he could only publish the news two days afterwards —when and in the way that it was released by the official bulletin. Not even foreign newsmen could send news without censorship.

• At the beginning of January, the capital and largest city in the country was encircled by the army for seventy-two hours. During this time nobody was allowed to leave the city while the army carried out a meticulous search of all buildings. Unable to discover the reason for such an Hitlerian action, people began to spread rumors that the son of the President or the Vice President had been kidnapped. The government, however, explained afterwards that the measure had no special reason, and that "it was only one of the extraordinary measures allowed in the actual state of siege."

• The National Congress reformed the Law of Public Order to enable the President unlimited power in exceptional cases like the actual state of siege. To make this possible, the Constitution has been reformed, and the Recourse of Protection against functionaries who abuse their power or dictate illegal measures has been abrogated.

• A massive killing of citizens is being perpetrated and, if because of the strict censorship of the press it is impossible to have an accurate count, we can only guess at the enormity of the number. The Communist Party is reported to have lost twenty-five members in the medium ranks and many others in the lower ranks of the Party. In government circles it has been said that "in the first two months of the state of siege, at least 700 members of the opposition were killed."

On November 23 of this year, the state of siege was officially ended. Nevertheless, I think these figures are enough to give a general idea of the national tragedy that Guatemala is still experiencing. The country is bleeding from all her limbs. Terror is the rule. Pacheco Arana is a former army captain who was reported to have killed 3,000 people during an anti-guerrilla campaign in northeastern Guatemala between 1966-68. He and his bloodthirsty party in power believe they have to suppress the opposition completely before the next elections, since they plan to hold power for at least ten years—"the only way," they say, "of avenging the loss of power in 1956 when the then President Carlos Castillo Armas was killed," and the only way of "bringing to reality the promises of pacification."

Numerous death squads of rightist radicals—MANO (Movement of National Organized Action), APRI (Patriotic Association of Anti-Communists), M.A.G. (Anti-Communist Movement of Guatemala), Ojo por Ojo (Eye for an Eye), Los Cuchillos del Rey (The Knives of the King) and others—carry on this systematic extermination of the leftist and even central opposition, under the direction of secret police and military police who have benefitted from American military training.

The *New York Times* reported in January of this year that Guatemala had received strong endorsement from the present Administration of the United States. Yet, under the facade of "pacification" and "social development," and raising the flag of an "anti-Communist crusade," the Arana regime is carrying on in Guatemala a criminal extermination of freedom and human rights.

THUNDER FROM THE RIGHT

James R. Jennings

"Free enterprise has destroyed itself," Pope Pius XI said in 1931, and has been replaced by an "international imperialism whose country is where profit is." No wild-eyed radical or flaming liberal, Pius XI was one more in a long line of conservative Roman churchmen raised to the papal office. His elaborations about the world's economic systems, delivered in his encyclical *Quadragesimo Anno,* have particular relevance this year, since the whole network of international trade and finance has come under severe attack by the actions of President Nixon in August, and the subsequent reactions of other nations.

Forty years ago in *Quadragesimo Anno,* Pius XI gave the customary defense of private property and condemnation of communism; however, it is his sharp criticism of the system of private capital and his skepticism about the system's survival that merits

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a new look at this forty-year-old document; particularly in the context of the events of the last four decades.

In the encyclical, which updated Catholic social teaching initially stated by Pope Leo XIII in 1891 *(Rerum Novarum)*, he elaborated positions on such issues as private property, just wages and socialism. Most remarkable, however, are his conclusions about the state of the world's economic affairs: the system of free competition was incapable of either controlling itself or directing economic life; and, in the final analysis, the system was self-destructive. To support his position, Pius XI offered what he called "an unanswerable argument . . . the immense multitude of non-owning workers on one hand and the enormous riches of certain very wealthy men on the other," despite the system's capability to produce goods in abundance.

Pius XI characterized the free-market economy as a struggle between private business competitors, which, "of its own nature," produced a concentration of massive power and financial wealth in the hands of a few, an "economic dictatorship [which] regulated the flow of the entire economic system."

The consequences of this economic struggle, according to Pius XI, were enormous. Not only was there a class struggle between "the few exceedingly rich and the unnumbered propertyless," but also the giant private enterprises bitterly fought each other, striving "to gain supremacy over the nation [and] generating conflicts between nations," finally creating an "international imperialism whose country is where profit is."

The years preceding release of the encyclical provided Pius XI with abundant data about the free-market system. Walter Lippmann described the immediate period before World War I as "the record of the struggle of various interested groups to carve out for themselves areas in which competition was limited for their own advantage." By 1914, Great Britain and Germany were the world's two major powers, with the British Empire the dominating force in world trade and finance. Fifty per cent of Great Britain's annual savings were invested in overseas enterprises, mostly in the Empire's more than fifty countries and in colonies of some 400 million people. Of the five major industrialized countries in 1914, Great Britain provided fifty per cent of the world's capital for foreign investments and owned one-half of the merchant fleet tonnage of the world.

