

THE ALLIANCE FOR PROGRESS

David Horowitz

“... a vast co-operative effort, unparalleled in magnitude and nobility of purpose.”—John F. Kennedy

WHEN President Kennedy announced the formation of a new aid programme to Latin America in March 1961, he spoke in terms that seemed to many to betoken a change in U.S. attitudes towards the ferment in the underdeveloped regions of the world. Instead of invoking the time-worn anti-communist rhetoric of the Truman and Eisenhower doctrines, which in practice had always meant defence of vested interests and the *status quo*, Kennedy set the U.S. and its new Alliance firmly behind the demand for revolutionary change:

Let us (he said) transform the American continents into a vast crucible of revolutionary ideas and efforts. . . an example to all the world that liberty and progress walk hand-in-hand. Let us once again awaken our American Revolution until it guides the struggles of people *everywhere*—not with an imperialism of force or fear—but with the rule of *courage* and freedom and hope for the future of man.

These sentiments were voiced on 13 March 1961, and on the following day the Alliance was proposed to Congress. Three weeks later on 4 April, President Kennedy himself made the decision to proceed with the planned invasion of Cuba which, if successful, would have meant a total reversal of the social revolution there, including land reform? This link between the Alliance and U.S. relations with revolutionary Cuba was by no means a fortuitous one, isolated in its significance.

It was only in July 1960, as U.S.–Cuban relations plumbed their first real *nadir*,² that Eisenhower proposed a special Latin aid programme, the forerunner of Kennedy's Alliance. Eisenhower immediately made clear that the aid would not be available to Cuba, nor would it be on anything like the scale of the Marshall Plan. The self-interested character of this project was transparent. Senator Mike Mansfield called the gesture “a callous attempt to purchase favour in Latin America at a time when we are specially desirous of obtaining it.” Latin Americans immediately dubbed the \$500 million programme “Fidel Castro Plan”? and responded with the remark “Gracias Fidel.”*

There was ample ground for Latin American cynicism on this score. In fifteen post-war years prior to U.S. difficulties with revolutionary Cuba, less U.S. economic aid went to this whole poverty-stricken

continent than to Franco Spain in the first dozen years of the U.S. aid programme there (1953–63). The Latin American **régimes** were certainly *bona fide* members of the "free world" community. Moreover, while Franco had made no real contribution economically to the U.S., the amount of capital flowing from Latin America to the United States, as a result of private U.S. investments there, alone, exceeded \$400 million annually in the years 1950–60.

Even more striking evidence that the leftward shift of the Cuban revolution was the prime factor shaping U.S. interest towards the economic plight of Latin America, is provided by U.S. reactions to the initial overtures for aid made by the Cuban leaders in the spring of 1959. At **this** time, Cuba was still governed by a revolutionary coalition which included the moderates; moreover no relations (diplomatic or otherwise) had been opened with the Soviet Union, Castro was still publicly refusing the co-operation of the communists, and expropriations of U.S. properties were neither threatened nor had any taken place. Yet, when Castro came to the U.S. in April 1959 to request a development loan (Cuba was in the midst of a severe depression), he was told that he could only have such a loan if he agreed to a "stabilization" programme. But in Argentina, four months earlier, a similar stabilization programme (directed by "the bankers of the International Monetary Fund") had been **followed** by "a dramatic fall in consumption, unemployment, wage cuts, strikes, police action"⁴ and eventually, a military *coup d'état*. As William **Appleman** Williams (the most insightful commentator on these events) has written:

It is . . . clear that American officials saw and understood the crisis of the revolution. Castro could obtain aid, but only by acquiescing in terms that would prevent him from carrying through the social revolution by denying him the use of the tool of deficit financing for handling industrialization and agrarian reform, and by imposing economic controls that would be very apt to stir popular unrest against his government. The stabilization conditions in other words, were basically designed to preserve the Cuban *status quo*, allowing only a few fringe reforms to be put into operation.⁵

On 2 May 1959, following his visit to the U.S., Castro addressed the Economic Council of the Organization of American States in Buenos Aires. Urging the necessity of radical development programmes in Latin America, warning against the danger of dictatorships of the right or left, Castro pointed out the deficiency of existing loan programmes (all of which precluded the possibility of real **development**)⁶ and asked the U.S. to undertake a new aid commitment. He asked for \$30 billion in long-term government loans for Latin America over the next ten years, or \$10 billion more than Washington was to **offer** in public and private capital aid (on its own terms, however) two years later. His request was thought to be fantastic, and to save the U.S. **embarrassment**, he withdrew the proposal. It was after the denial of

these requests that the Cuban revolution began dramatically to shift left.⁷

The above observations tend to raise the question posed in the title of this essay, namely, whether the Alliance was intended as a genuine proposal to "revolutionize" the Latin American continent, or whether it was created, rather, in order to contain a revolution which had already sunk its roots there. Proponents of the Alliance answer this question by asserting that both aims were embodied in the Alliance concept. From its inception, the Alliance proclaimed itself to be an attempt to contain the Fidelista revolution by taking its place.

The notion of a revolutionary alliance between such **non-revolutionary** groups as the U.S. Congress, the International Banks, and the ruling powers of Latin America must, however, be treated with some initial scepticism by anyone not pre-committed to the Alliance view. Castro, for his part, considered it sufficient in **attacking** the Alliance, merely to point out who the allies for progress were. In his view, this was enough to discredit the programme and to dismiss it as an attempt to insure these Latin American rulers **against** the social and political revolutions that their countries needed. With regard to more than one country, this argument was in fact irrefutable.

