

AID AND POLITICS IN LATIN AMERICA

- AID AS IMPERIALISM*. By TERESA HAYTER. (Baltimore, Md.: Penguin Books, 1971. Pp. 222. \$1.95.)
- INSIDE FOREIGN AID*. By JUDITH TENDLER. (Baltimore, Md.: The Johns Hopkins University Press, 1975. Pp. 140. \$9.95.)
- A COMPARISON OF U.S. AND MULTILATERAL AID RECIPIENTS IN LATIN AMERICA, 1957-1971*. By WILLIAM LOEHR, DAVID PRICE and SATISH RAICHUR. (Beverly Hills, Calif.: Sage Publications International Studies Series, 1975. Pp. 47. \$3.00.)
- THE POLITICS OF AID, TRADE AND INVESTMENT*. Edited by SATISH RAICHUR and CRAIG LISKE. (New York: Halsted Press, 1976. Pp. 218. \$17.50.)

When Teresa Hayter's *Aid as Imperialism* was published in 1971, it signaled and helped to bring about an important change in the debate on economic aid to Latin America. Previously, aid and politics usually had been discussed in separate analytical compartments. Writers who focused on the economic process of aid wrote as though it were, or could be made, relatively free from political pressures.¹ Those who stressed the United States' political motives underlying the Alliance for Progress, on the other hand, generally shared those "reformist" aims, and thus seldom questioned their economic consequences.²

Hayter reunited these two analytical strands in a critical argument and added an original new target: the multilateral institutions, which were just then coming into fashion as "apolitical" alternatives to the old bilateral aid efforts. Hayter argued vigorously that the policies of the World Bank, International Monetary Fund, and the Inter-American Development Bank, as well as the U.S. Agency for International Development, responded to the political interests of the United States and other developed countries. "No issues are purely technical," she wrote, "the agencies' policies presuppose a liberal form of economic organization and adherence to international rules as defined in the West" (p. 151). *Aid as Imperialism* went on to charge that the lending institutions' demands for financial and monetary stability, and their insistence upon the use of market mechanisms to achieve development, "distract attention from, and frequently conflict with, action to improve the conditions of life of the majority of Latin Americans" (p. 155).

Hayter's book was one of those works that periodically break free of the strictly scholarly circle, popularizing among a wider audience conclusions that professional observers of Latin America had been coming to for some time. (A book that had a similar impact was James Petras and Maurice Zeitlin's edited volume, *Latin America: Reform or Revolution?*³) Such books help to change the tone and direction of research. Though Hayter's detailed findings and critical conclusions probably had only a modest direct effect on her fellow scholars,

most later publications have shared her recognition that political motives spur the giving of aid, and that the interaction of lenders with borrowers is a political relationship.

From the research that has adopted this basic focus, one general finding that I think emerges is that the aid relationship exists on several complementary but distinct levels at the same time. At the “macro-level,” national political purposes are furthered and development patterns are shaped by the granting or refusal of aid. These long-term effects, however, must be mediated by aid’s “micro-level”: the semi-autonomous swarm of agencies, ministries, banks, and individuals that actually process the aid. One’s view of economic assistance, we’re discovering, depends in part on whether one happens to be looking at its micro- or its macro-level. We can appreciate the usefulness of this basic insight, and the rich picture of aid-as-politics that it yields, by reconsidering Hayter’s book and comparing it with several more recent related works.

Aid as Imperialism is basically a study of the aid agencies’ doctrine of “leverage”: the idea that the granting or withholding of aid should be used to influence the macro-economic policies of Third World countries. Originating in the IMF in the early 1950s, this notion was taken up by AID and the World Bank a decade later. It is well summarized by an influential AID discussion paper of the 1960s, which Hayter quotes: “Leverage goes beyond influence and persuasion to condition aid, explicitly or implicitly, on specified host country action. Leverage may be positive or negative: aid may be withheld unless certain conditions are satisfied, or additional aid may be made available if the economic performance of the host country achieves specified standards” (p. 89). Hayter synthesizes (largely from published sources) a clear and succinct overview of these ideas, and she also documents the generally orthodox economic policies that the aid agencies advocated through leverage in the 1960s. It is these sections of *Aid as Imperialism* that are likely to have the most lasting value for scholars.

So much for the aid-givers’ plans; did their actions match their intentions? Here Hayter’s account is a good deal less accurate, as to both the scope of aid’s influence and its mechanism. She overestimates, to begin with, the power of aid leverage alone to sway a government’s well-publicized macro-economic choices. Certainly an aid slowdown proved to be one effective weapon in the coordinated U.S. campaign against the Unidad Popular government in Chile. But if aid agencies alone seek to impose crucial policy steps, a determined Latin American government can—it turns out—often refuse to be “levered.” In another type of case, if a borrower country is already persuaded of the value of economic orthodoxy, there is no need to use outside leverage. Hayter herself stumbled upon these patterns in her four very brief country studies covering events in 1967 (pp. 107–49). The governments of Peru, Colombia, and Chile, for different reasons and in different ways, had all turned down U.S. program loans rather than tailor their policies faithfully to aid agency demands, while the Brazilian regime (under Economics Minister Roberto Campos) was more zealously conservative than any of the aid-givers. Perhaps because they did not fully bear out her book’s basic argument, Hayter never really analyzes or explains these country studies.

