“[T]he Most Generous Assistance”: U.S. Economic Aid to Guatemala and Bolivia, 1944-1959[1]
(「もっとも気前のよい支援」—アメリカの対ガテマラ, 対ボリビア経済援助 (1944年～1959年))

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SUMMARY IN JAPANESE: 1950年代, アメリカ・アイゼンハワー政権は, ラテン・アメリカから共産主義を排除しようとしたが, 同時に, 海外からの投資や貿易に敵対的であるという理由で共産主義以前からすでに存在していたナショナリズムをも囲い込み, 根絶しようとしたことは行き過ぎであった。

投資と貿易の分野における経済開放というアメリカの意図はラテン・アメリカ諸国の経済ナショナリスト達の目標とはまったく相入れないものであったが, アメリカはそうすることによってのみ,ラテン・アメリカ諸国が経済成長と工業化を達成し, 中間層及び貧困層がその恩恵に浴し, しいては, 親米的政権が政治的安定を得ることができると考えていたのである。

「もっとも気前のよい支援」と評された対ガテマラ, 対ボリビア経済援助は両国の経済ナショナリストを駆逐し, 経済を開放させることに成功した。しかし, その結果はアメリカの意図する親米政権の安定と強化からは程遠く, 経済開放の恩恵に浴したのは上流階層のみであり, さらにはアメリカがもっとも望んでいなかったもの, すなわち反米感情をも生みだしてしまったのである。

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Introduction

Most historians examining United States-Latin American relations in the 1950s put this history in a Cold War framework. Washington officials, these scholars argue, aimed to create a noncommunist world. They acknowledge that the United States may have had other interests, but security (defined as maintaining noncommunist regimes in Latin America) was paramount.[2]

There was, however, a more important and prior motive that shaped U.S. foreign policy toward the nations to the south of the United States during the period 1953-61. U.S. policy was more concerned about nationalism than communism. Latin American nationalism was an older phenomenon than Latin American communism, and U.S. policy had attempted to contain or eliminate Latin American nationalism that was hostile to foreign investors and trade for nearly half a century before Eisenhower entered the White House.[3] Thus the Eisenhower administration's policies had deep roots that ran back well beyond the Cold War years.

Many Latin American nationalists desired increased control over foreign investment. They wanted partial ownership of foreign enterprises in their nations, and they wanted their own nationals to have management positions and technical training in foreign-owned operations. Finally, nationalists desired increased economic self-sufficiency—even at the expense of economic growth.[4]

These goals directly contradicted Washington's goals for inter-American relations. U.S. officials' main motive in the 1950s was to compel Latin American governments to open their economies to outside private sector trade and investment and to create an atmosphere amenable to private sector investment, both foreign and domestic. Moreover, the United States saw private sector economic activity as the only possible engine of Latin[5] economic growth and industrialization.[6]

Washington policymakers in the 1950s demanded that Latin economies remain open or become more open for a number of reasons. They saw them as important outlets for U.S. exports. During the decade the Latins bought 21% of these exports. In 1953, 34% of U.S. direct investment was in Latin America.[7] Open economies would, moreover, facilitate U.S. access to the strategic raw materials Washington thought necessary to fight the Cold War.[8] Most important, however, was stimulating Latin American economic growth. According to policymakers, increased investment and trade in these societies would spur such growth.[9]

Growth, officials averred, would lead to political stability.[10] This proposition was based on the assumption that the benefits of this capital accumulation would trickle down to the non-elite classes.[11] Stability, in turn, would immunize the Latins against nationalistic and anti-United States regimes. Such regimes could damage U.S. prestige not only in the hemisphere but worldwide. One 1955 National Security Council (NSC) analysis of United States-Latin American relations argued that these relations "have evolved in a pattern that has shaped and influenced our arrangements and accommodations with actions in other areas. The smoothness of their functioning is inextricably entwined with the reputation and prestige of the United States in the foreign policy field."[12] In sum, smooth United States-Latin American relations increased the ability of the United States to implement its global foreign policy.

Two nations in particular resisted Washington's efforts to form an open hemisphere. The 1944 Guatemalan and 1952 Bolivian revolutions attempted experiments in "national capitalism." Not a form of total autarky, this type of capitalism prescribed state intervention in the economy as a means of implementing an economic policy to promote the betterment of the non-elite classes.[13] Guatemala and Bolivia aimed to achieve these goals by asserting more control over their national resources, constraining the activities of foreign investors, and—especially in the case of Bolivia—diversifying their economies. Economic nationalists in these countries desired increased diversification of their nation's economy as a means of promoting stronger economic growth over the long term and the betterment of the non-elite classes.[14]

The *norteamericanos*[15] in the 1950s introduced a new tool for fighting nationalism: economic aid. Bolivia and Guatemala became the two highest Latin American recipients of grant economic aid during the Eisenhower Administration.[16] Stacy May, a member of the Operations Coordinating Board, noted in 1955, "within Latin America, our record has been one of offering the most generous assistance to those nations that have departed most widely from what we regard as sound practice."[17] Washington used such assistance in combination with other techniques to attempt to thwart nationalistic policies in these two Latin American nations. In the early 1950s, it appeared that this policy was successful. The policy's flaws were not fully apparent until the late 1950s and 1960s. U.S. efforts to thwart economic nationalism contributed to rising anti-

United States sentiment and political instability which in turn contributed to the disintegration of democratic governments in the two nations.

A Decade of Conflict: Guatemalan-United States Relations, 1944-54

Previous interpretations of United States-Guatemalan relations in the 1950s focused on U.S. anticommunism.[18] Some works attempted to put the policy in a broader context of U.S. foreign policy; others carefully examined U.S. intervention in the 1954 coup (or "liberation") itself.[19] Although U.S. officials feared communists in certain Guatemalan agencies immediately before the 1954 coup, the argument in this paper will attempt to put U.S. policy in a broader historical context and center on U.S. attempts to thwart nationalism both before and after the coup.

In 1944, a revolution swept Jorge Ubico's military dictatorship out of power. Ubico had sown the seeds of his own destruction. His policies promoted economic growth; the main beneficiaries were the elite and, to some extent, the middle class. The 1944 revolution was led by the middle class that was largely a creation of Ubico's economic policies.[20] The international situation also contributed to the dictator's demise: World War II made life difficult for dictators in the Allied camp; for example, President Franklin Delano Roosevelt, admired by Latin Americans, compellingly spoke of peace, freedom, and prosperity for all in his famous January 1941 "Four Freedoms" speech. Such rhetoric inspired Guatemalan revolutionaries who desired a more equitable economic system and a more responsive political structure.[21]

A former schoolteacher, Juan José Arévalo, was elected president in a relatively free and open election in December 1944, and moved quickly to implement reforms to make Guatemalan capitalism more responsive to the majority of the people. A national bank, a social security system, an institute for economic development were founded; political parties flourished, and freedom of speech and press prevailed. Perhaps most important in light of future events, workers were encouraged to organize and bargain collectively.[22] Initially, State Department Latin American hands did not object to the revolution. U.S. Ambassador to Cuba Spruille Braden applauded the new democracy in Guatemala; Assistant Secretary of State and former Roosevelt "braintruster" Adolf A. Berle thought that the revolution did not harm U.S. interests.[23]

In part, Berle was right. The Arévalo regime passed laws favorable to U.S. investors and generally supported United States foreign policy initiatives. A 1947 law promulgated under Arévalo's regime, Decree Number 459, gave economic incentives to foreign capitalists who wanted to export capital and goods to Guatemala.[24] Arévalo supported, rhetorically, U.S. efforts in the Korean War.[25] His and his successor's administrations generally supported the *norteamericanos* in the United Nations.[26]

In many respects, however, Guatemala's foreign policy challenged U.S. goals for intrahemispheric relations. Conflicts cropped up at inter-American conferences. When the American states met in 1947 to sign the Rio Pact, the Guatemalan delegation introduced a proposition opposed by the United States representatives. The Guatemalans asked that the final agreement contain language that required the signatories "to abstain from lending aid, direct or indirect, to any aggression or attempts thereof against one or more of the other signatory states and prevent, in their territory, the exercise of any objectives which aim to change the constitutional regime of the others by means of force."[27] The members of the U.S. delegation thought that it was impossible to frame a complete definition of aggression, "particularly at a time when the forms of aggression are less foreseeable than ever, and that to include some and exclude others would lessen the effectiveness of the treaty and give an advantage to would-be aggressors."[28] In the end, the U.S. won. The treaty defined aggression as simply "unprovoked armed attack."

