THE ALLIANCE FOR PROGRESS AND LATIN AMERICAN DEVELOPMENT

That the Alliance for Progress failed is the near unanimous conclusion in works on the topic,[1] except in publications sponsored by the Alliance.[2] Let us test, independently, the success or failure of the Alliance by asking four important questions. (1) Did the Alliance receive the level of funding promised at the outset? (2) Did the Alliance achieve its single most important quantitative goal of assuring a 2.5 per cent yearly per capita economic growth rate in each country? (3) What effect did the Alliance have on the so-called "widening gap" between the developed economy of the United States and the developing Latin American region? And, perhaps most importantly, (4) in analyzing the role of the Alliance, can a direct correlation between its goals and national economic performance be drawn at all, let alone after only one decade? The last question involves not only the expectations of high-level policy makers and technicians but their perceptions of national interest as well.

DID THE ALLIANCE RECEIVE THE FUNDS PROMISED?

Many observers claim that the Alliance for Progress died mainly because the United States did not live up to its commitment of providing promised funds. To examine this claim let us examine the background and context of Alliance promises. United States assistance to Latin America began in earnest during the 1950s, following gradual expansion there after the close of World War II. Billed as economic aid, the U.S. Congress accepted an increasing role in Latin American development. As suggested in the Introduction to this book, events of the 1960s encouraged rapid growth of U.S. assistance in order to combat Cuban-styled revolutions, emphasis being placed on the role of careful planning by high-level technicians.

The Alliance for Progress, announced by President John F. Kennedy in March 1961, was sold to the U.S. Congress and justified in propaganda on the grounds that the United States could effect social change for the common people of Latin America, thus preventing the need for social revolutions that would threaten hemispheric stability. Kennedy's slogans called for "homes, work and land, health and schools" with the motto: "Progress, yes; tyranny, no."[3] In contrast with Kennedy's original declaration, the Charter of the Alliance for Progress, signed in August, 1961, at Punta del Este, made as its first point the economic goal of achieving growth of at least 2.5 per cent per capita per year.

Under the Charter external funding was scheduled to reach 20 billion dollars over a ten-year period. The United States pledged to "provide a major part, . . . principally in public funds," on the condition that as their "contribution to the Alliance, each of the countries of Latin America . . . formulate a comprehensive and well-conceived national program for the development of its own economy."[4]

The level of external funding provided to Latin America during the period 1961-1970 is presented in Table 1. In this table developed from composite sources, I have divided funds into three categories: (A) Loans and grants for developmental assistance; (B) funds supplied to Latin America for stabilizing balance of payments; and (C) U.S. private capital, long considered by the U.S. government to be one of the best forms of foreign assistance in that theoretically it provides a sound basis for economic growth (including jobs) and for transfer of knowledge. Gross external funding averaged over the 2 billion dollars promised per year, with amounts above that minimum figure being reached after the mid-1960s. (Because data are only available on a mixed fiscal- and calendar-year basis and yearly totals can only be approximate, average figures are more meaningful than any yearly amounts.) In this view, the Alliance did receive more than the minimum promised.

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[1]For an excellent review of the literature on the failure of the Alliance, see Abraham F. Lowenthal, "United States Policy Toward Latin America: 'Liberal', 'Radical,' and 'Bureaucratic' Perspectives," *Latin American Research Review* 8:3 (1973), pp. 3-25. Basic works on the Alliance include Harvey S. Perloff, *Alliance for Progress; A Social Invention in the Making* (Baltimore: Johns Hopkins Press, 1969); Jerome Levinson and Juan de Onís, *The Alliance That Lost Its Way; A Critical Report on the Alliance for Progress* (Chicago: Quadrangle, 1970); and Simon G. Hanson, *Dollar Diplomacy Modern Style; Chapters in the Failure of the Alliance for Progress* (Washington, D.C.: Inter-American Affairs Press, 1970). See also Julio Cotler and Richard R. Fagen (eds.), *Latin America and the United States* (Stanford: Stanford University Press, 1974).

[2]The basic defense of the Alliance provides a major statistical source for evaluating change during the decade 1961-1970: see OAS, Inter-American Economic and Social Council, *Latin America's Development and the Alliance for Progress* (Washington, D.C., 1973).

[3]Kennedy's address establishing the Alliance March 13, 1961, is reprinted in Levinson and Onís, *Alliance That Lost Its Way*, pp. 333-339.

[4]Basic documents of the Alliance, including the Charter of Punta del Este signed August 17, 1961, in Uruguay, are in included in the appendixes to *ibid.*, pp. 333-371.

TABLE 1

TOTAL OFFICIAL AND PRIVATE EXTERNAL FUNDS ACTUALLY RECEIVED BY LATIN AMERICA UNDER THE ALLIANCE FOR PROGRESS, 1961-1970
(Millions of Dollars)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	Total
A. Assistance (Loans and Grants)											
□ United States[1]	527.5	1 125.5	759.2	633.5	844.1	855.6	975.4	925.2	907.8	864.1	8 417.9
□ International[2]	192.7	346.5	544.3	562.1	512.5	581.0	604.0	643.0	703.8	988.7	5 678.6
B. Balance of Payments Stabilization											
□ U.S. Treasury	65.0	34.5	90.5	18.3	13.4	13.5	=	=	=	=	235.2
□ International Monetary Fund	347.5	95.7	231.5	62.5	147.2	174.0	122.7	273.5	177.2	120.4	1 752.2
C. U.S. Private Capital[3]	453.0	218.0	166.0	1 005.0	340.0	519.0	898.0	584.0	310.0	976.0	5 469.0
D. Gross Funds (A + B + C)	1 585.7	1 820.2	1 791.5	2 281.4	1 857.2	2 143.1	2 600.1	2 425.7	2 098.8	2 949.2	21 552.9
E. Net, after Loan Repayments	984.7	705.7	1 070.8	688.2	948.4	983.0	941.5	1 132.6	1 086.7	1 069.9	9 611.5

[1]Fiscal years. Data include Social Progress Trust Fund.

[2]Calendar years. Data include International Bank for Reconstruction and Development, International Development Association, International Finance Corporation, Inter-American Development Bank (except Social Progress Trust Fund), and Organization for Economic Cooperation and Development.

[3]Calendar years. Includes portfolio and direct investment. Excludes non-U.S. investment and private transfers such as pensions.

Source A: U.S. data are from Table XVII:7; international data are from Source B, Table 37, as adjusted for n. 2 above.
B: OAS, Inter-American Economic and Social Council, *Latin America's* Development and the Alliance for Progress, Table A-75.
C: See Table 3, below.
D: Calculated.
E: See source B, Table 39.

Several arguments, however, have grown out of the imprecise nature of the Charter's language.[5] Some critics of the Alliance argue that funds supplied to stabilize balance of payments should not be included in the amount because such funds do not involve development per se. To be sure, the Charter of Punta del Este had specified that one of the Alliance goals was "to maintain monetary and fiscal policies which, while avoiding the disastrous effects of inflation or deflation, will protect the purchasing power of the many, guarantee the greatest possible price stability, and form an adequate basis for economic development." Loans to stabilize national balance of payments clearly met that goal; and if funds had not been made available inflation might have been even more serious than it continued to be. But even if such funds are deducted from the 21,553 million dollar gross flow of funds, the total would still come to nearly 20 billion, or 19,566 billion dollars.

A second line of criticism of the Alliance concerns the argument that the share of U.S. private capital involved in external funding is too high. Or, put another way, does a 75–25 per cent split between public and private funds, respectively, meet the Charter criteria that the greater part of the sum should be in public funds?[6] Whereas this question clearly can be answered in the affirmative, a variation of the argument concerns the participation rate of the United States. Does a 66–34 per cent split between U.S. and international funding, respectively, meet the criteria

[5]See Perloff, *Alliance for Progress,* Chapter 4, for a valuable discussion of controversy over definition of external funding; also he presents alternative figures based upon the preliminary OAS volume cited above in n. 2. Professor Perloff, dean of the School of Architecture and Urban Planning at UCLA, was a member of the Alliance's Committee of Nine Experts so his work offers an insider's view.

[6]Charter of Punta del Este, Title II, Chapter 4, in Levinson and Onís, *Alliance That Lost Its Way,* p. 356. Some critics argue that private investment is not assistance; although a good case can be made for that point of view, it is not germane here because we are testing the Alliance's stated goals.

stated in the introduction to the Charter that the U.S. would provide a "major" share of the total amount.[7] Again, there would seem to be little doubt as to an affirmative answer. Perhaps only the argument that 40 per cent of the U.S. contribution came from private funds is worth considering, it being arguable that 60 per cent in public funds do not meet the criteria that such a figure constitutes the "principal" type of funds promised. In any case, assessment of the Alliance's performance does not hinge on a few percentage points.

Let us take up a more difficult question. Were the 2 billion dollars per year to be in gross or net terms? Critics argue that given the heavy repayment of loans (many antedating the Alliance) along with interest (however light), the Alliance certainly failed in net terms. Although net external funding under the Alliance tended to be less than half of the gross amount (Table I, column E), the language of the Charter did not deal in net terms; hence it must be assumed that gross terms were implied as is usually the case in financial transactions. And one can only speculate as to what might have happened to Latin America if gross funding had not allowed repayment of debts, with a net 9.6 billion dollars left over.

What of the remaining and related argument that U.S. assistance to Latin America has been spent largely to pay for favorable U.S. trade balances with Latin America? Indeed Abraham F. Lowenthal notes that amid all the controversy over the Alliance, agreement has emerged "which we may accept as stipulated for the purpose of discussion: [1] that during the 1960s a substantial gap arose between what Washington's early rhetoric promised and what the United States government actually did. United States economic assistance [2] failed to reach the projected levels and [3] debt service requirements and other capital transfers may even have produced a net outflow of financial resources from Latin America to the United States."[8] Having already disposed of the second point of "agreement" in Lowenthal's critique (the Alliance did reach its projected expenditure level), let us analyze the third by examining Tables 2 and 3, after which we shall return to the first point.

Although Latin America spent 14.1 billion dollars more than it took in for goods, services, and private transfers during the period from 1961 to 1970 (see Table 2), in reality it gained money because net capital flows (including external funds for the Alliance) came to 17.6 billion dollars, permitting an accumulation of 3.6 billion dollars in international reserves. Official United States capital (grants and loans) contributed to Latin America's surplus by providing a net amount of 5.5 billion dollars.

Since this figure does not show the U.S. balance of payments with regard to Latin America, however, let us look at Table 3. If the United States gained about 15 billion dollars in net sales of goods and services during the period 1961–1970, this positive balance was offset by net capital flows of -17.4 billion, leaving a net deficit of over 2 billion dollars. In only three years did the United States have a surplus in its dealings with Latin America, period earnings on goods and services being channeled back to Latin America through official loans (4.6 billion), grants and private transfers such as pensions (3.8 billion), and private investments (5.4 billion). Private capital investments from Latin America (1 billion) reduced the U.S. deficit somewhat, but the data clearly show why U.S. policy during the 1960s began to make an important shift. It is important to note, however, that this shift is not the one described by Lowenthal. The shift *did not* result in accumulated reserves for the United States by 1970.

Rather, as suggested in Chapter V, the shift involved the placing of emphasis on economic development, propaganda on social emphasis to the contrary. If in Bolivia the reverse was true, we are reminded that when discussing the overall thrust of U.S. assistance in relation to the Alliance, generalizations may override individual cases, the uniqueness of which remains to be investigated by other scholars.

Although President Kennedy was full of good will and no doubt intended (however unrealistically) to eliminate ills such as illiteracy in Latin America by 1970, the deepening balance of payments problem of the United States (Table XIV:3) meant that by 1962 and 1963 the United States could no longer simply give away much money and at the same time meet its worldwide military commitments (however quixotic). Thus multifaceted grant assistance programs (food being coordinated by AID) began to be shifted from achieving social goals with little economic payoff to stress developing the economic infrastructure in which social change is seen to take place. Physical output of these latter projects not only could be measured more easily but also would provide the basis for repayment to a harassed U.S. Treasury.

