

# Putting the Ivy into Policy: Academics and the Alliance for Progress

## *Developing Policies*

During a 1996 presidential debate, Bill Clinton remarked that his economic plan was better than that of his rival, Bob Dole: "Everybody who's looked at it [Dole's economic plan], 500 economists, seven Nobel prize winners, say it's bad for the economy."<sup>1</sup> It is easy to assume that Clinton was merely using this sound-bite to paint a technical gloss on something that he knew little about; he could only hope his own economic plan would succeed. To many, Clinton's nod to academia was not a statement of the irrationality of Dole's plan, but an attempt to buy American votes. Or was it?

In some circles, the two most vilified sectors of the country are the cloistered academics and the all-powerful, invisible policy-makers. Academics produce reams of theories, observations, and reviews which are often maligned for being directed at a small audience. Frequently, theoretical research is denounced for having little application in the "real-world,"<sup>2</sup> yet policy is inherently involved in the "real world." Most economic and foreign policy is developed in a largely secretive fashion — resulting in final policies that are often perceived by outsiders (including academics) as "random."

Many observers bemoan the fact that economic policies seem to be developed *ad hoc* or based on seemingly random negotiations. One cannot understand economic policy formation by assuming that economic policy-makers of all countries attempt to model the way their citizens would best benefit from trading arrangements. Economic policies can be more accurately represented by the use of "indifference curves" of various actors, who endeavor through negotiations to find a solution that is part of a "core" set of "win sets" that is mutually beneficial to all negotiators.<sup>3</sup> Afterwards, actors may attempt to justify their actions via "theory" to the academy, "political logic" to their colleagues, and "common sense" to the masses.<sup>4</sup>

This "garbage can" model of *post-facto* justification has discouraged political theorists from analyzing political systems from a purely "rational-actor" perspective. Rather than simply doing what is perceived as best for the country, actors advocate positions that are best for themselves. However, only if a state's institutions are functioning efficiently will the maximum utility for an actor be the same as the maximum utility for the state. The assumption that actions can be explained or predicted without crediting their actors with complex long-range political or economic models lends credence to the view that economic and political actions can be modeled by mice attempting to reach similar arrangements with other rodents.

Policy-making institutions account for a sizable number of subscriptions to theoretical journals; many policy-makers have left the policy-making rat-race and ventured into the academic rat-race. At times, political "scientists" have observed political actors who also possess advanced training in international relations, and have misunderstood their motivations or preferences. At other times they have myopically mistaken theoretically-based political strategies for self-defeating courses of action.

This paper will show how policy and theory interact. While it is often the case that a theoretician will consciously try to create a model of policy, I will present many ways that policy-makers consciously and unconsciously use the products of theoreticians. Rather than attempt a quantitative analysis of foreign policy decisions made according to the popularization of certain theories, I will attempt to develop a model of policy formation, which concentrates on the way theories affect political or economic policy. It is obvious that the most recent journal articles do not automatically become the driving force behind policy — indeed, many of them go unnoticed by the policy world. For example, during the

1970s when the use of game theory was at its height, not a single state-department press briefing included the words "Nash Equilibrium." Instead, civilian theorists, often with connections to the RAND corporation, advised American decision makers to view the Vietnam war as neatly fitting an "economic conflict model" and the reaction to it as a "flexible response."<sup>5</sup> Unfortunately, it seemed that many of these theories were improperly applied and resulted in tragic failures of foreign policy — as well as indicting civilian "policy scientists" as incompetent or immoral.<sup>6</sup>

Recently, many policy-makers have justified disagreeable policies at the "micro-level" of foreign policy with the realist adage that "states act according to their interests." They often speak in terms of a particular state's moral aspiration for the long range goals of "macro-level" foreign policy.<sup>7</sup> With the assumption that policy-makers actually know what the "national interest" is, it is a minor leap to assume that they are doing their best to efficiently pursue it. Naturally, this implies that the global political structure is made up of nation-states which are in turn made up of actors who feel more or less united.<sup>8</sup> While realism might indeed be a theory of international relations, it is hardly a theory of foreign policy. The axiom that states are continuously attempting to maximize their power does not give much guidance to a policy-maker who is charged with such a mission. For example, it is hard to imagine policy-makers considering the pronouncement by another policy-maker that "we should act according to our interests" to be particularly insightful.

To illustrate this point, this paper will examine the Kennedy administration's initiative, the Alliance for Progress (AFP), and how it boosted growth rates in Latin American economies to a point where they would no longer be sitting ducks for Communism, and would no longer cause trouble for the US in the form of anti-Americanism or rampant instability and poverty. Rather than concentrate on the development and implementation of the AFP, I will focus on the way that Wassily Leontief's theory of Input-Output economics and his "Leontief Paradox" spurred on by J. Kenneth Galbraith's "concept of countervailing power"<sup>9</sup> shifted America's foreign policy almost overnight from being the stern master

of Latin America to being its "good neighbor" whose purpose was to help raise their standard of living, prosperity, and ability to control their own destiny through economic cooperation and technical aid.