At the 1948 Bogota conference, where the Economic Agreement of Bogota was signed, U.S. officials proposed an article to the agreement that expropriations of foreign nationals' property be compensated in a "prompt, adequate, and effective" manner. Members of the U.S. delegation proposed this language to safeguard U.S. investments in Latin America. Guatemala, along with Mexico, Argentina, Uruguay, Cuba, Venezuela, and Honduras argued that "prompt, adequate, and effective" compensation for expropriated properties of foreigners should be interpreted by each country separately, according to its own constitution. The language proposed by the Latin American nations was voted down, however, by a 14 to 5 vote.[29] Also at the Bogota conference, the Guatemalan conferees opposed a United States-introduced measure that stated the "[s]tates therefore agree not to take unjustified, unreasonable or discriminatory measures that would impair the legally acquired rights or interest of nationals of other countries in the enterprises, capital skills, or technology they have supplied." Guatemala feared that the resolution, ultimately accepted into the agreement, would be used by foreign investors to argue that they were not subject to the laws of the host country.[30]

Guatemala challenged the United States in other ways, in particular in the area of foreign economic policy. Although Arévalo desired foreign capital, he also promoted reforms that in some cases created a chilly environment for such capital, and, concomitantly, United States-Guatemalan relations deteriorated. Arévalo's policies required that foreign capital benefit the majority of the Guatemalan people; sometimes this stipulation restricted the activity of foreign businessmen. The U.S. government was distressed that concessions to foreign oil companies were only allowed under certain, narrowly-defined conditions.[31] More significantly, Guatemalan workers began to exercise their new right to organize, bargain collectively, and strike. Arévalo's labor code, introduced in 1947, was particularly stringent vis-à-vis companies with more than 500 employees. The United Fruit Company (UFCO) argued that the law was aimed specifically, and therefore prejudicially, at itself, and the State Department backed up this charge. Management-worker friction hampered production by U.S. companies operating in Guatemala, most notably UFCO and the International Railways of Central America (IRCA).[32] UFCO owned a controlling interest in IRCA. It could ship its goods on the IRCA railways at preferential rates. Even more advantageous for UFCO was the IRCA monopoly on lines that formed the only means of transportation connecting the Atlantic Coast with the capital. The companies could effectively control Guatemala's trade.[33] Guatemalans resented Washington's efforts to stymie reform efforts that affected the interests of U.S. companies; the Guatemalans had witnessed for decades UFCO's siphoning off of valuable resources. In his 1950 farewell address, Arévalo bitterly noted how the United States frustrated at every turn his attempts at reform.[34]

Arévalo's successor, Jacobo Arbenz Guzmán, extended and deepened the reforms of his predecessor. In his 1951 inaugural address, Arbenz stated that he intended to raise the standard of living of the people and protect the nation's industry and freedom from foreign domination. This was critical, he argued, in his quest to create a "modern capitalistic country."[35] In 1951, he initiated the construction of the Atlantic Highway from Guatemala City to Puerto Barrios on the Atlantic coast. This new thoroughfare directly competed with the IRCA railway that ran parallel to it; IRCA was understandably unhappy at losing its monopoly position.[36] In addition, Arbenz financed the construction of non-foreign owned power plants to break the United States-controlled companies' domination of the electricity-generating industry.[37] Labor strife, which had occurred under Arélavo, continued; the Department of State claimed "political disturbances" (most notably strike violence) made investors uneasy.[38] As a result, U.S. investment declined.[39]

U.S. economic aid also quickly diminished to a trickle. The decline began under Arévalo but squeezed Arbenz much harder. Point Four technical assistance was not extended because the State Department said that the Guatemalans criticized such aid as an example of U.S. "imperialism."[40] In 1951, the United States stopped subsidizing the construction of the Guatemalan portions of the Inter-American highway.[41] U.S. technical assistance for health and sanitation and education dropped from a peak of $483,000 in fiscal year (FY) 1948 to $50,000 in FY 1954, with the sharpest declines taking place when Arbenz took office.[42] Total U.S. economic aid to Guatemala fell from $2.9 million in FY 1949 to $0.2 million in FY 1954.[43] Policymakers intended, with these cuts, to weaken Arbenz. In 1951, a State Department memo noted, "These pressures will be quietly imposed and queries by Guatemala, if any, will be explained on grounds of technicalities. We will not, for the present at least, relate them to our concern over political developments there and will leave it to the Guatemalans' own reasoning to draw this conclusion."[44]

Falling U.S. aid hurt Guatemala. Arbenz, however, continued to pursue his reform policies. The Agrarian Reform, passed 17 June 1952, culminated eight years of slow but steady Guatemalan reform and, concomitantly, marked the nadir of post-1944 United States-Guatemalan relations. In the words of the Ambassador to Guatemala, Rudolf E. Schoenfeld, the law threw "into political controversy issues which strike the roots of the country's economic and social organization."[45] Significantly, these roots had been recently examined in a 1951 International Bank for Reconstruction and Development (IBRD) report. In the words of the authors of the report, "[i]n the long view, however, the basic poverty of Indian highland agriculture permanently hampers not only agricultural progress but the whole economic growth of Guatemala; for the Indian population comprises the bulk of the potential internal market, without which industry cannot develop adequately."[46]

The reform, which was passed as Decree 900, legislated a more equitable distribution of land, and began resolving the problems outlined in the 1951 report.[47] Much of Guatemala's arable land was owned by large, foreign-owned companies, most notably UFCO, and much of this land lay fallow, in part to prevent competition from springing up to threaten UFCO's near-monopoly position.[48] Decree 900 stipulated that all properties larger than 660 acres that were not being cultivated would be affected by the expropriation. The law required UFCO initially to give up 234,000 acres of land, 8.2% of the land it held fallow. The nationalized lands would be rented or granted as private plots to individuals. The plots were to be less than 43 acres and were not to be sold.[49] The Arbenz government offered a $1.2 million indemnity based on the company's self-declared valuation of the land for tax purposes. The payment was to be in bonds amortized over 25 years. UFCO responded that 25 years was too long and therefore the reform amounted to an expropriation without compensation. The company also thought $1.2 million too low; the U.S. government, acting for the company, requested $16.5 million.[50]

To Guatemalan officials, the land reform was imperative in order to lead their nation out of its condition as a stratified society with a stagnant economy. The Guatemalan Ambassador to the United States asserted that the "permanently unproductive state" of fallow lands owned by large landowners, foreign or not, "was causing great injury to the people and economy of Guatemala by preventing the profitable development of those lands from helping to increase production and raise the standard of living of the Guatemalans."[51]

U.S. officials believed the opposite: such land reform, perhaps the most serious challenge of any Central American nation to United States domination of the region's economy, endangered the stability of the isthmus. In late 1953, Charles R. Burrows of the Bureau of Inter-American Affairs argued, "Guatemala has become an increasing threat to the stability of Honduras and El Salvador. Its agrarian reform is a powerful propaganda weapon; its broad social program of aiding the workers and peasants in a victorious struggle against the upper classes and large foreign enterprises has a strong appeal to the populations of Central American neighbors where similar conditions prevail."[52] In addition, State Department officials strongly criticized the reform because of the way it was implemented. Two months after the promulgation of the reform these men worried that "this social change was to be forced through without regard to constitutional safeguards of private property."[53] A State Department aide-mémoire concluded the reform represented a "[v]iolation of the basic norms of justice that cannot fail to undermine mutual confidence without which economic progress is retarded."[54] The differences over the land reform were the crux of the acrimonious conflict between Guatemala and the United States in the early 1950s.

The Agrarian Reform culminated a decade of Guatemalan attempts to force foreign investors to share a larger portion of their earnings with the Guatemalan people, particularly landless peasants. Unfortunately for the Arbenz regime, the high-water mark of Guatemalan reform efforts occurred simultaneously with the zenith of the extreme anticommunism of Joseph McCarthy's Washington. One energetic lobbyist for UFCO was crucial in both tagging Arbenz as communist and convincing the National Security Council that it should install a Guatemalan leader amenable to foreign-investment driven capitalist development. This official, the former New Dealer Thomas G. Corcoran ("Tommy the Cork"), had, by the 1940s, left government service to become a lobbyist for UFCO.[55]

As the anti-Arbenz sentiment in Washington intensified, and it became clear that the land reform was going ahead as planned, Eisenhower took action. In August of 1953 he approved a plan to oust Arbenz from power.[56] The much-publicized arms purchase from Czechoslovakia in May 1954 simply made implementation of this plan easier to sell to the United States and world publics. A desperate move on Arbenz's part to obtain arms in the face of a six-year-old U.S. boycott, the purchase lent credence to those arguing that Guatemala was a beachhead for Soviet intervention in Central America. U.S. covert, paramilitary support supplied by the Central Intelligence Agency (CIA) in late June and early July of 1954 provided crucial help for the success of a revolt that installed a regime friendly to the United States, headed by Colonel Carlos Castillo Armas. The Guatemalan Army, in large part, did not attempt to stop the rebellion. It intensely disliked Arbenz, and feared rising rural violence and increased *campesino* political power.[57] Soon after assuming power Armas returned UFCO's expropriated land; as the centerpiece of his plan to revive the Guatemalan economy the new leader wanted to create a friendly climate for foreign, particularly United States, capital.[58]

