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# **The Alliance for Progress: An Attempt at Interpretation**

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## **BRIEF HISTORY OF THE ALLIANCE**

**In this section, I shall attempt a brief history of the Alliance for Progress, based on North American sources, mainly those written by people involved directly in the Alliance's conception and implementation. This is only partly a matter of preference (to look first at the Alliance as it was perceived by those who helped carry it out) but is also greatly due to lack of choice in that the more radical North American writers up till now have not produced detailed accounts of this programme. The North American literature on the Alliance has been vast; the Latin American one nearly non-existent.<sup>1</sup>**

**It is clear that the Alliance for Progress represented an important qualitative change in U.S. policy towards Latin America.**

### *Pre-Alliance U.S.-Latin American relations*

**Since World War II, Latin American representatives had been appealing for a regional aid programme of substantial proportions,**

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on similar lines to the Marshall Plan. Probably the most coherent and concrete of these Latin American proposals was elaborated at the 1954 Inter-American Economic and Social Meeting<sup>1</sup> at Quintadinha, inspired by Prebisch and the thinking of ECLA. The main proposals included the creation of an inter-American bank, a level of annual foreign assistance and aid to L.A. of US\$1 billion, the development of national planning and commodity price stabilization. The proposals, as well as similar ones repeated later, were consistently rejected by representatives both of the Truman and Eisenhower Administrations. The main reason obviously was that Latin America played at the time a very secondary role in the Cold War.<sup>2</sup> U.S. officials recommended instead that Latin America concentrate on improving the climate for private foreign investment, basically through control of inflation, adhering *strictly* to what A. Schlesinger has called the 'theory of development as an act of immaculate private conception'. Thus, until shortly before the creation of the Alliance, U.S. public economic co-operation with Latin America was very limited.

What the 'liberal' historians do not stress in their interpretation of this period, is that since the mid-1950s a debate was carried out within the U.S. among 'internationalists' and 'isolationists' about expanded economic assistance, which acquired importance during the 1957 hearings of the U.S. Senate on the subject. On this occasion, the Committee on Economic Development (a research-lobby group mainly made up of major multinational corporation executives and representatives of the press, created in the early 1950s) strongly supported increased foreign aid.<sup>3</sup> Again, in 1958, a major pro-aid meeting was organized under the telling title of 'Conference on Foreign Aspects of U.S. National Security'; the transnationals were again well-represented.

The violence that Vice-President Nixon met on his Latin American tour seems to have sparked off a concrete response from Washington. Finally, in 1958 the American Administration accepted some of the Latin American proposals, the main one being to establish and fund an inter-American development bank.

### *Factors influencing the Alliance and its origin*

There is agreement among different writers that the 1959 triumph of the Cuban Revolution marked a qualitatively significant turning point in U.S. attitudes towards Latin America, which had a

predominant influence on the magnitude and nature of aid, characterizing the Alliance for Progress. Washington became increasingly anxious that through Cuba's example and international efforts, revolution might rapidly spread through Latin America. It became fashionable to view the whole of Latin America as facing only two alternatives: reform or revolution.<sup>4</sup> The U.S. needed to rapidly throw all its weight to see that the first prevailed. John Kennedy many times repeated that 'the promotion of democracy and reform were the ultimate answer to Castro and the communists'. The new Administration believed that economic development and social reform, spurred by North American aid, could blunt the appeal of radicalism; counter-guerrilla assistance, and possibly American military intervention could stop Communism as a tactical lever.<sup>5</sup> It seems that the Governments of several large Latin American countries, who did not really believe that Cuba proved a threat to their security, used U.S. fear of this and its wish for a collective Latin American break with Cuba, to press for major economic commitments from the U.S.<sup>6</sup>

More broadly, the Alliance for Progress programme, and in particular its initial rhetoric, was very strongly influenced by a very important segment of progressive Latin American thinking. The Quintadinha proposals provided the first blueprint for the Alliance. Particularly influential during the early stages was the memorandum written by Prebisch, Mayobre, Felipe Herrera and other eminent Latin American economists and delivered to President Kennedy just before he launched his new programme. It called on the U.S. to cooperate with those Latin American countries willing to make structural social and economic changes (with particular emphasis on land tenure, education and tax reform); to capture the support of the masses, by convincing them 'with clear and palpable evidence that the program is not motivated by a desire to create lucrative fields of investment for foreign private capital', and to launch an external programme of long-term supplementary capital assistance and commodity price stabilization.<sup>7</sup>

Another source of influence on the Alliance was the 'modernization perspective', which after World War II became increasingly popular among North American academics.<sup>8</sup> This assumes that the values, institutions and patterns of action of 'traditional' societies are both an expression and a cause of 'economic and political underdevelopment'. The only way to development is via modernization, by overcoming traditional norms and structures. The implicit

policy recommendation for U.S. aid, as expressed by Silvert,<sup>9</sup> one of the leading authorities on Latin America, is to support the 'modernizing groups'. Otherwise, assistance merely 'certifies non-development or invites unpredictable revolution'.

