plan," named for Ronald Reagan and GHW Bush's Treasury Secretary, Nicholas Brady. The scheme was to forgive a small part of the debt and convert the rest into Brady IOU Bonds repayable in the long term to make the burden less onerous. It worked as no heavily indebted nation defaulted, but they had to adopt fiscal discipline to do it: structural adjustment privatizations, cuts in social spending, deregulation and more. These nations also suffered zero economic growth, a sharp reduction of living standards for its working people and producers, increased social inequity and greater unemployment and poverty.

Along with burdensome debt levels, FDI has also been a repressive instrument, especially in Latin America with its investment-friendly climate. The amount of it (as well as PI) was small until the 1990s but then grew dramatically as part of a shift from debt to equity financing with the largest portion of it going to large developing countries like Brazil, Argentina and Mexico and to the eight largest ones in the world overall getting 84% of it, according to World Bank figures. China got the most attracting 22% of all FDI since 1989 while Sub-Saharan Africa got nothing except for South Africa. Post-2004, manufacturing in China, India and Mexico got the largest FDI amounts, but natural resources and especially energy are also important, and a trend toward investing in services (especially telecommunications) is growing as well.

Latin America became the most favored destination for FDI inflows in the 1990s that hit their peak in the 1997 – 2001 period because friendly regimes like Cardoso's Brazil "bent over backwards" to accomodate it, mostly through merger and acquisition privatizations. The authors review facts they call "startling" and show how the "imperial-centered neoliberal model has led to the long term, large-scale pillage of every country in Latin America." In dollar terms, it amounted to $585 billion in interest payments and profits remitted mostly to US-based MNCs. More revenue was gotten from royalty payments, shipping, insurance, other fees plus billions of illegal monetary transfers by Latin American elites to offshore accounts.

This explains the sluggish regional growth in the 1990s – 3% a year, then 0.3% in 2001 and 0.9% in 2002. It's because of exploitive resource transfers and capital flows large enough to have made Latin America "one of the economic pillars of the US empire." Some of the transfers are hidden, and the authors put them in two categories:

— one-way neoliberal structured international trade with open Latin American markets for US exports and reciprocal controlled ones in the US; the formula the authors describe is to export capital to the region in the form of FDI and import raw materials in return.

— structured capital-labor relations with workers very much on the short end; the authors note how the "organization and export of labour" is used to pillage a country's resources and transfer them north; they cite one 2003 study estimating the net gain for the US and corresponding loss to Mexico of about $29 billion a year because of migration – indirectly through repatriated maquillardora profits and directly through exported farm labor and educated Mexicans who represent 40% of the nation's migrants benefitting the US at

Mexico's expense.

Chapter 4 – The Social Dimension of Foreign Investment

The authors cite the justification "development economists" give for keeping labor's share of national income low. They claim it's because economic growth depends on capital accumulation, and households have a "low capacity to save and invest" since they spend all they get. The rich, in contrast, have a high propensity to save and invest so the more income they have the greater the economic benefit. In the 1970s and 80s, this kind of reasoning led to a class war between capital and labor with wages in the US losing 10% of their value from 1974 to 1984 and in Latin America and Sub-Saharan Africa even more – 40% in Chile and Mexico and 50% in many other countries.

Then consider economic growth under the neoliberal economic model centered around FDI. It promised prosperity but delivered failure. After 20 years at the end of the 1990s, average per capita growth overall was cut in half from the earlier period of "state-led development." It was reduced to 1.5% from 3% in industrialized countries and in developing ones (excluding China and India) to 1.2% from 3.5%. For the poorest countries, it was even worse going from 1.9% to a negative 0.5% per year. The only exceptions were a group of eight Asian "rapidly growing countries" whose governments followed a policy of state intervention outside the neoliberal model and proved their way works best.

The authors cite data to show, aside from China and India, that the "neoliberal era of globalizing capital and neoimperialism" led to rising worldwide income inequality between richer and poorer countries and between higher and lower income classes within countries. They explained that "Of the countries with the highest indices of poverty, social exclusion, and income inequality 41 are in Africa; 10 in Asia; and six in the Americas," and per capital income in all developing regions (except South and East Asia) declined compared to industrialized OECD states. During the two decade neoliberal period, inequality between rich and poor nations nearly doubled. It proves how false the notion is that unfettered free market forces create a "trickle down" effect to the poor that lets them benefit from economic growth. Just the opposite happened and it continues.