### *A Model For Policy Engineering*

Since economic and political statecraft is inherently prone to troubles such as war and economic strife, some scholars have felt reluctant to write for an audience of policy-makers. In the oft-quoted words of James Q. Wilson, "*Only rarely have I witnessed serious government attention being given to serious social sciences research and rarely have serious social sciences been presented to government agencies.*"<sup>10</sup> Indeed, not since ancient China has state monopoly over the employment of the intelligentsia produced a form of statecraft and politics based almost entirely upon theory.<sup>11</sup>

A closer reading of Wilson reveals additional problems with the state having less than monopolistic control over academics: when policy-advisement committees studied problems at government expense, their recommendations were often dismissed because the governmental agency which was given the task of enacting the recommendation would, in effect, be forced to regulate itself out of existence. In outstanding examples of applications of "the theory of the firm" to politics, objectivity is usually thrown out the window when social scientists working under the guise of one agency are charged with evaluating whether or not it is a good idea for the agency to exist.<sup>12</sup> An empirical study of policy-makers revealed that they did take advantage of social research; however, most of what they consider research was popular newspapers.<sup>13</sup> Indeed, further research on policy-makers placed the use of academic research in a less than prominent role in policy formation.<sup>14</sup>

However, other scholars have been motivated by the ability to implement and "test" conclusions of their theories without the inconvenience of publishing, thus presumably getting them accepted as "common knowledge" after a gestation period of several years. In the 60s former RAND Corporation scholars found that their ability to influence American politics was limited only to the President's willingness to dilute (and rarely reject) their proposals.<sup>15</sup> Likewise, scholars in their positions of great bureaucratic power would have little incentive to rec-

commend that their positions be eliminated, as in the direct application of the "economic conflict" model to Southeast Asia which has been blamed for prolonging the Vietnam war.<sup>16</sup> Indeed, many saw it as more appropriate to view international relations as less myopic than a simple question of policy. Instead these scholars looked away from policy perceptions and toward developing general theories of economics or geo-politics. Scholars have a greater long-term effect on policy than the "pet scholars" adopted by various administrations to solve individual problems.

To many, the challenge of finding a single unified theory of international relations is too great. Instead, they seek to study individual areas and, at times, they advise governments about the merits of certain local or regional policies. These scholars, however, usually provide advice that is based not entirely on political theory; they combine cultural, sociological, and sometimes even literary theory into their observations of what may determine preferences and behaviors within a state. Theorizing about these "area experts" is a task well beyond the scope of this paper, surpassed only by modeling how they affect actual policy.

From time to time academics are provided with glimpses into the world of policy-makers. Participation in seminars, fellowships, and a range of other enticements attempt to at least momentarily bridge the gap between policy-making and academe; in both organized programs and fellowships and through career changes there have been crossovers between the two centers of political thought. However, most of the insights that are produced from short-term programs have a limited effect on the opinions of policy-makers. Indeed, most theories that result from academics being given fellowships to study the diplomacy of policy-making do not become "common knowledge" inside the policy-making bodies themselves. From time to time there have been systematic studies based on an academic's experience in the policy-making world, but there seems to be little connection between (often anecdotal) observations and theories actually advanced.<sup>17</sup> Likewise, it is unlikely that their "impartial" observations would ever become part of the body of knowledge that policy-makers utilize.

On the ground level, there is often a pronounced ignorance of the theories of foreign policies that diplomats and policy-makers execute on a day-to-day basis. It is tempting to view this as an example of rampant anti-intellectualism on the part of diplomats and other implementers of policy. On the other hand, a more flattering view of these officials would liken them to engineers who prioritize getting a jet-engine to work ahead of knowing the theory behind the atomic bonds which hold it together. Just as an engineer might be considered unproductive for concentrating too much on theory, diplomats could find themselves in a career rut if they concentrate on reading and contributing to theoretical journals rather than reading and writing cables and acting upon "action items." One of the noted (and often touted) exceptions to this was J. M. Keynes, who, in his conversations with students and government officials, would switch between abstract and mathematical economic theory and "gossip" about European statesmen in the same breath.<sup>18</sup> Even Allen George, one of the many advocates of a "thoughtful" and more academic foreign policy, maintains it may be fruitless to expect general theories of foreign policy to add great insights to day-to-day policy-making.<sup>19</sup> Instead, George posits that a theory might be "rich" or useful by being not only plausible, but including concise conditions whereby its users can judge whether the theory is applicable or not. A more "rigorous" theory must somehow fit into the general realist rubric, as a theory is likely to be problematic if it somehow declares that a state is about to act against its "interests," whatever they might be.<sup>20</sup> Indeed, it would be hard to convince most modern policy-makers of any theory that does anything but *refine* realism, as most of them have formal training rooted almost entirely in realist theory.<sup>21</sup>

Despite politicians and economists reciting the mantra that "states act according to their interests," policy is still made (or "engineered") in a fashion that cannot be easily duplicated by a simple algorithm which objectively determines the highest utility for a given situation. Indeed, rather than a simple 1- or 2-person game of trade-offs and utility maximization, there are many intervening variables, which make virtually all representations of political situations into an  $n$ -person game. In other words, no

policy is made in a vacuum.