During the first decade of the twentieth century, German private capital began to seriously challenge Great Britain's dominance by building the world's second largest merchant fleet and by developing a volume of foreign trade almost the equal of England's. By the end of the decade, Germany's steel production was more than double that of Great Britain.

In the two decades following Leo XIII's encyclical, American private business interests entered into world affairs with gusto. The economic depression of 1893 was traumatic for the nation. Some 500 banks and 15,000 businesses had collapsed by the end of 1893, and, within a year, four million persons were out of work (an unemployment rate of almost twenty per cent). In 1893 alone, there were more than thirty major strikes.

Although the United States' productive capacity had outstripped that of both Great Britain and Germany, the American economy had broken down, and social unrest was intense. Strong forces within American business and government called for expansion of U.S. foreign trade and overseas investment as a remedy. A major business spokesman put it in apocalyptic terms: "New markets and new opportunities for investment must be found if surplus capital is to be profitably employed—if the entire fabric of the present economic order is not to be shaken by a social revolution."

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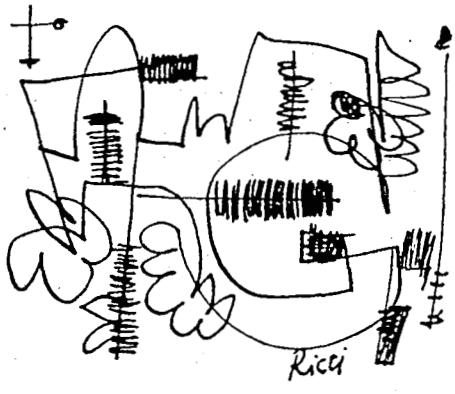
By the turn of the century, President Theodore Roosevelt, in his annual message of 1901, was able to report: "America has only just begun to assume the commanding position in the international business world which we believe will more and more be hers. It is of the utmost importance that this position be not jeopardized." Americans who needed reassurance that the U.S. position was not in jeopardy found consolation in official government pronouncements such as that of Secretary of State William Jennings Bryan who, in 1914, proudly stated that the Administration had "opened the doors of all the weaker countries to an invasion of American capital and American enterprise."

The rhetoric of America's financial and political leaders about foreign trade and private overseas investment was matched by the practices of that era. In the twenty years preceding World War I, the United States more than tripled its export trade and moved into third place behind Great Britain and Germany; almost a third of the commerce was with trading centers in Latin America and the Far East. Although the United States was playing a relatively minor role in overseas capital investment by 1914 (ranking a poor fourth behind Great Britain, France and Germany), the $3.5 billion of American capital invested in mines, oil wells and railroads in such

dispersed locations as Cuba, Russia, Bolivia and Manchuria marked a significant increase in this activity of American private investors.

Quadragesimo Anno took note of these shifts of economic power. Pius XI warned that, as private business interests expand into the world market, their home nations "employ their power and shape their policies to promote every economic advantage of their citizens, but they also seek to decide political controversies that arise among nations through the use of their economic supremacy and strength." For support of his thesis, he had no less of an authority than Woodrow Wilson. Prior to the outbreak of World War I, Wilson said that, if Americans were to continue to prosper, they need foreign markets, and he unequivocally pointed to Germany as the United States' most dangerous rival in the economic struggle. Furthermore, overseas investments and markets "must be safeguarded by ministers of state," he said, "even if the sovereignty of unwilling nations be outraged in the process."

In addition to the rhetoric of world leaders, however, Pius XI had the evidence of historical events upon which to base his observations. Certainly, the history of European nations offered numerous episodes of the "mother" country intruding in the affairs of her colonies. The policies of the United States also offered ample evidence to support Pius XI's thesis. In the 27-year period from 1890 until 1917, American troops engaged in military actions, without a declaration of war, on 44 different occasions in 17 countries (an average of one U.S. military intervention every seven months!). These engagements ranged from repeated minor skirmishes with rebels in Latin American countries to the more substantial campaign in the Philippines after the Spanish-American War, when America used more than 120,000 troops to put down the Philippine War of Independence.



By 1914, the location of the struggle between the major economic powers shifted from the world marketplaces to the military fronts of Western Europe. Germany came out of the war stripped of the few overseas colonies it had acquired late in the nineteenth century and was forced by a London ultimatum to accept responsibility for $30 billion in war reparations to be paid to Western European nations and the United States. Control of "the flow of the entire economic system" (to use Pius XI's phrase) was firmly in the hands of the Western allies. The system began to demonstrate that it was incapable of functioning in any sustained way, and, in the early months of the 1930's, virtually collapsed. The Great Depression racked free-market economies from Germany to the Western Hemisphere.