U.S. Perceptions of Communist Influence in Guatemala

Although U.S. policymakers identified nationalism as the driving force behind Guatemala's policy between 1944 and 1954, after 1953 they also were concerned about communism. This change can be measured by examining two State Department reports written three years apart in the early 1950s. A State Department Office of Intelligence Research (OIR) report dated 23 October 1950 pointed out that strong Guatemalan institutions, most notably the Catholic Church and the Army, constituted major forces against communism. The report stated that "the pro-labor laws do not in themselves appear to be communistic." Regarding United States-owned industries, "the tendency of the administration and of the courts to take the side of the workers in controversies involving foreign-owned companies such as the United Fruit Company and the International Railways of Central America" was "basically one of nationalism." The report concluded that Arévalo's government was "intensely nationalistic."[59]

Three years later the analysis was different. In a 1953 OIR report State Department officials stated that communist infiltration had increased significantly since Arbenz assumed the position as head of state. The authors of the report stated the communists "have heavily infiltrated the Social Security System, the Agrarian Department and the propaganda agency." They also noted that Guatemalan communists constituted a focal point for communist activity in the region and supported Central American communists outside Guatemala. The report concluded, however, the Guatemalan voting record at the United Nations had "improved" since 1951.[60]

Although U.S. officials were concerned about communism in the Guatemalan labor movement and in some government offices, U.S. opposition to Guatemala's policies did not hinge on the perceived communism of the nation's reforms. U.S. opposition to Guatemala's polices began before State Department officials ominously intoned that communism was a problem in Guatemala. And as late as March of 1954 U.S. officials publicly acknowledged that communists did not control the Central American nation. Secretary of State John Foster Dulles stated that no Latin American country was under communist domination.[61] More importantly, U.S. policy was not driven by fears of Soviet domination of Central America. On the eve of the 1954 coup Dulles told a group of Latin American diplomats it was "impossible to produce evidence clearly tying the Guatemalan government to Moscow."[62] Moreover, State Department officials stated that "in any analysis of the situation in Guatemala it must be recognized at the outset that evidence that the Communist program in

Guatemala has been organized and directed in the world capitals of communism, and that communism in Guatemala is part of a world apparatus, must be largely circumstantial."[63] In order to sell the policy at home and abroad, the United States stated it was attempting to prevent the expansion of Soviet power in Guatemala.[64] Despite the rhetoric, Washington officials in the 1950s were mainly concerned with the economic policies of the Guatemalan government.[65]

After Arbenz: U.S. Intervention and Nationalism

The aftermath of Castillo Armas's 1954 *golpe* has not been examined extensively by scholars.[66] Analysis of this period is not just important in the context of United States-Guatemalan relations; it proves important in understanding the assumptions underlying U.S. policy toward the entire hemisphere. In Guatemala, Washington assumed that a more open economy, with the help of economic aid, could produce strong economic growth and political stability. By 1959, this postulate was proved false.

Thwarting nationalism in Guatemala was the centerpiece of U.S. efforts in Guatemala. In 1955, embassy officials in Guatemala sent a memo back to the State Department warning that "exaggerated nationalism" was on the rise in Guatemala. The officials meant that anti-United States demonstrations were occurring in Guatemala with increasing and disturbing frequency:

> [s]imultaneously, there has...been a steady revival of the atmosphere of exaggerated nationalism with anti-United States overtones which characterized the "Revolution of 1944" era. This has been exemplified in a series of incidents ranging from last December's near-revolt of the Constituent Assembly against ratification of the United Fruit contract through this Easter's anti-U.S., anti-Castillo student parade, to the current protest of the Engineer's Association against the government's awarding contracts to U.S. engineering consulting firms.[67]

U.S. officials attempted to fashion a policy to attack this nationalism. The policy would have two prongs, one military and the other economic. Military assistance was given to foster internal stability; economic aid, in order to spur private foreign investment. U.S. officials perceived the latter as the touchstone of strong economic growth and long-term political stability.[68]

Norteamericano officials intended the Armas regime to be a showcase for the Cold War. In the words of Assistant Secretary of State for Inter-American Affairs Henry F. Holland, the United States wanted to "demonstrate the superiority of the free world system over communism, form which the Guatemalan leader, Colonel Castillo Armas, liberated his people last year [1954]. The U.S. is giving its utmost cooperation to Guatemala in its efforts to attain this goal."[69] More importantly, however, Washington officials wanted to prove that the new regime was more beneficial to middle class and poor Guatemalans than was its nationalistic predecessor. Near the end of 1956, U.S. Ambassador to Guatemala Edward J. Sparks, in a letter to the newly-appointed Assistant Secretary of State for Inter-American Affairs Roy R. Rubottom, Jr., reminded him that "world opinion believes that the United States was responsible for the overthrow of the Arbenz regime...and the United States press in general...think that we have a special responsibility for the success of the new government." He forcefully concluded, "if the Guatemalan people...are not convinced that they are enjoying a fuller and better life than they had under the Arbenz regime, the Castillo Armas Government will have failed in its declared purpose and political stability will not have been strengthened."[70] The techniques the United States used to pursue this policy changed over the course of the decade.

The First Hurdle: "A Growing Number of Unemployed"

The first challenge was to increase economic growth quickly and reduce unemployment. The economic health of the country had suffered because of the Arbenz regime's hasty weapons purchase in its last months.[71] U.S. officials succinctly summarized the short-term goals of United States policy:

> (1) The disruption of the economy and continued lack of confidence has produced a growing number of unemployed whose existence aggravates the instability of the situation.
>
> (2) This dissatisfaction and instability gives rise to active internal political opposition, which is always ready to exploit weakness.[72]

In order to build "confidence," U.S. officials aimed to make the economy more attractive to outside investors. One way was to build infrastructure. The initial U.S. aid allocations were concentrated on road-building. Road construction not only created infrastructure, but it was a way of quickly employing a large number of people. Indeed, U.S. ambassador Edward J. Sparks thought that, in the short term, the existence of the Castillo regime rested on the increased employment of Guatemalan workers. He wrote to the Deputy Assistant Secretary for Inter-American Affairs, Roy R. Rubottom:

> [w]hen we undertook to assist Castillo Armas after he came to power in July 1954, available economic data was meagre, projects had not been studied, and the immediate necessity was to aid the Government to stay in power by assisting it to resolve some of the most pressing problems threatening its stability, including that of widespread unemployment and a depleted treasury. For these reasons, the bulk of the development assistance for Fiscal Year 1955 was assigned to the Pacific Slope Highway.[73]

The road-building program was also part of a longer-term development plan. According to officials at the United States Operations Mission (USOM) in Guatemala, the organization in Guatemala City that implemented aid programs, "[t]his [road] program should serve to open up new sources of production and to improve the marketing of commodities which can be produced in areas of difficult accessibility." Most of the construction was to occur in FY 1956 and FY 1957: $3.675 million was allocated for FY 1955, $10.261 million for 1956, and $4.0 million for 1957.[74]

"Internal Security" and Military Aid

A second way Washington attempted simultaneously to defeat nationalism and promote stability in Guatemala was through military aid. Military aid had been withheld in 1948 which prompted the Guatemalan government to look elsewhere for matériel, including a much-publicized purchase from Czechoslovakia in May 1954. After Armas came to power, the flow of military aid to Guatemala resumed in order to support his regime.[75] Two bilateral agreements giving military assistance were signed, one in 1954 and one in 1955.[76] U.S. officials, in the language of the bilateral military aid treaty, left no doubt about why they gave the money. The first agreement, entitled "Transfer of Military Equipment to Guatemala" and dated 30 July 1954, stated that the assistance was given, in part, to increase the political stability of Guatemala:

> [s]uch equipment and materials that may be provided to the Government of Guatemala under this agreement are required for and will be used solely to maintain Guatemala's interest security, its legitimate self-defense, or to permit it to participate in the defense of the area of which it is a part, or in the United Nations collective security arrangements and measures, and Guatemala will not undertake any act of aggression against any other state.[77]

Castillo Armas could, and did, use the aid to "maintain...internal security." In practice, he used the assistance to quell dissent.[78] In addition, the assistance increased the political influence of the Guatemalan Army, "the key factor in Guatemalan politics," according to the Department of State.[79]

Maintaining "internal security" proved at times to be brutal. U.S. military assistance helped to support a repressive police system in Guatemala. In 1954, after the *golpe*, the CIA help set up the *Comité Contra el Communismo* to track down and, in some cases, kill suspected communists. The efforts of the committee went beyond simply attempting to round up communists. Because "communist" came to mean almost any dissenter, the committee detained many noncommunists who opposed the Armas regime.[80] This intense effort to quell dissent bordered, at times, on the psychopathic. The International Cooperation Administration (ICA), the Washington agency that coordinated aid policy, in a report on the police system, said "the ever present driving thought is the 'alert' to communist activity and attack...[T]he preparedness and functional operatives are more and more directed toward...near-obsessive-compulsive acts closely bordering on the neurotic."[81] The report continued:

> [i]t may be assumed...that the primary policy function of protecting life and property, and preserving the peace, is in reality a secondary function of the police administration and executive management. Operations top level planning, intelligence gathering activities, are singu-

larly directed toward alertness and preparedness against 'the threat of the communists,' instead of being directed against the army of criminals.[82]

Economic Policies: Private Investment and Trade

The key assumption of U.S. officials was that if the Guatemalan government created a friendly environment for private foreign investment, the Guatemalan economy would grow. Economic aid could help this process work, but it was no substitute for the private sector. Thomas Mann, a State Department official who, in 1954, was second-in-command at the U.S. embassy in Guatemala City, summarized the prevailing ethos of the Eisenhower Administration's Latin American economic policy: "[i]n the long run it is private enterprise which must supply the capital this country needs. It would be a small price to pay if...[economic aid] should prepare the way for developments of this kind."[83] State Department officials thought that Arbenz's policies had "harassed and frightened" investors and thus hurt the Guatemalan economy.[84] They urged Armas to open up the nation's economy to foreign private investment. Armas publicly agreed with U.S. officials that such investment was key for Guatemalan development.[85]

Economic aid could prove useful for coercing Guatemala to promulgate policies that Washington officials desired. Mann advocated using the aid as a lever to ensure the nation's economic policy would be receptive to U.S. capital, particularly investment in petroleum. Mann noted the United States successfully used its leverage as an aid donor to influence Bolivian legislation regulating investment in the oil industry.[86] Castillo Armas's repeal of the Arévalo-Arbenz pro-labor legislation helped to make the environment for foreign private investment more inviting. The Guatemalan leader's efforts paid off: the number of U.S. firms operating in Guatemala rose from eight in 1950-54 period to 32 in the 1955-59 period.[87]

The trade policies that State Department officials recommended for Guatemala complemented the department's recommendations regarding private foreign investment. Washington urged Guatemala to lower tariffs, especially "products which are essential in the daily life of the people—and which are not produced in the country or are not produced in anywhere [sic] sufficient quantities." Policymakers also urged that duties be eliminated on "certain products which are important in improving and expanding Agriculture—the country's main income producer and provider of exports." In this regard, the department noted that, in particular, "agricultural machinery and fertilizers" and "purebred cattle and other farm animals" should be free of tariffs.[88]

In order to better attract foreign investment, State Department officials crafted an overall development program for Guatemala. U.S. officers stated the program was to promote "political, economic and social stability." To accomplish this, economic aid had to promote a stronger and more diversified economy; improved health, education, and general welfare; and a more efficient government. These goals were to be met without bankrupting the Guatemalan or United States treasuries.[89] In early 1955, Foreign Operations Administration officials stated:

> [t]he objectives of economic development programs includes [sic] (a) helping the Government of President Castillo Armas modernize and diversify both agricultural and industrial parts of the economy, such as assistance in establishing a modern credit system, and providing assistance and information on machinery pools, productivity, etc. (b) relieving budgetary pressure (to decrease year by year) in order that, substantial investment can be made as soon as possible in heavy items of expenditure such as roads, telecommunications, power, etc.
>
> [Also,] the objective of technical assistance programs is to make available to an ever increasing number of the population, the benefits which the U.S. people have come to regard as a natural and appropriate inheritance. These are mostly *direct* benefits to the people in fields of agriculture, health, education, etc., which will enable them to rise above mere subsistence level, to become healthier, to become better equipped educationally, socially and materially to successfully encounter problems attendant to technical advances. There are, of course, *indirect* benefits resulting from programs to better [sic] public administration, to better industrial practices, to better social and community techniques.[90]

In order to promote a higher standard of living amongst the Guatemalan people, aid officials realized the aid program must target a critically important sector of the Guatemalan economy: the agricultural sector. Stimulating agricultural production was a key element of the plan. U.S. aid officials on site in Guatemala stated that the

> [f]irst priority in the Guatemalan Program is to improve agricultural productivity, increase agricultural production in such a way as to raise the standard of living generally, increase farm income and establish a nucleus agricultural middle class. This is reflected in the Rural and Agricultural Development Programs. The government of Guatemala with U.S. aid is colonizing faint families on a permanent basis, building access roads, introducing mechanization, building irrigation systems, etc. The program is being concentrated primarily in the rural areas of Guatemala.[91]

Agriculture was specifically targeted because spurring agricultural growth could produce a number of benefits:

> Guatemala is essentially all agricultural country. It produces practically all of its food. Agricultural products account for 95% of its export trade. Further, agriculture is an industry amenable to spectacular improvement. It can raise the living standards of the Guatemalan people. Hence, a major objective of the FOA [Foreign Operations Administration] program is the improvement of agriculture through the development of basic food crops and animal industry. This includes seed improvement, crop protection, agricultural processing, aid studies of soil.[92]

Specifically, the U.S. mission in Guatemala aimed to achieve its goals in agriculture by increasing small private land holding through utilization of undeveloped government lands and diversifying cash crops. U.S. officials thought supplying technical advice was key "because development of agriculture is dependent on private investment, initiative and efforts."[93] The development plan called for both the development of food crops and agricultural products for export.[94]

Funding for these projects came from the United States and multinational organizations. Normally, policymakers expected underdeveloped countries to go first to the multinational organizations when seeking funding for development projects. The World Bank, a key source of Guatemalan development aid after 1954, shared many if not most of the assumptions of U.S. policymakers. Some U.S. officials doubted, however, that international lending institutions could promote foreign investment-led development quickly enough without creating havoc in the Guatemalan financial system. Not only were loans from international institutions limited, tending might hurt Guatemala because it would have to extend the payback period for existing bonds or borrow money against its reserves, actions that would not promote Guatemalan fiscal integrity. Hence the State Department gave special U.S. grant aid for Guatemala. (Only a small portion of U.S. aid for Guatemala during this period had to be paid back.) State Department officials feared political and social instability would overtake Guatemala unless a broader range of projects—the technical assistance efforts—were started very quickly.[95] During the first two and a half years of the economic aid program, the World Bank provided $12.7 million in aid; the U.S. Bureau of Public Roads supplied $15.7 million for building the Inter-American highway; the United States supplied $26.9 million through the ICA and the FOA; and the United Nations (specifically UNICEF) supplied $0.6 million.[96]

Results of U.S. Policy

Between 1953 and 1961, the Eisenhower Administration ensured that $138 million of aid flowed to Guatemala directly from Washington and international organizations that Washington funded. Guatemala became the second largest recipient of grant economic aid during an administration that aimed to cut spending. Soon after Eisenhower entered the White House, a NSC report intoned, "The survival of the free world depends on the maintenance by the United States of a sound, strong economy. For the United States to continue a high rate of Federal spending in excess of Federal income, at a time of heavy taxation, will weaken and eventually destroy that economy."[97]

Guatemala became dependent on U.S. assistance. Although assistance was reduced during Eisenhower's second term, it was not entirely cut off. In fiscal year 1956 and to Guatemala reached $34.4 million; it dropped to $19.0 million in 1957 and fell to $17.3 million in 1958. In 1959, it was cut again to $12.4

million.[98] When the aid flow was reduced, the economy suffered. The reduction in aid was especially painful as it occurred as coffee prices fell. Based on an index where 1951 equals 100, the price of coffee was 83.5 in 1958 and fell to 67.5 in 1959 and 67 in 1960.[99]

Although foreign private investment and economic growth increased in the Central American nation,[100] in broader, more significant ways Washington's policy failed. The poor were economically worse off than they were in the early 1950s and political stability had deteriorated. Life for the peasants became much worse; their income had declined and the number of landless peasants had increased.[101] Most critically, per capita production of food was level throughout the decade and fell at the end of Eisenhower's time in office.[102] In general, the economy was weak. Increased flows of public and private capital in the 1950s pushed Guatemala's demand for imports above its ability to pay for them. Guatemala had to go into debt to pay for this increased demand for foreign goods. At the end of the 1950s, although the Guatemalan economy had expanded the production of a number of export crops, notably cotton, sugar, meat, and vegetables, it was still basically a monoculture: it remained dependent on one crop—coffee—for over 66 percent of its foreign exchange earnings.[103]

U.S. policies directly contributed to Guatemala's problem of paying for its increased stream of imports. Even a top U.S. official recognized this. The U.S. Ambassador to Guatemala City, Lester D. Mallory, pointed out to his superiors at Foggy Botton that Guatemala was spending a portion of its foreign exchange on imported eggs. Eggs could be inexpensively produced in Guatemala if there was a suitable supply of feed for the chickens. The easiest and least inexpensive way to produce this feed was from the by-products of flour milling.[104] However, when the Guatemalan government tried to increase restrictions on flour imports to protect and stimulate the local production of flour, Secretary of State Dulles remonstrated that such barriers contradicted U.S. policy. In a succinct statement of the rationale behind Washington's efforts to get Guatemala to open up its economy to foreign goods, Dulles stated:

> industries which are able to survive only with the assistance of continued excessive protection will not contribute substantially to the economic development of a country. The use by the Government of Guatemala of extensive restriction against the importation of flour, and the possi-

> bility of further protection, has serious repercussions on trade relations and creates problems for Guatemala as well as for flour exporting countries. Local consumers are deprived of the benefits of competitive prices, while any possible saving of foreign exchange would generally be obtained at the expense of efficient and economic use of available resources and at the expense of efforts to promote international trade.[105]

Between 1953 and 1959, Guatemala imported 47.6% of its wheat flour, 146,800 metric tons. The United States provided a significant portion of these imports. In fiscal year 1959 alone, U.S. exports of wheat flour to the Central American nation totaled 3,900 metric tons.[106] "[E]fficient and economic use of available resources" apparently meant increased U.S. exports and Guatemalan dependency on the United States.