In theory, the criterion for determining which policy is “good” is *analytical rationality*. What may make sense internationally may cause domestic political suicide, or vice-versa. In essence, policy-makers balance a need for well-reasoned and theoretically valid policy with its political feasibility and efficient use of available resources. This balance was termed by George to be *political rationality*.<sup>22</sup> Hans Morgenthau eloquently stated this quandary: “*reality is dominated by forces which are indifferent, if not actively hostile to the commands of reason.*”<sup>23</sup>

As a result, politically rational policies that balance these three criteria might be viewed from the outside as being irrational, as the third party might be unaware of either the theory behind the decisions, the dynamics of the internal politics which shaped the policy, or the resources that the policy-makers had at their disposal. Naturally, a well-constructed theory will alert the policy-maker to the consequences of tilting toward one of the “outside” concerns that a policy-maker might have. For example, after being acquainted with a theory, a policy-maker might have a better idea of whether to cut his losses and “satisfice” or “optimize.” A theory can provide the policy-maker with a better idea of the optimal time to make decisions.<sup>24</sup>

Indeed, the less “outside theoretical knowledge” that an analyst of another policy has, the less likely it is to appear rational — especially if an analyst assumes that all states act like his own, and all actors have the same preferences as himself. The more complex a theory, and the less widely-understood it is, the less likely outside actors are to comprehend its logic. This phenomena is even more apparent when actors assume all other actors act and think exactly like them, and are accorded the same resources.<sup>25</sup>

While policy is being “engineered”, the theories developed in part inside the ivory tower can do more than simply offer the inevitable criticism. To isolate the way that theory affects policy, it is helpful to separate theoretical knowledge into George’s two categories: general knowledge and substantive knowledge. General knowledge is mainly drawn from the “lessons of history.” Unfortunately, in many cases, lessons of history are based on somewhat selective

collective memories. For example, while no US immigrant group has ever acted as a “fifth column” against American interests, Japanese Americans were still interned on the theory that they might somehow damage American interests from the inside.

When addressing policy-makers, it is easier to speak in terms of “general knowledge” rather than put forward theories about “the way things should be.”<sup>26</sup> But what is extremely theoretical one day may become general knowledge the next. Just as a beginning biology student now learns about DNA and evolution, economic models which were once experimental are now taught as virtual facts in introductory economics courses. Eventually these models become ingrained in the heads of policy-makers, who see these models as “common sense,” though George maintains that *overly*-theoretical or probabilistic models have a lesser chance of becoming common knowledge. Indeed, while a theorist might benefit from knowing that, in the past, 65 percent of arms races under certain conditions have resulted in armed conflict, a policy-maker would be more interested in knowing what the necessary conditions for an armed conflict would be — as a route to either discouraging or encouraging such a conflict. The path from abstract model to generic knowledge that these theories can take can be slow and often completely blocked. However, as the theory gets repeated often enough, and as it is shown to always be true (when all of its conditions are met) it advances towards being a form of practical matter. For example, the theories of I. William Zartman regarding conflict resolution have recently become well-known in policy circles.

Conversely, “substantive theory” is a guide for the practice of statecraft. “Substantive theory” includes (for example) the creation of regimes, “coercive diplomacy,” *détente*, and crisis management.<sup>27</sup> Certain strategies can also be called “substantive theories,” such as nation-building and counter-insurgency.<sup>28</sup> As with all “useful” theories of successful policy, all of these pieces of statecraft could be justified by realism. Since realism centers upon a discussion of the “anarchical” nature of the international system, it provides the means by which these policies would be executed. Following the framework of realism, “substantive theories” provide the

policy-maker with “conditional generalizations” of when policies are certain to work.

On the other hand, the primary criticism of “realist” theory is that it cannot be applied to statecraft. Critics point out that it does not address “long-term” trends in the international system; give enough guidelines for promoting peaceful change in the international system; provide means to avoid conflict or resolve it without violence; establish ways of resolving conflicts between states; or promote foreign policy “learning” by states and leaders.<sup>29</sup>

Zelikow views the formation of policy as the search for high-quality decisions that are “analytically rational” and “politically rational.” By his logic, this search guides policy at all stages, with the exception of the formation of actors’ initial preferences. Initially, a state formulates its objectives. These are generally very broad, such as “encouraging democracy,” “enhancing national security,” or “establishing free trade.” In fact, the media is dominated by these stated objectives that are often regarded as empty political theater — or at least a play to the aforementioned moralism.

Nevertheless, all but the most blatant of theatrical lies represent a “stated policy” for a country. After making these statements, the policy-makers must set specific goals. However, what is probably the most effective use of theory is the conversion of abstract “non-operational” goals into recommendations for political action. Actors might have foreign-policy goals; strategists, sociologists, economists, and political scientists may provide means to reach them.<sup>30</sup> It is here that the theories specify the conditions that need to be present for actions to produce desired results (otherwise known as conditional generalizations). In most cases, these can provide a framework and some intermediate-term goals for a state to strive for. However, the reasoning behind many of these goals might not be apparent to the ignorant outsider, who sees political actions coming into conflict with stated policy.<sup>31</sup>

George is quick to warn that a “conceptual model” of how actors react in different situations (or a “quasi-deductive” theory of why actors behave a certain way) is not, in itself, a strategy, as it does not predict specific outcomes. However, it does provide a basic framework for understanding the nature

and general requirements for a design of effective strategy, as well as identifying the key variables which must be manipulated.