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The world of Pius XI is separated from ours by a span of over thirty years. However, recent papal and conciliar documents show that, for the institutional Catholic Church, his observations regarding the impact of the free-market economy are still valid.

Vatican II's *Church in the Modern World* echoed Pius XI's observation, noting that "while an enormous mass of people still lack the absolute necessities of life, some, even in less advanced countries, live sumptuously or squandor wealth." The bishops stated that "the fundamental purpose of [technical programs] must not be the mere multiplication of products. It must not be profit or domination. Rather it must be the service of all men." And further on, they noted: "The developing nations will be unable to procure the necessary material assistance *unless the practices of the modern business world undergo a profound change*" (emphasis added).

In *Populorum Progressio*, Pope Paul VI suggested the profundity of the changes demanded, in 1967, when he concluded that the present economy is "the source of excessive suffering, injustice and fratricidal conflicts" and is so intransigent that the situation "demands bold transformations, innovations that go deep." History has shown that Pius XI's conclusion that the free enterprise system had died was in error. He had grossly underestimated the tenacity of business enterprises in the free-market system and that system's capacity for survival and proliferation. It has obviously survived the Great Depression.

In his Apostolic Letter to Cardinal Roy in May of this year, Paul VI acknowledged a new mutation in this global economic system—the multinational corporation. This new economic power, the Pope warns, "can conduct autonomous strategies which are largely independent of the national political powers . . .

not subject to control from the point of view of the common good." "These private organizations," the Pope states, "can lead to a new and abusive form of economic domination," an aberration with "excessive concentration of means and powers that Pope Pius XI already condemned on the fortieth anniversary of *Rerum Novarum*."

The post-Depression revival of free-market economies has been accompanied by a kind of folksy rhetoric which glosses over some harsh realities. The quaint phrase "village world" often used to describe the globe is grossly misleading unless Americans are prepared to include in the poetic imagery the "castle on the hill." Clearly, Americans enjoy a superior style of life, as did the nobility and landed gentry of the medieval court, while most of the world's population live on the level of serfs in the village. And, as in feudalism, the castle is abundantly protected by its palace guards and armed knights.

The economic fact of life dominating international affairs today is that ten per cent of the world's population, living in Western Europe and North America, consumes two-thirds of the world's resources, with the United States taking the lion's share. President Johnson, in characteristically unpoetic style, put the global power struggle in a concrete context, speaking to U.S. troops at an army camp in Korea, where he said: "There are 3 billion people in the world and we have only 200 million of them. We are outnumbered 15 to 1. . . . We have what they want."

What has been said about the British Empire—that it happened by accident and almost against the will of the British people—might also be said about the United States. A strong American strain has been avowedly anti-colonialist; proud of an anti-imperialist past. Americans tend to resist all pageantry and trappings characteristic of empires. There is a persistent notion among many Americans that we are a provincial people with simple needs. Stated in the homely rhetoric often used by national leaders, it would seem that Americans' aspirations have an almost monastic simplicity: beyond a modest amount of food and shelter, all the average fellow wants is "to be able to load them [his family] in the old jalopy and take them to see Grandma on Sunday."

Such notions about Americans make humorous parodies when they are indulged in by small nations; but for a superpower, such fantasies are deadly. Secretary of State William P. Rogers has no such delusions, as his remarks to the 1971 graduating class of Colgate University testify. Rogers, describing U.S. involvement in the world in concise terms, said: "We [America] have treaties involving mutual security with 42 nations; we have invested abroad some $120 billion, and this amount *is growing*. We hold such a central position in international trade and economic matters that we must necessarily be *increasingly* involved in the affairs of the world" (emphasis added).

This echoes the remarks of taciturn Calvin Coolidge who said, forty-three years previously: "Our investments and trade relations are such that it is almost impossible to conceive of any conflict anywhere on earth which would not affect us injuriously."

America's present international involvement is so enormously greater than in Coolidge's day as to make comparisons faulty. Clearly, the United States is the economic giant in the world today. U.S. investors control 60 per cent of the world's total direct foreign investment (some $54 trillion), a greater percentage than that of Great Britain at her prime in the late nineteenth century. Fifty per cent of the direct foreign investments in all the nations of the Third World is U.S. capital. Americans own 70 per cent of all the foreign investments in Great Britain, almost 50 per cent in France, and a third in West Germany.

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When Pius XI wrote his encyclical in 1931, U.S. overseas investments amounted to about $8 billion, whereas, by the end of the decade of the sixties, they exceeded $60 billion. The Pope's remarks about the "accursed internationalism of finance—international imperialism whose country is where profit is"—*predated* the phenomenon of the multinational corporation. The year before the outbreak of World War I, U.S. corporations owned less than 120 foreign manufacturing subsidiaries; by 1967, the number had mushroomed to more than 3,600.