There were other ramifications of Washington's policy of promoting U.S. exports to Guatemala. In order to obtain loans from the U.S. Development Loan Fund, recipient nations could "not expend foreign exchange on luxury items from abroad...[which] may be grown or produced within the country." Eggs were categorized as such an item. Not only did the U.S. policy cause the Guatemalans to purchase an imported good that it could inexpensively produce at home; it also made it more difficult for the Guatemalans to tap the DLF as a source of public financing for industrialization. In addition, Mallory also noted that Washington's attempts to lower Guatemala's tariffs on its imports directly contradicted U.S. efforts to increase private foreign investment in Guatemala. Lower duties would hurt not only domestic but foreign industry. The ambassador concluded that although U.S. policymakers were rhetorically committed to promoting Guatemalan development, their actions proved otherwise. An exasperated Mallory, unsure of the direction of the policy emanating from Foggy Bottom, concluded: "[t]he basic problem which we face abroad is one of not becoming completely impotent and obviously foolish by trying to say diametrically opposed things at one and the same time."[107] No evidence has been found in the documentary record that State Department officials responded.

The political situation in Guatemala was as dismal as the economic situation. Political instability had increased and was on the rise. Instability had been sown by the nature of the 1954 counterrevolution. Jealous army officers resented the special treatment received by the "army of liberation" and triggered uprisings after 1954.[108] Ten years of relatively free and open political space, moreover, had opened peoples' eyes and minds only to have this space quickly eliminated in 1954. By 1959, anti-United States sentiment was rising[109] and the seeds were well-sown for revolutionary activity which erupted in that year.[110] Guatemala was neither a showcase nor were the majority of its citizens better off than they were under Arbenz.

Lack of Control, Corruption, and Failure

Since the beginning of the aid program, U.S. officials had desired a considerable degree of control over Guatemalan economic affairs. In 1956, the year the United States dispensed the greatest amount of aid to Guatemala,[111] Burke Knapp of the IBRD asked Holland to what extent the United States thought it should concern itself with "the decisions in the economic field of the Guatemalan Government and its development." Holland's response was revealing. He replied, "the United States should participate from the moment the Guatemalans hit on an idea in all phases of analysis and reaching decisions, drafting of plans or decisions—in short, every phase of their planning as long as the United States government is carrying the heavy responsibilities it is in that country...there is no aspect of their internal affairs of which we should be aware, concerned, and vigilant."[112] By 1959, the United States had lost what control it had had over the situation in Guatemala. U.S. leaders wanted to reduce aid; but the Guatemalan government in 1958 and 1959 was maneuvering to increase the flow of aid. The head of the U.S. mission (USOM) in Guatemala City, Oscar M. Powell, wrote to Rollin S. Atwood, the Regional Director for Latin America in the State Department, that "in my opinion, the present Government of Guatemala is permitting a build up of strength by the extreme left at a rate which, if it is not stopped and reversed, will shortly be too great for the government to control." Powell averred that the buildup could partially be explained by the desire of the government of Miguel Ydígoras Fuentes to tap the United States for more aid. In effect, the USOM chief maintained, the Guatemalan government was attempting to manipulate aid officials: "[t]here is evidence to support the idea that the present government leaders believe that if they let things get bad enough the U.S. will be forced to make substantial additional sums of money available to Guatemala."

U.S. officials faced the prospect of bailing out a government that had not adhered to Washington's formula for a stronger Guatemalan political system and economy. Powell's critique of the aid programs indicted the Guatemalan government for failing "in several important respects to comply with its obligations under the aid agreements. Land has not been made available to carry forward the rural resettlement project and the government has long been delinquent in its contributions to the Supervised Agricultural Credit Program. Balances in excess of $7.7 million allotted to these projects remain unexpended."[113]

There were other problems as well. Powell said that the Ydígoras Fuentes government was "badly organized and weakly staffed." Corruption increased.[114] To make matters worse, the Minister of Agriculture, Clemente Marroquín Rojas, publicly demanded the Guatemalan government be given some authority over the *servicio*, the United States-run office that helped administer the agricultural aid programs that was paired with the Ministry of Agriculture. According to the U.S. Ambassador, Marroquín Rojas's "loud complaints that United States aid is a 'national shame' have wide appeal, even to persons who feel that United States aid must be continued."[115] The mission chief ended his evaluation of the aid programs by stating that the efforts of the past five years had been wasted. "It is my judgement," he said, "that Guatemala is not profiting from the ICA programs there in proportion to the U.S. funds and efforts being invested in them. Nor do I believe that U.S. interests are being advanced, or are likely to be advanced, under present conditions there, through our aid programs in Guatemala."[116]

A number of determinants contributed to the failure of U.S. policy. Policymakers thought that increased trade and investment could provide the foundation of a Guatemala that, eventually, would not need economic assistance. The policy of increased trade, however, proved detrimental to Guatemalan development as Mallory pointed out in late 1958. Guatemala's economic problems were exacerbated by the reduction in economic aid after FY 1957. As the economy soured, aid dropped, political stability rose, and anti-*norteamericano* sentiment grew, Washington turned to the military. Military aid rose from less than $50,000 in FY 1959 to $200,000 in FY 1960.[117]

James F. Siekmeier

Maintaining Access: U.S. Reaction to the Bolivian Revolution, 1952-1956

On the surface, U.S. reaction to the Bolivian revolution seems radically different from its policy toward Guatemala. Instead of toppling a revolutionary government, Washington supported it with, first, economic, and, later, military assistance. In one key way, however, U.S. goals in the Andean nation were the same as for Guatemala. Washington wanted Bolivia to provide a friendly environment for foreign private-sector investment which they thought would spur growth, necessary, they concluded, for political stability.[118] As in Guatemala, the United States was fighting economic nationalism and exerted a great deal of power to try to suppress it. In Guatemala, a combination of paramilitary force, military assistance, and economic aid were used to pursue policy goals; in Bolivia, only the latter two were employed.

Previous interpretations of United States-Bolivian relations in the 1950s have stressed U.S. security concerns. Washington officials, these scholars argue, wanted to prevent a Soviet-backed communist regime from taking power in Bolivia.[119] Six months after the 1952 revolution, however, U.S. diplomats in La Paz privately told their British counterparts that they did not see a Soviet Union-backed communist party coming to power.[120] The threat they saw was economic stagnation and political chaos. To promote growth, *norteamericano* officials believed, U.S. policy had to support the revolutionary government with economic assistance; but some parts of the 1952 Bolivian revolution had to be annulled. In fact, U.S. officials used their leverage obtained from the dispensing of aid to roll back some of the revolutionary legislation. In this process, the United States helped to destabilize Bolivia to the point that it seemed the nation was ready to disintegrate into chaos, exactly the crises the United States had sought to avoid.[121]

In 1952, Bolivia erupted in one of the few truly social revolutions in recent Latin American history.[122] The costly Chaco War against Paraguay (1932-35), which Bolivia lost, was a cause of the revolution; the war shook the credibility of the oligarchic-authoritarian leadership as Bolivians (especially the middle class) began to question the leadership of the regime.[123] In addition, the bourgeoisie clamored for more state-funded projects which the oligarch-dominated government did not provide. Middle and working class resentment toward the tin barons and the military (known collectively as *la rosca*) fed the popularity and increased the political power of the broad-based Movimiento Nacionalista Revolucionario (MNR) party.