Next, specific strategies are formulated. According to George, strategy is “. . . those mechanisms or theories of the relation between government action and the behaviors of others by which it is hoped that the objectives will reach their desired result.”<sup>32</sup> It is here that the ability of a state to enact theories is tested. Therefore, individual strategies are based on an amalgamation of actor-specific theories, general knowledge, and specific knowledge.

In Zelikow’s model, these configurations of policy engineering later lead to the implementation and review of policies. In most cases, these reviews are conducted not objectively, but with regard to the “political rationality” of those involved in the policy-engineering process. Ironically, when policies are reviewed for their “analytical rationality” in a policy framework they face the greatest test of their “political rationality.” At this point policies are subject to criticisms on all sides (ranging from personal vendettas against proponents of the policies to demands for the reallocation of resources).

In the domestic sphere especially, many social programs have been cut during the review of the policy, when the analytical rationality of a policy is questioned — and depending on the positions and actors who agree with such a negative view of a policy, it may become politically irrational to maintain such a policy. As a result of this gambit, many policies and their resulting expenditures are cut, when their costs and benefits are exposed to analysis and that analysis is promulgated through various levels of a policy-making body.

#### *Present at the Failure: The Alliance for Progress*

The AFP can be viewed as nothing more than another failed aid program to Latin America. There have been many aid initiatives, and few have achieved their stated goals. These goals usually have something to do with making every country in Latin America into a stable, friendly, and prosperous country that sympathizes with the United States’ foreign policy goals and, where convenient, is governed according to more or less democratic tenets. Rather than bringing about democracy, many of the coun-

tries involved soon fell victim to coups, and the AFP, like many aid programs, was abandoned. Some are quick to blame the competing elements within the US government itself — such as those who subscribe to the theory that elements within the CIA became entranced with the idea of subverting the somewhat idealist and “abnormally academic” Kennedy administration by any possible means.

However, whatever the reasons for the failure of the AFP, its creation was not an act of random unilateralism, like many acts of foreign policy often appear to be. Rather than the bastard son of imperialism and spontaneity, the AFP was the product of the “the general knowledge” derived from Kenneth Galbraith’s theories of “why a free market is good for democracies” and Leontief’s models of how economic growth can be increased by transfer of capital. However, the decision to actively attempt to infuse Latin America with capital (rather than simply claim support for Latin American democracy and prosperity) resulted from a change in the theoretical knowledge of policy-makers and bureaucrats — both in terms of broad “general knowledge” and highly-involved economic theory. Rather than be razed by ignorant bureaucrats, it was nurtured by both technically adept scholar-academics, and people with great sympathy for Latin America. Despite the theoretical beauty of the AFP, it was championed by policy-makers who were more concerned with *realpolitik* than analytical rationality.

In 1952, nineteen years before Robert Dahl would publish his now classic book *Polyarchy: Participation and Opposition*,<sup>33</sup> Galbraith’s volume *American Capitalism: The Concept of Countervailing Power* postulated that in a truly liberal state, where all citizens are free to dispense with property on a relatively even playing field, power would be diffused as well. In neo-Smithian logic, it followed that the best route to a level playing field was via free-market capitalism that was devoid of “artificial” imperfections such as religion. After the Marshall Plan had showed some initial success in Europe, intellectuals throughout the world questioned how similar economic plans could transform economically and physically devastated areas into booming democracies. Dahl would explain that a necessary element for a democracy to be stable is not only that the rights of citizenship be

widely expanded, but that all citizens be able to resolve their complaints with the state and with each other not by violence, but through democratic and civil means. However, Galbraith saw the matter more simply: if people had a stake in the economy, then they would do their best to prevent the collapse of principles and covenants which govern the economy.

Drawing on Galbraith’s conclusions combined with the “historical lessons” that the Marshall Plan had taught them, policy makers saw a model of economic conditions in Europe that could be generated in Latin America. Indeed, Walter Rostow formulated a model of Latin American economic growth — in which the Latin American countries would progress through stages of development until “conditions for takeoff,” similar to the conditions that prevailed in Europe, were met through a “drive to development,” and finally to an age of American-style mass consumption. However, the necessary conditions for a rapidly expanding economy (as observed in Europe) were:

1) Ownership of stock in large corporations is held by people from all social classes.

2) Management of these corporations is done most often in a “scientific” fashion that is meant to yield the best returns for the stockholders rather than bolster specific social constructions of class.

3) Monopolies are prohibited when one corporation succeeds in vanquishing another.

4) Systems of limited government incentives keep companies innovative and “push” them into areas where a market free from all government interference might not.<sup>34</sup>

These pre-conditions for growth were hardly arrived at scientifically — indeed, they had not been tested much in Europe, as most of the countries were still consolidating their democracies. However, these presumptions rapidly became accepted as the necessities for Latin American economic development.

Galbraith’s neo-conservative dictates of what would make a country’s democracy flourish imbued policy-makers with the notion that foreign policy in Latin America could not be carried out by means of simply “buying reforms” in the hope that they would produce European-style democracies. Indeed, “trading aid for reforms” would not only be viewed as imperialistic, but was destined to be ineffective any-

way.<sup>35</sup>

For most of the Eisenhower administrations, foreign policy was characterized by the view that whereas WWII was an unfortunate but inevitable consequence of world politics, Latin America's troubles were brought on by its failure to attract foreign investment or to get its economies functioning efficiently.<sup>36</sup> Nevertheless, during the Eisenhower-Nixon administration, with its hostile attitude toward aid to Latin-America, Leontief was formulating theoretical models of international economics which would provide a framework for future politics — only after an assault on Richard Nixon and an election.