The authors show how the "magnitude of the global income divide and associated problems is staggering" with the richest population quintile consuming 86% of all products and services and the poorest one only 1.3%. And the social inequality fallout is even worse – high unemployment, desperate poverty, malnutrition, untreated illnesses and low life expectancy with hundreds of thousands of needless daily children's deaths. And yet economists at the IMF and World Bank continue to tout the benefits of neoliberal "structural reforms" in spite of clear evidence they fail. In the pre-neoliberal 1950s, 60s and 70s, income inequality decreased overall but has increased in most countries since then. Again, the culprits are privatization, financial "liberalization," deregulation and downsizing with governments exploiting working people for capital.

Take Mexico, for example. It has 11 billionaires with combined incomes exceeding the total for the country's 40 million poorest. But the same thing is true everywhere with developing nations faring the worst. It affects 2.5 billion people in the world who are unable to meet their basic needs of food, shelter, clothing and medical care let alone education, clean water, adequate sanitation and other goods and services people in the West consider essential and take for granted.

Using Latin America as an example, the authors show how capitalists in the region sustained their profits by exploiting ordinary workers. During the neoliberal period, labor's share of national income was cut from 40% to less than 20%. Even today in countries like Venezuela (with all its social gains under Hugo Chavez since 1999) and Argentina, worker wages are still below their 1970 levels. It's because of market deregulation that give employers arbitrary power to fire workers, cut wages and hire temporary and casual labor. It's gotten bad enough to hit the middle class as well and cause a rising level of urban poor. A "new urban poor" has emerged who aren't simply "rural migrants" but include "socially excluded and downwardly mobile workers and the lower middle class (who've been fired) and have found (other) employment in the burgeoning (lower-paying, less secure) informal sector."

These people, the unemployed and "rural-to-urban migrants" constitute a reserve army of labor that keeps wages in the formal sector down and workers' bargaining power weak. Then there's the notion of "social exclusion" reflecting the condition of the poor with the authors identifying its six "major pillars:"

— social production dispossession showing up in landlessness and rural outmigration;

— no access to urban and rural markets or for wage employment;

— no access to "good quality" employment;

— reduced access to government social services;

— no access to adequate income; and

— no political power.

In contrast, 15 – 20% of Latin Americans enjoy a "First World" lifestyle with the authors citing their array of luxuries that are unimaginable to the poor and most middle income earners. And whatever the economic condition, they benefit from the imperial system regardless because neoliberalism works by taking from the exploited many and giving generously to the privileged few. Put another way, it's a hugely out of balance give and take, and it was set up that way despite its proponents denial.

The authors review the period when the World Bank discovered poverty and carried on its kind of three-decade war against it that was the equivalent of fighting fire by throwing fuel on it. Readers know the drill by now – governments getting out of the way and promoting unfettered free market policies, pro-growth, structural adjustments and the rest of the package favoring capital over people on the nonsensical claim they'll benefit eventually. By now Latin Americans know "manana" never comes, and even some World Bank economists like Joseph Stiglitz figured it out.

The authors sum up three decades of World Bank efforts saying we're "where we were in the 1970s and in a number of ways further back," especially with regard to greater poverty that's now hitting the middle class. Based on incontrovertible evidence, social inequality and poverty at the end of the 1990s stem from the "pro-growth, pro-poor" World Bank "imperialist policies" and the FDI regime along with deregulated, unfettered markets giving capital free reign to pillage for profit. But there's hope in the form of resistance with the authors stating "capitalist development in its neoliberal form is clearly on its last legs." For the poor of the world, it can't come soon enough.

Chapter 5 – Policy Dynamics of Foreign Investment

Here the authors examine the record of FDI since 1980 when markets were deregulated and capital flows were "liberated from control." Again they cite the notion that economic growth depends on the accumulation of capital, developing countries are deficient in it, and private multinational commercial and investment banks and MNCs will ride to the rescue with FDI. And while capital fuels growth, international trade is "one of its driving forces." Two models are considered. One gives the state an active role, and it worked during the 1940 – 1970 "golden age of capitalism" period. That's when "international development" meant per capita economic growth based on "industrialization, modernization and capitalist development."

That period came to an end in the troubled 1970s, and a "counter-revolution in development thinking and practice" took over. The scheme that became neoliberalism turned capital towards exports and induced governments to cut social benefits to raise levels of savings, productivity, profits and productive investments.