The MNR's agenda included agrarian reform, increased state control over the foreign-owned tin mines, and economic diversification.[124] Interestingly, a good deal of the MNR platform matched recommendations from the State Department and the United Nations. A prominent State Department Latin American expert, Merwin I. Bohan, led a team of experts on a mission to Bolivia and argued in a 1942 report that the nation needed to diversify its economy and improve its infrastructure. In order to spur self-sustaining development, Bohan argued, Bolivia needed to build up its foreign exchange by both increasing exports and, especially, decreasing imports. When Bohan was in Bolivia, the nation was spending scarce foreign exchange on foodstuffs and agricultural products it could produce at home.[125] A 1951 U.N. paper (the "Keenleyside Report") argued that Bolivia's low agricultural production resulted in part from the vastly unequal distribution of land.[126]

An important short-term cause of the 1952 revolution was the falling price of tin and Bolivian efforts to raise it. During World War II, the U.S. government negotiated an agreement with the Bolivians to buy tin below the market price. To meet the large wartime demand and earn sufficient foreign exchange the mine owners intensively mined the easily-obtainable tin in the mines. At the end of the war, due to falling prices, the mine owners' profits dropped while U.S. power over the world tin market markedly increased. The *norteamericanos* possessed the world's largest smelting capacity and massive buffer stocks of tin. With the Korean War, world tin prices rose sharply; Washington's response was to force the price down by selling off part of its stockpile while refusing to sign a contract agreeing to purchase Bolivian tin. In 1951, the government of Bolivia halted all tin exports (half of which went to the United States) to raise the price and compel the United States to sign a contract. The strategy failed and the Bolivian economy went into a tailspin.[127] The MNR revolutionaries capitalized on the hard times. With the revolution on 12 April 1952, the constitutionally-elected MNR, prevented a year earlier from assuming office by a military coup, was back in power.[128]

The Revolutionaries and their Goals

The MNR was divided into a left-wing and right-wing factions. Two broad goals united the groups, diversification of the economy and improvement of the Bolivian infrastructure, as did two more specific goals, land reform and nationalization of the tin mines. The factions differed in their ideas on foreign investment and public-sector economic aid to Bolivia.

In the rural regions, government leaders implemented land reform for moral, economic, and pragmatic political reasons. Many argued that the feudal-like agricultural system exploited the peasantry and should be demolished. Land reform was a prerequisite, top MNR officials stated, for modernizing agriculture and increasing output.[129] In addition, the urban-based MNR was forced to implement land reform quickly because of increasing unrest in the countryside. Some farmers were violently demanding land.[130] The reform stated that land must be "developed" and there were limits to how much land a single person could own. The revolutionaries tried to soften the blow to large landholders by stipulating that indemnities were to be paid to those whose land was expropriated.[131]

The strength of the powerful left lay in the strong, well-organized labor unions. The preeminence of the tin miners' unions was enhanced by their private militias which collectively were more powerful than the small Bolivian Army, which was decimated after the revolution. The flamboyant and charismatic leader of the major Bolivian workers' organization, the Central Obrera Boliviana (COB), Juan Lechín Oquendo, became Minister of Mines in the new revolutionary government.[132] The left wanted the state to nationalize all the mines, railways, aid *latifundia* (large plantations) and wanted the workers to run these institutions. Finally, the COB called for workers to occupy the factories.[133]

Conservatives countered by advocating a mixed economy funded by both public and private capital. They advocated foreign private investment in Bolivia, particularly in order to increase oil production.[134] Oil sales could provide the country with a source of foreign exchange and, some on the right argued, dramatically increase the pace of Bolivian development.[135] The right-wing members did not fear that U.S. dominance would come with its aid; they argued that the United States simply wanted to promote growth in Bolivia that was beneficial to both the Bolivians and the *norteamericanos*.[136] The rightist faction also wanted to promote diversification by shifting labor from the nationalized tin mines to agricultural pursuits. One member of the rightist segment of the party, Walter Guevara Arze, realized the powerful labor leaders would see this shift as a threat to their power; he admonished that the MNR move cautiously in this regard in order to maintain harmony in the ruling coalition.[137]

Harmony proved impossible to maintain on the issues of public-sector assistance and private foreign investment, particularly U.S. economic aid. Leftists saw foreign private sector capital and economic aid as a dangerous source of power that could be used to control and exploit Bolivia, especially for its mineral resources.[138] This sharp disagreement, particularly over the desirability of U.S. public-sector aid, severely weakened the MNR.

U.S. Recognition and Aid

The issue of U.S. recognition of the regime was complicated by the MNR's advocacy of nationalization of the three largest tin mines, all foreign-owned. Nationalization, of course, greatly reduced the power of the tin barons whom the MNR feared.[139] However, the Bolivians also knew that the United States, which opposed the nationalization, had to be appeased in order for the Government of Bolivia to obtain a long-term tin contract with the United States, an agreement which was critical for the health of the Bolivian economy. The Bolivians surmised that U.S. officials were wary about tacitly accepting the nationalization by recognizing the new regime, for fear of giving revolutionaries in other countries an incentive to expropriate foreign-owned properties.[140]

The new government, in particular its ambassador to the United States, Victor Andrade, assured the *norteamericano* officials that the MNR was not anti-private property, anti-United States, or pro-Soviet.[141] (The MNR was not communist; it shunned the pro-Moscow Bolivian Communist Party members because the communists had allied with the anti-MNR authoritarian regimes in the 1940s.[142] Some of the members of the MNR's left wing—most notably some of the leaders of the powerful mine workers' union—were Trotskyites, but were not connected in any way with Moscow.[143])

The MNR's assurances laid the groundwork for U.S. recognition of the regime of Victor Paz Estenssoro on 2 July 1952.[144] Regarding indemnification, the Bolivians agreed to compensate foreign holders of the companies' equity who had invested in the tin mines before the revolution. The Bolivian government did not think it was obligated to indemnify those who invested after the revolution but before the nationalization became official on 31 October 1952. These investors, the MNR maintained, might have invested in order to capitalize on the probability that Washington would attempt to coerce Bolivia to reimburse U.S. investors after the nationalization took place.[145]

Without recognition, the Bolivians realized there was no chance they could receive economic aid from the United States. The Bolivians had received aid from the U.S. government before and thoroughly understood the process. The United States first gave aid to Bolivia in 1942. Before 1953, U.S. assistance was in the form of technical assistance which, in the words of Franklin D. Roosevelt's Undersecretary of State Sumner Welles, comprised a key element of "a long-term plan of collaboration to foster continued mutually beneficial economic relations between the United States and Bolivia and to develop the natural resources of Bolivia."[146] In 1941, the United States promised this assistance contingent upon Bolivian indemnification for 1938 confiscation of Standard Oil's petroleum fields and physical capital.[147] Early in 1942, Bolivia promised to reimburse the company for its losses and U.S. officials, in turn promised to give the aid. In addition, technical assistance was also a way of securing raw materials, most specifically tin and tungsten, for the Allied war effort and keeping them out of the hands of the Axis.[148] Finally, technical assistance supported a variety of *servicios* or programs set up in Latin America by the U.S. Institute for inter-American Affairs. These cooperative programs were staffed by officials from the United States and Latin America and aimed to improve the health, education, farming, civil aviation, and roads of Latin America.[149]

During its first term, the Eisenhower Administration provided two types of aid, monetary grants in 1953 and food grants in 1954. The context in which the aid was given was significant. In 1953, Dr. Milton Eisenhower, the President's younger brother who advised the chief executive on policy toward the hemisphere, stopped in Bolivia during a trip through south America. Citing food shortages and imminently lower tin prices (the Korean War was winding down and demand would slacken), Bolivian officials pressed the influential younger Eisenhower for U.S. aid.[150]

Soon after Dr. Eisenhower returned to Washington, President Eisenhower announced that the United States would send economic aid to Bolivia. In a response to a letter sent to him on October 1953 by Bolivian President Paz Estenssoro that requested emergency economic aid (in particular food), Eisenhower stated that the U.S. would allocate the requested assistance which was "intended to assist Bolivia in this emergency and to help accelerate the economic diversification of your country."[151] Policymakers expressed different opinions in private. Milton Eisenhower feared that without assistance a strongly anti-United States regime might come to power.[152] The State Department emphasized the influence aid brought. The "Outline Plan of Operations with Respect to Bolivia" maintained that "[u]nder the impact of United States aid and assistance, the regime has become increasingly inclined to accept United States viewpoints."[153] These "viewpoints" included U.S. admonitions that Bolivia keep its economy open to trade and try to foster a good investment climate. In this sense, Bolivia became a laboratory in which officials could apply their hemispheric policy.

In 1953, fears of communism did not prominently figure into policymakers' considerations. Dr. Eisenhower believed the MNR's admonitions that it was not communist; nor did he think a communist government would arise if the MNR fell. He stated in a letter to his older brother, "[s]hould the present government fall, it seems probable that it will not be succeeded by a communist government nor by a fascist one."[154] U.S. policymakers, instead, feared a chaotic situation in the case of the fall of the MNR. Washington's policies, including the aid policy, aimed to avoid a disintegration of the Bolivian government while promoting policies that would attract foreign private investment.