There are two relevant elements in Leontief's theories: the first is now known as the "Leontief Paradox" which can best be described as a theory of "comparative advantage of labor;" the second is his theory of "input-output economics," which is a series of mathematical equations that explains how capital transfers from one country to another can increase the rate of economic growth in the receiving country.

Drawing upon the Hecksher-Ohlin (HO) theory, which assumes that a country exports its abundant factor-intensive commodity,<sup>37</sup> Leontief empirically proved his theory of factor-intensity-reversal (FIR) by rigorously examining the exports of the United States' economy in 1947. Leontief proved the HO theory by a table of the goods and services to the US economy and dividing industries into 50 sectors (38 of them produced exported commodities). Leontief then divided factors of production between "labor" and "capital". He found that the United States' imports were 30 percent more capital-intensive than its exports. Hence, due to the efficiency of American workers (as they could benefit from one of the best infrastructures of the world at the time, as well as a relatively high level of education) the US imported relatively less labor-intensive goods than other countries.<sup>38</sup> In places with less capital per worker, the country might find itself importing less capital intensive goods. For example, one of these paradoxes would occur in a country with a labor-intensive agricultural sector, that exports food products to the US.

Leontief's theory of "Factory Intensity Rever-

sal" (FIR) was not taken immediately for granted. Some, such as Travis, saw these paradoxes as the result of tariffs rather than of a Ricardian theory of comparative advantage, and others saw this preference for heightened demand goods as simply a function of irrational preferences on the part of consumers for labor-intensive goods.<sup>39</sup> Others questioned his numbers or pointed out that 1947 was an economic anomaly that came in the wake of WWII, from which Europe had not fully readjusted. Nevertheless, Leontief's theory today is accepted by economists, and others have gone on to empirically validate his work.

The consequence of the theory of FIR is that an increased growth rate of an economy would demand increased investment in local capital-intensive goods (note: capital-intensive goods would include goods where extensive investment in labor is required).<sup>40</sup> Leontief saw that the underdeveloped areas of the world hold at least two-thirds of the population, yet they produce only one-seventh of the world's goods and services. To correct this imbalance, it could be inferred that the funds for additional capital come either from an increase in internal savings, or, as is more relevant to foreign policy, from investment or transfers from abroad. Leontief maintained that investment and transfers in capital were not limited to check-writing, but included technology transfer and investment in human capital in the form of education.

Leontief went on to develop a system of equations which related the amount of transfers between developed and underdeveloped countries and the changes in growth rates that these transfers would bring. Although Leontief admitted that these equations "*had a wide margin of error*," the idea that there could be a relationship between money transferred between a developed and an underdeveloped country and their growth rates was the basis for the Kennedy administration's policies.<sup>41</sup>

At the same time, a number of other theories of economic development were being postulated. One of the most common models (especially in Latin America) was that public spending on development was not inflationary. Although this had some degree of theoretical validity (especially for Keynesians), government expenditures on education and health

were still viewed as expenses, rather than investment. Most models at the time assumed that no matter what the country, total national output at a given time could only be increased by direct outside investment or technological enhancements and not by outside investment in infrastructure.<sup>42</sup>

But assuming that Leontief was correct, the only uncertainty for policy-makers was the way in which the transfers were dispersed through the “recipient” economy. Although “the invisible hand” had impelled international transfers in the past, many structural and cultural factors in developing countries had prevented these transfers from doing anything more than making a small group of people richer. Likewise, both in capitalist and communist countries, it had become somewhat normal for large bureaucracies to demonstrate utter incompetence when the state was charged with distributing resources. The goal of the AFP was not so much to distribute direct monetary transfers or lower tariffs, but to iron out the structural imperfections within the economy which prevented people from “helping themselves.”

To most, the United States’ record in Latin America after WWII was less than sterling. In fighting the cold war, the US had supported dictators and corrupt governments, yet failed to solve the economic problems in Latin America. By 1954 most of the democratic regimes that had come to power in Latin America between 1943 and 1953 were overthrown. America’s Marshall Plan policy was widely acclaimed, even by Latin Americans who could only read about its European successes. It was only in 1933 that the US made a gesture of renouncing its “right of intervention.”<sup>43</sup>

What did happen was the occasional conference and commission, such as the United Nations sponsored Economic Commission for Latin America in 1948, under the leadership of Raoul Prebisch.<sup>44</sup> This conference called for an increased role of the US in the Latin American economy and produced a few UN resolutions. Soon after, in 1954, there was a plea in Caracas by the Organization of American States for the US to take an active role in relieving some of Latin America’s economic problems. Secretary of State John Foster Dulles responded by sternly lecturing Latin Americans about the dangers of Com-

munism.<sup>45</sup>

Continuing this legacy, in 1957 President Eisenhower attended a Pan-American meeting in Panama, though little was agreed upon save for a few token measures proposed by the United States.<sup>46</sup> Instead, US policy-makers at the time were convinced that the forces of the market would take care of all of Latin America’s economic woes, just as soon as Latin America could put its house in order.<sup>47</sup> Not only did the United States show no enthusiasm for any degree of economic integration among Latin American countries, but it consistently recited the mantra of Assistant Secretary of State Roy Rubottom that “the volume of public financing is directly related to the amount of private financing which countries are able to attract.”<sup>48</sup>

