

REVIEWS OF BOOKS

Aid as Imperialism. By Teresa Hayter (Middlesex, Penguin Books, 1971).

Teresa Hayter's book is a work of contemporary history in the field of political economy. It consists of a study commissioned by the Overseas Development Institute which examines the policies of certain international financial institutions (International Monetary Fund, World Bank, Agency for International Development) in their granting of aid. The study itself is fundamentally a liberal critique of the way that the agencies use 'leverage' in their dealings with South American countries. The criticism functions on the level of pointing out inconsistencies of policy, or disparities between the theoretical policy, and the application of the policy in concrete instances. Added to the study are a preface and an appendix which inject drama since they present the tale of the study's non-publication by ODI as well as the significant change of viewpoint that the author has had since, (because of?), writing the study.

Aid has never been a simple unconditional transfer of resources. What is new however is that the international agencies, rather than setting direct, specific conditions on aid, are setting 'general performance' conditions. The general economic policies of the underdeveloped countries are now the targets of the agencies negotiations. This type of pressure is referred to as 'leverage'. But this policy remains somewhat vague and obscure even to those who apply this pressure. The clarification of leverage is the purpose of Ms. Hayter's study.

The heart of the study rests in two chapters: "Policies, Rationale, and Methods" and "Applications." The latter describes the activities of the agencies in light of the preceding chapter in four countries: Colombia, Brazil, Peru, and Chile.

Given that the three agencies are of different origins and allegedly different purposes, the first general criticism of Hayter is that they collaborate entirely too closely, with the IMF usually being the chief negotiator. Even when they act independently it is very often the IMF's criteria of 'good performance' that needs to be satisfied by the negotiating country. Established primarily with the North Atlantic community of nations in mind, the goals of IMF are primarily to promote orderly exchange conditions and to facilitate the expansion of international trade. This means in regard to Latin America that leverage is used by the IMF to attain stabilization programs in the Latin American economies. (Primarily stabilization involves dealing with inflation, balance of payments, and devaluation.) As Hayter points out however, there is at least a potential conflict between the objective of stabilization and the objective of over-all national development in the underdeveloped countries.

The Agency for International Development is an instrument of U.S. foreign policy. Unlike the other two agencies discussed, it is *explicitly* ideological and has from the beginning used leverage. Even here Hayter finds inconsistencies. First, although at the start leverage included pushing the South American governments toward social and political reforms and well as toward purely economic development, the recent trend has been for AID to join the other two agencies in their primary concern for economic stability. Secondly, AID program loans are often primarily geared to obtain concessions

for private U.S. investors and U.S. trade interests, rather than to attain the needed development in Latin America. In other words, there is a failure to carry through the mission of instigating development and reform, as well as a weakness in putting forth the *general* ideological interests of the U.S. in the developing countries.

Ms. Hayter seems most disappointed in the functioning of the World Bank. Her reason is simply that it was the Bank that seemed the least likely to be ideologically interested and the most likely to promote the welfare of the borrowing countries since it was oriented to the financing of projects. It was not envisaged that the Bank would attempt to influence the general economic policies of the developing nations. The World Bank is more directly interested in the treatment of the private sector than either the Fund or AID. It has evolved a policy that pits it against large expenditures in 'non-productive' areas such as housing and education by the underdeveloped countries. Therefore it too is using leverage more and more in the granting of aid. That means it attempts to have the governments involved use policies that hold down wages, inflation, and expenditures for social welfare, even if it is not ultimately in the nation's interest to do so.

In a short section in which she examines development in Cuba, Hayter feels that, in contrast, the type of economic development achieved through the international agencies fails to promote the development of the well-being of the masses of the people of Latin America. It is Hayter's contention that very often it is in the 'non-productive' areas of social welfare that development is most needed. Because of the way that the agencies function, they not only overlook this, but even work directly against such development. In the study she suggests that this could be corrected by the agencies' re-examination of their use of leverage so they could realize that the criteria they evoke for the granting of aid are not purely technical, but also ideological, something which the agencies deny.

It is only after the completion of the study that Hayter came to see that the 'blindness' of the agencies to the ideological content and effects of leverage is not accidental. As she says:

I believe, now, that the existence of aid can be explained only in terms of an attempt to preserve the capitalist system in the Third World. . . . Aid can be regarded as a concession by the imperialist powers to enable them to continue their exploitation of the semi-colonial countries. . . .

If Teresa Hayter had written her study with this thesis in mind from the beginning it surely would have been a more concisely argued and more dynamic work. On the other hand, perhaps it might not have been as convincing a book as it is. Despite her original intentions, she undermines the claims of the international agencies and the capitalist interests they represent concerning the beneficial effects of aid for the developing nations. Foreign aid is first of all a tool that imperialism uses to develop itself.

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