Those who doubted that a U.S. monetary crisis existed because of the continued drain on balance of payments subsequently saw themselves proven wrong with devaluations of the dollar in 1971 and 1973, inflation becoming a way of life in a United States

[7] Charter of Punta del Este, quoted in Levinson and Onís, *Alliance That Lost Its Way*, p. 351.

[8] Lowenthal, "United States Policy toward Latin America," p. 4.

TABLE 2

†LATIN AMERICA'S TOTAL BALANCE OF PAYMENTS, 1961-1970
‡(Millions of Dollars)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1961-70
A. Net Goods, Services, and Private Transfers (including B, C)	-1 280	-1 299	-374	-765	-442	-1 174	-1 553	-2 273	-2 186	-2 745	-14 091
B. □ Net Goods	(517)	(730)	(1 513)	(1 598)	(1 795)	(1 438)	(1 115)	(621)	(773)	(499)	(10 599)
C. □ Net Financial Services	(-1 414)	(-1 523)	(-1 471)	(-1 727)	(-1 853)	(-2 134)	(-2 273)	(-2 439)	(-2 558)	(-2 551)	(-19 943)
D. Net Capital Flows (including E, G, J)	1 321	819	942	867	775	1 292	1 874	3 002	2 908	3 844	17 644
E. □ Official Noncompensatory (including F)	(455)	(627)	(876)	(859)	(997)	(1 096)	(1 009)	(1 151)	(1 154)	(1 288)	(9 519)
F. □□ United States	(367)	(357)	(395)	(429)	(674)	(715)	(606)	(770)	(652)	(617)	(5 582)
G. □ Official Compensatory (H + I)	(531)	(78)	(193)	(-164)	(-59)	(-122)	(-83)	(-43)	(-83)	(-251)	(-5)
H. □□ United States	(255)	(147)	(80)	(-94)	(-36)	(-81)	(-59)	(-93)	(-74)	(-72)	(-27)
I. □□ International Monetary Fund	(277)	(-69)	(113)	(-70)	(-23)	(-41)	(-24)	(50)	(-10)	(-180)	(22)
J. □ Net Direct Investment	(393)	(252)	(285)	(411)	(552)	(474)	(545)	(708)	(805)	(704)	(5 129)
K. Surplus or Deficit equals Net Official Reserve Balance (A + D)	41	-480	568	102	333	118	321	729	722	1 099	3 553

†For basic discussion of meaning in the concept of balance of payments, especially as related to the importance of international reserves and inflation, see this chapter's textual note 9.

‡Includes OAS non-Latin American countries. Some subtotals are presented in parentheses – all subtotals are not given.

Source: Calculated from OAS, Inter-American Economic and Social Council, *Latin America's Development and the Alliance for Progress* (Washington, D.C., 1973), Table 40.

Cf. Laurence Whitehead, "The Trade and Aid Relationship in Latin America," in Barbara Ward et al., (eds.), *The Widening Gap* (New York: Columbia University Press, 1971), pp. 213-234; and Bill Warren, "Imperialism and Capitalist Industrialization," *New Left Review* (London), September-October, 1973, pp. 3-44.

TABLE 3

UNITED STATES BALANCE OF PAYMENTS WITH LATIN AMERICA, 1961-1970
(Millions of Dollars)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	Total
A. Net Goods and Services	1 050	813	798	1 401	1 319	1 620	1 676	1 944	2 060	2 348	15 029
B. Net Capital Flows[1] (including C to F)[2]	-1 262	-761	-1 393	-1 818	-1 745	-1 679	-2 188	-2 572	-1 634	-2 336	-17 388
C. □ Net U.S. Grants and Private Transfers	-262	-293	-399	-373	-451	-402	-394	-413	-405	-441	-3 833
D. □ U.S. Official Capital Flows	-703	-501	-378	-247	-332	-361	-414	-648	-540	-509	-4 633
E. □ U.S. Private Investment[3]	-453	-218	-166	-1 005	-340	-519	-898	-584	-310	-976	-5 469
F. □ Latin American Investment in U.S.	74	112	38	175	41	152	357	57	43	-7	1 042
G. Surplus or Deficit in U.S. Official Reserves	-212	52	-595	-417	-426	-59	-512	-628	426	12	-2 359

[1]Includes all transfers, private as well as official.

[2]Categories C to F do not represent all subtotals for category B.

[3]Includes portfolio as well as direct investment.

Source: Calculated from OAS, Inter-American Economic and Social Council, *Latin America's Development and the Alliance for Progress*, Table 45.

where capital has become scarce.[9] In contrast, accumulation of reserves (for individual countries, see Table XIV:1) helped to spur inflation throughout Latin America (see Table XII:1), especially in Brazil.[10] Perhaps the irony of the 1970s will be that (*a*) as the United States finds foreign sales of raw materials such as grain and lumber contributing to domestic inflation; and (*b*) as it sees its markets dwindle in its domestic as well as foreign spheres because inflation makes U.S. goods noncompetitive, the U.S. government will come to understand the position that Latin America has long held in relation to the United States.

If the shift in Alliance policy can be explained, it cannot necessarily be condoned. Protesting that this shift meant Latin Americans helped to pay for U.S. military adventures in the Dominican Republic and Vietnam, some critics have argued that the Alliance was sacrificed to war. Others argue that the United States did not really fritter away its positive balance on sales of goods and services to Latin America, because the negative balance on capital flows is only temporary; Loans are repayable and private capital eventually will be repatriated in profits as well as principal. True as these statements may be, the fact is that during the "Alliance Decade" Latin America accumulated capital at the expense of the United States. Not vice versa as argued by Lowenthal and others.

Granted the financial success of the Alliance, how could the Alliance have died during the 1960s? Even if we only accept the net figures on external

[9]Theoretically a nation's inflation (or deflation) can be controlled by achieving equilibrium in (a) balance of payments and in (b) quantity of money circulating in relation to goods, the latter being dependent upon having enough international reserves to maintain the value of currency and to supply credit. Accordingly, in an admittedly oversimplified case example for country *X*, a favorable balance on exports of goods, services, and private transfers results in an inflow of gold (or reserves) that (i) raises domestic prices (production lagging behind domestic purchasing power) and (ii) raises foreign export prices, thereby reducing *X's* exports and increasing imports—the adjustment perhaps being called a recession or depression. Obversely, a situation wherein imports exceed exports generates an outflow of reserves, altering relative domestic price levels to eliminate the imbalance by (i) driving up interest rates which attract foreign capital and by (ii) making *X's* exports desirable to countries enjoying a large surplus of reserves.

In order to avoid this "boom and bust" cycle (involving, e.g., serious problems for persons living on fixed incomes in the former case and high unemployment in the latter case), governments may undertake ameliorative remedies: They may expand or contract the supply of money in circulation (for example, by changing the monetary reserve requirements required of commercial banks thus affecting the credit supply); change taxation rates; or alter governmental expenditure policy. More drastic remedies include revaluing currency in relation to the world market, establishing foreign exchange controls, imposing stiff tariff schedules on imports, or forbidding exports of certain commodities. Hence, most non-Communist countries prefer to fight inflation, as in the example of country *X*, by obtaining loans from the non-Communist world's central bank, the International Monetary Fund—IMF loans supply reserves theoretically to soften the effects of adjustment as the balance of payments is brought to equilibrium. Government policy, however, must also contend with so-called one-time causes of inflation such as crop failures, fuel shortages, or "price-control" problems in which governmentally regulated low prices first drive some producers out of business and then, once lifted, result in rapid inflation as prices catch up with the reality of demand. In the latter kind of case, inappropriate or inflexibly applied governmental policy that is intended to stem inflation may contribute to "stagflation," the economy simultaneously taking on the worst aspects of both stagnation (recession or depression) and inflation.

The causes of inflation are always debatable, but several analysts have offered interesting suggestions. In the U.S. case, conservative economist Milton Friedman has persuasively popularized the argument that the inflationary result of increasing the money supply (printing new money) has been obscured by a lag in which the government fails to allow for the delay between its actions and their effects on the economy (see his "Current Monetary Policy," *Newsweek*, January 9, 1967, p. 59, and "Perspective on Inflation," *ibid.*, June 24, 1974, p. 73). Liberal economist Leon H. Keyserling sees inflation as caused by (i) the transfer of capital to bankers through high consumer interest rates, the capital then being reloaned to feed consumption rather than to foster production at lower interest rates; and (ii) the increase in progressive taxation rates as incomes are inflated into higher tax categories, governments then spending its collections in nonproductive social services—prices being driven up in relation to ever more scarce consumer goods (see Robert J. Donovan's description of Keyserling's views in "Economist Urges Redistribution of Income," *Los Angeles Times*, May 23, 1974). Conservative Friedman agrees with liberal Keyserling on this issue and, like other economists, has pointed to the Brazilian experiment of "Inflation-Proofing the Income Tax," *Newsweek*, May 13, 1974 (see n. 10, below).

In short, all these factors, especially as related to the loss of low-interest credit for investment capital seem crucial. National monetary systems exist only as part of one world monetary system, economic structure influencing and being influenced by the flow of international reserves.

[10]Brazil has gained attention for "indexing" inflation, that is coping with it instead of trying to cure it (see *Newsweek*, March 12, 1973, pp. 83-85, and May 20, 1974, p. 84). Indexing involves monetary correction in which increases in the consumer price index automatically trigger a series of compensating adjustments, providing workers with increases in salary as well as proportionately raising interest and/or rent rates, and adjusting tax categories. Success in such policy is credited with stimulating Brazil's high growth rate of GNP (see Table XVIII:1 and Table 4, below). Nevertheless, Brazil has not found indexing to be an ideal solution, witness government manipulation of price indexes to downplay inflation, a classic example being described by Leonard Greenwood: In 1973 the Brazilian government influenced the Rio de Janeiro price index (which serves as the nation's guide for indexing) by dumping food on the market; thus the official figure of 13.4 per cent in inflation probably should have been between 20 and 30 per cent (see *Los Angeles Times*, May 21, 1974).

funding supplied to Latin America, the 916 million dollar average provided between 1961 and 1970 nearly meets the billion dollar yearly amount that the U.N. Economic Commission for Latin America had calculated in the mid-1950s as being necessary to stimulate economic development.[11] Could the shift from social and economic developmental emphasis to economic and social investment have prompted death notices for the Alliance? Probably not. Therefore we must look elsewhere to find the ostensible cause of the Alliance's failure.[12]

DID THE ALLIANCE ACHIEVE ITS PRIMARY ECONOMIC GOAL FOR PER CAPITA GROWTH?

Given the Alliance's real priority of economic goals, reinforced by overt shift from grants to loans in 1962–1963, one primary test of the Alliance role involves examination of its attempt to stimulate a per capita yearly 2.5 per cent economic growth rate. Although the Alliance continued to foster social development that is not necessarily measured in data on economic change, for the sake of argument let us accept the several theoretical statements that proclaim a high level of correlation between Gross National Product and levels of social indicators.[13]

A 2.5 per cent per capita growth rate was considered to be important, according to Harvey S. Perloff (one of the Committee of Nine Experts who guided the Alliance between 1962 and 1965), because

> at the time of the meeting in Punta del Este, most of the Latin American economies had been depressed for several years. During the late 1950's, the rate of growth in most of the countries was lower than it has been in the earlier part of the decade . . . . Some of the countries—Argentina, Colombia, Ecuador, Uruguay, and Costa Rica—had experienced quite substantial declines; others, like Paraguay and Bolivia, were stagnating. With the economic decline came high unemployment, low agricultural prices, and a limited government expenditure for social services.
>
> The first objective of the Charter of Punta del Este was, therefore, to reverse the downward trend in the growth rate. An annual increase in per capita product in every Latin American country of not less than 2.5 per cent, roughly the average for Latin America during the relatively good years of the early 1950's, was set as a goal. It did not seem possible that self-sustaining development, the major objective, could be achieved with a lower rate of annual growth. The increases in income, the Charter suggested, should be employed to raise the relative levels of living of the needier sectors of the population, and at the same time to increase the proportion of the national product devoted to investment. In this way, the major goals of income equalization and self-sustaining economic growth might be attained.[14]

It is not easy to assess economic change in Latin America, assessment being a more complex problem than was assumed by those who framed the Charter. Because census problems and the validity of population estimates seem to vary from country to country, let us first consider to what extent total GNP has changed in terms of constant dollars of 1970.[15] This has the advantage of reducing error somewhat at the same time eliminating the factor of inflation and showing us the relative importance of each of the Latin American republics (with the exception of Cuba and Haiti for which no comparable data exist).