World Bank economists were tasked to create the new model that became its Structural Adjustment Program (SAP) with eight major components:

— devalued currencies for stability;

— privatizations;

— capital market and trade "liberalization" meaning unfettered free market capitalism;

— deregulation;

— labor market "reform" meaning lower wages and loss of worker rights;

— downsizing;

— decentralizing policy formulation and decision-making; and

— a free market for capital, goods and services meaning all benefits accrue to the Global North by pillaging developing nations.

Former World Bank economist and neoliberal critic, Joseph Stiglitz, called this package the "steps to hell" two years after he resigned his position in 2000. All the evidence to date proves it with the authors stating "the neoliberal model of capitalist development (is) unsustainable, (it's) both dysfunctional and politically destabilizing." Confirming data and examples are cited throughout the book, but in this chapter Mexico is featured in great detail from 1980 – 2005. It's covered under four presidents with each in his own way outdoing or at least matching the excesses of his predecessor with the people of Mexico the poorer for it.

This review can only touch on that period briefly beginning with Miguel De La Madrid (1982 – 1988) who was the first to begin reversing a state-led approach to relieve the "debt crisis" stemming from the 1976 – 1982 period of over-borrowing. It was IMF to the rescue with its usual package of "reform" measures to "liberalize" capital, encourage exports, deregulate markets, devalue the currency, and demand fiscal discipline and privatizations. De La Madrid obliged.

Next came Carlos Salinas de Gortari (1988 – 1994) who introduced a second round of structural reforms. It included over 1000 more privatizations that sold off the most important state enterprises like the banks and state telephone company, TELMEX. The international financial community loved him, but his term ended in tatters when the economy crashed in 1994.

Ernesto Zedillo Ponce de Leon (1994 – 2000) inherited the mess that broke out right after he took office. With help from a $52 billion US bailout, he responded with a "stabilization program" that included deep social spending cuts and a 43% peso devaluation that caused inflation to rise 52%, thousands of businesses to close, real wages to drop 25%, and two million people to lose jobs. Zedillo was also Mexico's first president under NAFTA that went into effect January 1, 1994. And he continued neoliberal "reforms" and even exceeded his predecessor's commitment to global capitalism.

So did Vincente Fox Quesdad (2000 – 2006) in his zeal to live up to his PAN party's rightest agenda compared to the more centrist PRI during its continuous 72 year rule. The PAN under Fox practiced fiscal conservatism and free market economics that maintained the neoliberal agenda of his predecessors even in the face of widespread opposition that constrained him from going further. The authors state that the Fox era "brought an end to a cycle of neoliberal policies." His administration failed to achieve sustainable growth and showed "the neoliberal model is economically dysfuntional and has exhausted its economic limits."

Chapter 6 – Foreign Investment and the State

The authors' dominant theme is how harmful FDI is to developing nations even as it pretends to be beneficial. Most of it is also "subsidized and risk-free" to investors, and "relies on securing monopoly profits (by buying) state enterprises (on favorable terms) and control(ing)….strategic markets." Much or most of it provides no new productive investment recipient countries need to grow, prosper and help their people.

The authors rightfully describe the process as pillage. State-owned assets are transferred to private hands, and revenues that once went to national treasuries now go to corporate coffers. Further, deals are justified on the false claim they increase competition. False. All they do is put existing enterprises under new management, and in the case of "natural monopolies" like public utilities, it allows private owners to hike prices substantially and price the country's poor out of the market, but that's just for starters.

Foreign investors make big demands, and host countries oblige – tax deferrals and exemptions, direct subsidies, infrastructure development, free or low cost land, deregulation, assumption of "transition" costs of the inevitable downsizing that follows, legal security protection through bilateral investment treaties (BITs), labor training, and more. Other schemes are in the form of Trade Related Investment Measures (TRIMs) and Trade Related Aspects of Intellectual Property Rights (TRIPs). And when nations balk during WTO trade talks, like in the faltering Doha Round, they're pressured to come around through bilateral deals with neighboring states.

With this kind of advantaging, local enterprises don't stand a chance, especially small ones. They nearly always lose and end up being bought, becoming a satellite supplier, or going bankrupt. Labor also loses out. Wages are frozen or cut, benefits slashed or ended, job protection ends, working conditions deteriorate, unions weakened, and inequality grows as the wealth gap widens substantially. In short, FDI works one-way – all for capital at the expense of developing economies and its workers. An alternative development strategy is needed, and it's readily available to states willing to buck the system, withstand the pressure to conform, and go another way.