Eighteen million dollars in Alliance funds, for example, were committed to Somoza of Nicaragua in the first two years of the Alliance. The Somoza family had run Nicaragua as its private preserve since 1936 when General Anastasio Somoza first established his dictatorship. In these years (according to a study made for the Council on Foreign Relations) "he used his monopoly of the means of violence to promote the interests of his family. By systematic graft he accumulated vast commercial and agricultural holdings, **making** the Somozas' one of the wealthiest families in the **Americas**."⁸ In this same period the population has remained seventy per cent illiterate; per *capita* income below \$200, living conditions sub-human (fifty-five of every 100 Nicaraguan children dying before their fifth birthday) and democracy non-existent. There was no reason to expect that the **Somoza** family (the General was assassinated in 1956, the sons have taken over) would change merely because the Alliance sponsors proclaimed in vague terms the necessity for "reform." Meanwhile Alliance and pre-Alliance aid (including extensive military aid) certainly helped to stabilize the Somoza *régime*. Cynics may well observe, on the other hand, that the Somozas earned their U.S. aid money by their active co-operation in the Guatemalan coup and their provision of Nicaraguan territory for the Bay of Pigs invaders in 1961.

To dismiss the Alliance on these grounds, however, would be somewhat premature. The Somozas may be representative of "the most retrograde, the most reactionary and the most antediluvian forces in Latin America" (Castro) but many of the leaders of the other Latin American countries are not. Although it is true that these men are not

revolutionaries, there is still the unanswered question as to whether U.S. aid can function as a goad to move normally moderate forces in revolutionary postures. In order to answer this question, however, we must first ask whether U.S. aid is a revolutionary goad at all, or (taking "revolution" in a more limited sense) whether U.S. aid in the past, or under Kennedy, has ever been geared to moving underdeveloped economies into a "take-off" stage in which economic growth becomes self-sustaining?

A summary glance at the pre-Kennedy years indicates a clear and decisive answer to this question. Since the Marshall Plan, the U.S. has spent about \$50 billion on foreign aid. Of this, some \$30 billion went for military equipment; "of the remaining \$20 billion, about eighty-five per cent was also military in that these funds were made available to support the budgets of nations . . . that have undertaken a scale of military effort far greater than they can afford." Of the \$5 billion left, \$3.5 billion was spent on development loans and \$1.5 billion on technical assistance in the fields of health education and welfare.⁹ Since the aid went to about ninety countries, it is clear that economic development towards sustained growth was not a serious goal of the programme.

President Kennedy implied as much when he called for a revision of aid concepts in his first special message on foreign aid (March 1961) and declared that the 'sixties were to be a Decade of Development in which the developed countries of the world must provide the capital necessary to develop the underdeveloped countries and prove that "economic growth and political democracy can develop hand in hand." The ensuing period, however, has seen a shrinkage rather than a growth in the U.S. aid programme, a greater emphasis on loans as opposed to grants, and on the security interests of the U.S. rather than economic development. In November 1963, President Kennedy himself defended the foreign aid programme against domestic critics by pointing out that ninety per cent of foreign aid was spent on U.S. products, that foreign aid created 500,000 jobs and that it made possible the maintenance of 3.5 million allied troops along the communist perimeters.¹⁰ The mood of Congress towards the programme was accurately expressed, according to the *New York Times*, by Senator Aiken, internationalist and long-time supporter of foreign aid, when he said:¹¹

But why shouldn't we concentrate our (aid) effort on the Western Hemisphere and certain other areas where we have mutual interests? . . .

But why should we pay for economic aid to the Congo where we have practically no investment? Why should we, in effect, guarantee their (the Belgian and the British) investment?

Having thus set the U.S. foreign aid programme in its proper perspective, we are in a position to consider the situation in Latin America

itself, and in particular, those factors which make social revolution such an urgent item on the Latin American agenda.

With an annual per capita income of under \$200, Latin America¹² easily qualifies as one of the world's "underdeveloped" regions. As in most areas which have been prey to the economic imperialism of the north, the countries of Latin America are primary producers of raw materials. Their economies, in the main, are dominated by the production of a single crop and lack the industrial bases and modern infrastructures necessary to achieve self-sustaining growth.

The land, which ought to be a primary source of wealth in this area ("more cultivable high yield tropical soil than any other continent, at least three times as much agricultural land per capita as Asia")¹³ is kept unproductive by the latifundia system which dominates the continent. The nature of this system is expressed in the simple fact that ten per cent of the population of Latin America owns ninety per cent of the land.¹⁴ The large estates, or *latifundia* are mostly held in reserve by their owners and used for speculation; the small plots or *minifundia* are too small to be economically productive, indeed scarcely feed the families which till them.

Illiteracy on the continent, as a whole, is above fifty per cent, sanitation and housing conditions are hopelessly below the minimum adequate levels, and the annual death toll due to curable diseases is of staggering proportions. Moreover, the economic situation, which is the root of this misery, is rapidly deteriorating.

Since 1952 there has been a general and steady decline in the world price of raw materials which has affected drastically the area's income. Coffee, for example, yields six Latin American countries (including giant Brazil) more than one-half of their foreign revenues. Trade statistics show that a drop of one cent per pound in the price of green coffee annually means a loss of \$50 million to Latin American producers. Since 1954, the price of coffee has been more than halved.¹⁵ Indeed, the Committee of Nine of the Inter-American Economic and Social Council (a key agency of the Alliance) conservatively estimates that since the period 1950-53, the loss to Latin America due to the fall in export prices and the rise in import prices (for capital goods) has been approximately \$1.5 billion per *annum*.¹⁶

Largely as a result of this loss of revenues, the average annual growth rate for the area has declined sharply since 1940-50 when it was 3.5 per cent, despite a net influx of foreign capital between 1955 and 1961 of \$8 billion.¹⁷ Thus, in 1960-61, the year before the Alliance, the growth rate for Latin America hardly went above one per cent (in the immediately preceding years it was even lower). At the same time, the population of the area was increasing at a rate of 2.8 per cent.