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[11] Report of Quitandinha (1954), quoted in Levinson and Onís, *Alliance That Lost Its Way*, p. 40.

[12] Robert A. Packenham, *(Liberal America and the Third World; Political Development Ideas in Foreign Aid and Social Science* [Princeton, N.J.: Princeton University Press, 1973]') does not seem to be aware of this shift. As a political scientist he sees foreign assistance issues as involving development of democracy (or support of undemocratic governments); in contrast, Perloff, *(Alliance for Progress)*, sees assistance in terms of changing social and economic structures of society. According to Packenham, U.S. assistance can be divided into three periods: (i) economic development for purposes of political development, 1947-1950; (ii) economic development for political stability, 1951-1960 and 1964-1968; and (iii) economic development to strengthen liberal democracy, 1962-1963 and 1966—doctrines of these periods not being mutually exclusive but more or less influential at different times.

[13] See, for example, Irma Adelman and Cynthia Taft Morris, *Society, Politics, and Economic Development; A Quantitative Approach* (Baltimore: Johns Hopkins Press, 1967); and Jack Sawyer, "Dimensions of Nations: Size, Wealth, and Politics," *American Journal of Sociology* 73 (1967), pp. 145-172. In contrast, see works stressing the idea that a distinction must be made between growth and development, the former involving economic terms and the latter social terms; for example, Dudley Seers, "The Meaning of Development," in Uphoff and Ilchman (eds.), *The Political Economy of Development*, pp. 123-134. My own view (see *The Mexican Revolution*) is that although social development cannot be equated with economic growth, the former increases most rapidly at times when the latter increases; contrariwise, economic growth stimulates social development. Use of GNP data is fine for macro-level analysis but does not substitute for measures of social change needed to understand various aspects of the social condition.

[14] Perloff, *Alliance for Progress*, pp. 22-23.

[15] For the rationale of using GNP instead of Gross Domestic Product, see my discussion of Chapter XVIII in Part II-A, above.

Comparative ranking of countries according to highest and lowest GNP changed significantly between 1950 and 1970 (see Table XVIII:1). In 1950 (the first year for which complete data for all countries are available), Argentina outranked Brazil and Mexico which immediately followed in importance. By the late 1950s Brazil had moved into first place and Mexico was challenging Argentina for the second spot, with Mexico winning out within a decade. For fourth place even before the Venezuelan Democratic Revolution of 1959, Venezuela had exchanged places with Chile. At the bottom of the economic ladder, Nicaragua moved up to about Paraguay's old position on the scale, with Paraguay falling to last place.

One of the first questions that comes to mind about Table XVIII:1 in relation to national planning may be stated as follows: In light of the fact that every year governments revise their data to take into account new information (frequently going back into time several years), how consistent are such data for the purposes of planning and/or of channeling international funds into needed development? To test consistency, I offer in Table XVIII:2 comparative figures on three different years of estimate (1969, 1970, 1972) for 19 cases (including 18 Latin American republics and total Latin America) over an eight-year period (1961–1968). Only a few extreme variations stand out—if planners were to think, for example, that Panama's growth in 1966 was quite satisfactory, in light of later revisions downward from 9.8 to 7.7 per cent they might have acted differently. Although the total number of major revisions amounted to about 5 percent of the cases, it is interesting to note that only two countries had at least four major revisions—Honduras and Venezuela. Surprisingly, in the latter cases the data for the earlier years of Acción Democrática's power (1961–1964) were revised upward dramatically by Caldera's Christian Democrats. The Honduras revisions were up in three years and drastically down in one. Two other cases merit mention. In Costa Rica the José Figueres government by 1972 revised data up markedly for the anti-Figueres group which preceded it in the presidency. Costa Rican growth was estimated to be about 2 per cent higher than seen by the anti-Figueres group itself when it was in power. In the case of Nicaragua one can only marvel at the Somoza dynasty's 1970 revision of data downward by more than 2 per cent for the year 1965—five years apparently being considered a safe period for admitting past problems.

Data for several major cases also need to be discussed. Brazil's continued growth rate (the highest in Latin America, ranging from 9 to 11 per cent between 1969 and 1971) does not appear to be suspicious in light of 1972 upward revisions by the military government for its nonmilitary predecessor years in power, predecessors that theoretically should have been discredited rather than credited (unless the civilian government had rigged figures to prevent its fall).[16]

Conversely, the Peruvian military government's 1972 revised data portray its predecessor government in a very bad light indeed for 1967 and 1968. Peruvian 1972 and 1973 estimates for 1969–1971 (post-1968 data are not given in Table XVIII:2) show upward revisions, however, so that it cannot be argued that Peru only now can admit problems during the first years in which it held power—in fact quite the reverse is true.[17]

With regard to upward revisions, whereas we might also have supposed that officials tend to revise data in order to justify the role of their particular government, this generally does not appear to be the case. Regarding Mexico's one-party system, for example, we see 3 downwardly revised years as against 6 upwardly revised years, all but 2 of which were less than 1.5 per cent. Thus, we can see a keynote of unsuspected consistency. Such a conclusion may show value in developing historical time series; however, one should note that this does not mean that the data are necessarily accurate to begin with.

Chilean data under Allende appear to be particularly problematic, perhaps because of a general state of confusion created by popular seizure of lands and

[16]According to *Latin America* (June 21, 1974), however, Brazilian GNP data may be subject to revision: "The weekly *Opinião,* which has done more than any other single paper to open serious discussion of economic issues, pointed out at the beginning of this month that the figures for the increase of the gross domestic product during the Médici years, as published by the semi-official Fundacão Getúlio Vargas, remain 'preliminary estimates'. These are the figures on which all talk of miracles ultimately rests, as the giant strides of more than 9 per cent a year began only in 1968. The 'preliminary estimates' began in 1969."

And new methods of calculating GNP or methodology in obtaining and/or estimating data may contribute to new views. If indeed Brazilian GNP data should be found to have been inflated, the present series will have value for comparison with any newly discovered reality. Nevertheless, *Latin America* is correct in its conclusion about available information on Brazil's GNP: "No one would attempt to deny the dynamism of the Brazilian economy during these years, and it may be that current discussion and criticism will lay the foundation for more years of sustained growth. The problem is to do more than guess at the dimensions of the achievements or the problems."

[17]In 1972 estimates for 1969-1971 growth of GNP were 1.4, 7.6, 5.6, respectively; in 1973 estimates for the same years were 2.5, 9.1, 7.3. See source for Table XVIII:1.

industry as well as some extreme politization of the government bureaucracy before Allende's fall in September, 1973. Thus, 1972 estimates for growth of GNP during 1969–1971 were: 3.2, 4.5, 9.5 per cent. In 1973, these estimates were revised: 3.2, 9.1, 5.6 per cent. Revision of 1970 data dramatically upward by the Allende government calls into question the national self-image of the economic situation in which he came to power—if the populace had been aware of a 9 per cent increase in GNP, would Allende have won the election that year? For the first year of Allende's government (1971), data were subsequently revised downward by Allende economic officials, but not until 1972 and 1973 do the data show much slowdown in growth (1.6 and -2.3, respectively).[18] Given reports on the chaotic problem in the Chilean economy—all the figures since 1971 seem unrealistic—either these data or the chaos was exaggerated by both left and right. Or one could argue that since social and political considerations are not included (at least directly) in GNP figures, such data are not relevant to understand the Chilean case. Since Allende won with only 36.5 per cent of the vote (beating his conservative opponent in 1970 by 1.3 per cent), however, it can hardly be argued that Allende had a mandate to completely change the life of the country. Therefore, the image of development seen in GNP does not seem irrelevant. (It should be noted that generally even a 61 per cent landslide majority is considered to be a difficult situation in which to initiate reforms, let alone to create "great societies" for the U.S. *and* South Vietnam, as Lyndon B. Johnson found out.)[19]

Turning to per capita growth, Table XVIII:3 reveals that after 1961 Argentina was the leader in it as well as in total GNP. During the period 1951–1960, Uruguay took first place in per capita GNP, after which it went into a decline. The high GNP position of Brazil and Mexico has been severely reduced by the large population in those countries. Chile's third place position of 1950 and 1971 was challenged only during Uruguay's decline. The remaining countries which consistently had more than the Latin American average were three: Venezuela, Mexico, and Panama. Costa Rican per capita GNP was above the average for 18 Latin American republics in 13 of the 22 years under consideration; and in about three-quarters of the 22 years it was Costa Rica that was the closest to the total average. In this sense it might be considered the "typical" Latin American country, with the qualification that there is no "average" or typical country per se because all countries do not share the same problems (although as discussed in Chapter VI, Costa Rica is now seen to have a need for land reform where one was not recognized in the past). It should also be noted that the average amount of funds per capita in such a country as Venezuela is exaggerated owing to oil revenues.

(In any case, per capita GNP does not mean that every person has *x* amount of money; rather per capita GNP represents the total amount of goods and services circulating in relation to the population of a given country. Thus, we may hypothesize that Bolivia offers less opportunity to the common man than do any of the 18 countries portrayed—it has had the least amount of activity that might provide the employment and/or possibilities contributing to a healthy society.)

We may note with interest three special cases of per capita GNP growth. First, in spite of the fact that Bolivia (along with Mexico, Cuba, and Uruguay) has undergone one of the major sweeping structural changes in twentieth-century Latin American history, per capita GNP did not recover its pre-revolutionary 1952 level until about 1970. Second, in the Uruguayan case (touched upon in Chapter VI), the number of dollars per capita remained high, but during the 1960s its performance could only be compared with that of Bolivia. Although the Uruguayan rate of increase in yearly population was the lowest for the 18 countries (an average of 1.3 per cent between 1960 and 1971), as population increased in relation to production of beef (exports of which declined), the country began to "eat itself out of house and home." Third, although it may be argued that Argentina's institution of meatless market days (and its low average annual population growth rate of 1.4 per cent) appeared to help provide a net gain in foreign trade balance,[20] diversified economic growth may have had more to do with that country's recovery in growth of per capita GNP than any other single factor. In the three cases here

[18] Estimates for 1972 and 1973 are from AID/Washington, Office of Statistics and Reports, *Gross National Product* (1972) and (1973), respectively; GNP data for 1972 and 1973 are from *idem*, (1974).

[19] Election statistics are from Kenneth Ruddle and Philip Gillette (eds.), *Latin American Political Statistics* (1972), p. 75; and U.S. Bureau of the Census, *Statistical Abstract* (1970). It can be argued that because Radomiro Tomic, who won 35.2 per cent of the vote, was competing with Allende for leftist ballots, their combined total of 71.7 per cent gave a mandate for change. Since their goals in governmental organization were so different, however, this interpretation may distort Chilean history. Whereas traditionally Marxists supporting Allende stood for a centralized system of government, Christian Democrats supporting Tomic stood for a decentralized system; see Ernst Halperin, *Nationalism and Communism in Chile* (Cambridge, Mass.: MIT, 1965).

[20] See AID/Washington, *AID Economic Data Book: Latin America*, July, 1971; and Universidad de Uruguay, *Uruguay: Estadísticas Básicas* (Montevideo: Instituto de Economía, 1969), pp. 74-75.

discussed, only Argentina showed much sign of new development, but as may be seen in Table XVIII:4 this growth was below the Latin American average.

If we take into account Latin American population growth, which has averaged almost 3 per cent per year since 1950 (and higher than 3 per cent for at least 12 of the 18 republics),[21] per capita national product can be analyzed in several different ways. Table XVIII:4 offers comparative indexes of GNP and GNP per capita based upon changes since 1950.[22] As can readily be seen, increasing population has cut deeply into the growth of total GNP. By the 1970s countries with fast-growing total GNP (such as Venezuela, Mexico, and Costa Rica) saw that growth halved by population factors. El Salvador, Ecuador, and the Dominican Republic suffered nearly the same fate. Only Uruguay, with the lowest population growth and the lowest GNP growth, had a narrow gap between GNP and per capita GNP—hardly a positive indicator in this case. The Latin American republics as a whole saw GNP reduced due to population growth by an average of over 40 per cent compared to the 26 per cent reduction in the United States.