The modernization perspective was always implicit in Alliance for Progress thinking. It played a secondary role in the initial period when the belief in structural economic and political reforms as a means towards development was important; in the second stage (described below), the 'modernization perspective' became predominant.

Perhaps the most blatant application of this approach to Latin America can be seen in the U.S. Congress Survey of the Alliance for Progress.<sup>10</sup> In Pat Holt's document on 'The Political Aspects' such crude statements as the following are found: 'The traditional Latin American way of life is incompatible with industrialization, and this has produced a mass psychological dilemma' (p. 10); 'Self help is completely alien to Latin American culture... The absence of self-help is due not so much to laziness as to a cultural block' (p. 23). The influence of this kind of thinking is illustrated by the fact that C. T. Oliver, who in 1968 was both Assistant Secretary of State for Inter-American Affairs and U.S. Coordinator of the Alliance, singled out this paper, for its 'wisdom and excellence' in the Congressional Hearings on the Alliance.

### *First phase of the Alliance*

The initial rhetoric of the Alliance was very progressive. As can be seen from Kennedy's speech and from the Charter of Punta del Este itself, there were three officially stated goals to the programme: economic growth, structural change, and political democratization.<sup>11</sup> Furthermore, it was said that structural change and political democratization would be a condition for U.S. economic aid.

Even though these progressive aims were the officially stated goals of the Alliance, the real aims pursued were very different. As we saw, the Alliance (and the large increase in American aid which it implied) were to a great extent a reaction to the Cuban Revolution; this is made completely explicit in the writings both of 'liberal' historians and politicians. Thus, Levinson and Onis recognize that 'the predominant objective of U.S. policy in the Alliance for Pro-

gress was to prevent other Latin American countries from following the example of Cuba'. Senator Guering, in his report to the Congress on the Alliance in Chile could not be more explicit: 'The Alliance for Progress was designed as an alternative to Communist blandishment and chaos.'<sup>12</sup> The real priorities during the Alliance were also clear to Senator Church; 'However much we may have wanted reform and development, we wanted "stability", anti-communism and a favourable climate for investment more.'<sup>13</sup>

The other aim, which was not officially stated, but is made explicit even in the most 'liberal' writings is that of modernization. For example, Senator Guering repeatedly refers to the Alliance for Progress as timely aid to reinforce Latin America's efforts to 'modernize' archaic practices and institutions.<sup>14</sup>

'Liberal' historians stress initial (though unusual and temporary) absence of corporate influence in the Alliance for Progress programme. They correctly point out that the programme, drafted by international bureaucrats, academic specialists and politicians, had hardly any reference to U.S. private investment.<sup>15</sup> This attitude was not an oversight, but greatly a response from the Kennedy Administration to the warning given by Latin American economists not to appear as furthering investments of U.S. foreign investors through the Alliance.<sup>16</sup>

It should be pointed out, however, that big business was not as absent in the birth of the Alliance as the 'liberals' claim. Dillon, who headed the U.S. mission to Punta del Este, was an international banker. One of the strongest defenders of the Alliance in the U.S. Congress was the international banker David Rockefeller who, during that whole decade, headed the lobby of U.S. business interests in Latin America. There had been a significant shift since the late 1950s; North American big business, and in particular the multinationals, were clearly shifting to favour and support increase in U.S. foreign aid.

The multinationals, however, needed also to protect their particular interests. As the White House seemed reluctant to do this openly, they acted through the Congress. In 1962, the Hickenlooper Amendment was passed, which required the President to suspend *all economic assistance* to any country that nationalized 'without equitable and speedy compensation', repudiated contracts or applied discriminatory taxation to American corporations. Even though Kennedy opposed the legisla-

tion, he did not make a public fight against its approval. This Amendment implied that when the interests of the American multinationals clashed with Alliance aims, the first would tend to predominate.<sup>17</sup>

The most open contradiction between the 'officially stated' aims of the Alliance and the reality of U.S. action in Latin America was at the political level. Even though the U.S. Government claimed to pursue democracy and reform in Latin America, anti-Communism and 'hemispheric security' were the real dominant targets. Schlesinger himself recognizes that this perverted the Alliance, as programmes were put aside that might 'upset existing power arrangements and thus weaken a country's capacity to resist the presumably omnipresent revolutionaries'. More seriously, the 'security concern' led to the counter-insurgency programmes (designed to 'protect the democratic development process from disruption and shortage'), which in fact obviously supported and strengthened forces which opposed democracy and reform most.<sup>18</sup>

As the Alliance began its second year, the missile crisis produced a significant change in the U.S. outlook on Latin American problems. The outcome of the crisis was perceived as a restoration of U.S. hegemony and a turning point in Cuban influence. The Latin American 'democratic left' (which had been thought would provide the political base for accomplishing the officially stated Alliance goals) diminished in importance, as an alternative to Castro was no longer an urgent need.