To cope with this situation the Alliance, whose formal Charter was signed at Punta del Este on 17 August 1961, proposed to utilize \$20 billion in foreign capital (including \$10 billion in U.S. Government

funds and \$300 million annually in U.S. private capital investment) and \$80 billion in capital provided by the Latin Americans themselves, over a ten-year period, to finance an economic growth rate of 2.5 per cent.¹⁸ An essential element in the success of this **plan**, formally recognized as such by the Alliance Charter, was the carrying out of those social and economic reforms necessary to free the productive forces of the continent.

Before proceeding to a consideration of the key points of this programme of reform, it might be well to look at the recommendations as a whole. In the main they called for the alleviation of the most glaring inadequacies in diet, housing and health, the improvement of agriculture through diversification of agriculture, broadening of land ownership, expansion of cultivable acreage and increasing of modern farming techniques, the expansion of industries, the elimination of illiteracy and education of technicians, the enlargement of existing systems of ~~transportation~~ transportation and communications, assurance of fair wages and **satisfactory** working conditions, reform of tax laws, stabilization of the prices of basic exports, and acceleration of the economic integration of Latin America.

With few exceptions, this same programme was prescribed for Cuba by the Foreign Policy Association in 1935, by the World Bank in 1950, and by the United States Department of Commerce in 1956. One can understand, therefore, the comment of Arnold Toynbee (who restricted his observation to a single, but in his view critical, item on the agenda): "Perhaps," he said, "it does need a revolutionary explosion of fifty-megaton power to blow up the... road-block that has hitherto obstructed both economic and social progress in Latin America so grievously."¹⁹

Which brings us to specifics. In his speech, President Kennedy stressed the absolute necessity of social reforms, particularly **land** and tax reforms, if the goals of the Alliance were to be achieved:

For unless necessary social reforms, including land and tax reform, are freely made--unless we broaden the opportunity for all our people--unless the great mass of Americans share in increasing prosperity--then our alliance, our revolution and our **dream** will have failed.

With regard to land reform, observers like Toynbee were even more specifically categorical: "In Latin America, agrarian **reform** is the *necessary starting-point* for political, economic, and social change alike" (emphasis added). Writing in 1962, Toynbee also noted that "the resistance to the redistribution of the *latifundia* has, so far been astonishingly and distressingly successful." The reason for this success has not been probed deeply by spokesmen for the Alliance, who generally have spoken in terms of inertia, the failure of the "idea" of the Alliance to take hold; in a highly revealing passage, the Committee of Nine²⁰ complained, for example, that the revolutionary nature of the Alliance

had not caught on "because the leaders (i.e. rulers—D. H.) of Latin America have never presented it as such to their people."²¹

Two Marxist critics (Huberman and Sweezy) have offered a structural explanation for this pass, which if correct must go a long way in dampening hopes for any future reversal, or for any real reform in Latin America short of a fifty-megaton revolution. For they suggest that it is vain to look towards an urban bourgeoisie in Latin America to push through land reforms in the name of economic efficiency. According to their analysis, there is no bourgeoisie independent of the latifundists; through cross-investments and intermarriages, they have become one and the same group. Further,

. . . it is very doubtful whether any Latin American bourgeoisie has the will or discipline to impose drastic reforms on itself. This explains, for example, the otherwise baffling fact that Brazil, where industrial development has gone farther and faster in recent years than anywhere else and where an expansion of agricultural production has become a matter of extreme urgency, nevertheless does nothing but talk about agrarian reform."²²

Whether, in fact, this analysis and its conclusions hold rigorously for every one of the nineteen republics is beyond the scope of the present essay. One important illustration of its validity, however, which may also serve as an introduction to what the U.S. means by land reform (there are several varieties) is the agrarian programme instituted by Guatemala in 1952–53.

The men who attempted to carry through this reform were middle-class social democrats; the target of the reform was 200,000 acres (eventually 400,000) of uncultivated land owned by the United Fruit Co. (hardly a feudal remnant). The Guatemalan Government agreed to pay 3600,000 compensation in three per cent, twenty-five-year bonds, an amount equivalent to the assessed value of the land recorded in 1952 for tax purposes. This payment was termed unacceptable by the company, which was backed by the U.S. Government. The U.S. contended that the compensation offered did not conform to the minimum standards of just compensation prescribed by international law, and proceeded to file a claim of \$16 million against Guatemala for the expropriated properties.²³ The dispute was settled after the U.S. engineered a *coup d'état* that toppled the reform-minded régime; the junta which succeeded it immediately returned the lands to United Fruit.

A similar set of events occurred in Cuba. On 17 May 1959 the Agrarian Reform Law was promulgated prohibiting anyone from owning more than 995 acres of farm land or 3,316 acres of ranch land; compensation was based on assessed values (provided by the owners and firms themselves for tax purposes) payable in twenty-year bonds at about four per cent interest.

Hardest hit U.S. companies (commented *Time*) are Atlantica del Golfo (with 500,000 acres), the Rionda group (330,000), United Fruit Company (270,000). . . . The companies were officially silent, privately frantic. "This isn't expropriation," cried one sugar executive. "It's confiscation."

On 11 June, a U.S. note was delivered to the Cuban Government which, while acknowledging Cuba's right to expropriate foreign-owned property reminded Cuba that "this right is coupled with the corresponding obligation for prompt, adequate and effective compensation." But, as William Appleman Williams has observed:

. . . no poor or developing country has the funds for "prompt, adequate and effective compensation. . . ."