Oil Policy and Food Aid

One area in which the policymakers successfully opened up the Bolivian economy was the petroleum industry. Many U.S. oilmen believed that Bolivia had rich, unexploited oil fields.[155] The State Department wanted to funnel private sector investment toward Bolivia, and rightist MNR leaders thought that foreign investment would spur oil production. U.S. lawyers helped write the Petroleum Code.[156] Washington ensured enactment of the code by threatening to cut assistance if the law was not passed.[157] Private oil firms, predictably, benefited from the code. It allowed the Bolivian state-owned oil company, the Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), only 11% of the total oil field concessions. All oil fields were open for current exploitation; the Bolivian Code was the only Latin American oil code that did not cordon off some oil fields for future exploitation.[158] Other provisions gave the private-sector oil companies first choice over which lands to exploit.[159] Finally, the code gave the private oil companies the right to market their products in Bolivia, a grant that severely hurt the YPFB's efforts in this area.[160] In part because of the restriction on foreign exchange available to it under the Stabilization Plan (see below), the state-run company lacked the financial resources to rebuild worn-out capital. After 1957, YPFB's production steadily declined; it fell from 568,400 cubic meters to 413,800 in 1964. Foreign exchange earnings from petroleum fell from $8.08 million per year over the 1952-1956 period to $4.10 million per year during the 1957-1962 period.[161]

U.S. policy took a significant turn in 1954. In that year *norteamericano* officials began giving food aid. This not only alleviated hunger in Bolivia, but helped to reduce the U.S. government's foodstuffs' storage costs. In an effort to assist farmers, a powerful constituency, the government stockpiled agricultural products to raise their prices.[162] Public Law (PL) 480 aid began to flow to Bolivia in 1954. Unfortunately for Bolivia, U.S. food aid partially thwarted one of the goals of the revolution, diversification of the economy.

Much of U.S. economic aid to Bolivia was given in the form of surplus foodstuffs. Between FY 1954 and 1961, 15.9% of U.S. economic aid was given in the form of foodstuffs; 47.8% of assistance in FY 1955 was in the form of food aid.[163] Once in Bolivia, the surplus agricultural goods were sold and the funds put in special accounts to fund economic development projects. After 1957, some of the proceeds were lent, at low rates of interest, to large U.S. companies that invested in the developing world. An important part of PL 480 aid to Bolivia was wheat flour, which had a predictable, and disastrous, affect on the Bolivian milling industry. Flour imports shot up, increasing from $1.6 million in 1953 to $9.2 million in 1961. This rise was particularly damaging because the Bolivians wanted to reduce the country's dependency on food imports. Bolivia's production of wheat flour plummeted, dropping from 58.7 million kilos in 1953 to 6.1 million kilos in1960.[164]

The Background to the Stabilization Plan

The negative effects of PL 480 aid were small, however, compared to the severe ramifications of the United States-imposed 1956 Stabilization Plan. The plan aimed to address the immediate crisis of the high inflation rate. The cost of living in La Paz rose 124% in 1954, 80% in 1955, and a record 179% in 1956.[165] At base, the spiraling price rate was caused by shortages induced by the overvalued exchange rate and the lower price of tin. The high exchange rate discouraged indigenous production and encouraged imports. Shortages of key goods, including food, occurred when foreign exchange earnings ran low.[166] Tin sales were down because of lower post-Korean War demand and the declining ore content of Bolivia's easily-exploitable veins.[167] These problems afflicted in particular the Corporación Minera de Bolivia (COMIBOL), the government-owned tin industry. The price of tin fell from $1.21/lb. in January 1953 to $0.80/lb. in June 1954 while the cost of production remained around $1.03/lb. As a result, COMIBOL ran deficits. COMIBOL's financial problems were exacerbated by a system of multiple exchange rates which forced the tin-mining giant to sell its foreign exchange earnings to the Central Bank at the low official exchange rate. During the early phase of the revolution, between 1952 and 1956, the gap between the official and free-market rates grew enormously.[168] COMIBOL's growing deficits were covered by drafts from the Central Bank. With an increase in the amount of money in circulation, Bolivian inflation shot up.[169]

In order to stem the high inflation, in 1956, the United States designed and implemented a stabilization plan for the Bolivian economy. It required, among other things, that the Bolivian government cut wages and reduce the number of workers who worked in the mines. Washington's goals, however, far exceeded simply dampening inflation. The overarching goal of United States officials was to use economic aid, which the poor nation desperately desired, as a means to coerce the Bolivians to frame economic policy along lines that squared with U.S. policy. The way this was done was through an ultimatum: U.S. aid would be cut if Bolivia did not adhere to the plan.[170]

Stabilization: "Between the Economically Desirable and the Politically Feasible"

The philosophy behind the stabilization program was that Washington officials thought that if the Bolivian government budget was cut and money supply controlled, inflation would cool off and the economy would improve. Foreign investment would spur growth. United States officials used the plan to promote greater openness of the Bolivian economy and to turn back aspects of the revolution.[171] Washington-imposed economic policies, however, did not produce the desired results; instead, they split the Bolivian government and created political instability. In 1959, the U.S. officials realized the plan had failed, feared rising political strife in Bolivia, and saw United States-Bolivian relations deteriorate.

The 1956 Plan was far-reaching. Washington tried to use its leverage from the economic aid it gave Bolivia to force changes in policy that would not only reduce inflation but, ultimately, make Bolivia a propitious environment for private foreign investment. For example, the State Department desired that COMIBOL, the state-run tin mining company, balance its budget aid reduce its work force. But the department wanted to intervene in Bolivia's economy in more significant ways. It sought to compel Bolivia to reduce "excessive social reforms." In addition, Washington officials wanted the Andean nation to improve agricultural production.[172] Addressing these problems, Washington officials thought, was imperative for creating conditions favorable for economic growth. Policymakers argued that once strong economic growth occurred, Bolivia would not need constant infusions of aid. Limiting aid was important to State Department officials since getting Congress to appropriate aid funds was difficult.[173]

Eisenhower administration officials realized the potential problems austerity could cause. William F. Gray, First Secretary to the American ambassador in La Paz, realized that if the United States made a number of stringent demands, the Bolivians might reject the plan and therefore reduce U.S. influence in Bolivia. If Washington did not require deep reforms, however, policymakers feared economic problems. Hence, "the delicate problem for the United States Government is that of endeavoring continuously to strike a proper balance between the economically desirable and politically feasible." He nevertheless advocated continuing to "exert strong pressure upon the Bolivian Government" to enact reforms. Communists and radicals, he argued, "thrive best in an atmosphere of economic stagnation and misery such as now exists;" only the United States-mandated reforms could improve the economic situation.[174]

Much of the MNR's revolutionary agenda was reversed by the plan, which was spearheaded by the International Cooperation Administration (ICA). In June 1956, the ICA sent economist George Jackson Eder to Bolivia to launch the plan. The Bolivians were told before it was implemented that they would risk losing future economic aid unless they heeded Eder's demands. The U.S. government was "willing to discuss the possibility of financial arrangements, *provided* that Bolivia manifested its firm intention to stabilize the currency by taking certain preliminary steps...." These measures included establishment of a single "realistic rate of exchange," balancing the budget, and eliminating exchange controls.[175] The transmission belt for the reforms was a Monetary Stabilization Council comprised of Bolivian and U.S. government officials and headed by Eder.[176] Forced to chose between losing aid and keeping revolutionary reforms, or cutting the budget, laying off workers, reducing wages, sacrificing reforms and receiving aid, Bolivia chose the latter option. President Hernán Siles Suazo, who came to power in 1956, felt he had no choice; without outside aid the economy would disintegrate.[177]

Eder wanted to change a number of MNR policies he perceived as impediments to economic growth. COMIBOL, a centerpiece of the revolution, was hurt by the U.S. demand that the large firm balance its budget.[178] The large state-run company's troubles were exacerbated by deteriorating physical capital and the exhaustion of the high-grade ore veins, which drove up the cost of mining the metal and made Bolivian tin less competitive on the world market. Another revolutionary reform hurt by the Stabilization Plan was land reform. Eder thought that the confiscation of large farms, and the giving of small farms to individuals and cooperatives, had significantly contributed to a large reduction in the amount of acreage planted in corn and potatoes. He also thought the land reform had greatly reduced the amount of agricultural products sold or profit. For these reasons, he advocated the Bolivian government stop the agrarian reform. President Siles Suazo responded by announcing in December 1957 that the reform would halt.[179] Finally, policies required by the Stabilization Council stymied attempts by the Bolivian government to diversify the economy. The council stipulated that Bolivia trim its budget deficit by stopping work on dams, hydroelectric projects, irrigation project, and sugar refineries.[180]

The Failure of U.S. Policy and the Disintegration of the Bolivian Polity

Only six months after the implementation of the Plan, one U.S. official, William T. Briggs, the Deputy Director of the Office of West Coast [of South America] Affairs in the State Department, argued that the plan was so flawed that it might never make it off the ground. He stated, "there are weak spots, some serious enough to pose real threats to the program's continuance." Briggs specifically noted the failure to enact tax reforms to increase the amount of government revenue; the failure of the U.S. aid program to ensure that local currency receipts of sales of food aid were deposited in the counterpart fund accounts; the failure to control wage growth at state-run companies; the tendency to resolve problems by resorting to increased aid requests; and, finally, the failure of the ruling MNR party to explain adequately to the public the imperatives of the plan or support the president in his efforts to implement it. Despite these major flaws, Briggs determined that the plan as implemented was better than nothing: "[w]e plan to continue our assistance to Bolivia in support of the stabilization program." He averred, however, that "we do not plan at this time to increase it over present levels because of the disturbing developments and uncertainties in the picture." Briggs concluded that "failure to correct the weak spots in the program could pose serious difficulties even to continuing aid on the present scale."[181]

It is impossible to know if Briggs's recommendations could have saved the Stabilization Plan. Most were never enacted. What did doom the plan was its failure to produce a significant amount of economic growth, at least for the benefit of the middle and lower classes. It also precipitated a political crisis in Bolivia.