Many military coups occurred in Latin America during the 1960s; though initially refusing to recognize military regimes, the U.S. Government soon began either to condone or openly support them. Thus, the 'democratic left' was significantly weakened, to an important extent by the actions of the U.S. Government itself.<sup>19</sup>

### *Johnson's Alliance*

After Kennedy's death, U.S. policy towards Latin America became both more conservative and more fragmented. *The new language of the Alliance was no longer progressive.* Thomas Mann, named by Johnson as both coordinator of the Alliance and Assistant Secretary for Inter-American Affairs, set forth the new line early in 1964. As Levinson and Onis say: 'What became known as the Mann doctrine consisted of four main objectives: (1) to foster

economic growth and be neutral on social reform; (2) to protect U.S. private investments in the hemisphere; (3) to show no preference, through aid or otherwise, for representative democratic institutions; and (4) to oppose Communism.<sup>20</sup> Thus, both structural reforms and democracy stopped being official aims of the Alliance. This new approach found concrete application in U.S. policy to Brazil and the Dominican Republic.

While the belief in structural reforms as a means towards development lost ground, it was clearly being replaced by the 'modernization perspective'. High U.S. Government officials expressed their satisfaction with the Brazilian military Government, and in particular with the new coalition of 'apolitical technicians' and more 'modern' progressive members of the industrial and agricultural establishment, which they trusted would promote economic development and 'institutional modernization'.<sup>21</sup>

By the end of 1966, U.S. policy in Latin America was clearly in its more pragmatic phase, favourable both to the military and 'modernizing' Governments of Brazil and Argentina, and the democratic and 'reformist' government of Chile. As the decade of the 1960s finished, emphasis increasingly shifted towards the 'modernizers'.

We have seen that U.S. business — and especially certain sectors — did not feel completely at ease with the Kennedy Administration and its Alliance programme. The change in 1964 was expressed by a top executive of the Standard Oil Company of New Jersey, who said: 'Not until Thomas Mann came back in 1964 did the business community feel that it was "in" again with the U.S. Government'.

Big business, which is generally recognized to be the 'only interest group with a permanent stake in U.S. Latin American policy',<sup>22</sup> is organized to present its views and exert its influence both on the Executive and the Congress. Till 1965, it was represented by the Business Group for Latin America, involving less than 30 executives of U.S. corporations. In 1965, as its influence and interests in Latin America grew, this was expanded into the Council for Latin America (CLA), representing approximately 85 percent of all U.S. companies doing business in Latin America;<sup>23</sup> CLA held regular meetings with the State Department, AID, IBRD, IDB, CIAP and other government agencies whose work may affect business interests in Latin America; furthermore, it included *area sub-committees*, which met informally with their *executives'* counterparts in the U.S. Government. The influence of

the multinationals had become institutionalized.

### **VOLUME OF LOANS GRANTED TO LATIN AMERICA AND TO CHILE. SIGNIFICANCE OF CHILE WITHIN THE ALLIANCE**

As can be seen in Table 1, the level of U.S. gross economic assistance to Latin America between 1961 and 1969 was high, reaching US\$10.3 billion; if other external sources were added (including international organizations), the total gross flow to Latin America for the period 1961-69 would reach US\$18.1 billion.

It is interesting to note that *over half* of the *gross* U.S. economic assistance in the 1960s was devoted to repayments and interest; the level of *net* economic assistance received by Latin America from the U.S. reaching only \$4.8 billion. Furthermore, the net outflow of U.S. private investment funds from Latin America to the U.S. during a similar period (1961-68), US\$5.7 billion, *exceeded the net inflow of U.S. official funds*.

The country we shall study in more detail, Chile, had in fact been chosen as one of the showcases for the Alliance for Progress. It was one of the first countries to possess a prime requisite called for by the Punta del Este Charter — a development plan; it seemed to have the bureaucratic structure to administer such a plan.<sup>24</sup> Perhaps more importantly, Chile had a history of strong popular support for the parties of the Left, whose candidate had only just lost the 1958 Presidential election; there was an important possibility of his victory in the 1964 Presidential elections.

Mainly for the above reasons, Chile received more aid per capita from the U.S. in the 1961-68 period than any other country in the hemisphere.<sup>25</sup> In this period, Chile was granted US\$1,136 million of U.S. economic assistance.<sup>26</sup>

However, the same trend occurs in Chile as in the total of Latin America. In Chile, the net gain on official flows — estimated at US\$808 million for the period 1962-68 — barely financed the net private investment outflow — US\$785 million for that period.<sup>27</sup>



**Table 1. Economic assistance and private capital flows between U.S. and Latin America in the 1960s (\$ million)**

| <b>Total gross US economic assistance to LA 1961-69<sup>a</sup></b> | <b>Total net US direct disbursements to LA 1961-69<sup>b</sup></b> | <b>Total net flow of private capital from US into LA 1961-68<sup>c</sup></b> |
|---|--|--|
| 10,286  | 4,819  | -5,738   |

- (a) Includes all AID funds, U.S. contributions to Social Progress Fund (LADB), Food for Freedom, long-term Export-Import Bank loans and other U.S. economic programmes (it excludes assistance from international agencies where the U.S. is an important contributor). Refers to obligations and loan authorizations.
- (b) Includes same items as (a), but refers to net disbursements (gross disbursements less repayments and interests).
- (c) Net direct investment minus profit remittances to U.S. (negative number reflects a net flow to the U.S.).