Hence the American demand is relevant only as a vehicle for the implied threat that the United States will resort to other means if its formal injunction is not honoured. This meaning was only slightly veiled in the note to Cuba. The United States made it clear that it would "seek solutions through other appropriate international procedures" if Cuba did not meet the American conditions.²⁴

This same Cuban land reform, according to Toynbee, is "one of those acts of the present Cuban revolution that have set a standard—and a pace—for reform in the rest of Latin America." This is especially so, because "so far the Cuban revolution has not followed suit to the Mexican and Bolivian revolution or the abortive Guatemalan revolution in its agrarian policy."²⁵ For in Toynbee's view, these revolutions failed to carry through their agrarian reforms for reasons very closely related to the analysis of Huberman and Sweezy.

In the past, notes Toynbee, the benefits of civilization were monopolized by a small oligarchy of big landlords. These benefits could not be extended to the huge depressed majority without a political and economic revolution. The revolutions which broke the power of the oligarchs were carried out by the "middle class." But this class did not move to share the benefits of civilization with the rest of the depressed majority. Instead, the middle class itself

. . . has appropriated almost the whole of the increased production which the first phase of the Industrial Revolution has generated; and, in consequence, the great majority of mankind has experienced no appreciable change for the better as a result of the middle-class revolution. . . . From the majority's point of view, what has happened has been merely the replacement of landlord oligarchy by a middle-class oligarchy. The hopes that the masses cherished have been frustrated by the middle class itself as soon as it has ousted the landlords from the saddle and has taken their place.²⁶

In Mexico, for example, the redistribution of the land was the first item on the agenda of the revolution for the first thirty years of its course. During the last six years of these thirty, President Cardenas carried out redistribution whole-heartedly. But after Cardenas' term,

the **Partido Revolucionario Institucional**, which had been the sole party in power since 1930, "without any breach of solidarity," openly proclaimed "the Mexican Revolution's *volte-face*." "In 1950, the P.R.I. officially discarded the concept of the class struggle and 'democracy of the workers and agrarians' in favour of the 'ideal of the middle classes.'"²⁷ In this year (1950) 42.2 per cent of Mexican workers on the land were still landless, as against only 29.2 per cent who were *ejidarios* (in co-operatives) and 26.5 per cent who were owner-operators. Less than one per cent of all farms in private hands occupied seventy-six per cent of the total farm land in private hands.²⁸ Among the wealthy land-owners was the son of the revolutionary General Obregon, now a governor of one of the northern states (his land irrigated at government expense).

Toynbee is more optimistic than Huberman and Sweezy, as he feels that there is a good deal of hope that the middle classes will move "voluntarily to help the industrial and agricultural labouring class to attain the middle class standard of living." If the middle class refuses this opportunity, however, the outlook is bleak:

In the light of past experience, it is, I think, safe to say that, whenever and wherever the middle class tries to sit on the social safety-valve, it is going to bring on itself, sooner or later, the nemesis of being blown sky high.²⁹

These observations pinpoint a critical role that the Alliance for Progress was conceived to play. As President Kennedy warned on the first anniversary of the Alliance,

. . . those who possess wealth and power in poor nations must accept their own responsibilities. They must lead the fight for those basic reforms which alone *can preserve the fabric of their own societies*. Those who make peaceful revolution impossible will make violent revolution inevitable. (Emphasis added—Speech, 13 March 1962, Anniversary of Alliance.)

What then can be said of the kind of "peaceful revolution" that Kennedy and the Alliance sponsors envisaged? Before answering this question we must ask what kind of revolution have they been able to induce?

In terms of land reform, the answer is very little "revolution" at all. After two years, land reforms, according to the *New York Times* (18 August 1963) "were on the books in ten countries" but "no substantial progress (as of July 1963) had been made in practice." Of these ten countries, moreover, five had had land reform programmes prior to the Alliance for Progress. (Mexico, since 1917, Bolivia and Guatemala since 1953, Venezuela since 1954 and Colombia since 1961.) The experience of these countries, and two in particular, Guatemala and Venezuela, suggested an even more negative outlook than the figures indicated.

In Guatemala, as we have seen, the U.S. Government frustrated the

beginnings of really effective land reform. Toynbee, it should be noted, sees a great deal of promise in the fact that since 1954, "the United Fruit Company has . . . handed over a large part of its land reserves . . . to the present counter-revolutionary régime for continuing . . . the colonization work that the previous revolutionary régime had initiated. This is a prudent recognition of the persisting force, in Guatemala, of the demand for social justice."²⁰ But according to a student of agrarian reform in Latin America (Andrew Gunder Frank), "at the rate at which land was distributed in Guatemala in the post-Arbenz years (1955-61), it would take 148 years for all peasant families to receive some land—if there were no population growth in the meantime."

The Venezuelan programme, which was much heralded in some quarters, showed similar results. In March 1963, *Time Magazine* reported that 50,000 families received 3.5 million acres of land under the Betancourt programme. However,

In a report recently published jointly by the Venezuelan National Agrarian Institute, the Ministry of Agriculture, the Agrarian Bank and the National Planning Office, it appears that in the last twenty-five years, all put together, no more than 1.4 million acres have been distributed to 35,622 families. . . . On the other hand, it is true that 3.5 million acres were expropriated and paid for, often at exorbitant prices and in cash amounts in excess of the maximum prescribed by law.²¹

One characteristic of the Betancourt programme of land reform and of land reforms in general promoted by the U.S. (e.g. abortively in South Vietnam) is that they are mainly *resettlement* programmes. They do not involve the break-up of large estates, but the buying of virgin lands, their reclamation, and the transfer of peasant populations to these previously uninhabited areas. Aside from the callousness of transferring indigenous peasant populations from the soil to which they have been attached for centuries, such "reforms" have serious economic and political drawbacks. In particular, they do not break the political power of the oligarchs. Hence, the oligarchs are able to resist adequate land-taxation and land-utilization.