How does per capita GNP in Latin America compare with other regions? Table XVIII:6 portrays 7 regions for 66 non-Communist countries which have relatively comparable data. Between 1965 and 1970, years for which data are complete, Latin America's position with over 4 per cent of the 66-country total average did not change appreciably. Asia (excluding Japan) and Africa ranked 1 and 2 percentage points, respectively, below Latin America. If the Latin American region was not at the bottom, its share was far from that of Japan, which increased its portion of the total from 11 to nearly 16 per cent. (Japan's big growth came mostly at the expense of Canada and the U.S.) Also, in absolute terms Latin America was not only much below the European average but far from the 7-region average of 1 400-1 714 dollars per capita.

While the above interpretations are not very heartening with regard to Latin America, Table 4 shows that in spite of the population explosion in Latin America, per capita GNP for the region averaged an increase of almost 2.8 per cent each year beginning in 1961, compared with a 1.7 per cent average during the period 1950—1960. This gain may be seen in the fact that, whereas during the former period no more than about 40 per cent of 190 cases (18 countries and total Latin America in a 10-year period) exceeded the 2.5 per cent prescribed growth rate, between 1961 and 1971 nearly half of 209 cases attained or bettered that goal.

Although Latin America as a whole met the Alliance goal of achieving an economic growth rate of at least 2.5 per cent per capita, it is clear that gains for individual countries did not meet the mark. Critics can argue persuasively that a gain of only about 10 per cent in countries meeting the target rate during the 1960s (compared with the 1950s) is hardly indicative of much success. And they could very well be right. Yet, perhaps this is not the appropriate way to pose the problem of gauging economic growth.

By setting a target of 2.5 per cent per capita applicable to all countries each year, regardless of widely varying bases for change, the authors of the Alliance's Charter fixed a goal that would be impossible to achieve. If only one or two cases were to fall below that target (let alone half), then performance could be considered as wanting. Moreover, the specific target ignored the factor of world economy: Is not national performance much more meaningful in relation to cyclical international economic affairs, favorable during some years and unfavorable during others? Here the question subsequently posed by the Pearson Commission on International Development appears to offer a more sophisticated approach to the problem,[23] a question rephrased here in specific terms of the Alliance.

WHAT EFFECT DID THE ALLIANCE HAVE ON THE SO-CALLED "WIDENING GAP" BETWEEN THE DEVELOPED ECONOMY OF THE UNITED STATES AND THE DEVELOPING ECONOMIES OF THE LATIN AMERICAN REGION?

Many scholars (including myself) have tended to accept the following hypothesis (set forth conveniently by the Pearson group that undertook in 1968 to study international development): Because of economic growth-rate changes fostered by technological revolution and capital-intensive development in economic systems such as the United States, the less-developed areas such as Latin America have little chance to close the gap between relative wealth and poverty, especially

[21]See Table VIII:4.

[22]In relation to 1950, by 1960 the leading per capita growth rates were held by Venezuela, Brazil, Costa Rica, and Mexico. By 1970 the rankings were Venezuela, Panama, Mexico, and Brazil, with Costa Rica following closely.

[23]Lester B. Pearson et al. (eds), *Partners in Development; Report of the Commission on International Development* (New York: Praeger, 1969). See also Barbara Ward et al. (eds), *The Widening Gap; Development in the 1970's* (New York: Columbia University Press, 1971), a work that summarizes and evaluates the Pearson Report, especially pp. 5 and 11. These works seek to refine development assistance in order to make it more effective.

TABLE 4

PERCENTAGE CHANGE IN PER CAPITA GNP, 1950-1972: LATIN AMERICA AND THE U.S.

Year	ARGENTINA	BOLIVIA	BRAZIL	CHILE	COLOMBIA	COSTA RICA	DOMINICAN REPUBLIC	ECUADOR	EL SALVADOR	GUATEMALA
1951	1.1	3.2	2.7	1.8	.9	0	4.8	0	.9	1.1
1952	-8.7	0	5.7	3.5	3.5	10.1	7.6	5.4	5.5	1.5
1953	4.9	-13.3	-.5	3.6	2.6	7.4	2.8	1.0	0	.4
1954	1.4	-1.2	6.9	-2.0	4.2	2.9	2.2	5.1	0	1.5
1955	5.4	4.8	3.7	-3.2	.8	0	2.5	.5	1.3	.4
1956	-.9	-6.9	0	-2.1	.4	1.3	7.3	0	2.6	5.8
1957	2.3	-3.1	4.9	9.0	1.6	2.6	1.6	2.4	1.2	2.2
1958	4.6	-4.4	4.7	1.5	-.4	.5	2.9	0	1.2	1.8
1959	-7.9	-4.0	2.4	-3.7	4.4	0	3.1	1.4	1.7	1.4
1960	6.7	4.1	6.3	4.1	.8	0	3.2	3.8	0	.7
1961	5.0	0	7.3	3.6	1.6	-1.6	6.8	1.9	0	1.0
1962	-3.1	3.5	2.3	2.4	1.7	2.6	13.6	1.5	8.0	.3
1963	-3.9	3.6	-1.3	2.5	-.3	2.7	5.2	1.3	.9	6.5
1964	9.0	2.2	-.1	1.7	3.1	-4.2	.8	3.6	5.8	1.3
1965	7.7	4.4	0	2.5	.4	5.8	12.9	.5	1.6	1.6
1966	-1.0	4.4	2.2	4.1	2.1	3.1	9.5	1.2	3.8	1.3
1967	1.2	1.7	1.9	.2	.9	5.3	3	2.6	2.0	1.2
1968	3.1	4.4	6.3	1.3	2.5	6.3	1.7	1.6	0	5.2
1969	6.5	1.1	6.0	1.4	2.7	6.1	8.7	0	0	1.4
1970	3.0	3.6	6.5	7.1	3.6	1.4	8.3	5.3	0	3.1
1971	1.3	1.0	7.7	3.5	2.4	1.9	4.2	3.1	0	2.2
1972 (P)	3.5	4.4	6.9	.1	3.8	1.5	6.0	3.4	2.0	2.7

Year	HONDURAS	MEXICO	NICARAGUA	PANAMA	PARAGUAY	PERU	URUGUAY	VENEZUELA	AVERAGE LATIN AMERICA	UNITED STATES
1951	4.7	5.8	3.6	3.6	-1.0	8.3	6.6	7.6	3.0	6.1
1952	3.0	.3	11.6	2.6	3.5	1.3	-1.9	3.1	1.4	1.3
1953	3.4	1.6	1.4	3.4	3.1	0	4.8	3.2	2.0	2.8
1954	-1.9	2.3	9.2	-.8	.5	7.5	4.3	5.8	2.5	-3.1
1955	0	4.3	.6	2.8	3.5	2.7	.3	3.6	1.6	5.7
1956	.5	1.9	-.6	2.4	.5	2.1	.3	3.8	1.1	.1
1957	8.1	4.2	6.5	7.9	8.1	-1.5	-.5	6.2	3.4	-.4
1958	-1.8	.9	-3.3	-1.2	0	.6	5.1	3.3	.3	-2.7
1959	1.8	.4	-1.3	4.4	-3.1	.6	-4.2	4.9	-1.0	4.6
1960	2.2	4.2	-1.3	4.2	-3.2	6.1	2.2	-.4	2.3	.4
1961	-2.5	1.4	4.2	8.3	3.0	5.0	1.3	.9	3.6	.3
1962	.3	1.0	7.0	5.6	3.0	6.0	-3.6	4.8	1.1	4.9
1963	-.3	4.3	3.6	5.5	-1.5	.7	-2.5	3.5	.3	2.5
1964	-2.1	7.8	7.8	2.1	.9	3.6	1.5	9.1	4.6	4.0
1965	4.3	2.8	6.5	4.1	3.6	1.6	-.2	2.2	2.4	5.0
1966	4.8	3.2	.5	4.6	-1.8	2.6	1.9	.2	1.6	5.3
1967	.9	2.5	4.1	4.5	2.6	-1.5	-6.6	1.8	1.2	1.5
1968	5.1	4.4	-2.5	3.8	1.5	-2.3	.1	1.2	3.4	3.6
1969	-.4	2.9	2.1	5.7	.2	-.7	4.9	.7	3.7	1.6
1970	2.0	3.3	1.4	4.0	2.5	5.7	4.8	2.7	4.0	-1.7
1971	2.3	0	2.5	5.2	2.9	4.3	-1.8	0	3.3	1.6
1972 (P)	1.1	4.4	0	3.9	2.0	2.8	-1.7	.6	4.0	5.8

Source: Calculated from Table XVIII:3.

in poorer countries which have to encourage labor-intensive projects in order to provide employment needed to create markets. Let us add a corollary to this hypothesis: Because U.S. technological gains have increased much faster than U.S. assistance, the Alliance for Progress could not help the Latin American countries increase their own capacity to close the gap, let alone even hold the line against expanding levels of inequality.

According to summary data of Pearson's *Partners in Development,* the gap between Latin America and 21 industrialized (or developed) countries can be seen in the following per capita differences in yearly rate of economic growth: 1950–1960, -.7 per cent; 1960–1967, -2.0 per cent; 1950–1967, -1.3 per cent. With these negative differences, Latin America continues to fall behind, having achieved only a 1.8 average per cent growth rate during the 18-year period compared to a 3.1 per cent rate for the industrialized countries.[24]

Thus, at first glance the widening gap hypothesis might appear to be confirmed. A closer examination, involving three factors, suggests otherwise. First, from analysis above (particularly with reference to Table XVIII:2), it is evident that data on economic growth must be used with caution, testing for meaning on a country-by-country basis.[25] That approach is not taken in the Pearson volume, nor is absolute data presented. Second, data presented in Chapter XVIII do not appear to show any widening gap in relation to the United States, the developed world's wealthiest and most technologically advanced country—the country that most Latin Americans see as the standard (material if not moral) by which development is measured. And, third, it can be argued that a "developed" 21-country sector of the world does not exist anywhere, the concept being misleading for purposes of analysis. Since all countries are continuously involved in the developmental process, the real question is whether or not the followers are closing the gap separating them from the leader. Such countries as Italy, Japan, and West Germany included in the Pearson developed-country list are themselves attempting to close the gap with the United States, their per capita GNP totaling 1,736, 1,904, and 3,027 constant dollars of 1970, respectively, in contrast with the U.S. total of 4,756 dollars per person.[26] These countries, working with new industrial plants rising out of the rubble of World War II, are able to show greater percentage economic growth in comparison with the United States where percentage gains tend to be deflated by a much larger absolute GNP base. The same upward bias of economic growth holds true for all developed countries in the Pearson pool, regardless of whether or not industrial plants are relatively new.[27] To examine the size of development gaps, then, all of the countries listed in Table XVIII:6 should be compared with data for the United States in the same manner that I here compare data in Table 5.

By presenting per capita Latin American GNP figures as a share of U.S. per capita GNP in constant dollars of 1970 (Table 5), we are ready at this juncture to assess Latin America's standing in the developmental process. In this manner we may specifically test for the suspected widening development gap.

According to data in Table 5, it is evident that the per capita share for the 18 countries in Latin America has held at an average of about 10 to 11 per cent of U.S. dollars per capita. If the gap between the U.S. and Latin America were to have closed, this share would have had to increase for the region as a whole. Though some countries gained (notably Panama, Venezuela, and Mexico in that order), most countries held even, with several declining (notably Uruguay which saw its share in relation to per capita U.S. GNP fall from 24 to 17 during the 22-year period). Bolivia remained the poorest country of those under discussion, its share falling from 6 per cent to 4 per cent of goods and services produced per person in the United States. From another point of view, Table XVIII:4 reveals that although the index for growth of Latin American GNP ran well ahead of U.S. GNP after 1954 (with strong gains especially after 1961 and again after 1970), the population factor brought the Latin American per capita index back to about the level of that of the United States.