*Source:* Levinson & Onis, *The Alliance that Lost its Way*; (a) and (b) based on congressional presentation figures of the AID, 1970; (c) based on U.S. Department of Commerce: *Survey of Current Business*.

### **CRITERIA APPLIED ON GRANTING ALLIANCE FOR PROGRESS LOANS AND THEIR EFFECTS ON THE RECIPIENT NATIONS, WITH SPECIAL REFERENCE TO CHILE**

Following the Punta del Este Charter, U.S. aid was to be made concomitant with the recipient nations carrying out 'self-help measures'. Perhaps the most sophisticated device created for linking assistance to country performance was programme lending, which began in 1963 and became the overwhelming component of U.S. assistance in several countries, including Chile, in the mid-sixties. In what follows, we shall use the availability of relatively detailed information on these programme loans to Chile in the period 1963-66, in an attempt to study the influence of aid on national policy-making, and the distortions it generates. Reference will also be made to other Latin American countries.

According to the Guering report, programme loans were introduced because of the delays in aid flows caused by Chile's difficulties in planning and implementing projects which met develop-

ment criteria.<sup>28</sup> The reason given by Philip O'Brien, that the Agency for Inter-American Development (AID) *wished to have influence at a macro-level*, seems more important.<sup>29</sup>

In fact, this mechanism allowed the AID a great deal of influence. After detailed negotiations between the recipient Government and the AID, the former was obliged to sign a Letter of Intent detailing the very specific conditions which the recipient Government committed itself to fulfil. The loan funds were distributed in four successive instalments, provided that the AID was 'satisfied' with the recipient Government's fulfilment of its 'promises'.

### *'Official' criteria*

Following a similar distinction to the one used in Section 1, we shall examine first the officially stated criteria for granting these programme loans.

### *Structural reforms vs. financial criteria*

At the beginning of the Alliance for Progress, two sets of conditions were defined as indicators of self-help, and thus used as country performance criteria: (1) major structural changes, such as agrarian and tax reforms, and (2) macro-economic (basically financial) management.

Following the rhetoric of the Alliance, initially great stress was laid on the advance of structural reforms. In fact, even in the first stage, this criterion was largely nominal. For example, one justification of the 1963 programme loan to Chile was the advance of agrarian reform; in this year, Chile attained less than 20 percent of its own stated goal with respect to land reform, with the pace even slower in 1964. AID granted the 1963 and 1964 loans without problem (for reasons examined below); instead of insisting on acceleration of the Agrarian Reform, it eliminated progress in this area as an indicator of Chile's self-help measure or as a condition for further U.S. assistance.<sup>30</sup>

The other criterion for 'country performance' was that of macro-economic — and basically financial — management. In the case of Chile, the mechanism of programme loans was introduced the same year as the 1963 IMF stabilization programme. In fact, among the conditions for successive disbursements of AID loan funds were

several narrowly-defined fiscal, monetary and exchange rate targets, which had been determined in the stand-by agreement with the IMF. Thus, the AID programme loan basically re-inforced IMF criteria. As Chile formally met these quantitative performance criteria, it obtained successive instalments of the AID loan.

This situation was not unique to Chile, but became predominant all over Latin America. After analyzing different countries, the 'liberal' historians, Levinson and Onis, conclude:

If a country undertook reforms in agriculture and education, but fell short of IMF standards or the AID equivalent of such tests, AID loans in support of education and agriculture would be suspended. But the converse was not true. *A country that did little in the area of social reform and progressively limited representative political institutions, but met the IMF tests, and later, import liberalization commitments, continued to receive substantial economic assistance. Nowhere did AID make progress in agrarian or educational reform a condition of its major lending (program loans) (emphasis mine) or consider it relevant whether a country closed a fiscal gap through regressive or progressive taxes.*<sup>31</sup>

The representatives of the Latin American military governments understood this reality of American aid criteria. Thus, when in 1968 in Brazil the Fifth Institutional Act was passed which seriously curtailed democratic institutions, Finance Minister Delfin Neto assured the military cabinet that 'so long as Brazil continued to talk about economic stabilization, *the Americans would go along with anything*'<sup>32</sup> (emphasis mine). In fact, this Fifth Institutional Act was *publicly justified by the Finance Minister to the Brazilian public (and indirectly to the U.S. public), as necessary to the stabilization programme.*

*Financial criteria and the distortions they provoke  
in national development*

AID programme loans to Chile in the studied period 1963-66 were thus basically made contingent on Chile's fulfilling traditional IMF targets basically related to financial equilibrium; this refers both to internal equilibrium (control of inflation) and external equilibrium (favourable international reserves position). For this purpose, precise conditions were imposed in relation to: (a) ceiling on Central Bank credit expansion; (b) reaching agreed upon surpluses in the fiscal current account; and (c) maintaining a flexible exchange

rate policy. The effectiveness of the exchange rate policy pursued was measured by the net changes in international reserves plus payment arrears during the year.