Yet few would deny that, in unspectacular day-to-day transactions, the aid agencies have exercised considerable influence in Latin American countries. Hayter's picture of the mechanism of this influence, however, is rather misleading. In *Aid as Imperialism*, there are only two major actors in the aid relationship: the lending agency and the borrowing government. This model strongly suggests confrontation; friction between the two forces is assumed to be almost automatic, as the outsiders seek to coerce or cajole the insiders. One major problem with this view is that it does not consider the micro-relations of aid. When one asks aid administrators and their local opposite numbers to describe their dealings with one another, they recount friendly negotiations and even cooperation much more often than they describe conflict. There are more and more reasons for believing, indeed, that most aid agencies create a network of local political *alliances* in Latin America, which make them actors in local politics, and insure that local voices will be raised in support of policies suggested by the agencies. Riordan Roett's *The Politics of Foreign Aid in the Brazilian Northeast*,⁴ for example, pictures the Recife USAID mission as making (and switching!) particular local alliances to further its political purposes, rather than posing take-it-or-leave-it ultimata. A number of aid-agency officials have written memos describing this local politicking as well, and Hayter even quotes them—only to dismiss their accounts of how they operate (pp. 71, 72).

The difference in viewpoint is an important one, and a model based on local alliances might well prove to have more radical implications than Hayter's. It would imply, for example, that agency plans will meet nationalistic resistance only rarely—in those few cases when the alliance network fails and outside demands are lumped together and made public. It would also suggest that a dependent Latin American "policy culture" has been progressively institutionalized, as local bureaucracies were colonized by aid-agency protégés.

Judith Tendler, unlike Hayter, is alert to the levels-of-analysis issue in studying aid, and as a result her recent book offers important new insights into the micro-relationships between lending and borrowing agencies. *Inside Foreign Aid* is a very carefully argued, closely reasoned study of the impact of organizational factors on what aid agencies do. With the economist's well-tested lexicon and the experience of a former AID bureaucrat, Tendler argues persuasively that AID's "organizational environment" often retards real development rather than enhancing it. AID compensation rules, for example, tend to reward cliquish or unventuresome staff members; written reports are usually used for self-protection rather than for frank appraisal; bureaucratically stronger critics of AID have been shown deference by the agency with depressing regularity.

But Tendler's most sustained analysis deals with the special perceptions of development aid that she found were *shared* by lender and borrower alike when one descended "to the level of small decision-making, of subordinates rather than superiors" (p. 58). At that level, she explains (drawing her detailed cases from Brazil in the 1960s), foreign assistance is seen as plentiful rather than scarce. The lending agency, for its part, is responsible for "moving money," and workable projects are often scarcer than funds; the borrowing institution, for its part, tends to view aid funds as replacements of domestic resources, which may

be more costly in political or social terms. The result is a kind of shared, symbiotic illusion resulting in large projects with a high proportion of imports (even when domestic industry could produce many of the aid-financed goods). Identifying a new aspect of the local coalitions found by other researchers, Tendler concludes that “this imposition of private and social costs on the economy of the aided country is not inflicted unilaterally by the donor entity, but is *collaborated upon by the damaged parties*—the borrowers . . . and the local producer” (p. 71; emphasis in original).

Tendler’s willingness to anatomize the various levels on which the politics of aid giving takes place also helps her to present a more sophisticated notion of development than the one relied on by Hayter, who simply excludes micro-level project lending from her study. In Hayter’s implicit argument, different development patterns result from contrasting (but known) economic and social recipes. Tendler is much more alert to the unexpected new social possibilities and processes that one discovers in carrying a project through. She is more willing to picture development as a learning process, with knowledge as one of its outcomes rather than a premeasured input (here her book is reminiscent of Albert Hirschman’s theoretically elegant *Development Projects Observed*⁵). This sort of logical clarity in pointing out possible new relationships of factors and ideas is one of the chief virtues of Tendler’s book. She shows that economists have a lot more to say about aid than simply to refine the old two-gap models, and she renews one’s faith in “political economy”—an honorable old title currently being appropriated by students of simple international economics.

Though studies at the local or project level are particularly badly needed just now, William Loehr et al.’s *Comparison of U.S. and Multilateral Aid Recipients in Latin America, 1957–1971* neatly demonstrates that even a broad and embracing overview can tell us interesting things about the politics of aid. It is certainly helpful, in such an effort, to use an adequate data base, to relate it to some straightforward theoretical questions, and to state one’s conclusions modestly and clearly—and Loehr and his colleagues do all these things. Their basic question is whether multilateral and bilateral institutions differ in the way they distribute loans in Latin America. Using a logically simple technique of “discriminant analysis” of aggregate data, they try to pick out the economic, political, demographic, and other factors that induce certain aid sources to lend to certain countries.