For these reasons (writes Toynbee) a frontal attack on the *latifundia* would surely have to be made for the sake of economic efficiency and fiscal equity, even if all the landless agricultural workers and all the owners of economically non-viable *minifundia* could be provided for by the opening up of potentially rich virgin lands.²²

Tax reform presents a similar story. To be sure, as of 30 June 1963 eleven Latin American countries had passed new tax laws to increase revenues. It would be somewhat utopian however to expect the same ruling groups that opposed land reform (even with compensation) to impose *significant* new taxes on themselves:

(In Guatemala.) The new income tax law stands in lieu of an old business profits tax that went as high as forty-four per cent. But where the old **tax**

was simple and had relatively few loopholes, the new is riddled with holes. American experts and local lawyers agree unanimously that business has reaped a bonanza with this "tax reform" because it will be paying less this year than the years before under business-profits tax.²³

Even where reforms were not as fraudulent as this, taxes could not be raised too high (the most radical reform, in Ecuador, called for a fifteen per cent tax on corporate profits) without conflicting with a major objective of the Alliance, namely "To stimulate private enterprise." For one of the chief lures for private foreign capital is the extremely low tax-rate throughout the area.

If the Alliance failed to stimulate the enactment of significant reforms, it is not surprising that the minimal goals of economic growth were not approached either. Indeed, in the second year of the Alliance, Latin American growth, taken as a whole actually declined to between 0.6 and one per cent, which was less than the 1961 levels and not even half the modest Alliance goal of 2.5 per cent. Moreover, eleven nations were in the grip of inflation after two years, private foreign investment had declined (despite "guarantees" to investors against revolution and expropriation)²⁴ and the foreign debt had attained "grave proportions" in some of the countries. Such was the picture drawn by the President of the Inter-American Development Bank.

A failure to reach any accord on stabilizing commodity prices of exports (more than fifty per cent of which are sold to the U.S.) further exacerbated the situation. At the third annual meeting of the governors of the Inter-American Development Bank, Finance Minister Jorge Mejia Palacio of Colombia said his country had lost two to three times as much foreign income from falling coffee prices as it had received in Alliance for Progress credits. Until there is a long term world coffee pact, Senor Mejia asserted, "the help that is given to us, however generous it may be, will not be blood to vitalize our economies, but simply tranquilizers to avoid total collapse." (New York *Times*, 23 April 1962.)

In his speech on the first anniversary of the Alliance, President Kennedy took note of the already present signals of distress and departed from his prepared text to say that those who were discouraged should remember the condition of Europe at the outset of the Marshall Plan. In November 1963, after the São Paulo conference to evaluate the first two years of the Alliance, he drew the same parallel. The comparison, however, cuts both ways.

At a symposium held in June 1962, Felipe Herrera, President of the Inter-American Development Bank (one of the key agencies of the Alliance) also referred to the reconstruction of war-torn Europe, but with the contrary intention of warning his listeners against making facile analogies. First, he noted that the Marshall Plan was aimed at the reconstruction of developed economies, whose productive capacity had

been partially destroyed by war. Second, the Marshall Plan represented only a part of total U.S. aid to post-war Europe, some \$10.3 billion of \$24 billion given between 1945 and 1951.

"During a six-year period, therefore, the flow of U.S. public resources to Europe averaged some \$4 billion per year. In the case of the Alliance for Progress, the flow of U.S. public funds during the decade of the 1960's, is expected to total some \$10 billion or an average of \$1 billion each year." Furthermore, Herrera noted, "approximately ninety per cent of the total funds invested in the Marshall Plan was in the form of outright grants, the ten per cent remaining consisting of loans." In the Alliance for Progress, only thirty per cent of the funds invested were to be in the form of outright grants, while seventy per cent were to consist of loans.²²

A difference omitted by Herrera, but significant none the less, was the attitude of the aid recipients towards the success of the project. The feeling among members of Latin America's economic *élite* was summed up for a Congressional Committee in May 1962 by a U.S. businessman:

The absence of confidence by Latin America's business *élite* and ruling groups is vividly demonstrated by their own export of capital which, over the past decade, has been in excess of \$10 billion. In passing, may I say that this \$10 billion represents the amount of flight capital in numbered bank accounts in Switzerland alone. My New York banker friends tell me that the amount of flight capital on deposit in New York, or invested in American securities or bonds, is probably equal to another ten or twelve billion dollars.²³

This absence of confidence by Latin America's business *Clite* was in effect a confession of their inability to impose the reforms on themselves which were necessary to make the Alliance work. And indeed, as the U.S. trade-unionist Sidney Lens reported in November 1963, the dependence of the Alliance on such men was in large measure responsible for its failures:

We have been pushing for a "revolution" from the "top-down" rather than from the "bottom-up." We have been asking the oligarchs to sign their own death-warrants by agreeing to land reform, tax reform, and other innovations that will depress their own status. They have replied to our proddings by ruse and fraud.

But this raises a critical question. Why, in fact, did the U.S. insist from the very beginning of the Alliance, on "pushing for a revolution from the 'top--down' "? The orthodox answer (the Alliance is seeking to buy a revolution without having to pay the price of violence), could hardly stand in the face of such massive indifference to reform as was evidenced from the beginning by the Latin American oligarchies. For in Latin America the *status quo* itself is violence, the overall infant mortality rate being four times that of the U.S., the deaths due to

curable diseases numbered in hundreds of thousands per year and the deaths from hunger (not to mention premature old age nor the executions carried out by political police in such Alliance countries as Nicaragua and Haiti) adding equally shocking figures to the sombre toll.

