mark reserves is a prelude to an autumn EMF offensive cannot be determined at this point. The West Germans are becoming largely independent of the dollar as a source of liquidity, without bowing to the IMF's drive to officially phase out the dollar and impose stringent credit rationing on the world economy. Indeed, West German bankers and industrialists continue to elude the Bundesbank's domestic credit squeeze (a billion-mark ceiling on Lombard borrowings from the central bank went into effect this month, on top of interest rate hikes). Raising funds internationally and continuing to lend for exports, the *Grossbanken* are also thought to be behind the heavy attacks being launched against the Ruhr's regional bank, the Westdeutsche Landesbank. The WdL is under fire for having thrown into bankruptcy last year the giant Beton und Monierbau construction firm, which was widely involved in Third World development projects, especially in Africa.

IMF bluffs

Relying on American and British sources, however, one would imagine that the key world financial development at this point is imminent IMF success in implementing its eight-year-old "substitution account" plan. Central banks, and then private investors, would turn their dollar-denominated reserve holdings in to the IMF. In return they would receive assets denominated in the SDR basket-of-currencies numeraire.

At the end of August, U.S. Treasury Undersecretary for Monetary Affairs Anthony Solomon told a European Forum conference in Alpbach, Austria that the Treasury urges approval of the substitution account at the October IMF meeting in Belgrade. Further, he insisted, the substitution must be "permanent." The IMF, he said, should invest the substituted dollars in U.S. government securities.

For the U.S. economy, this would mean that the IMF would "directly own the U.S. government," as one New York economist put it Aug. 28. Solomon indeed is openly pressing for "a more 'active' IMF...coordinating and ultimately directing national economic policies." On the foreign side, dollar holders would receive what everyone concedes is an "unattractive" asset, especially compared with gold.

Despite recent claims by the London *Economist* and New York *Journal of Commerce* in particular, the West Germans, French and Saudi Arabians are utterly unlikely to go with the SDR, no matter what the proposed SDR assets' yield or liquidity. Backhandedly acknowledging the fact, Solomon and the *Economist* are now angling to use the EMS's European Currency Unit (ECU) as a more respectable sort of SDR dollar substitute, and warning West Germany of the perils of the deutschemark internationalization they had pressed for not so long ago.

—Susan Johnson

World Bank mandates

In preparation for the September United Nations General Assembly session in New York and the October annual meeting of the International Monetary Fund/World Bank in Belgrade, the World Bank has issued its latest official policy statement on Third World economic development. Titled "World Development Report, 1979," the 188-page document reads like a modern rendition of a quaint British Colonial Office tract. But the report is a very specific attack on the basic tenets and key proponents of the new world economic order—from the specialized treatment of "energy" to the direct and extended attack on urbanization—that is, citybuilding.

The report's basic prescriptions are familiar ones. *Population control* (there are not enough productive jobs because there are too many people); *cottage industry and appropriate technology* (industrialization is most "inappropriate" in the third world because it is capital intensive); *"bucolic agrarianism,"* as Mexican President López Portillo labeled it in his powerful state-of-the-union message this past week. (Subsidized credit programs in the agricultural sector "have often had the unintended effect of encouraging mechanization" says the Bank, and this is very bad). And the Bank *attacks state sector industries*, the key to many Third World industrialization efforts.

This year the World Bank decided to highlight "energy." 1979 is also the year that the Mexican government issued a call for a producer-consumer energy conference to fuel new practical steps toward realizing a new world economic order—a call which gained official support in key East bloc countries and France, and which was echoed among the OPEC oil producers. Mexican President López Portillo will formally present the proposal and its wider implications for progress in the developing sector at the upcoming General Assembly session. The Bank program is two-sided. Its short-term political gambit against the Portillo initiative is contained in its program for underwriting oil exploration in non-OPEC developing countries—a program which, interestingly, was given more hype in the *New York Times* than in the report itself. This is nothing but a bald attempt to counter Mexico.

For the rest, the Bank insists on "energy conservation" and the proliferation of primitive "non-conventional" energy sources (wind, dung, biogas, wood-burning) for the developing sector. Nuclear energy is mentioned once in passing as of "limited" use in the Third World.

enforced backwardness

Prevent cities

Similarly revealing is the report's extensive attack on citybuilding. The bane of the Bank is, of course, people, and in particular, it seems, the Mexicans ("Eighteen cities in developing countries [by the year 2000] are expected to have more than 10 million inhabitants, and one at least—Mexico City—may well have triple this number").

If cities cannot be prevented in the first place through population control, prohibition of mechanization and extension of highly labor-intensive agricultural methods, the Bank advises, then urban policies must be developed and applied which are both cheap and effective in preventing any significant development of the city.

Those unemployed or underemployed citydwellers who are not sent back to the country will have mortgages slapped on their tin shacks (slum clearance for high-rise public housing construction is scored by the Bank as the unwarranted "destruction of housing stock.") keeping them on retainer as a labile mass of sans-culottes—a deployable asset for Iran-style destabilizations.

The report repeatedly insists that slum clearance and high-rise apartment construction, highway system development and the construction of modern mass transit systems and the expansion of subsidized universities and modern city hospitals are merely social policies to "serve the rich" and an insult to the integrity of ancient native custom.

—*Susan Cohen*

What the 1979 report says

The following excerpts from "World Development Report, 1979," the World Bank's annual review and programmatic statement, set forth the Bank's prescriptions on the key economic issues:

On Technology Transfer: Frequently the industrial processes designed and developed in the relatively capital-rich industrialized countries are too capital intensive for developing nations, and their indiscriminate adoption aggravates unemployment and underemployment in these countries. Studies indicate that developing countries could significantly increase both employment and output by adopting more appropriate technologies.

On Energy: Developing nations also need to direct greater attention to their use of non-commercial energy sources. About half of the energy produced in oil importing developing countries comes from traditional fuels, such as firewood, charcoal, and animal and crop residues. In many parts of the world, where unchecked reliance on such sources has led to grave ecological problems of deforestation and desertification, there is an urgent need for well designed afforestation programs. *At the same time*, development and dissemination of improved cooking stoves, biogas plants and charcoal kilns could greatly improve the efficiency of energy use from traditional sources (emphasis added—ed.).

On Citybuilding: Despite the obvious manifestations of urban poverty, urban policies are often designed to make cities serve more effectively the preferences of the better-off who tend to view the growing slums as an infringement on the beauty of their city; who regard street vendors, pedestrians and overcrowded buses as nuisances impeding the mobility of private automobiles; and who perceive educational and health care needs in terms of unmet requirements for higher education and curative medicine. The policies that follow from this diagnosis of the urban problem include the bulldozing of slums; the construction of high-cost public housing, limited access highways and subways; the banning of street vendors and traditional transport modes from public places and major streets; and the expansion of subsidized universities and modern city hospitals.

If, instead, increased efficiency and the alleviation of poverty were adopted as the goals of urban policy. . .policies would therefore be designed to raise the demand for unskilled urban workers, improve the functioning of the urban labor market, and curb the growth of the urban labor supply through family planning programs and accelerated rural development. . . .

Investment in public services has tended to emphasize high-cost technologies borrowed from the industrialized countries, such as costly water connections to houses, water-borne sewerage systems, and mechanized solid waste disposal techniques. . . .Water borne sewerage systems are five to eight times more expensive than upgraded pit latrines suitable for urban areas. . . .Similar shifts in favor of low-cost, replicable delivery systems may be necessary if education and health services are to reach the majority of urban dwellers.