Concentration of financial power is documented by Professor Raymond Vernon's studies showing that about 200 giant U.S. parent corporations with extensive overseas investments dominate international commerce. About six multinational petroleum companies handle three-quarters of all the world's oil, and a like number account for three quarters of the international trade in the basic metallic ores. A measure of the "power—consolidated in the hands of a few" (Pius' phrase) can be seen in Western Europe where twenty U.S. firms account for two-thirds of U.S. investments, with three major firms owning forty per cent of all U.S. direct investment in West Germany, Great Britain and France. With such immense power, of course, comes control, as Vernon documents with numerous episodes of corporations' transactions in such disparate fields as petroleum, electronic computers and jet aircraft, affecting the government policies of many nations.

U.S. penetration into foreign nations is strikingly evident in the field of banking. *Fortune* magazine reported in 1967 that the U.S. overseas expansion by American banking interests "is creating the first truly international network of banks." From 1930 through 1950, the number of U.S. banks with overseas branches was about one hundred, with one-half of them in Latin America. By 1967, this number had increased to almost three hundred branches, and more than seventy per cent of the branches are in the Third World. Major U.S. banks, owning subsidiary corporations, buy controlling interest in foreign banks which have significant networks of branches in the local countries. An example: a subsidiary of First National City Bank owns forty per cent of Banque Internationale pour L'Afrique Occidentale, which, in turn, operates forty-one branches in Africa. Subsidiaries of Chase Manhattan Bank have a mining project in Bolivia and manufacturing plants in Nigeria, Bolivia, Turkey and Guatemala. Three American banks own eighty per cent of U.S. overseas branch banks.

George Moore, former president of First National City Bank, described this network of international finance as a phenomenon "unprecedented since the emergence of the nation-state," and one in which U.S. banking interests play "the same relative role in international finance that the British financial institutions played in the nineteenth century." It was England's dominance in world finance persisting well into the twentieth century which Pius XI had characterized as "despotic economic dictatorship."

A consequence of world dominance in economic affairs, in Pius XI's view, is intervention by the powerful party in the political and financial affairs of other nations. The mutual security treaties of the United States with forty-two nations, which Secretary of State Rogers referred to, provided stark evidence of Pius XI's thesis. From 1900 until 1941 (when America officially entered World War II), U.S. armed services intervened fifty-five times in the affairs of other nations without official declarations of war. (For example, U.S. troops helped squelch four revolutions in Cuba prior to the one led by Castro.)

Following World War II, America's international trade strategy did not change. In 1945, Edward R. Stettinius, Secretary of State under Truman, put the issue in a familiar formula: "The core of our whole post-war foreign economic program is the expansion of private trade and the encouragement of private enterprise, with such assistance as is required from the government to maintain high levels of production and employment."

However, what did change were the military tactics used in support of this strategy. While the number of unofficial U.S. military interventions has dropped markedly—only nine in thirty years—these interventions were replaced by U.S. foreign aid. According to the United States Agency for International Development, more than seventy per cent of so-called economic aid has been expended for direct or indirect military assistance, such as police training and counterinsurgency.

Military intervention, however, is not the monopoly of the United States. The Soviet invasion of Czechoslovakia had characteristics of a new form of neocolonialism, whereby Eastern European countries are dominated economically and militarily by the Soviet Union. Some of her former allies, such as the Peoples Republic of China, charge that the Soviet government has departed from authentic socialist and communitarian values and has embraced the tactics of the "imperialist" nations of the West.

Demands for systemic changes continue to mount in the Third World; however, proponents of some form of socialism, as the only viable option for Third World nations, are no longer limited to political leaders like Nehru, Nkrumah and Touré. At the General Assembly of Latin American bishops in 1968 (Medellín), the hierarchy, while rejecting the philosophical tenets of atheistic Marxism, clearly rejected unrestrained capitalism, which presumes "the primacy of capital" and "its discriminatory utilization in the function of profit-making." A growing number of Third World bishops are not only publicly critical of the exploitative force of the dominant economic system, but they espouse the need for some kind of socialism.

Dialogue between representatives of The First and of The Third World is essential; however, instances of this dialogue have not always been productive. The two UNCTAD conferences (United Nations Conference on Trade, Aid and Development) in the sixties brought spokesmen representing these markedly different points of national self-interest into sterile confrontations. One hopes that the third UNCTAD conference, scheduled for April, 1972, in Santiago, Chile, will be more productive.

The emergence of such outstanding Christian socialists as President Nyerere of Tanzania and Eduardo Frei, former president of Chile, suggests that the papal/conciliar messages of the last forty years have not fallen on fallow ground among the laity. Synods which bring together ecclesiastical delegates from the two disparate Worlds will provide some evidence of how fertile the soil has been among ecclesiastical leaders in the First World, and perhaps point to new and liberating directions for mankind.