These strict quantitative financial criteria applied as condition to U.S. loans not only did not promote economic development, but often on the contrary introduced additional distortions in the development process.

*Loss of national autonomy.* Perhaps one of the most negative effects was the loss of national autonomy in economic policy-making which these commitments implied. Clearly, these programme loans helped reinforce the increasingly strong influence of international financial institutions (and particularly the IMF) on Latin American governments, with the distortions which this influence implies.<sup>33</sup> In the last decades, a clear network of transnational relations has evolved, in which agents such as transnational companies and institutions influence strongly (and sometimes even determine) the actions of individual governments.<sup>34</sup> During the 1960s, aid was an important mechanism in strengthening the transnational links of Latin American countries.

*New structural problems are created.* Furthermore, even the 'liberal' analysts agree that the strict financial tests, instead of leading to national development, create new (and often avoidable) structural problems.<sup>35</sup> A good example was the 1964 Chilean experience with programme loans. As has been seen, one of the conditions imposed was a certain level of international reserves; to comply with this condition, Chile drew quite heavily on foreign loans (even obtaining an increase of U.S. aid in the Alliance programme). The paradoxical situation arose that to qualify for a certain level of loans, the Government was obliged to obtain a higher level than it actually required, so that its situation of gross international reserves would be good enough to allow obtaining any loan at all. Thus, the country unnecessarily burdened itself with excessive debt and repayment in future years.

This was in no way unique. In 1968 and 1969, the Chilean Balance of Payments position was excellent, and its international reserves were rapidly rising; this made access to international public and private credit much easier. The outcome was a much higher level of indebtedness than was required.<sup>36</sup>

Similar phenomena can be observed in the seventies, in loans from multinational banks to Third World governments. Often, large credits are obtained by countries with high international

reserves mainly due to their easy access to credit, and not so much because they require them. Like the Chilean case of the mid-1960s, countries sometimes maintain high international reserves, not because they need them for trade purposes, but so they can maintain easy access to international credit.

*Loss of emphasis on development criteria.* Particularly serious, though rarely analyzed, is the problem that stressing 'financial and macro-economic equilibrium' weakens the emphasis on sectoral and physical planning and the generation of projects for medium-term development, according to national priorities. Programme loans reinforced a shift occurring in Chilean planning; in the 1930s and 1940s effort and human resources were concentrated on detailed development plans, in the key sectors of the economy; gradually, in the 1950s and 1960s, effort and human resources were concentrated on obtaining equilibrium, both internal and external; relatively little was done by the State in promoting sectoral plans, or designing key projects.<sup>37</sup> The fact that large volumes of aid were available if 'financial equilibrium' was achieved, clearly strengthened this trend.<sup>38</sup>

### *'Unofficial' criteria<sup>39</sup>*

#### *Political*

As we have seen, the predominant aim of the Alliance was political; it is thus not surprising that the defining criteria for granting aid were sometimes of a purely political nature.

The Chilean case provides us with an excellent example, as the Guering report explicitly shows in relation to the 1964 loan:

Since AID had no faith in the efficacy of monetary and fiscal tests and no expectation of fundamental reforms on the part of the Chilean Government, *AID could not have been anticipating that U.S. assistance would serve developmental purposes. Clearly, the 1964 assistance package must have been based solely on political considerations* — to maintain Chile's current levels of economic activity and investment and to support the balance of payments so that financial deterioration and unemployment would not occur in the election year (emphasis mine).<sup>40</sup>

#### *Defence of interests of American multinationals*

As the U.S. multinationals formed the only strong domestic consti-

tuency with demands about Latin American policy, they naturally often imposed their criteria and decisions. Perhaps one of the clearest cases of Alliance aid being conditioned by the interests of a U.S. multinational was the freezing of all aid to Peru for over two years, in the hope of coercing its government to make a favourable settlement with the International Petroleum Company.

The attitude of the State Department is again explicitly described by Levinson and Onis:

In dealing with the IPC dispute the State Department seemed to some observers more zealous on behalf of IPC than the company itself might have dared to demand. Moscoso was not responding to specific pressure from the Standard Oil when he decided to freeze development loans to Peru. *He simply assumed that the business interest was the most important component of U.S. policy in Latin America* (emphasis mine).<sup>41</sup>

State Department officials publicly criticized this. When Robert Kennedy questioned a State Department official on why aid was ended to a government dedicated to 'the goals of the Alliance' (The Belaúnde government) and at the same time aid was increased to the dictatorship of Brazil, he bluntly asked: 'What the Alliance for Progress has come down to then is that you can close down newspapers, abolish congress, jail religious opposition, and deport your political enemies, and you will get lots of help, but if you fool around with a U.S. oil company, we will cut you off without a penny. Is that right?' The official replied, 'That is about the size of it'.<sup>42</sup>