Loehr and his coauthors found (pp. 18–34) a number of contrasting loan distribution patterns. Lending choices in the mid-1960s by AID, for example, were very well distinguished by a single variable: “political instability-turmoil.” BID, on the other hand, keyed lending more to a country’s size and its government’s economic performance. During 1962–66, the World Bank tended to choose borrowers with high savings ratios and positive trade balances, while with the advent of Robert McNamara, 1967–71, political factors (including the presence of “turmoil” again) became more influential. These are not really surprising conclusions, but it is useful to substantiate some long-standing hunches (including several of Hayter’s theses), and to have at least a trickle of statistical data to back up the conclusion that “aid allocations by all donors seem to be only

weakly (if at all) related to economic variables" (p. 34). This workmanlike paper is marred only by too narrow a range of political variables (overstressing conflict at the expense of structure), and by some sad lapses in proofreading ("Colombia" is spelled with a "u" about half the time, for example).

There is much less of value in the aid-related essays that make up about half of Satish Raichur and Craig Liske's curiously formless collection, *The Politics of Aid, Trade and Investment*. (Other covered topics range from Soviet foreign economic behavior to export promotion in Brazil.) All four of the chapters on economic assistance ask useful questions about the macro-relations of aid, a stress that is perfectly reasonable in a book biased towards reliance on aggregate data. Most of the authors are also alert to the likelihood that foreign aid stems, at least in part, from political motivations. But the studies suffer from a variety of conceptual or empirical muddles that destroy most of their usefulness. James T. Bennett and Miguel A. Guzmán, for example, ask whether the World Bank and BID apportion Latin American loans in part according to borrowers' political standing with the United States. But unlike Loehr et al., whose concern is similar, Bennett and Guzmán foolishly rely on a narrow data base. They compare only one year of loan allocations with only two years of OAS votes, and their dismissal of any longer-term association between the two isn't persuasive. G. Robert Franco buys himself trouble with his concepts and definitions; in a study of what would happen if all aid procurement were untied, he erroneously equates tied with bilateral aid, and untied with multilateral aid, when neither set of terms is really the full equivalent of the other. More seriously, he operationalizes the key notion of comparative advantage in a very rough way indeed, seriously undermining his conclusions.

Michael Rock's chapter deals only marginally with foreign aid, in a couple of concluding pages tacked rather incongruously onto a study of motivation for foreign private investment. Even the best of these essays, John H. Peterson's contribution stressing narrow economic interests as shapers of U.S. actions in Latin America, sometimes treats concepts and evidence in a naive way. Peterson is apparently untroubled, for example, when his narrow data base leads him to describe Cuba as "a close neighbor which received little measured [U.S.] foreign policy allocations after 1960" (p. 78)!

This range of books sheds some light, finally, on the question of what institutional settings are likely to produce good studies of the many-tiered aid process. The easy answer would be to shun the regimented perceptions of the aid agencies themselves and to rely on the more open atmosphere of academe. Certainly Tendler gives a vivid picture of the typical AID technician's "feeling that he might be betraying his organization or the people around him" when he analyzed AID programs in writing. "Words were toned down, thoughts were twisted, and arguments were left out, all in order to alleviate the uncomfortable feeling of possible responsibility for betrayal" (p. 51). Hayter describes, in an appendix, the pressures from the World Bank and the IMF that persuaded her employer, Britain's Overseas Development Institute, not to publish her book. A Bank official complained that Hayter had "tried to bend the facts to suit her thesis, and in the process she has not only got a lot of things wrong, but she has

also made quite indiscreet use of information'' (p. 202); the Bank even urged ODI not to allow the book to be published independently, as it ultimately was by Penguin.

But Hayter and Tendler also had acquired valuable direct experience of the aid relationship, which gave them a distinct initial advantage over ''pure'' academics. As the studies by Roett and Loehr et al. demonstrate, scholars examining aid can compensate (sometimes very effectively) for this handicap, but they do need to be aware of it. The contributors to Raichur and Liske's book—principally academics—provide a negative illustration, since they largely ignore this problem. Superficially, their work appears impartial and scientific. Read with more care, many of the essays are rigidly conformist, making a fetish of aggregate data; some (e.g., Franco's and Charles Hultman's on ''access to supplies'') adopt a set of narrowly North American assumptions; and there is a whiff of academic careerism in the jumbling together of essays on such disparate topics in one publication. Aid, it turns out, is not such a passionless subject as one might suppose; to study it effectively, it's helpful to supplement academic independence with immediate experience and a commitment somewhere in one's bones.

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NOTES

1. Harvey Perloff's *Alliance for Progress: A Social Invention in the Making* (Baltimore, Md.: The Johns Hopkins University Press, 1969) well represents this school of thought.
2. E.g., William D. Rogers, *The Twilight Struggle: The Alliance for Progress and the Politics of Development in Latin America* (New York: Random House, 1967).
3. (Greenwich, Conn.: Fawcett, 1968).
4. (Nashville, Tenn.: Vanderbilt University Press, 1972).
5. (Washington, D.C.: The Brookings Institution, 1967).