The shift in American policy seemed to come not from a change in American academics or even from a shift in domestic attitudes within the US, but with the US’s legacy of encouraging dictators being painfully brought to bear on Vice-President Nixon in Caracas as an angry mob surrounded his car.<sup>49</sup> Many assumed that the hostility toward America was simply a Communist plot. Nixon, for his part, pointed out that the policy of support for “anticommunist dictators” had simply turned around and bitten the US back. Nixon urged a “cold handshake” for dictators, and a “warm embrace” for democrats in Latin America.<sup>50</sup>

After Nixon’s revelation the US was still not willing to fully commit — even after Brazilian president Juscelino Kubitschek asked Eisenhower to earmark US funds for his “Operation Pan America.” However, as a result of Nixon’s sudden change of heart, Eisenhower tossed the Latin Americans a bone, and sent a representative to a meeting of the Latin American heads of state.

What resulted from this meeting was the Inter-American Development Bank, which was chartered in 1959 and started operations in late 1960. Although it functioned more like a bank than a development agency — it gave loans, not grants — it opened the door to criticism on both sides: from members of the State Department for burdening the taxpayer and from Fidel Castro for not giving enough money to Latin America.<sup>51</sup>

In 1960, Eisenhower paid a final visit to Latin



America, and on his return he issued the "Newport Declaration," in which he said that there were "serious misunderstandings" of the US involvement in Latin America — and that the US would accelerate its efforts. To make his point, Eisenhower asked Congress for \$400 million in aid for Latin America.<sup>52</sup>

At another conference, this one held at the military casino in Bogota, the US admitted that there was indeed a crisis in Latin America, and that the US needed to do more to help.<sup>53</sup> This is what most consider to be the beginning of the AFP.

By the time Kennedy took office, he waxed poetic about what needed to be done in Latin America: "... if our alliance is to succeed, each Latin Nation must formulate long-range plans for its own development — plans which establish targets and priorities, ensure monetary stability, establish the machinery for vital social change, stimulate private activity and initiative and provide for a maximum national effort. These plans will be the foundation of our development effort and the basis for the allocation of outside resources."<sup>54</sup> Although Kennedy's words lacked specificity, he considered this task too great for the "second-level bureaucrats" who had been dominating the US's Latin American policy until that time.<sup>55</sup> Indeed, Kennedy saw that just as academics at the time were floating the idea that all policy should be made by intellectuals or academics, a so-called "ethics of knowledge," a team of intellectuals would have to carry out the specifics of this alliance.<sup>56</sup> Principal among Kennedy's team was Lincoln Gordon, a former economist at the Harvard Business School who would muse that "... the systematic study of politics began with Smith and Development 150 years ago, and ended with development."<sup>57</sup>

Also on Kennedy's team was Adolf Berle, a former prominent New York lawyer and a professor of international law at Columbia with a decidedly liberal slant.<sup>58</sup> Berle was one of the first to combine legal and economic scholarship, concentrating on the study of American corporations. Besides this crew of principal policy-makers, Kennedy appointed a crew of historians and recruited the former head of the Puerto Rican Development agency to work with him.

After Berle formulated a plan, Kennedy asked the Venezuelan Ambassador to the US, Jose Antonia Myobe, for input as to where the future of US-Latin American relations should be headed. After con-

sulting with prominent Latin-American economists, Maybe concluded that, although the burden of development should be placed squarely on Latin America, provision of technical expertise would be necessary to "capture" the Latin American entrepreneurs.<sup>59</sup> Additionally, Maybe made it clear that this alliance should not be one in a string of schemes for US investors to attempt to make quick and easy money in Latin America.

Although the goals of the alliance were spelled out, possibilities of the US achieving its foreign policy goals through this "warm handshake" were somewhat less certain.<sup>60</sup> As Arthur Schlesinger observed, "*The original Alianza was a wager on the capacity of progressive democratic governments, with carefully designed economic assistance and political support from the United States to carry through a peaceful revolution.*"<sup>61</sup>

Despite the apparent shift to benevolence in Washington, Edmundo Flores places a Machiavelian spin on the challenges that the AFP faced by saying, "*if the US really wants to crack communism, then it has to beat the communists at their own game.*"<sup>62</sup> Although Kennedy's transition team spoke of this mission as an eleventh-hour attempt to improve Latin American-US relations "*before centuries of anti-Americanism boiled over into widespread social revolution,*" Kennedy had no illusions about overcoming the important challenges that were indigenous to Latin America, such as powerful armed forces, landed elites, strong nationalism, and a politically active Catholic Church interested in preserving the status quo.<sup>63</sup> Nevertheless, American policy progressed and goals for the AFP were formatted according to the following goals: overall economic growth; more equitable distribution of national income (both on an individual level and in terms of full integration between the poor and wealthy parts of the country); diversification of the existing economic structures; acceleration of industrialization; improvement of agricultural productivity and output; reform of government institutions (such as tax collection); improvement of the public health and education infrastructure (in the poorest regions, direct investment); low cost housing; price stability; economic integration within Latin America; and the attraction of private investments.<sup>64</sup>