The reason for the United States' unwavering insistence on a "revolution" from the top-down, rather than waiting for, or encouraging the already present tides of revolutionary populism³⁷ to sweep the oligarchs away, becomes evident when we view two little noted aspects of the Alliance programme. For these two aspects preclude by their very nature any radical land and tax reform or rapid economic growth. And because they preclude what have been proclaimed as the two key goals of the Alliance, they suggest that these may not in fact be the real, that is to say, the primary purposes for which the programme was constructed.

The first aspect of the Alliance programme which demands our attention is a section of the U.S. Foreign Assistance Act, which is designed to forestall any radical land or tax reform aimed at U.S. corporations abroad. Since U.S. corporations have large investments in every important area of Latin America, any such injunction is of fundamental significance. According to Section 620 (e) of the Foreign Assistance Act of 1962, the President is instructed to cut off all foreign aid to any country which either nationalizes or places excessive tax burdens upon corporations operating on its territory over fifty per cent of whose stock is owned by Americans; the President may continue aid to such countries only if "equitable and speedy" compensation is given, or rescinding of the taxes takes place within six months.

Under the terms of this Act the \$3 million aid programme to Ceylon was terminated in the spring of 1963, six months after that country had nationalized several oil companies owned by U.S. citizens. The Ceylon Government had offered to pay compensation for the companies in bonds, but both the amount and form of the payment was termed unacceptable by the companies, and hence aid was ended.

The importance of the Act for the Alliance for Progress was made crystal clear even before the Ceylonese case when the Government of Honduras passed an agrarian reform law on 30 September 1962, that would have affected land owned by the United Fruit Company, which dominated the economy of the republic. The United Fruit Company was disturbed by the fact that payment would be in interest bonds and not cash. Of course, no underdeveloped country can possibly pay "promptly" or in cash; indeed, the whole aim of land reform within the context of a national development programme is to earn the capital for which, in the present, there is such a crying need. Thus it is highly significant that when the Honduran question was raised in the Senate on 2 October, the Senators who spoke unanimously supported the viewpoint of the United Fruit Company; the Liberal Senator Wayne Morse,

chairman of the all-important subcommittee on Latin American Affairs, expressed their consensus when he said:

The Senator from Iowa (Hickenlooper) pointed out that it is contemplated that some script or bond or paper may be offered in payment for this property. Mr. President, there is only one compensation that means anything, and that is hard, cold American dollars.²²²

In view of the fact that it is an announced aim of the Alliance to revolutionize the continent, and to do this by promoting land reform, diversification of agriculture and rural development through **co-operatives**, it does not seem far-fetched to expect that the Alliance itself would make funds available to the Government of Honduras in order to compensate the United Fruit Company. It is of further significance therefore, that Morse's remarks made painfully evident that such a conception of the Alliance would be unthinkable, even to Liberal Congressmen.

... We must make clear to American investor that if there is a seizure of their property they will get fair compensation. If they do not get fair compensation, we do not propose to take American tax dollars and pour them into any country by way of foreign aid, so that they will in effect get a double **take**—the property of American investors and the taxpayer's money.

Far from retreating from this position, in the following year Congress added a new amendment making any country which terminated contracts with U.S. companies ineligible for foreign aid. The amendment was aimed at the nationalist governments of Peru and especially Argentina, where oil concessions granted illegally by the Frondizi Government in 1958, were cancelled by the newly elected Illia Government in 1963.²²³

If the Alliance had built into it resistance to land and tax reforms (not to mention national development of national resources, since a large proportion of Latin America's resources are exploited by foreign private firms), there was an equally forbidding structural block to economic growth. This block was the emphasis (shared by the U.S. and the banks of the Alliance) on monetary stability, meaning balanced budgets. But this kind of stabilization, as was pointed out in regard to Cuba earlier, ruled out "**the** use of the tool of deficit financing for handling industrialization and agrarian reform." The result of such stabilization on economic growth was noted in a New York *Times* report (Int. Ed. 25 March 1963) on Colombia, which in the early days of the Alliance had been singled out as a prospective "showcase" country:

... if the U.S. has shown strong interest in helping Colombia, a main reason has **been** her relatively stable currency. Aid from abroad is deemed essential to the country's development.

What is now being realized, however, is the difficulty and even the

contradictions involved in an austerity policy in an underdeveloped country that is trying to grow.

One diplomat observed recently, that the U.S. and the International Bank for Reconstruction and Development had pressed the Government to balance its budget as a condition for helping it with development funds.

But to cut spending by the one billion pesos of the annual government deficit would be to cut back the national product—because of the multiplying effect Government spending has—by ten to fifteen per cent.

(One irony of this is that in a country like Brazil, where inflation was really rampant—the cost of living rose 100 per cent in 1963—not even the severest pressures of the Alliance banks could stem the tide. To be sure, aid was cut and resumed only in exchange for pledges that austerity would be imposed, but the Goulart Government found it impossible to impose measures against either labour or capital, because of the balance of military and political forces within the country. Moreover, in the absence of the tax, land and administrative reforms necessary to provide the Government with revenues, the State resorted to printing money, thereby increasing the inflation.²⁹ Meanwhile, the Alliance sponsors found the prospect of Brazil's total collapse frightening enough to warrant a continuation of the resumed aid even in the absence of the necessary countervailing measures. In this way \$700 million in foreign credits—half Alliance monies—to Brazil, resulted in a dramatically lower growth rate—about one per cent as compared with six per cent—than in the years prior to the Alliance. As Brazil contains one-third of the population and more than half the land area of Latin America, what happens there, naturally, is of primary significance.)

This evident concern for preventing any inflationary pressures (even economically "healthy" ones) is motivated of course by a primary concern for creating the proper climate for foreign investment, as indeed the *Times* article indicated.