There were more subtle cases of multinationals influencing aid decisions. Many of these were based on the 'tied' nature of Alliance loan funds; not only was it required that goods financed by AID be of U.S. source and origin, but also that no less than 90 percent of their components be manufactured in the United States. An attempt to waive the component rule in aid to Chile for buying cheaper tractors for its agrarian reform programme immediately provoked a reaction from the two U.S. multinationals whose interests would be affected by the decision. An intricate process of negotiation followed, which included AID, other branches of the U.S. government (adopting opposite positions) and even the Chilean President. The whole debate implied that there was a two-year delay before Chile received the required tractors.

*Modernization*

As Senator Guering says in his report, in Chile (as in the rest of Latin America), AID 'thought it knew where the major weaknesses in planning and management procedures lay'. For this reason, AID 'attempted to provide a comprehensive technical assistance programme at developing within Chile the institutional framework and human resources needed to sustain *modern* economic development'. In the Guering report, it is admitted that this technical assistance was accepted very grudgingly by Chilean officials, and only because it was a condition to aid. The report concludes that this technical assistance responded only formally to 'requests' of the Chilean government; 'in fact AID, in its zeal to make the Alliance for Progress operative, promoted the technical assistance programme'.

Given the limited information available and the complexity of the problem, it is difficult to evaluate the effect of this 'modernizing' technical assistance on Chilean institutions. We shall only attempt a very brief description of the main programmes, so as to illustrate the amplitude of their scope.

(a) Improvement in public sector management capacity. This included projects on development planning (organization and coordination), regional planning, master transportation plan, modernization of internal tax administration, customs administration, and modernization of the Controller General's office.

(b) Rural improvement, aimed at expanding social and economic opportunities for the small farmer. The example given for this type of assistance in the Guering report illustrates very clearly the distortions and waste which a mechanical modernization approach generated. The case examined in detail was a project for establishing 50 rural community canning centres. The main justification given by AID for this project was that: 'California Packing Corp. (CALPAK), the world's largest food conservation company, started operations about 50 years ago in the same manner as proposed in this project.' The problem, as the report points out, was that '*no one cognizant of Chilean rural conditions and attitudes was consulted in advance regarding the possibility and pitfalls of transplanting a California experience to a Chilean setting* (emphasis mine).<sup>43</sup> Mainly as a result of the latter, only two of the projected 50 canning centres became operational, implying a waste of human efforts and of resources.<sup>44</sup>

(c) Development of financial institutions in the private sector. An important example of such institutions was that of the building, savings and loan associations, which had a spectacularly rapid development during the course of the Alliance. This system was copied directly from the experience of the developed countries which of course enjoy much higher levels of average income and savings than Latin America; it was very actively promoted by the Alliance for Progress both via extensive technical assistance from U.S. specialists on savings and loan associations and via direct seed-capital loans from AID. The development of these associations contributed to distort the allocation of resources, concentrating them on middle class housing of relatively high standards.<sup>45</sup>

## INTERPRETATION OF THE ALLIANCE

It is interesting to see how deeply disappointed some of the 'liberal' historians and politicians have been with the Alliance, and how much it has changed their outlook on aid and development. For example, Senator Frank Church believes that American aid 'promoted development a good deal less than it strengthened a corrupt and repressive status quo'. Church believes that 'thorough going social revolution was the necessary prerequisite for development of much of the third world'. All the U.S. should do would be to stop promoting counter-revolution; *one effective way to do that would be to end, apart from technical assistance, all bilateral economic aid.*<sup>46</sup> Both in its analysis and in its policy conclusions, this line of argument is very close to that of Latin American and North American radical thinkers, who deny any community of interests between the United States and Latin America.

Other 'liberals' such as Arthur Schlesinger, believe that the 'original Alliance objectives' could still now be achieved, but *only* under very stringent conditions; among these conditions perhaps the most unrealistic is North American business investment in Latin America, which would safeguard a renewed Alliance against deformation by business interests (which according to Schlesinger were the Alliance's most powerful foes). In fact, Schlesinger's proposals are highly unrealistic given the high and increasing proportion of United States investment in Latin America. From 70 percent of total United States direct investment to the developing world in



1966-70, by 1976 U.S. investments in Latin America had risen to 80 percent.<sup>47</sup>

Furthermore, it seems from the empirical evidence analyzed that the 'real' Alliance was not based — as Schlesinger still seems to believe — on the 'progressives north and south'; nor was its real nature expressed in the rhetoric of Punta del Este. The 'real' Alliance was expressed much more clearly by the language of Johnson and his Administration; it was basically an alliance between the interests of the more modern U.S. multinationals and those of the more dynamic private and public entrepreneurs in Latin America.<sup>48</sup>

The direct interests of individual U.S. multinationals were initially subordinated to 'hemispheric security' (anti-Communist) considerations. However, as the 'subversive threat' receded, these interests came more clearly to the front.