Without regard to population factors, Table XVIII:5 is notable for revealing that in 1950 the

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[24] Pearson, *Partners in Development,* Table 1 (data expressed in terms of GDP at constant prices). It should be noted that for Pearson GDP is only one indicator of the widening gap (numbers of physicians, e.g., also being of importance); however data on GDP are the most complete and presumably form the basis for the gap charted in Ward, *The Widening Gap,* p. xii.

[25] It is notable that although total data for developing country percentages in Pearson's Table 1 do nearly agree with AID/Washington data (see *Gross National Product* [1973]), the Latin American area figures are at serious variance for the 1960s; data in the Pearson volume being unduly affected by short-term growth problems of the mid-1960s.

[26] AID/Washington, Office of Statistics and Reports, *Gross National Product* (1973).

[27] Note that although Pearson (p. 23) does acknowledge that countries such as Italy should not be included in the developed list, he goes on to include them, thus biasing data in his Table 1.

TABLE 5

PER CAPITA LATIN AMERICAN GNP AS A SHARE OF U.S. PER CAPITA GNP, 1950-1972
(Rounded Per Cent in Constant Terms of 1970)

Year	ARGENTINA	BOLIVIA	BRAZIL	CHILE	COLOMBIA	COSTA RICA	DOMINICAN REPUBLIC	ECUADOR	EL SALVADOR	GUATEMALA
1950	24	6	6	18	7	10	8	6	7	9
1951	23	6	6	17	7	9	8	5	7	8
1952	20	6	6	17	7	10	8	6	7	8
1953	21	5	6	17	7	11	8	6	7	8
1954	22	5	6	18	7	11	8	6	7	8
1955	22	5	6	16	7	11	8	6	7	7
1956	22	5	6	16	7	11	9	6	7	8
1957	22	4	7	17	7	11	9	6	7	8
1958	24	4	7	18	7	11	9	6	7	8
1959	21	4	7	17	7	11	9	6	7	8
1960	22	4	7	17	7	11	9	6	6	8
1961	23	4	8	18	7	11	8	6	6	8
1962	22	4	8	18	7	10	9	6	7	8
1963	20	4	7	18	7	10	9	6	7	8
1964	21	4	7	17	7	10	9	6	7	8
1965	22	4	7	17	6	10	7	5	6	7
1966	20	4	7	17	6	9	8	5	6	7
1967	20	4	7	16	6	10	8	5	6	7
1968	20	4	7	16	6	10	7	5	6	7
1969	21	4	7	16	6	10	8	5	6	7
1970	22	4	8	17	7	11	8	5	6	8
1971	22	4	8	18	7	11	9	5	6	8
1972 (P)	22	4	8	17	6	10	9	5	6	7

Year	HONDURAS	MEXICO	NICARAGUA	PANAMA	PARAGUAY	PERU	URUGUAY*	VENEZUELA	AVERAGE LATIN AMERICA
1950	6	11	8	11	6	9	24	15	11
1951	6	11	8	10	6	9	24	16	10
1952	6	11	8	10	6	9	24	16	10
1953	6	11	8	10	6	9	24	16	10
1954	6	12	9	11	6	10	26	17	11
1955	6	12	9	10	6	9	25	17	10
1956	6	12	9	11	6	10	25	18	11
1957	6	12	9	12	6	9	25	19	11
1958	6	13	9	12	7	10	24	20	11
1959	6	12	9	12	6	9	22	20	11
1960	6	13	9	12	6	10	22	20	11
1961	6	13	9	13	6	10	23	20	11
1962	6	12	9	13	6	11	21	20	11
1963	6	13	9	14	6	10	20	20	11
1964	5	13	9	13	5	10	19	21	11
1965	5	13	9	13	5	10	18	20	10
1966	5	13	9	13	5	10	18	20	10
1967	5	13	9	13	5	9	16	20	10
1968	5	13	9	14	5	9	16	19	10
1969	5	13	9	14	5	9	16	19	10
1970	5	14	9	15	5	9	17	20	11
1971	5	14	9	15	5	10	17	19	11
1972 (P)	5	13	0	15	5	9	16	19	11

Method and Source: Calculated from Table XVIII:3, yearly U.S. totals = 100 per cent.

total for 18 Latin American republics was only about 11 per cent of the total GNP of the United States. By 1958 this amount had increased to 12 per cent, reaching 13 and 14 per cent in 1960 and 1970. Within the region, only Mexico, Brazil, and Argentina can be said to have any economic muscle in relation to the U.S., if 3 to 4 per cent of the U.S. total GNP can be considered muscle. Between 1950 and 1971, 8 to 9 countries have remained with an amount equal to only .1 per cent of the U.S. GNP.

If, surprisingly, we do not find a widening gap between the United States and Latin America, clearly the hypothesis with which we started is challenged. Apparently the technological revolution has not yet taken its toll. Or is it that a lag in effect of capital-intensive development has not yet been felt, labor-intensive economies of Latin America ostensibly maintaining their position in relation to the United States.

How do these findings affect our corollary that the Alliance for Progress could not hold the line against expanding levels of economic inequality? Had the original hypothesis been confirmed, then there would have been no need to credit the Alliance with success in preventing Latin America from falling behind in growth terms. In short, we have found that the Alliance met its funding goal, and that the development gap does not apply to Latin America. Is there a direct correlation here? Or perhaps the corollary should be revised as follows: In spite of increasing pressure for a gap to develop between technological advances, the Alliance assisted Latin America in maintaining its position in relation to the United States. This is no small accomplishment, if true; and this leads to an important question.

CAN A DIRECT CORRELATION BE DRAWN BETWEEN THE ALLIANCE'S ROLE AND LATIN AMERICA'S 1970 STANDING IN RELATION TO U.S. GNP?

This question is complicated by several factors. Let us consider (1) the Alliance's role, then (2) Latin America's standing at the end of ten years.

1. Role of the Alliance

Whereas almost from its inception some radical (and some not so radical) critics pronounced the Alliance "dead on arrival," its supporters were caught up in a euphoria that "good ol' Yankee know-how" would finally solve Latin America's age-old problems by emphasizing the principle that a free electorate (working through the institution of representative democracy) could better satisfy man's aspirations than could Cuban-styled revolutions.

That the aspirations of the Alliance's friends and enemies were rooted in ideology meant not only that the Alliance would be misunderstood but also that sooner or later both would prefer to see it "fail," thus paving the way for change of different kinds. And as Governor Nelson A. Rockefeller found out in 1969 (when he undertook his mission to assess the state of Latin American needs at the outset of Nixon's assumption of power), the Alliance was unable to explain itself because it was not a single organization or entity with buildings or offices devoted to the work of carrying out the Charter of Punta del Este.[28] Rather it was an umbrella idea covering many separate and uncoordinated loans and grants made by the United States through its official agencies and programs or through the Inter-American Development Bank (in which the U.S. as key contributor had de facto veto powers).

Under the Alliance, the governments of Latin America each drew up their own plans to be evaluated by the Committee of Nine (gradually replaced between 1964 and 1966 by the Inter-American Committee for the Alliance for Progress—known by its Spanish acronym "CIAP"—with allocations left in the hands of "inter-American credit institutions, other international credit agencies, and other friendly governments which may be potential sources of capital."[29] The arrangement was mutually advantageous to the United States and to the Latin American countries, bilateral negotiation being preferred to a multilateral system that could abridge the sovereignty of any country.[30] The United States wished to retain its political and security options (often heatedly debated within and between government agencies and private interest groups as well as Congress, which in any case would not give up its authority on faith);[31] and while Latin Americans were willing to discuss national planning, they could brook no obvious outside interference without suffering political repercussions. The result was that in bilateral negotiations, Latin American countries were amenable to "leverage" applied by the United States in order to

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28Levinson and Onís, *Alliance That Lost Its Way*, p. 108.

29Charter of Punta del Este, Chapter II, Title 8.

30Perloff, *Alliance for Progress*, pp. 30-31.

31This traditional struggle is well portrayed in Robert F. Smith, *The United States and Cuba: Business and Diplomacy, 1917-1960* (New York: Bookman, 1961).

gain funding also subject to certain restrictions on purchasing non-U.S. goods and services.[32]

With regard to U.S. policy in the vacuum created by the Alliance's informal organization, Rockefeller has noted that decision making and action seem to be completely decentralized into narrow and competitive compartments.

> Contrary to popular misconceptions, the State Department does not have effective overall responsibility for foreign policy where the interests of other departments of the government are concerned. In actual fact, the State Department controls less than half the policy decisions directly relating to the Western Hemisphere. Responsibility for policy and operations is scattered among many departments and agencies—for example, Treasury, Commerce, Agriculture, and Defense.
>
> To cope with the diffusion of authority, there has grown up a complex and cumbersome system of interdepartmental committees within which there are interminable negotiations because no one member has the authority to make a final decision. The result is that there are endless delays in decision-making. Too often, agreement is reached on major subjects only by compromise in the lower echelons of government—often at the lowest common denominator of agreement.
>
> The result is that we have no clear formulation of United States policy objectives toward the Western Hemisphere. Nor are there clear policy guidelines relating to substantive and regional problems which are essential to effective day-to-day decision-making in our contacts with the other American republics. This in itself leads to conflicts within the government which are detrimental to the best interests of our country.
>
> In this maze of bureaucracy and procrastination, the representatives of the Western Hemisphere governments become frustrated and humiliated because they are referred from one department to another without finding anyone who can make a final decision. Delays in Washington of months and even years on decisions of major importance to their countries were reported to the mission in almost every nation we visited.
>
> The lack of clear policy direction, the indecision, and the resulting frustration are major factors in preventing the kind of understanding and close working relationships which are essential in light of our growing interdependence.[33]

Such complications and strange twists of reality suggest that perhaps our question concerning correlation should be rephrased and broken down into two parts: First, why would Latin America become involved in a problematic Alliance? Indeed journalist John Gerassi has reported:

> I talked to at least one delegate from every country present at Punta del Este, to scores of Latin American correspondents, to scores more from the United States. Not one honestly believed that the Alliance would help push Latin America into the twentieth century—or that it was meant to. No delegate said so publicly, few correspondents wrote so for their papers, but all agreed with one high official from the OAS who told me: "The United States is trying to stop Castro, nothing more. That it may do; money and guns can stop a man. But it will never stop Castroism. True reforms require planning, state planning at all levels, not to mention expropriations and nationalizations, which is exactly what the United States hopes to avoid. That's why nothing will stop Castroism—except occupation armies, of course. Castroism means getting rid of all that junk that leads our countries. It means wholesale reforms. More than that, it means a new life, at least for those who have never seen a doctor, eaten a chicken, or been inside a school.[34]

Although Gerassi has not answered our questions, his statement points to a second related question: If Latin American governments at Punta del Este realized that U.S. goals could not be achieved, why did they vote with the United States in favor of the Charter by 20 to 1, Cuba standing alone? Former Costa Rican President José Figueres has subsequently offered a view that in a large measure answers both questions. According to Figueres the dollars injected into his country by the Alliance almost compensated for losses incurred in falling export prices:

> If it hadn't been for these loans I don't know where we would be. However, it makes a world of difference between being able to borrow or earn money. Through fair prices we would be earning our own money; by borrowing we are increasing the burden in interest and amortization. I hardly see how in the next decade, to say the least, Latin America is going

[32]See Teresa Hayter, *Aid as Imperialism* (Harmondsworth, Middlesex: Penguin, 1971), for a very different view of "leverage."

[33]Nelson A. Rockefeller et al. (eds), *The Rockefeller Report on the Americas* (Chicago: Quadrangle, 1969), pp. 43-44.