However, in the Founding Charter of the AFP, signed at Punta del Este, the goals of the project

were carefully worded so as to avoid placing the US under any binding obligations. These points included: establishment of mutually consistent targets in the main economic and social sectors; assignment of priorities and estimation of costs and benefits; measurement of the direct public sector costs; cost estimates for the program in domestic currency and foreign exchange; calculation of international resources available for development; and analysis of the balance of payments and of the necessary external financing.<sup>65</sup> At the same time, the recipient countries agreed to medium-range “national planning” — however, despite the fact that the US was enthusiastic about economic plans for development, it was very careful not to commit itself to involvement in whatever economic plan a country might desire.<sup>66</sup>

Since the charter was non-binding, the US representative at the signing, Douglas C. Dillon, felt free to commit twenty billion dollars over the next twenty years without consulting Congress.<sup>67</sup>

On the other hand, the US was somewhat unsuccessful in directly implementing its other foreign policies. As the failed Bay of Pigs invasion hung over the heads of Latin American leaders, they wondered that, should Castro be deposed, whether the AFP would suddenly collapse or not.<sup>68</sup> Moreover, Berle was unable to secure a promise from Brazilian president Janipo Quadros to actively oppose Castro.

Fortunately for the Americans at the Bogota conference, Che Guevara, dressed in military fatigues, had alienated many by consistently calling the American efforts nothing more than a smokescreen for more nefarious motives. The Cuban gambit failed. It was the American reliance on the theories of Leontief and Galbraith, rather than their preaching about the benevolence of the “invisible hand”, that had encouraged the Latin Americans to give the US the benefit of the doubt in their economic intentions for the region.

### Conclusion

If one looks at the AFP from a purely domestic perspective, it may be seen as far from rational. There was no shortage of people whom Kennedy alienated. Indeed, many diplomats frequently claim that the CIA made a game out of sabotaging the people Kennedy brought from academe into the civil

service.<sup>69</sup> Moreover, it is difficult to explain most aid packages to the American people — especially in the midst of a recession.

But from an international standpoint, it is an example of something that was almost completely analytically rational (assuming that Galbraith and Leontief were correct.)

We are left with links from abstract theories to policy implementation. Galbraith’s theories became common knowledge by means of their wide readership and their ability to explain why the Europeans were able to boast successful free-market democracies. Leontief’s theories were trusted by Kennedy’s breed of scholars-turned-policy-makers who saw science as a way to both do good and advance the American national interests.

The original question can be asked again: “If Leontief and Galbraith had never been born, would the AFP have looked the way it did?” There are cynics who are not party to Kennedy’s appointment and decision-making processes who could say that Leontief and Galbraith were simply convenient academics, whose articles might provide an intellectual base for Kennedy’s “random” policies. However, it may be shown that there is a link between the AFP and their theories. In the course of policy-engineering, the president looked for ways to improve US relations with Latin America, and their theories presented a clear way to do it. Since they were specific theories it was easy to evaluate their degree of success. This process, however, is far from being termed “rational learning,” as exogenous factors prevent us from saying whether Leontief’s theories were correct — except for specific economic statistics that Leontief’s adherents would present as evidence of the beginnings of success of the implementation of his plans.

In the future, it may be useful to use an empirical analysis to determine if the education-level of senior decision-makers, as well as their public references to published works, relates to actual strategic policy-changes.

### Notes

<sup>1</sup> *Text of the first presidential debate between President Clinton*

and Republican candidate Bob Dole in Hartford, Conn., The Associated Press, October 6, 1996.

<sup>2</sup> Howard R. David and Susan E. Salasin, "Strengthening the Contributions of Social R&D to Policy Making," chap. in *Knowledge and Policy: The Uncertain Connection*, ed. Laurence E. Lynn Jr. (Washington: National Academy of Sciences, 1978), 99.

<sup>3</sup> Martin Shubik, *Game Theory in the Social Sciences: Concepts and Solutions*, (Boston: The Massachusetts Institute of Technology Press, 1982), 140.

<sup>4</sup> Herbert Simon, *Reason in Human Affairs*, (Stanford: Stanford University Press, 1983), 12-13.

<sup>5</sup> Colin S. Gray, "What Hath Rand Wrought?" *Foreign Policy* (Fall 1971): 4, 123.

<sup>6</sup> Kenneth W. Thompson, "Normative Theory in International Relations," chap. in *Theory and Reality in International Relations*, eds. John C. Farrell and Asa P. Smith (New York, Columbia University Press, 1967), 100.

<sup>7</sup> Jack Donnelly, "Realism and the Academic Study of Human Relations," chap. in *Political Science and History*, ed. James Farr et al., (Melbourne: Cambridge University Press, 1995).

<sup>8</sup> For a discussion of how a general theory of politics might be framed see Paul Nitze, *Tension Between Opposites: Reflections on the Practice and Theory of Politics*, (New York: Charles Scribner's Sons, 1993), 20.

<sup>9</sup> John Kenneth Galbraith, *American Capitalism: The Concept of Countervailing Power*, (Cambridge: The Riverside Press, 1956), 24-30.