From the point of view of Latin American private and State entrepreneurs, the Alliance for Progress helped support the last stage of their import-substitution model. Undoubtedly, Alliance aid helped provide resources for building infrastructure, and social and productive investment necessary for the sustainment of this model, as well as introducing severe distortions in the development process.

For this reason, those critical of aid and its undoubtedly negative effect on strengthening the links of dependence (whether they be radicals or 'disillusioned liberals') should also be aware of the costs which a non-dependent development path implies, as well as of its clear advantages.

● NOTES

1. Among the most interesting of these accounts are J. Levinson and J. de Onis: *The Alliance that Lost its Way: a critical report on the Alliance for Progress* (Chicago: Archangel Books, 1970), and A. Schlesinger: 'The Alliance for Progress: a Retrospective' in *Latin America: the Search for a New International Role*, edited by R. G. Hillman & H. J. Rosenbaun (John Wiley & Sons, 1975). Further bibliography on the Alliance can be found in A. F. Lowenthal's article ' "Liberal", "Radical" and "Bureaucratic" Perspectives in U.S. Latin American Policy: The Alliance for Progress in Retrospect' in *Latin America and the United States, the Changing Political Realities*, ed. by J. Cotler & R. Fagen (Stanford University Press, 1977).

2. This explanation is given very explicitly both in the 'liberal' and the more 'hard-line' U.S. sources, including official documents.

3. According to Malcolm Barnsley: 'A general survey of the development of U.S. economic assistance to Latin America prior to the Alliance for Progress' (University of Texas, 1975, mimeo), it was at this time that *the business community — particularly its transnational sector — began to switch in significant numbers to a pro-foreign aid attitude.*

4. See, for example, Schlesinger: 'The Alliance for Progress', 61.

5. David Rockefeller, the U.S. banker representing powerful business interests concerned with Latin America clearly linked 'development' and 'security' aid, in his appeal to Congress for approval of Kennedy's first foreign aid request, when he said: 'We have made a firm commitment to Latin America for economic aid and for assistance in containing communist imperialism. I think the situation warrants substantial expenditures on both fronts on the scale proposed by President Kennedy' (speech delivered before the Economic Club of Chicago, April 1962).

For a very different exposition of this theme, see A. A. Berle: *Latin America: Diplomacy and Reality* (New York, 1962). Berle was Kennedy's special adviser on Latin American affairs.

6. See Levinson & Onis: *The Alliance that Lost its Way*, 61-62.

7. Memorandum quoted in *Ibidem*, 57.

8. For a very accurate account and critique of this perspective, see 'Modernization and Dependence: Alternative Perspectives in the Study of Latin American Underdevelopment' by S. Valenzuela & A. Valenzuela in *Transnational Capitalism and National Development*, ed. by J. Villamil (forthcoming, Harvester Press).

9. K. H. Silvert: *The Conflict Society: Reaction and Revolution in Latin America* (New York, 1966).

10. U.S. Congress. Senate. 91st Congress, 1st Session: *Survey of the Alliance for Progress. Compilation of Studies and Hearings of the Committee in Foreign Relations* (Sub-Committee on American Republics Affairs, Washington D.C.: Government Printing Office, 1969).

11. The Charter of Punta del Este, even though progressive, was drafted in very general and ambiguous terms. This had to be so if one considers the *heterogeneity of the participants' ideology*. For example, the section on Agrarian Reform was unanimously passed; among those who approved it were Ché Guevara, Pedro Beltram (the head of the Peruvian delegation, who was himself a large landowner) and Dillon, head of the U.S. delegation and international banker.

12. U.S. Congress. U.S. Senate Committee on Government Operations: *U.S. Foreign Aid in Action: A Case Study* (submitted by Sen. E. Guering. U.S. Government Printing Office, 1966).

13. F. Church: 'Farewell to foreign aid: a liberal takes leave', *Congressional Record* (October 29, 1971).

14. *U.S. Foreign Aid in Action*.

15. Businessmen were invited very late, and only as observers, to Punta del Este.

16. See Levinson & Onis: *The Alliance that Lost its Way*, 72.

17. The first example occurred in 1962 when Honduras passed an agrarian reform law (one of the main stated Alliance targets). The Hickenlooper Amendment was applied as agrarian reform was naturally going to affect the United Fruit Company.

18. An analysis of these actions and their drastic impact escape the scope of this paper. However, they have been well documented elsewhere. Very useful are U.S. official documents, such as U.S. Senate, Committee on Foreign Relations: *United States Military Policies and Programs in Latin America: Hearings before the Subcommittee on Western Hemisphere Affairs* (91st Congress, 1st Session, Washington D.C.: Government Printing Office, 1969). A good account can also be found in W. F. Barber & C. N. Ronning: *Internal Security and Military Power* (Ohio State University Press, 1966).

19. A good account of both Kennedy's and Johnson's policies towards Latin American armed forces and military regimes, as well as a vast bibliography, can be found in D. L. Etchinson: *The United States and Militarism in Central America* (Praeger Publishers, 1975).