[34]John Gerassi, *The Great Fear in Latin America* (2d ed.; New York: Collier, 1965), p. 254.

to start to pay such loans back. We are going to continue to borrow to pay interest and to grow in indebtedness unless there's a change in the balance of payments, unless our products go up or unless industrialization comes as a good substitute for unprofitable agriculture. I continue to repeat that the greatest achievements of the Alliance for Progress have been political in stressing representative government, social progress, agrarian reform, and tax reform.[35]

In noting the need for cash to keep the Costa Rican system from suffering grave economic crisis, Figueres (who supported Castro with air drops of arms used to topple Batista)[36] has pointed out the problem of all Latin America, including Castro's Cuba. Funds are desperately needed to generate economic activity that can lead to social change. It was because of a shortage of domestic capital in a period of falling export prices that Castro, too, became indebted to the foreigner—in his case the Soviet Union. Yet in spite of its problems, somehow the Alliance managed to disburse about 20 billion dollars during the Alliance decade, the decentralized system working to the advantage of Latin American countries large and small alike, who could play off different sectors of the Alliance against one another or simultaneously apply for the same funds (with slightly revised wording) from multiple sources.

In this regard it is interesting to note two opposing views which see the Alliance as a failure: According to a writer on the left, Teresa Hayter,[37] aid has served to exploit the Latin Americans; in contrast, an observer on the right, Simon G. Hanson, has claimed that it has exploited the U.S. taxpayer.[38] Because Hayter is hard pressed to come up with signs of imperialism, the reader is treated to such "scandals" as the following:

> Some Latin Americans say they "always look for the trap" in AID offers of aid. The "trap" can be that the United States wishes to supply some particular form of machinery for which it hopes to establish a market. More generally, some of the conditions attached to AID program loans can be ambiguous; for example, the AID's particular enthusiasm for import liberalization program can be explained, as it usually is, in terms of the advantages for the country concerned; but it can also be explained, as many Latin Americans believe it should be, by the desire of the United States to promote its exports. More crudely, conditions are sometimes inserted in AID programs which clearly have nothing to do with the promotion of the country's development and which involve the treatment of U.S. private investors and concessions for U.S. trading interests.[39]

Nevertheless, she does suggest that all too often minor U.S. officials impose conditions upon assistance which are totally unwarranted.

From my own experience I know that such cases are frequent—carried out in the name of upholding the wishes of the U.S. Congress. Actually, it is obvious that generally Congress has set policy so ambiguous that any interpretation of it may be rendered; and minor functionaries seeking to justify their jobs find make-work by revising Latin American proposals for the sole sake of revision. In this view, many conditions and obstacles that develop in the process of developing a loan or grant have little to do with imperialism and a great deal to do with the self-importance and/or insecurity of the U.S. officials involved.[40] Moreover, in too many cases a bitter struggle develops wherein the U.S. field office and recipient country are joined against U.S. reviewing officers in Washington who must also find make-work. After all, what reviewing officer does not halt plans or operations until problems that he has worked so diligently to find are solved. Here one can only note that J.K. Galbraith's caricature of Washington officials in his novel *The Triumph* is painfully accurate, such arrogant officials feeling compelled to second-guess their field officers who, they assert, do not have the "big picture" and who in any case suffer from "blind spots" caused by being too close to the scene of action.[41] The pecking order of

[35] James W. Wilkie, Albert L. Michaels, and Edna Monzón de Wilkie, Oral History Interviews with José Figueres, Columbus, Ohio, March 29, 1968.

[36] Figueres broke with Fidel, however, at the time Castro took power in Havana—Figueres (in Havana as Fidel's guest) was concerned that political democracy was being thwarted by mass rallies wherein private opinion was replaced by mob psychology.

[37] See her *Aid as Imperialism*.

[38] See his *Dollar Diplomacy Modern Style*.

[39] Hayter, *Aid as Imperialism*, p. 96.

[40] Albeit these officers do tend to reflect unconsciously the Horatio Alger ethic in their outlook on life.

[41] Galbraith's *The Triumph* (1968) is required reading for students of Latin America. The plot is set in Puerto Santos during and after a revolution, portraying the struggle over diplomatic recognition between the U.S. ambassador (who is against change as being a "Commie plot") and other U.S. field officers (who are in favor of the revolution as being moderately reformist). The fate of the country itself is lost amid similar struggles in Washington—all battles seemingly involved with the career advancement of U.S. officials at all levels. (As a former Ambassador to India and confidant of John F. Kennedy, Galbraith knows of what he speaks and his novel must be taken seriously.)

government bureaucracy dictates that Washington "thinkers" impose their strange views on "grubbers" who work in the field. How else can one explain AID/Washington's lumping together of education and agriculture under one division of activity in their table of organization? Some AID officials actually believe that they can solve the educational problems of any country with input-output models that have been developed with some success in agriculture. Thus, protests from field officers in Latin America have been of little avail, the protests quite reasonably noting that students are not like chickens that can be lured into "controlled-environment coups" in order to yield the laying of a predetermined number of eggs.[42]

Hanson's view that U.S. foreign assistance has resulted in exploitation of the common U.S. taxpayer is persuasive because since the inception of the Alliance he has carefully scrutinized its development, as in the following case: Writing in *Hanson's Latin American Letter* (May 15, 1971), he pointed out that immediately before the Bolivian government's 1971 nationalization of the U.S.-managed Matilde Zinc Mine, the State Department had donated 5.3 million dollars to the Bolivian government. According to Hanson, this donation was made because the State Department knew of the coming expropriation and desired to continue aid for Bolivia without making absurd the threat by President Nixon eight days earlier to withhold assistance from any country taking "unjust acts" against a U.S. firm. According to Hanson, the U.S. donation assured successful nationalization because it provided Bolivia with the funds necessary to compensate the U.S. owners. In any case, Hanson noted that the Matilde Mine consortium quickly informed its stockholders that they need not worry about compensation because, if Bolivia did not pay for the nationalization, compensation would be forthcoming from the U.S. government foreign investment insurance agency. Hanson summed up the matter with no small degree of sarcasm:

> Note well the full circle within which the U.S. taxpayer is strangled: The mining companies do not permit release of zinc and lead from stockpile even though it is available in incredible amounts beyond stipulated security requirements because it might reduce the profits on foreign operations and might reduce the incentive to expropriate which these high prices have been providing. Then the taxpayer is made to finance donations seeking to stave off immediate expropriation, and in the event of expropriation to make it feasible for some payment to be made. And where insurance has been issued, the taxpayer is then required to pay for the properties.

If we can be certain of only one thing from this Bolivian case, it is that the results of U.S. foreign assistance are complicated indeed. As politicians "muddle through," not only may economic efficiency suffer but the "policy-making power" of several nations whose interests are entwined may be sacrificed to political expediency, with special benefits often accruing to vested interest groups outside of government.

In the face of withering criticism from all sides, U.S. and international agency officials began to contend that the real problems in foreign assistance lie not so much in expenditure of funds as in the fact that, first, the U.S. Congress has made adequate assistance funds available but has inadequately funded the administration of aid. (If this has been bad for efficiency and for morale on the donor side, it has been good for recipient countries in that they have had fewer foreign officials attempting to impose their own individual development biases to projects at hand.) Second, U.S. and international agency officials noted that more than enough funds had been authorized for expenditure, but Latin American nations generally have lacked the absorptive capacity to use the funds in any meaningful way—thus not all of the money authorized could be expended; or it could be spent only years after authorization. Not only has planning been rudimentary, but the high-level manpower necessary to channel the funds simply has not been available; and in most countries high-level manpower has not been increasing at a rate that would warrant much optimism about the ability of the state to formulate policy let alone "manage" national economies. If Latin America could not readily absorb massive funds, U.S. and international-agency officials were in no position to offer much criticism because of their own problems with planning (not the least of which involved U.S. attempts to apply agricultural input-output models to educational techniques).

In light of these and other criticisms, two imaginative U.S. scholars undertook an independent audit of "successful foreign assistance projects," allowing us to assess, for example, AID's claim that it has built up a storehouse of unwritten knowledge (explicitly involving lore and intuitive know-how) simply waiting to be tapped. After evaluating approximately 50 governmental and private foundation developmental projects in Mexico and Central America, projects selected for their success by the agency

[42] This discussion does not mean that AID field officers tend to be the "good guys;" rather, it means that the recipient country of U.S. assistance is all too often caught in an intra-AID struggle in which both Washington and the country mission claim to have *the* answers to problems, leaving the Latin American hosts out of any important role in decision making. And in light of Chapter VI, this does not mean that the Latin American *técnicos* do not show the same simplistic faith in their own planning.

directors involved, William and Elizabeth Paddock wrote in 1973:

> Astounding surges forward have been made in the economic well-being of some of the areas we studied such as Monterrey, San Pedro Sula, and Ciudad Obregón . . . . But these changes were due to the natural continuation of previous historical development, to the modern centralization of the region's economy into a few major cities, and to the countries' own normal growth under the influence of the post-World War II boom—growth accelerated by bigger populations and huge debts. The changes are not, so far as we can see, the result of any catalytic stimulus brought about by external foreign assistance.
>
> In our research we learned two things:
>
> First, development professionals do not know how to carry out an effective economic development program, either a big one or a small one. No one knows how—not in the U.S. government, not the Rockefeller Foundation, not the international banks and agencies, not the missionaries. We don't know how. . . .
>
> Second, we don't know that we don't know how. Those who give the money are thousands of miles removed from where it is spent. No channel is provided whereby they can get unbiased opinions about their projects in the field in place of the usual fulsome reports of "great success." One barrier to this is that those who exercise their profession in the field, who "work among the natives," soon acquire a Messiah complex. To wit: a corn breeder in Iowa does not talk about his program SAVING Iowa. But a corn breeder from Iowa who goes to Guatemala does talk of his program as saving not only Guatemala but all Central America and maybe even all the tropics. Such men are biased sources of information about how well they are spending the money given them. Yet they are the only usual sources of information available to the journalist, the congressman, or their own officials back home. Add to this the fact that our aid programs maintain no memory banks. Both the files and the personnel are ignorant of previous programs, ignorant as to the reasons why they were started, ignorant as to what the prevailing conditions were then, ignorant as to why they failed and were abandoned.
>
> The result: We do not know that we do not know how. We have no knowledge of our own ignorance.[43]

In developing at some length this discussion portraying the Alliance in an ineffectual light, it is my purpose to show the human element in administering a vast program that is not necessarily responsible to either the donor or recipient country. If one bureaucracy is normally inefficient, it follows that the workings of bureaucrats from the country assisted and from the agency assisting may well develop in a never-never land where national interests exist only as figments of the imagination, yet in the name of which action taken in the name of national security is justified. This is not to say that most U.S. and Latin American officials are anything but sincere, hard-working individuals, who in many cases have enjoyed success opening schools, hospitals, roads, and the like and who have introduced new ideas, methods, and equipment for productive use.

Lest my comments in this volume be considered an attack on technicians in general and on AID officials in particular, it should be noted that I have often defended representatives of these groups. And in one oral history interview I have even advanced the hypothesis that had AID been more assertive during the 1950s, Bolivia might have been forced out of its overemphasis on social revolution. Because the MNR was permitted to use U.S. funds fairly freely, it ignored needed investment in economic development—but this may have been a problem in perception until the 1960s, the MNR being convinced that it could handle the social sphere, AID propaganda claiming U.S. responsibility for economic investment.[44] In this case we have a good example of supranational policy, each countries' "national interests" lost in the confusion of bureaucratic politics.

A perhaps somewhat extended discussion has been necessary in order to show some complexity in understanding problems of foreign assistance, complexity notably lacking in the influential movie and book *State of Siege.* The problem with so powerful a movie is that many otherwise intelligent students of Latin America become so incensed at seeing the Uruguayan police torture "clean-cut" Tupamaro guerrillas that they not only see as justified the 1970 execution of Dan A. Mitrioni, AID's technical assistance officer in charge of police liaison ("public safety affairs"), but also miss the point that the work is

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[43] William Paddock and Elizabeth Paddock, *We Don't Know How: An Independent Audit of What They Call Success in Foreign Assistance* (Ames: Iowa State University Press, 1973), pp. 299-300; their editorial "I" has been changed here to reflect their coauthorship. Cf. Albert O. Hirschman, *Journeys Toward Progress; Studies of Economic Policymaking in Latin America* (Garden City, N.Y.: Doubleday, 1965); and *idem, Development Projects Observed* (Washington, D.C.: Brookings, 1967).