This preoccupation with the climate for foreign private capital even to the point where it conflicted with the claims of national integrity and economic growth can only be understood in the context of the Alliance's own priorities. It is here that we are finally able to understand the negative stance the U.S. has taken towards radical reforms and deficit-financed economic growth, as well as its insistence on making a "revolution" from the top—down no matter how reactionary the top may show itself to be.

In an address before the fourth Annual Institute on Private Investments Abroad and Foreign Trade, 31 May 1962, the U.S. Co-ordinator of the Alliance, Teodoro Moscoso, made clear the priorities of the programme:

... I would say as emphatically as I can that private enterprise—local and foreign—must respond if the Alliance is to succeed... must respond by building the factories, the marketing and the service companies which are

the manifestations of mature, developed economies. If the private sector fails, then our own public aid programmes will have little effect. We may build some impressive monuments in the decade of Alliance development—dams and highways and schools, but unless the great impetus of the Alliance carries over into the private sector. . . unless the private and corporate savings of Latin America find their way into productive reinvestment rather than into Swiss banks and high living—then I fear that the great hopes born of the Charter of Punta del Este will be deeply disappointed.

In other words, the government to government aspect of the programme or public aid, is designed to build the infrastructure for a developed economy while the role of private capital is to develop it.

This is borne out by a breakdown of the aid given, for example, to Mexico in the first two years of the Alliance. Of \$700 million committed, \$345 million was in the form of stand-by credits to bolster the peso, which could be drawn upon only in a grave monetary crisis. Another \$80 million in credit was specifically for U.S. exporters engaged in trade and \$14 million went to private borrowers through the Export-Import Bank. Finally, \$266 million was promised for development projects (health, housing, schools, water systems, roads, etc.).⁴⁰ It should be noted, perhaps, that of \$1,500 million disbursed in the first two years of the Alliance, \$600 million was in the form of loans from the Export-Import Bank, i.e. loans for the purpose of buying U.S. products, and \$150 million was furnished in the form of surplus food, under the "Food for Peace" scheme, "a programme which frequently operates on the basis of dumping, causing incalculable harm to local producers."⁴¹

In yet another speech, this time before the Detroit Economic Club on 1 April 1963, Mr. Moscoso reiterated the basic philosophy of the programme from a slightly different point of view. Dealing with what he called the myth that "all that Latin America needs is a friendly climate for private enterprise . . . and the job that the Alliance for Progress is trying to do will be done," Moscoso said: "This view disregards the need for building roads, ports, power plants and communications systems which must be built at least in great part with public funds and which in many areas are a prerequisite for the effective and profitable investment of private capital."

Latin America had, of course, a very bitter experience with regard to private capital and the dearth of an infrastructure, which Mr. Moscoso did not mention. To cite a typical example, in Guatemala in 1954, ninety per cent of the electrification was in the capital city. Four-fifths of the electric power of the country was generated by a U.S. owned electric company which refused to take the risks involved in bringing electricity to the rest of the country. In Brazil, the U.S. owned telephone company was so inefficient that in 1962 there were 700,000 people on waiting lists for telephones.⁴² When Governor Leonel Brizola of the State of Rio Grande do Sul expropriated a telephone company

belonging to I.T. & T., resolutions in the House and Senate were offered **calling** for a halt in aid. The issue was finally settled between the central Brazilian Government and the U.S. when "adequate" compensation was agreed upon.

It should be clear from the foregoing that the Alliance for Progress was conceived with a double rather than a straightforward single commitment. Its double commitment was to develop Latin America *through* the influx of private capital and to utilize public funds only in areas which were not directly profitable or where the risks for private enterprise were too great. Moreover, where there was **conflict** between the means (private capital) and the ends (economic development), it was inevitable from the very structure of the programme, that the latter, that is, the "goal" itself, would be sacrificed. And indeed, at the São Paulo conference to review the first two years of the programme, one Brazilian delegate noted the new U.S. legislation against nationalization of U.S. foreign-based oil companies and said, "It proves one fact, social reforms and private investments don't mix." In recognition of this fact, it was decided that Alliance loans would be channelled through one inter-American agency which would direct them towards strictly economic development projects; social reforms would **not** be a pre-requisite. As one Brazilian commentator concluded, "The *Alianza* was born in Punta del Este and died in **São Paulo**."⁴³

Here we have the answer to our questions. For it must now be clear that the Alliance for Progress was, in fact, formulated with the purpose of heading off the social revolution in Latin America. It was formulated, moreover, not with the intention of replacing the revolution, but with preserving the basic property structure (albeit with the minimal but necessary modifications needed to survive) and, in particular, the stake of U.S. private capital on the continent. This stake, as New York **Times** editor Herbert L. Matthews pointed out in 1959, is by no means small, nor limited to the well-being of individual firms:

About one-quarter of all our exports go to Latin America and one-third of all our imports come from the area. **U.S.** private investments in Latin America now reach the amazing total of \$9.5 billion. . . . At every point it has to be said "If we did not have Latin America on our side our situation would be desperate." To be denied the products and the markets of Latin America would reduce the **U.S.** to being a second-rate power.

To ignore these facts and instead to talk of a desire to buy a revolution in order to avoid paying the price of revolutionary violence is the sheerest hypocrisy when placed against the abortive U.S. attempt to launch a civil war in Cuba in April 1961. It is absurd, moreover, when set against the background of U.S. arms aid to Latin America which amounted to **\$700 million** between 1945 and 1963. In 1955, the Colombia Liberal Party leader Eduardo Santos asked:

Against whom are we Latin Americans arming ourselves?... what we are doing is building up armies which weigh nothing in the international scale but which are juggernauts for the internal life of each country. Each country is being occupied by its own army.