20. Levinson & Onis: *The Alliance that Lost its Way*, 88.

21. For example, W. D. Rogers, Deputy U.S. Coordinator of the Alliance, stated shortly after the coup: 'In Brazil we are now dealing with a government which for the first time since the Alliance began seriously understands the problem of development' (Testimony before the Senate Foreign Relations Committee).

22. Quoted from Levinson & Onis, 159. Very similar views are expressed in Schlesinger's and Lowenthal's articles. Naturally, 'radical' analysts of the Alliance share this interpretation. See, for example, article by D. Horowitz: 'The Alliance for Progress' in R. Rhodes (ed.): *Imperialism and Under-development* (New York, 1970).

23. Both the BGLA and the CLA were headed by David Rockefeller.

24. Among the virtues of this development plan were that its main objective was to create a favourable climate for private investment. It had been evaluated and approved both by the IBRD and the 'Panel of Nine', the panel of experts created by the Punta del Este Charter.

25. That the above were effectively the reasons for this very large U.S. aid to Chile is explicit in U.S. documents. See, in particular, U.S. Congress, U.S. Senate Select Committee to Study Governmental Operations with respect to Intelligence Activities: *Covert Action in Chile, 1963-72* (U.S. Government Printing Office, 1975), and U.S. *Foreign Aid in Action: A Case Study*.

26. This figure is comparable with that of column (a), Table 1, as it includes the same categories. Source: U.S. 91st Congress, 1st Session, House of Representatives Committee on Foreign Affairs, New Directions for the 1970s: *Towards a Strategy of Inter-American Development* (Washington D.C.: Government Printing Office).

27. Source: S. Griffith-Jones: *Foreign Investment in Chile, 1950-70, a quantitative evaluation* (1977). The data refer to all external sources.

28. U.S. *Foreign Aid in Action*.

29. Philip O'Brien: 'La Alianza para el Progreso y los préstamos por programa a Chile', in *Estudios Internacionales*, Año 2, no 4 (1962).

30. This account is based on Guering's report: U.S. *Foreign Aid in Action*.

31. Levinson & Onis, p. 205. Besides Chile, they analyze particularly the cases of Brazil (here Levinson was for a time assistant director of the U.S. AID mission) and Colombia, about which there is a detailed study in U.S. Congress, 91st Congress, 1st Session: *Survey of the Alliance for Progress*. Furthermore, Levinson's experience as deputy director of the Office of Capital Development for Latin America, with

overall responsibility for AID lending in Latin America, implies that his evaluation has great significance.

32. Quoted in Levinson & Onis, 103.

33. For a recent interesting evaluation of IMF influence in the periphery, see 95th Congress, 1st Session, U.S. Senate Committee in Foreign Relations: *International Debt, the Banks and U.S. Foreign Policy* (U.S. Government Printing Office, Washington, 1977).

34. This process is clearly described in O. Sunkel & E. Fuenzalida: 'Transnational Capitalism and National Development' in the forthcoming book of the same title edited by J. Villamil.

35. See: *U.S. Foreign Aid in Action*, particularly 104-105.

36. A detailed description of this situation can be found in R. Ffrench-Davis: *Políticas económicas en Chile, 1952-70* (Universidad Católica de Chile, Santiago, 1973).

37. The last two years of the Frei Government were an exception.

38. This trend has clearly continued into the seventies. A good example is provided by the Chilean military, in which a *very orthodox financial policy has determined all other aspects of economic policy*. To obtain financial equilibrium (both external and internal), they have not only been willing to sacrifice growth, but led the economy into a recession for a relatively long period, with substantial falls in production, wages and employment. Naturally, the whole concept of national development fomented by the State, is by now completely abandoned.

39. Even though these are not the 'officially stated criteria', it is interesting that the U.S. official documents and the writings by 'liberal' historians involved in the Alliance personally, recognize these unofficial criteria as the ones really applied in certain cases.

40. *United States Foreign Aid in Action*, 105-106.

41. Levinson & Onis, p. 160. Based on interview material with T. Moscoso, whom President Kennedy had named Coordinator of the Alliance.

42. Schlesinger: 'The Alliance for Progress: A Retrospective', 80.

43. *United States Foreign Aid in Action*, 52-56.

44. There were obviously other organizational problems, in particular within the Chilean Ministry of Agriculture.

45. It is true that the Alliance also financed directly low-cost housing; it seems, however, that proportionally little was done for the slum dwellers, and that their problem in fact increased during the 1960s.

46. Church; 'Farewell to foreign aid: a liberal takes leave'.

47. *Latin American Economic Report* (December 23, 1977). Vol. V, No. 50, based on U.S. Department of Commerce data.

48. One of the first to present this kind of explanation was O. Sunkel: 'Esperando a Godot: América Latina ante la nueva administración republicana de los Estados Unidos', *Estudios Internacionales*, Año 3, No. 1. Editorial.

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