Chapter 7 – Anti-Imperialism and Foreign Investment.

Here, the authors first identify the myths about foreign investment that are needed to sell this snake oil to developing states. Seven of them are briefly listed below:

— Economic growth depends on FDI; false; in fact, FDI is attracted by economic growth;

— FDI creates productive, competitive new enterprises; false; it mostly buys existing ones, transfers little new technology, does little or no new research, and crowds out local enterprises;

— FDI provides links and access to foreign markets; false; it's often used to buy natural resources for export and to repatriate profits and eliminate jobs;

— FDI provides tax revenues and hard currency earnings; false; revenues are repatriated, tax fraud abounds, and the impact on the balance of payments is negative;

— Good financial standing and integrity of the system depends on maintaining debt payments; false; much past debt is odious and servicing it harms local economies and in the case of Argentina led to an economic collapse in 2001;

— Developing nations need FDI for development for lack of local sources; false; most FDI is national savings borrowing to buy local enterprises; it doesn't inject new capital into economies; and

— FDI provides an anchor for new investment; false again; the opposite is true as investors freely relocate to lower-wage countries creating a boom and bust environment when they arrive. Bottom line – FDI is poison unless used moderately and is tightly controlled.

The authors present arguments for and against FDI with the latter only considered below:

— FDI strips states of their ability to control "investment decisions, pricing, production and future growth;"

— FDI results in long-term capital outflows repatriated to corporate coffers;

— FDI results in "unbalanced and overly specialized production," especially in commodity areas;

— Tax, subsidy and other concessions to FDI deprive developing states of needed revenues;

— FDI most often only puts existing enterprises under new management; it seldom creates new ones;

— FDI creates "enterprise enclaves," imports technology linked to "outside production and distribution networks," and doesn't help local economies;

— FDI often controls local banking that lets it "shape state credit and interest policy" and decide what industry sectors to favor and at what cost; and

— With investors attracted to extractive industries and freed from regulatory constraints, environmental devastation results.

In sum – FDI endangers "national independence, popular sovereignty, and severely compromis(es)" developing states' ability to control their destiny and represent all their people. It's a "risky, costly and limiting (one-way) strategy." Developing nations need to minimize it because of its harmful economic, social and political costs.

Chapter 8 – Anti-Imperialist Regime Dynamics

Contrary to Margaret Thatcher's TINA dictum (there is no alternative), many others are better and the authors list them:

— Reinvestment of profits into local production to stimulate a "multiplier" effect and increase local consumption;

— Control foreign trade to retain foreign exchange earnings;

— Invest pension funds in productive activities;

— Create development banks for overseas workers' remittances home so funds can be used productively;

— Place a moratorium on debt payments to stop servicing the odious portion of it:

— Recover stolen treasury funds and property;

— Recover unpaid taxes;

— Establish land taxes and expropriate or buy underutilized land to be used for agrarian reform and greater agricultural productivity;

— Liquidate overseas investments and reinvest them locally; and

— Maximize employment and reduce underemployment.

In cases where a country's taxable resources and overseas earnings are limited, FDI can help if used moderately and constrained. Ways to do it include maximizing "strategic national ownership and control" and relying on short-term deals that include training workers and contracting with skilled advisers for whatever technical help is needed.

One successful model reviewed is WEPC – Worker-Engineer Public Control or worker-managed enterprises (WMEs). Salvador Allende used them in over 100 factories in Chile while he was in office. They attained greater productivity, higher worker motivation and achieved significant social, health and working conditions improvements while they remained in place. WEPCs aren't problem-free, however, and the main one is they're targeted by imperial states for destruction because their policies aren't corporate friendly. Nonetheless, their advantages greatly outweigh the negatives. They include:

— Minimizing tax evasion to increase state revenues;

— Social investment in lieu of repatriated profits;

— Avoidance of capital flight;

— Emphasizing long-term R & D over speculative investment;

— Social welfare and betterment over savage capitalism; and

— Fixed capital and upwardly mobile labor over mobile capital and fixed labor.

The authors persuasively show that FDI is a cancer. Once established, it spreads like a virus, "corrupt(ing) local officials, brib(ing) regulators (and) present(ing) a different 'role model' for state executives – one attuned to luxury living, big salaries, privileges, and, above all" a neoliberal ideological commitment. Another way is possible and vital to the health, welfare and growth of developing nations. It "puts the worker-engineer public sector-led model at the centre of development," and empirical evidence shows it works.

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