MECHANISMS OF AID

'Aid' is in fact a misnomer. 'Aid-giving' emerged with the crisis in the imperialist system, which between the wars manifested itself in increasing illiquidity. It is a mechanism whereby money finance capital is exported by monopoly imperialist capital and the states thereof from the centres of accumulation (The U.S. and Europe) to 'peripheral' countries. It is a mechanism whereby an attempt is made to resolve the contradictions of capital which manifest themselves in the crises of overaccumulation which are expressed at all levels of the social formation and which by class struggle lead to the restructuring of capitalist relations making the subsequent crises ever-more deep.

Why did aid come into being in the latest phase of imperialism? It was a response to three factors. First, the advance of 'communism,' second the over-production of capital in the U.S. and thirdly, the extensive destruction of capital in Europe which threatened to hasten the first and finally later, the attempt to develop neo-colonial solutions in underdeveloped countries. Aid flows are composed of grants and loans given in a number of different forms - bilaterally, multilaterally, or by international agencies with a variety of conditions on the use of the resources financed and for repayment. The interest charged on such 'aid' is below commercial rates. However the real value thereof must be distinguished from the nominal value of aid-discounted for the higher priced commodities to which it is often tied, for price changes and the loss of autonomy which necessarily accompanies the acceptance of aid.

The common feature of all aid is to sustain and enhance control of markets for the purchase of raw materials, for the sale of commodities and for private investment for the aid giver. In other words the aid-giver can exercise 'leverage' . the ability to influence the general economic policies of the aided country in specific directions. Not only are the economic structures of the aided country affected but so is the class structure.

STATE AID.

President J.F. Kennedy once stated "Foreign aid is a method by which the U.S. maintains a position of influence and control around the world, and sustains a number of countries which would definitely collapse, or pass into the communist bloc". (in Magdoff p. 117). In the words of a U.S. presidential commission: U.S. foreign aid includes "gifts to prove our esteem for foreign heads of state, hastily devised projects to prevent Soviet aid, gambles to maintain existing governments in power." (in Magdoff p 117)

Magdoff classifies this aid according to its purpose or result:

. "To implement world-wide military and political policies of the U.S.

2). To enforce the open-door policy: for freedom of access to raw materials, trade and investment opportunities for U.S. business.

3). *To ensure that such economic development as does take place in the* underdeveloped countries is firmly rooted in capitalist ways and practices.

4). To obtain immediate economic gains for U.S. businessmen seeking trade and investment opportunities.

5). To make the receivers of aid increasingly dependent on the U.S. and other capital markets." (Magdoff p 117).

6). To maintain continued access to military bases and other strategic facilities maintaining ties with formal allies and strengthening them militarily, the sub-imperialist powers being particularly important as the U.S. is forced to withdraw from an overt high profile position.

Most U.S. 'aid' has in fact gone to the developed countries. From July 1945 to June 1967

1). 39% of aid went to developed countries.
   '57 - '67 13% (Marshall Plan)

2). 30% to 'client' states / forward-defence states.

3). 30% to the rest i.e. to 70% of non-communist world population.

Furthermore, between 1945 and 1967

a). 73% to the developed countries

b). 87% to client countries

and 42% to the Underdeveloped countries was in the form of grants and even if the influence of the Marshall Plan is removed the pattern is not substantially different according to Magdoff (p151). This parallels the pattern of 'private' capital flows in that capital flows predominantly between developed capitalist social formations. Ultimately this aid is state assistance to MNC's which derive both direct short-term and indirect long-term benefits; the state being subordinate to the interests of monopoly capital; for example aid procurement accounts for 30% by value of U.S. steel exports. Aid procurement also accounts for 30% by value of U.S. agricultural exports (cf. food-aid).

In the longer term, the continuation of the imperialist stage of capitalism is secured. State aid-money capital provided directly or indirectly to 'national' capitals enables capital to expand and in doing so enables it to expand its penetration of other social formations. To understand aid at a lower level of abstraction the specification of the relations between different social forms is required.

Magdoff writes

"In addition to opening up trade channels and subsidizing business opportunities in export lines, the foreign aid programme also gives a boost to U.S. foreign in the area of

1). general support and protection

2). pressure on recipients to sign treaties on support of investment guarantee agreements creating the protective legal environment and

3). U.S. business expenses in foreign countries are often paid for."

Finally, according to Magdoff, "U.S. official necessarily participate at practically every level of recipient's decision making in the realm of economic affairs."

THE INTERNATIONAL AGENCIES.

The most important international agencies are the I.M.F. (International Monetary Fund) and the World Bank, both founded at the 1944 Bretton Woods conference, both nominally part of the U.N. system. Membership of the former is a prerequisite to membership of the latter and eligibility for its loans. Although their loans do overlap generally the fund makes short-term loans for balance of payments support and the bank makes loans for specific projects and for longer terms.

"The bank has recently decided that it too can legitimately provide balance of payment support and enforce liberalization and financial discipline on borrowing countries. Similarly although it is usually the Bank which organizes aid consortium, the IMF is invariably a key member of them and occasionally takes the role of organizer." (Payer p 215)

The fund located in Washington has been dominated since its inception by the U.S.A. According to Payer no major decisions are made against the strong wish of the U.S.A. which has the largest quota against which votes are weighted. The U.S. had an effective veto power over important decisions including that of quota adjustment. The I.M.F. has been a major source of finance for the U.S. deficit financing fully 10% thereof from 1960 to 1967 and has invested its own funds in U.S. government securities thus loaning the U.S. government money.

Towards the end of the 50's a new style of aid-giving came about. "The major components of this new style were:

a). the growth of the practice of 'tied-aid';

b). a shift in emphasis from 'project' to programme aid:

c). the development of the 'consortium' technique in order to co-ordinate policies of several different aid-givers, and to encourage more countries to 'share the aid burden' with the U.S.;

d). the decision to rely on IMF stand-by arrangements as a pilot for other aid programmes;

e). an increase of more than 50% in IMF quotas and therefore spending power;

f). the formation of the International Development Association (I.D.A.), an affiliate of the World Bank which could administer lending of 'soft' loans (on very much easier terms than commercial)." (Payer p 28.)

I.M.F. loans are generally tied to 'stabilization' programmes, the basic components of which are

1). "Abolition or liberalization of foreign exchange and import controls.

2). The devaluation of exchange rate.

3). Domestic anti-inflationary programmes, including:

a). control of bank credits; higher interest rates and perhaps higher reserve requirement:

b). control of the government deficit; curbs on spending, increases on taxes and in prices charged by public enterprises, abolition of consumer subsidies:

c). control of wage rises, so far as within the governments power;

d). dismantling the price controls.

4). Greater hospitality to foreign investment." (Payer p33).

This results typically in the take-over of domestic owned businessmen by foreign companies and the 'squeezing' of domestic capital so

a). sales drop.

b). the cost of imports and unpaid foreign debt increases.

c). loans become more difficult to make as bank credit contracts and

d). protected markets are lost.

According to Payer, "It is an explicit and basic aim of the IMF programmes to discourage local consumption in order to free resources for export." (Payer p42) More recently the international agencies have turned their attention more to agriculture with predictable results - the encouragement of cash cropping, mechanization and heavy fertilization, etc.

Finally the Fund "runs an institute for the training of Central Bank and Finance Ministry officials, and disperses its graduates, indoctrinated with the Fund ideology, throughout the third world where they form an 'old boy' network of support for fund principles." (Payer p44)

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