[44] James W. Wilkie and Edna Monzón de Wilkie, Entrevistas de Historia Oral con Carlos Serrate Reich, Los Angeles, January 1, 1971.

intended to discredit AID through guilt by association. As Costa-Gavras and Franco Solinas, director and writer, respectively, admit, the work is not about a multifaceted assistance program because that would require too many details; rather "the reason for the film's existence is imperialism with its mechanism of repression, its murder, its tortures. The occasion for the film was the capture and [execution] of a person who symbolized this mechanism."[45] Ironically, by attributing all evil to AID officials who import torture (along with implements of torture), the work strips from Latin Americans even the ability to invent electric prods, let alone to discover cruelty by themselves. If AID's Dan A. Mitrioni (Philip M. Santore in the movie) was heading covert operations against the Tupamaros, this work does not prove it. Yet *State of Seige* has achieved its purpose, all foreign assistance being seen by Costa Gavras and Solinas to be as nefarious as the work by Mitrioni who is alleged in 1962 to have institutionalized torture in Brazil by the fact of his assignment to the City of Belo Horizonte, and who is associated with hemispheric-wide torture by virtue of having lectured at the International Police Academy in Washington, D.C.[46] Clearly AID should not be in the business of conducting "public safety" programs (overtly training police in operations such as riot and traffic control as well as in organization of police records), nor should it allow itself to be used by U.S. intelligence agencies. Those activities have cast suspicion on *all* foreign assistance activities, 90 per cent of which seem to be unknown to the general populace in the United States, college students included.

In light of attacks from both left and right on the Alliance for Progress as well as the U.S. balance of payments deficits, it is no wonder that in October, 1971, the U.S. Senate threatened to end foreign assistance altogether.[47] Foreign assistance survived two months later, however, replete with the military aid component but with assurances that AID would not be utilized as a cover for the kind of CIA covert operations that had been uncovered in East Asia as well as in Latin America—*State of Seige* being partly redeemed by having helped to achieve this promised reform.

The military sales component (Table 6) of assistance to Latin America (cf. Table XVII:5) has been criticized for contributing to repression of the populace in this new era of Latin American military governments. U.S. military sales also have been criticised for dumping obsolete military equipment in Latin America, but one of the real purposes of such assistance is to render the military in recipient countries dependent upon U.S. surplus goods, forcing them to buy spare parts from the United States. Over time this approach is calculated to give the United States political leverage, the theory being that Latin American governments will think twice before alienating its supply source for military power. So far such leverage seems to remain theoretical, except perhaps in the case of Ecuador's seizure of U.S. tuna boats. The policy certainly has not been effectively used to prevent the rise of military dictatorships in Latin America.

Continuous bad publicity for U.S. assistance to Latin America, and rise of military regimes in Latin America during the early and mid-1960s (Argentina, 1966; Bolivia, 1964; Brazil, 1964; Dominican Republic, 1965; Ecuador, 1963; El Salvador, 1961; Guatemala, 1963; Honduras, 1963; Panama, 1968; Peru, 1962), meant that the Alliance faced a series of defections among its supporters. Even though in 1965 President Johnson eliminated the Alliance's 1971 termination date, it was felt that with the inauguration of Richard M. Nixon in 1968 the last spark of the Alliance went out, even though the Alliance continued to exist at least in name.

Given the events above outlined, however, it is perhaps understandable that President Nixon was not anxious to continue so confused a program. Politics had a hand in bringing an end to the Alliance for Progress—a Republican administration being less than enthusiastic about carrying out a policy generated by the party that it had defeated—but the gradual discontinuation of the Alliance (a term dropped from most governmental usage) was more than political.

To those interested in policy outcomes (and President Nixon became noted for intensifying

[45]*State of Seige: Screenplay, Reflections by Yves Montand, Interview with Franco Solinas and Costa-Gavras, and Documents* (New York: Ballantine, 1973), p. 156. For an incisive critique, see Mark Falcoff's "The Uruguay that Never Was; An Historian Looks at Costa Gavra's 'State of Seige,' *Journal of Latin American Lore* 1:1 (1975), forthcoming.

[46]In condemning all persons associated with special U.S. antiterrorist training, the creators of *State of Seige* would presumably have to condemn two famous Guatemalan guerrilla leaders: Yon Sosa, who led the MR-13 pro-Peking guerrilla movement from 1962 until his death in 1970, graduated from the U.S. Army Guerrilla Warfare School at Fort Gulick in the Panama Canal Zone; and Luis Augusto Turcios Lima, who led the FAR pro-Moscow guerrillas from 1962 until his death in 1966, learned his trade at the Fort Benning, Georgia, Basic Infantry Officers Course and Ranger School (*Columbus Dispatch*, February 10, 1966).

For a critical view of the Police Academy (established 1963), see Carl Clifford, "Police Academy under Fire for Aiding 'Foreign Dictatorships,'" *Los Angeles Times*, June 7, 1974. In the same issue, Leonard Greenwood's article entitled "Brazil Police Accused of 'State Anarchy'" traces back into the 1950's the origins of Police Death Squads organized to execute criminals without trial.

[47]For analysis, see John H. Averill, "Foreign Aid Faces Further Fights on Hill," *Los Angeles Times*, December 26, 1971.

throughout government the budgetary cost-accounting programs introduced to the Pentagon by his Democratic predecessors), the entire amount of U.S. aid might be questioned because *no one* in the United States, let alone in Latin America, knew for what purposes total funds had been distributed. It is one thing to know how much has been authorized by various agencies, but it is quite another to know whether expenditures were social, economic, or administrative in nature, data in Table XVII:A clearly being inadequate.

Since there had been no "accountability" under the Alliance, renewed discussion of channeling U.S. funds into a multilateral lending agency such as the United Nations drew much outright opposition from both the executive and legislative branches of government. Although by supporting multilateral aid the United States could escape from charges of exerting influence on Latin American countries for political ends, it soon became obvious that without U.S. controls to assure mutual benefit to the United States as well as to recipient countries, continued U.S. foreign assistance would completely dry up. In addition, observers pointed out that in the decentralized organizational system operated by the United Nations (the only agency deemed not to be overly influenced by U.S. policy), 43 cents of every assistance dollar is spent on administrative cost.[48] In contrast, AID generally does not even include administrative costs in data on assistance (see Table XVII:2). As *Life Magazine* editorialized May 8, 1970:

> The U.N. development system, through rapid growth and administrative neglect, has become a tangled, monstrous nonsystem. It groups 30 politically competitive governing boards which lack any effective coordination, agreed priorities or sound evaluation procedures, and 90 client states scrambling to commandeer easy credit for often imprudent prestige projects. The U.S. and other donor nations simply will not be willing to channel more funds through the U.N. until this snakepit of a development system is cleaned out.

This left U.S. assistance in the hands of the Alliance, weakened further in March of 1971 when U.S. Assistant Secretary of State for Latin America, Charles A. Meyer, is reported to have "officially buried the Alliance by announcing a new economic and financial policy toward Latin America."[49] Nevertheless, the year of the Alliance's "death" would continue to be a matter of interpretation because it was still officially doing business in 1973, even if only in publishing the important data source entitled *Latin America's Development and the Alliance for Progress.* A little understood fact, however, is that U.S. foreign assistance existed before the Alliance was created in 1961. And even though the Atlanta OAS meeting in May 1974 abolished the Alliance's guiding CIAP committee, it does not mean that assistance to Latin America has ended, as interpreted by Radio Caracas in June.[50] Actually CIAP began functioning only in 1964, having been created as an organ of the Inter-American Economic and Social Council (IA-ECOSOC), a council established as part of the OAS in 1948, the year that the Pan American Union was reorganized to become the OAS. The Alliance was theoretically strengthened by OAS actions in Atlanta when IA-ECOSOC's eight-man Permanent Executive Committee (CIAP) was expanded into a more representative group with one member from each of the 24 member nations (including the non-Latin American countries of Barbados, Jamaica, and Trinidad and Tobago). This expanded Permanent Executive Council of the Inter-American Economic and Social Council is known by its Spanish acronym: CEPCIES. If readers draw the inference that the Alliance has been buried alive in a shuffle of English and Spanish acronyms, they may well have captured the essence of "death" within a bureaucratic organization. To make this point, let us note the official view of the U.S. Permanent Mission to the OAS:

> It is our position that [in Atlanta the OAS] dealt only with the [elimination] of CIAP, and that the more substantive issue of the Alliance as a whole was not even discussed. We are in a period of transition in which we are trying to strengthen the system of mutual co-operation for development which the Alliance envisioned. The United States continues to support the general objectives and basic principles which inspired the Alliance, and we are working with our colleagues in the OAS to achieve those objectives in a changing world.[51]

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[48] *Los Angeles Times,* December 14, 1973.

[49] Nathan A. Haverstock and Richard C. Schroeder, "Alliance Dead at Last but Impact Now Felt," *Times of the Americas,* March 24, 1971.

[50] "We Do Not Exist," *Times of the Americas,* July 24, 1974.

[51] Letter to the author, August 12, 1974. See also, OAS, General Assembly, *Proceedings, Atlanta, Georgia, April 19-May 1, 1974* (1974).

2. Latin America at the End of Ten Years Under the Alliance for Progress

If the Alliance for Progress is viewed only as an organizing idea for the 1960s (within the larger history of U.S. assistance to Latin America since World War II), it can be said that the goal of the Alliance involved modernizing Latin America within a ten-year period. Since such a task was impossible to accomplish in only ten years, be it undertaken by a Kennedy or a Castro, the goals of the Alliance were doomed from the outset. The spirit went out of the Alliance as soon as reason replaced the passionate rhetoric of Kennedy and his "New Frontiersmen."

How could U.S. officials and supporters of the Alliance believe that their goals were realistic? The question has been answered cogently by Robert A. Packenham, a former "consumer" of such rhetoric. Professor Packenham traces the outlook of the U.S. liberal tradition that sees all problems as immediately solvable, needing only the application of social science (and money) to development objectives.[52]

That such an outlook was not questioned until the late 1960s after U.S. failure to establish a "great society" (let alone conquer the "enemy" in Vietnam) shows us why U.S. policy makers could have faith in establishing an Alliance for Progress to be completed in only ten years. The Alliance and the Vietnam policies were part and parcel of the same outlook on the world, an outlook that also reached its culmination in the "War on Poverty" in the United States. For frontiersmen—old and new—problems exist to be solved, the solving being not too difficult if one mixes ingenuity with sweat.

That the U.S. government did not succeed in any of these undertakings is now well accepted. One wonders, however, which lessons will last: My students of today seem to have the same blind faith in the power of social technicians to quickly resolve problems as did my students of yesteryear. This faith continues to exist perhaps because U.S. battles to make a better life for the peoples of Latin America, Vietnam, and the United States resulted neither in clear-cut victory nor in defeat. With regard to the Alliance, for example, even its death has been inconclusive.

And if during the 1950s and 1960s we reached the point of at least maintaining a "steady gap" between Latin American and U.S. economic standards, should the Alliance not be credited with preventing the gap from widening as expected? After all, what else except outside funding could have kept Latin America from falling farther behind a technologically superior United States? Yet after examining the diffuse role of the Alliance, it is clear that establishing a direct correlation between Latin America's economic standing and the Alliance is not possible because of the many intervening variables that go beyond national boundaries and include factors of politicosocial economy as well as differential bases for development. Although supranational policy may be important to understand relations with the United States, in few cases does such policy involve the all pervasive influence exercised by national policy on any country.[53]

Direct correlation seems all the more improbable because, as shown in Table 5, data reveal a remarkably stable relationship in Latin America's economic position vis-a-vis the United States, regardless of changes in timing or amount of U.S. funds (see Chapter XVII). Three exceptions are apparent and all are explainable: Panama received a great deal of per capita U.S. funding and improved its position; Mexico did not receive as much proportionately as did Panama, yet improved its position. (It may be argued in both cases proximity to U.S. trading zones is a stronger determinant in economic position than external funding). In the case of Venezuela, the third exception, is added the special factor of oil export.

