Supply-siders ship to Third World

The 'cost-benefits' would include cutbacks in price supports and interest rate subsidies.

The World Bank and the International Monetary Fund (IMF), the central multilateral lending bodies which oversee loans to developing countries, are currently being "retooled" to implement the doctrine of "supply-side" economics in the Third World.

Practically, this means that the Third World is slated to be chopped up into a patchwork of regions in which pockets of industry operate alongside stretches of depopulated continents.

A U.S. government Interagency Task Force, announced last week by Treasury official Tim McNamar at hearings before a Senate Foreign Relations subcommittee, is now trying to hoodwink the Reagan administration into fully backing the exportation of supply-side economics to the Third World. Under former McKinsey consultant McNamar's direction, the task force is using the cover of evaluating whether U.S. taxpayers' contributions to the "multi-banks" are supporting policies "coherent with the objectives of U.S. foreign policy" to force the administration to back the IMF and World Bank's drive to reorganize Third World economies.

An official of the Office of Management and Budget working on the task force described current administration objectives in the Third World as aimed to "force Third World economies to totally open up to the free market." This policy includes the following points:

- A coordinated rise in interest rates on international loans. Developing countries "will have to start paying private market interest rates," the official reports. "We need to cut back on subsidized loans . . . at 9 percent, when world rates are 20 percent." This also means forcing Third World governments to dismantle interest-rate subsidy programs, about which the OMB officer said, "This has to stop."
- A coordinated rise in world energy prices, aimed at drastic conservation. OMB reports that the Agency for International Development is conducting a study on the effects on developing countries of removing "their domestic energy price-support systems." By letting "their domestic energy prices rise to world market prices . . . we intend to enforce conservation not by quotas and government programs, but by straightforward rising of energy prices."
- A rise in world food prices. This would also be based on prodding governments to remove price support programs. "We are now restructuring PL 480," the U.S. Agriculture Department's international loan program, "to require recipient countries of U.S. food aid to restructure their domestic food price support systems and bring food prices to world levels."

Simultaneously, the IMF and World Bank are being restructured to guarantee this outline is enforced. The reorganization aims to integrate their lending with the business of the Euromarket banks, which have over $400 billion in outstanding loans to the Third World. This is what OMB otherwise calls opening these countries to the "free market."

To facilitate this integration, the IMF/World Bank need more funds. Recently, the IMF issued over $5 billion in loans to a handful of developing countries in larger chunks than ever seen before in its history. As an IMF staffer explains, "Certainly loans have increased in nominal size—but so have the deficits . . . in real terms," he emphasized. The IMF's resources "have lagged much behind . . . the relative growth of imports" and trade.

The IMF is also gearing up a new program of "non-concessional lending" activities in coordination with Euromarket banks. "There is a general belief that this will lead to additional flows for certain developing countries," with all such loans at market interest-rate levels.

This is where supply-side economics come in. "The general orientation of the World Bank is on 'soft projects'" like health programs and agriculture, "which are not income-generating," the official explains. "To work with commercial banks, one would have to take their preferences into account. We believe commercial banks would prefer industrial projects which are income generating."

IMF teams, the agency's officials report, are now concentrating on advising Third World governments on how "cost-benefit" supply-side economies are the only policies which would successfully attract such private capital.