<sup>10</sup> James Q. Wilson, "Social Science and Public Policy: A Personal Note," chap. in *Knowledge and Policy: The Uncertain Connection*, ed. Laurence E. Lynn Jr. (Washington, DC: National Academy of Sciences, 1978), 82-83.

<sup>11</sup> Allen S. Whiting, "The Scholar and The Policy-Maker," *World Politics* 24 (1972): 24 *Special Supplement*, 4.

<sup>12</sup> Wilson 87.

<sup>13</sup> Nathan S. Caplan et al., *The Use of Social Science Knowledge in Policy Decisions at the National Level*, (Ann Arbor: University of Michigan Institute for Social Research, 1974), 4.

<sup>14</sup> David and Salasin 97.

<sup>15</sup> Gray 127.

<sup>16</sup> Gray 119.

<sup>17</sup> Chadwick F. Alger, "The Researcher in the United

Nations: Evolution of a Research Strategy," chap. in *In Search of Global Patterns* James N. Rosenau, ed. London: Collier MacMillan Publishers, 1976, 58.

<sup>18</sup> Philip Zelikow, "Foreign Policy Engineering: From Theory To Practice And Back Again," *International Security*, (Spring 1994): 18, 157.

<sup>19</sup> George 107.

<sup>20</sup> George 141.

<sup>21</sup> George 11.

<sup>22</sup> George 20

<sup>23</sup> Hans Morgenthau, *Scientific Man vs. Power Politics*, (Chicago: The University of Chicago Press, 1946), 172.

<sup>24</sup> George 22.

<sup>25</sup> Zelikow 157.

<sup>26</sup> Whiting 23.

<sup>27</sup> Gray 116.

<sup>28</sup> Gray 122

<sup>29</sup> George 132.

<sup>30</sup> Zelikow 157.

<sup>31</sup> George 137.

<sup>32</sup> Zelikow 166

<sup>33</sup> Robert Dahl, *Polyarchy: Participation and Opposition*, (New Haven: Yale University Press, 1972).

<sup>34</sup> Gordon 58

<sup>35</sup> Gordon 47-48.

<sup>36</sup> William D. Rogers, *The Twilight Struggle; The Alliance For Progress And The Politics Of Development In Latin America*, (New York: Random House), 14.

<sup>37</sup> According to Alfred Marshall, a "factor" can best be described as "things that are required to make a commodity" – namely capital and labor.

<sup>38</sup> Wassily W. Leontief, "Domestic Production and Foreign Trade: The American Capital Position Re-examined." *Proceedings of the American Philosophical Society*. 97 (Sept 1953) 332-49.

<sup>39</sup> William Penfield Travis, *The Theory of Trade and Protection*, (Cambridge: Harvard University Press, 1964), 97.

<sup>40</sup> Wassily W. Leontief, *Essays In Economics: Theories And Theorizing* (New York: Oxford University Press, 1966), 200.

<sup>41</sup> Leontief, *Essays*, 201.

<sup>42</sup> Lincoln Gordon, *A New Deal For Latin America: The Alliance for Progress*, (Cambridge: Harvard University Press, 1963), 38

<sup>43</sup> Rogers 6.

- <sup>44</sup> Samir Amin, "Fifty Years is Enough," *Monthly Review* 46 (April 1995), 20.
- <sup>45</sup> Rogers 10.
- <sup>46</sup> Rogers 13.
- <sup>47</sup> Rogers 14.
- <sup>48</sup> Rogers 14.
- <sup>49</sup> "Nixon, Richard," *Colliers Encyclopedia CD-ROM*, 1996.
- <sup>50</sup> Rogers 17.
- <sup>51</sup> Rogers 22.
- <sup>52</sup> Rogers 22-23.
- <sup>53</sup> Jerome Levinson and Juan de Onis, *The Alliance That Lost its Way: A Critical report on the Allinace for Progress*, (Chicago: Quadrangle Books, 1970), 48.
- <sup>54</sup> Gordon 34.
- <sup>55</sup> Levinson and de Onis 48.
- <sup>56</sup> Rogers 30.
- <sup>57</sup> Gordon 32.
- <sup>58</sup> Levinson and de Onis 52.
- <sup>59</sup> Levinson and de Onis 57.
- <sup>60</sup> L. Ronald Scheman, ed. *The Alliance for Progress*, New York: Prager, 1988), 72, qtd. in Pamela Falk, "US Foreign Economic Policy and The Latin America Time Bomb: Debt, Austerity and the Limits of Stability," *Journal of International Affairs* (Summer/Fall 1989): 43 195-200.
- <sup>61</sup> Stephen J. Randall, "Ideology, National Security, and The Corporate State: The Historiography of US-Latin American Relations," *Latin American Research Review*, 27.1 (1992), 216.
- <sup>62</sup> Flores 53.
- <sup>63</sup> Flores 43; Randall 214; Levinson and Onis 50.
- <sup>64</sup> Gordon 37, 38, 40.
- <sup>65</sup> Gordon 34-45.
- <sup>66</sup> Rogers 38.
- <sup>67</sup> Gordon 47.
- <sup>68</sup> Rogers 43.
- <sup>69</sup> Conversation with son of Diplomat A, London, July, 1996.