If we can marvel at the official naïveté in the 1960s that could see the possibility of solving Latin America's problems in only 10 years, it is appropriate, then, to marvel at the notion that the Alliance could be seen in the 1970s to have failed. Not only does the persistence of the latter concept suggest that observers still maintain the faith that initiated the Alliance, but it involves a serious misreading of history. If the Alliance were to follow the Marshall Plan meaningfully, not only should external funding for Latin America have been double what it has been since 1946 but it would have had to be concentrated in one-sixth of the time span to date. Moreover, the Marshall Plan had mainly to rebuild factories destroyed by war, not build them in the first instance, let alone educate the manpower necessary to run them. In short, whereas the Marshall Plan was based upon tradition, the Alliance's job was to break old traditions in order to forge (or at least reinforce) new ones.

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[52]Packenham, *Liberal America and the Third World.*

[53]Supranational policy considerations vary greatly in Latin America, ranging from the case of Mexico (which has accepted little U.S. assistance except in the form of Export-Import Bank Loans made largely on Mexico's terms) to the case of Bolivia (which has received massive budgetary support).

TABLE 6

UNITED STATES MILITARY SALES TO LATIN AMERICA, 1950-1972
(Millions of Dollars)

	[a]1950-1965	1966	1967	1968	1969	1970	1971	1972
TOTAL	226.3	25.2	24.5	47.3	35.2	36.0	30.7	53.0
ARGENTINA	48.2	.8	1.2	9.8	11.3	8.1	16.1	13.7
BOLIVIA	5	2	1	=	=	=	=	=
BRAZIL	20.5	13.3	6.1	15.7	17.7	11.7	2.1	13.3
CHILE	15.5	1.5	1.7	2.1	2.1	10.0	3.2	12.2
COLOMBIA	10.2	2	.3	.1	.2	.2	1.5	1.3
COSTA RICA	.9	=	=	=	=	=	=	#
CUBA	4.5	=	=	=	=	=	=	#
DOMINICAN REPUBLIC	1.5	=	.2	.1	=	.1	=	#
ECUADOR	2.5	=	.1	1.0	.1	=	=	.7
EL SALVADOR	.9	=	=	=	.4	.1	=	#
GUATEMALA	1.4	.4	.2	.4	.1	.3	1.1	6.6
HAITI	.2	=	=	=	=	=	=	#
HONDURAS	1.0	=	=	=	.1	=	=	#
MEXICO	8.4	.6	.5	.8	.1	.3	1.3	.3
NICARAGUA	2.0	=	=	.1	=	.1	.6	#
PANAMA	=	=	=	=	=	=	=	#
PARAGUAY	.3	=	=	=	=	=	=	#
PERU	37.2	3.5	1.6	4.7	.7	2.0	1.5	.7
URUGUAY	2.3	=	=	=	=	.2	.7	1.5
VENEZUELA	68.2	4.7	12.5	12.2	2.4	3.0	2.4	2.4

†Including credit sales given in Table XVII:5.

[a]Yearly breakdown not given in FY 1972 source; prior year source volumes include classified data declassified in FY 1972 and included here.

Source: U.S. Department of Defense, *Military Assistance and Foreign Military Sales Facts* (1972) and (1973).

CONCLUSION

It is evident that during the pre-Alliance period Latin America's per capita average growth of 1.7 per cent was about the same as the average U.S. growth rate of 1.5 per cent. In the post-1961 period, the comparison was also similar; Latin America's average being 2.8 to the U.S.'s 3.1 per cent. In this light it would appear that Latin America's fortunes were related to broader secular trends than some scholars admit. Thus, Raymond Vernon's internal *Dilemma of Mexico's Development* seems to have been a fictitious dilemma. Vernon's own data show that, although Mexico's per capital GNP fell slightly in the 1950s compared with the 1940s, most countries he listed showed losses—and the average losses were greater than in Mexico.[54]

Considering the importance of internationally pervasive economic trends, why would the framers of the Alliance for Progress have believed that outside funds could directly influence change in Latin American GNP? On the one hand, it can be argued persuasively that increased funding raises the amount of goods and services circulating in any given society, and this increase would be reflected in GNP figures. On the other hand, it can be argued that even if funds are spent "appropriately" (i.e., for the right purposes with appropriate timing, and in advantageous locations), the impact may not be reflected immediately, and could then be diffused in time lags and/or blunted by such factors as migration patterns, price changes, debt repayment, and so forth. Lester B. Pearson has placed the problem in the light of the following polarization over the issues of aid and development:

> On one side of this deepening division (shall I call it another kind of development "gap"?) are those who are inclined to distrust the interventions of government in the economic process and believe that, on the whole, the evidence suggests that official economic assistance has, at best, made little contribution to the recipient nations' growth and, at worst, has seriously distorted it. They cite the difficulty—a very real one, of course—of establishing a direct

[54]Raymond Vernon, *The Dilemma of Mexico's Development; The Roles of the Private and Public Sectors* (Cambridge, Mass.: Harvard University Press, 1963).

causal relationship between high aid and rapid growth, and from this they argue the relative unimportance of aid. To prove direct harm, their prize witness tends to be food aid to India which, in their view, has encouraged the Indian government to underinvest in the agricultural sector, thereby hindering sound growth.[55]

As a result of these judgments, they are not unduly worried about any alleged 'crisis' in aid or development, or about the downward trend in aid contribution, or about disillusion over results. On the contrary, they argue that an end to cumbersome, badly managed, and usually politically inspired policies of aid would actually speed up the processes of normal growth. Countries which enjoy the stability, economic opportunities, and good administration needed to attract private investment are, for these very reasons, the ones whose development is on the point of becoming a process of healthy, sustained growth. There is no need for special assistance. Profitable openings are present. And if they are not profitable, they won't contribute to genuine development.

It is not as though, the argument continues, private corporations are not willing to venture overseas. On the contrary, one of the phenomena of our day is the fabulous growth in the foreign activities of great American, European, and Japanese corporations, often organized—indeed, increasingly so—on an international basis, with the strength, ability, and wide-ranging vision needed for truly planetary operations, which will result in a fantastic increase in the world's ability to maximize the return on its resources. This is the best hope for a sane, workable, efficiently organized, and soundly profitable development effort, with a maximum of free enterprise and without intergovernmental transactions of doubtful value and wisdom in which any developmental value is buried under an indeterminate and dubious mass of political, emotional, social, ideological, and other extraneous considerations.

It is difficult to picture a viewpoint more completely unacceptable to critics at the other end of the spectrum, who are increasing in numbers and noise. They attack economic assistance for development precisely because it *will* facilitate the extension of private foreign operations and intergovernmental lending of a more traditional kind, as well as the preservation of social systems and economic structures which they feel must be destroyed and replaced before there can be any constructive and supportable international cooperation for development. The present basis for current cooperation, they say, is precisely the network of Atlantic-European domination and imperialism from which it is the prime political aim of the developing nations to escape.

We have been here before, the developing peoples say; or if they don't they should. In any event, this category of critics say it for them. From the seventeenth to the twentieth century, our local economies have been battered by foreign economic interests coming in to "open us up"—to "develop" us—whether we wanted it or not, and without consulting us. Once installed, they gave us modernized export sectors, big ports, and new trade. But the profits went back to the developers, not to us. "Dual economies" grew up: the rich part run for foreigners and a few privileged local followers; the poor part for everyone else. We did not go through the whole process of political liberation—so the argument runs— in order to find ourselves back with the East India Company lightly disguised as the latest thing in a multinational, decentralized, now socially responsible but still efficiency-oriented, billion-dollar conglomerate. Insofar as foreign aid—tied to Atlantic purchases and encouraging Atlantic tastes and techniques, which are becoming increasingly questioned in their own countries—makes the entry of the outside giants more difficult for us to resist—or control—then let us have none of it. It would be even better to seal ourselves off as the Japanese did for centuries. Moreover, our own structures are still too experimental and weak to carry successfully the unholy weight of modern large-scale multinational enterprise. Our values are too vulnerable to confront the whole great, brassy adventure of high mass consumption. We need time. Foreign aid, far from buying it for us, plunges us too quickly into the modern maelstrom of computers, skyscrapers, and miracle drugs.[56]

My own view, Pearson's extremely perceptive sketch notwithstanding, is to place the issue of Latin American development and aid into a somewhat different perspective by looking for meaning in past experience. Rather than endorse Pearson's perhaps

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[55]Even more serious, perhaps, is the possibility that foreign assistance makes national leadership in recipient countries lazy, assistance obviating the need to make hard decisions about such problems as birth control.

[56]Lester B. Pearson, in his Address to the Columbia University Conference on International Economic Development, February 20, 1970, Ward, *The Widening Gap,* pp. 337-339, quoted here by permission of Columbia University Press.

overly simple solution to bridge the aid polarization gap by channeling assistance through multilateral agencies, I prefer to raise three issues that challenge some of Pearson's assumptions: Without quantitative analysis of the Alliance for Progress experience, for example, it is difficult to know where one stands, let alone in which direction to go.

First, on the basis of the GNP data presented here, it appears that the economic gap between the United States and Latin America has neither widened nor closed—it has remained without much change over a twenty-year period. Thus, even though Latin America does not have the wealth to substitute machines for men (who, then, as in the United States, go on unemployment), to date the region apparently has been able to hold its own by balancing its developmental needs between capital- and labor-intensive growth.

Second, the data on GNP appear to be more reliable than expected, giving reason to believe that the hypothesis about a widening gap was to a large degree erroneous—at least to date. It is significant in this regard that the Pearson data for the period may have been influenced (like my statistics) by the period covered in the averages—Pearson's data end in 1967.[57]

And third, I think that we must ask (as has José Figueres) what might have happened if funds from the Alliance for Progress had not been available? Although it is easy to condemn the Alliance for increasing the Latin American debt structure (a popular condemnation by the 1970s), as I have discussed in Chapter VI, loans (especially at low interest rates) are valuable to step up the amount of economic activity. And if the past is any experience, some of those loans in the future may well be canceled by the lenders. If we cannot say that the Alliance *directly* helped to hold the gap at the same level, we can argue that enough stimulus was *indirectly* generated to spur change in areas such as land reform as well as growth in GNP. It remains to be determined whether or not the Alliance's perhaps crucial push of Latin America toward the creation of highly centralized governments with national plans will result in bureaucratic paralysis, paralysis caused by the fact that most Latin American nations do not yet have the quantity and/or quality of information necessary for all-encompassing national activity.

In sum, the Alliance created a climate of opinion that helped to overcome long-standing resistance to a powerful executive; and regardless of any direct particular benefits or lack of specifically promised benefits, the Alliance may be said to have had major supranational influences on Latin America. In the long-term view, each attempt at international cooperation has begun with the premise that new data need to be gathered: Beginning with the League of Nations, systematic and comparative coverage was called for on a number of topics going beyond the trade data of special interest to the Pan American Union. Commencing with the Alliance's emphasis on social matters, the coverage and comparability of data increased manyfold, taking advantage of standards developed by the United Nations. In spite of the fact that in the end the Alliance became essentially an economic program, its legacy resulting in the generation of social statistics cannot be denied. This emphasis on the value of recording data, along with the thrust for governmental recentralization, then, gives the Alliance an importance that will last beyond any controversy as to the extent that it failed to create economic growth or helped to prevent a widening gap between rich and poor nations.

The Pearson Report tends to overlook the above three perspectives on the Alliance for Progress; and it deemphasizes a crucial point: The major difficulty in developing effective assistance may not be in finding developed countries that will donate funds but in persuading underdeveloped countries to accept aid tied to "relevant criteria of performance." True, Pearson does note that conditions of aid which "may be intolerable from a single rich government may be more acceptable from a responsible international body on which both donors and recipients are represented,"[58] yet this statement ignores the fact that such a body would be even more apt to follow monolithic fads than would individual countries that compete with one another in the realm of political economy.

A final—and vital—comment on the Pearson approach to the gap between rich and poor nations is that indexes presented are not well developed. No doubt GNP (Pearson's main time-series indicator) includes the cost of social functions (there are few social goals that are not affected by allocation of scarce funds) and many observers equate growth of GNP with political stability (especially social democracy); nevertheless, I believe that we must move beyond the emphasis on such economic factors as agriculture, manufacturing, and exports that are included in GNP. We need in the future to develop explicit measures to gauge social as well as political change.

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[57] Pearson, *Partners in Development*, p. 358.

[58] Pearson, Address to Columbia University Conference, p. 344.