But this is just the point. The traditionally right wing army is the guarantor of stability in Latin America in the eyes of the oligarchs and their U.S. partners. Only this desire for stability, for preservation of the essential status quo, can explain why the Kennedy Administration gave diplomatic recognition to all seven military coups against constitutional régimes which took place during its existence, or why Alliance funds were forthcoming to the military dictators in Paraguay, Nicaragua and Haiti, to the military juntas in Argentina, Peru, Ecuador, El Salvador and Guatemala, despite Kennedy's much vaunted declaration that the Alliance was "an alliance of free governments" designed to work "to eliminate tyranny from a hemisphere in which it has no rightful place."

In sum, from the very beginning of the Alliance, its U.S. sponsors have faced a considerable and ever growing task in holding back the nationalism of Latin American bourgeoisies, while at the same time coaxing them to accept "safety-valve" reforms, in restraining the more reactionary of the powerful army leaders, while at the same time depending on them for "stability," and in maintaining this triple alliance against the revolutionary populism of the Latin American masses.

The primary policy of the U.S., not only in Latin America, but in the underdeveloped world generally since World War II, has been "containment" in an anti-revolutionary sense. As Toynbee wrote in 1961, "America is today the leader of a world-wide anti-revolutionary movement in defence of vested interests." This is no less accurate a characterization of the post-1961 state of affairs. The primary goal of the Alliance, from the very first, was not progress, but preservation—or more accurately, and with emphasis on the tactical changes introduced by Kennedy—progress only in so far as it was necessary for preservation.

NOTES

1. Cf. Szulc and Meyer, *The Cuban Invasion*, New York, 1962.
2. On 26 June the U.S. cancelled the sugar quota, on 6 July Cuba began seizing U.S. properties, on 11 July Eisenhower made his proposal.
3. C' Arnold J. Toynbee, *The Economy of the Western Hemisphere*, 1962, pp. 55-6; Szulc and Meyer, *op. cit.*, p. 63.
4. Paul Johnson, "The Plundered Continent," *New Statesman*, 17 September 1960.
5. Wm. A. Williams, *The United States, Cuba and Castro*, New York, 1962, p. 102. Besides being a brilliant essay on "the dynamics of revolution and the dissolution of empire," this is a thorough-going refutation of Draper's untenable theses.
6. Cf. Williams, *op. cit.*
7. *Ibid.*, p. 110 *et seq.*
8. George Lieuwen, *Arms and Politics in Latin America*, New York, 1961, p. 160.
9. Howard Rusk in the *New York Times*, 5 April 1963. Rusk was a member of the Clay "Committee to Strengthen the Security of the Free World," appointed by the President to review the foreign aid programme.

10. New York Times, Int. Ed., 9 November 1963.
11. New *York Times*, Int. Ed., 4 April 1963.
12. "Latin America" is by no means a homogeneous entity. Some of the countries which comprise it are very large, some very small, some have per capita incomes of over \$500, some \$80; some have fairly advanced industrial complexes, others almost none at all, some are inhabited mostly by Europeans, others have large Indian and Negro minorities. Nonetheless it does make considerable sense to speak of the area as a whole, and this is all that present space permits.
13. Johnson, op. *cit.*
14. Toynbee, op. *cit.*, p. 31.
15. New York Times, 29 April 1962.
16. Report of September 1962, cited in Alonso Aguilar, "Latin America and the Alliance for Progress," Monthly Review pamphlet, New York, 1963.
17. Aguilar, op. *cit.*; New York Times, 13 November 1962.
18. i.e., a growth rate of 5.3 per cent less 2.8 per cent population growth.
19. Toynbee, op. *cit.*, p. 34.
20. The Committee of Nine is composed of experts who establish norms for the Alliance's development programmes and evaluate them.
21. Aguilar, op. *cit.*
22. Monthly Review, March, 1963.
23. Foreign Capital in Latin America, Report of the U.N. Department of Economics and Social Affairs, New York, 1955.
24. Williams, op. *cit.*, pp. 127-8.
25. Toynbee, op. *cit.*, p. 33.
26. *Ibid.*, pp. 20-1.
27. *Ibid.*, pp. 32-3.
28. *Ibid.*, cf. also A. G. Frank "The Varieties of Land Reform" in Monthly Review April 1963.
29. Toynbee, op. *cit.*, p. 23.
30. *Ibid.*, p. 13.
31. Frank, op. *cit.*
32. Toynbee, p. 34.
33. Sidney Lens, "Building on Quicksand," The Commonwealth, 1 November 1963.
34. New York Times, Int. Ed., 12 November 1963.
35. William Manger, Ed., The Alliance for Progress: a *Critical Appraisal*, Washington, 1963, pp. 45-7.
36. Congressional Record, 87th Congress, 2nd session, 10 and 11 May 1962, cited in Monthly Review, October 1962.
37. The Communist parties, it should be emphasized are reform-minded, weak, and generally isolated from the mainstream in Latin America.
- 37a. Congressional Record, 87th Congress, 2nd session: pp. 20457-60, cited in N. Gordon Levin, Jr., "Our Men in Honduras", Dissent, Autumn 1963.
38. New York Times, Int. Ed., 12, 16 November 1963.
39. New York *Times*, Int. Ed., 21 November 1963.
40. Hispanic-American Report, April 1963. This is an excellent source of information on the **current** situation in Latin America. Published in Stanford, California. The Alliance built 140,000 new homes in the **first** two years; but according to an O.A.S. Report (1953), eighty per cent of the rural population of Latin America lived in housing that met none of the minimum hygiene requirements—cf. Manger, op. *cit.*, p. 33. The housing deficit, in the words of the New York Times, is "unmeasurable" and "increases by an estimated million units annually, or twelve times faster than what the Alliance has been able to **provide**." (18 August 1963.)
41. Aguilar, op. *cit.*
42. New York Times, 31 March 1962.
43. Newsweek. 25 November 1963.