Although the Stabilization Plan was successful at curbing inflation and, in some respects, the 1952 revolution, it was not as successful at producing tangible economic benefits for the majority of the Bolivian people. A major setback for the plan occurred when tin prices fell in the mid- and late-1950s. The Soviet Union was flooding the market with a great deal of the metal in mid-1958.[182] The planned psychological benefits of the U.S. Stabilization Plan evaporated. The U.S. ambassador to Bolivia, Philip Bonsal, wrote to State Department officer Briggs that "[t]he fact that the major economic feature of the second year of stabilization is the deplorable state of world metal markets, due in large part to the American recession, is extremely disheartening. The advantages of stabilization are not appearing in the way that we hoped they would appear." He asserted that many Bolivian people disagreed with U.S. policies and Washington needed to do something to improve United States-Bolivian relations:

> I am sure that all of you in Washington realize how very difficult and delicate is our present situation here [sic] and in other countries. We have been telling these people about the advantage of our free economy in meeting their desires for economic development, including diversification, industrialization, rising standards of living, etc. Instead, it can be argued that the depressed demand and depressed prices for the few products these poor people have to sell is actually producing stagnation and deterioration of their economies. I will not go into the fallacies of this argumentation. It is, nevertheless, extremely effective with many people. I earnestly hope that we will do something for Bolivia which will show a specific desire to help to meet conditions which did not exist at the time the two governments undertook the stabilization program.[183]

In addition to the falling price of tin, the U.S. Stabilization Plan suffered from poor implementation and personnel problems. Ernest V. Siracusa, the director of the Office of West Coast [of South America] Affairs in the State Department, described for Rubottom the findings of an ICA evaluation of its operations in Bolivia:

> there were 'chronic personnel deficiencies' and a problem with 'spotty and generally low quality of working personnel' in the USOM. The [evaluation] team stated 'with some outstanding exceptions most of these people live in isolated communities, leading ingrown social lives among themselves.' Many do not speak Spanish, show little interest in (all too frequently, even disdain for) the Bolivian environment. 'Few have any real concept of over-all U.S. purposes in Bolivia beyond the

concrete specification of their particular assignment.'[184]

In some instances the heads of some of the United States-run *servicos* and the ministers of their corresponding ministries in the Bolivian government were not speaking to one another.[185]

Economic assistance had proved valuable to U.S. officials in forcing the Bolivian government to reverse some of its revolutionary reforms, but by 1959, aid did not offer the same leverage. Washington wanted to cut aid, but *norteamericanos* so feard political instability in the Andean nation they felt they could not turn off the flow of assistance. The U.S. ambassador noted, "[i]n assessing possible alternatives U.S. procedures [sic], the Embassy concludes that the reduction of U.S. assistance to Bolivia below the minimum required to maintain economic order, or its termination, whether immediate or graduate, would bring the left wing of the MNR to power on a militantly anti-United States platform, with the communists probably able to assume key positions using Iron Curtain aid offers for leverage."[186]

Economically, Bolivia was weak at the end of the decade. In 1958, Bolivia's balance of trade went into the red for the first time during the 1950s. The red ink continued to flow in the 1960s. Bolivia's historic dependence on tin continued. Tin exports comprised 69% of total exports during the 1939-51 period and 62% of the total during the 1952-64 period.[187] Worse, the price of tin declined and remained low in the 1950s. In 1952, the metal sold for 120.43 cents per pound, but fell to 95.77 cents in 1953 and 91.81 cents in 1954. In 1958, it sold for 95.09 cents.[188] The country imported more, not less, of many food items. Public external debt skyrocketed, from 4.2 billion *bolivianos* (bs) in 1953 to 40.2 billion bs in 1960.[189] This deficit required a stream of interest payments that proved to be a drag on the economy. Manufacturing activity declined from $55.7 million in 1955 to $47.3 million in 1960.[190] The plan failed to meet one of its major goals: stabilizing the currency. The value of the *boliviano* plunged from 7,000 to the dollar in December 1956 at the beginning of the plan to 12,000 in July of 1959. ICA official D. A. Fitzgerald concluded that "private business" faced a "serious plight."[191]

The most severe political effect of the stabilization program was to divide and hence weaken the MNR. Right-wing MNR members insisted that economic aid was necessary. Left-wing party members disagreed. On an ideological level, many leftists, in particular the tin miners, recoiled from what they saw as the MNR's subservience to the United States and abandonment of the revolution.[192] On an economic level, the costs of the stabilization plan fell most heavily on them. The program prescribed deep budget cuts, many of which fell on COMIBOL. In turn, the state-owned company cut miners' wages, provoking large and sometimes violent strikes.[193] In 1958, the miners' union held a meeting to discuss withdrawing support from the MNR. Even before they convened, militias loyal to the government fired on the participants. When the miners struck in February 1959, again the militia was called in.[194] By the late 1950s, the MNR was so severely divided that the tenuous MNR coalition was sundered beyond repair.[195]

In addition to leftists within the party, right-wing groups outside the MNR also protested that the Stabilization Plan drastically reduced Bolivian sovereignty. One of their most serious protests occurred on 19 April 1959, when the fascist Falange Socialista Boliviana (FSB) party took control of a section of Laz Paz and held it for six hours. Fifty persons died when the government squelched the rebellion. Referring to the spread of strike-related violence, the U.S. Ambassador, Philip W. Bonsal, wired the Department of State on 4 December 1958, that the Bolivian government was facing a "serious test of strength" with "extremist" labor elements. The cable ended: "[a]nything you can do to help could well be critical factor in success this enterprise [sic] in which U.S. Government has invested so much prestige and money."[196] Even though the budget cuts were largely responsible for the political strife, the IMF, too, in 1959, required that its future loans be tied to the elimination of subsidies for the government-run mining program.[197]

The MNR had lost a good deal of its control; as a result, the government relied on military force to remain in power. Dennis A. Fitzgerald, the Deputy Director for Operations of the ICA, wrote to a colleague, "[w]e have received reports from persons with considerable experience in Bolivia...that the present government is kept in power only by virtue of the armed militia, and that even the rank and file miners are now thoroughly dissatisfied, going even so far as to say that their situation was better under the original tin barons than it is now under government ownership of the mines."[198] As the ability of the MNR to lead dropped precipitously, U.S. policy took an ominous turn. In 1956, Washington encouraged Bolivia to build up its armed forces.[199] In 1958, it gave military aid to Bolivia. With its left-wing support fading, the MNR relied more and more on the army for support. It became beholden to the army. This proved to be the MNR's downfall as a military coup swept it out of power in 1964.[200]

Conclusion

In one context, aid policy was successful in Guatemala and Bolivia. At the end of the 1950s, both governments were pro-United States. However, the policy failed in two ways. First, economic growth was tepid.[201] Second, and more importantly, neither country was stable. Indeed, the countries were less stable at the end of the decade than at the beginning, and anti-United States groups were larger and stronger.[202]

State Department officials thought they could produce economically strong and politically stable governments in Guatemala City and La Paz by prodding them to open their economies to outside economic activity aid by giving assistance. Although the Bolivian and Guatemalan economies were more open at the end of the decade, U.S. policies failed to produce their main goal: stable, pro-United States governments. In fact, Washington was partially responsible for the weak economic growth and political instability in the nations at the end of the l950s. Starting in 1958, Washington sent military aid to both nations to try to produce stability by means of force. Despite the critical failure of aid policy in both nations, in the 1960s the United States, with the Alliance for Progress, drastically increased both military and economic aid to all of Latin America.

Notes

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2 Stephen G. Rabe, *Eisenhower and Latin America* (Chapel Hill, 1988); Bryce Wod, *The Dismantling of the Good Neighbor Policy* (Austin, 1985); Burton Kaufman, *Trade and Aid* (Baltimore, 1982); and Thomas Zoumaras, "Eisenhower's Foreign Economic Policy: The Case of Latin America," in Richard A. Melanson and David Mayers (eds.), *Reevaluating Eisenhower* (Urbana, IL, 1987), p.156. In this paper I use the word "communist," as do other scholars, as shorthand for Soviet-backed communist parties in Latin America.

3 John Gerassi, *The Great Fear* (New York, 1963), p.208; Robert H. Swansbrough, *The Embattled Colossus: Economic Nationalism and U.S. Investors in Latin America* (Gainesville, 1976), pp.22-23.

4 Swansbrough, *op.cit.*, p.11.

5 In this paper I use the term "Latin(s)" and interchangeably with "Latin American(s)."

6 Henry F. Holland, "Address by Henry F. Holland, Assistant Secretary of State for Inter-American Affairs, before the Pan American Society of the United States," 27 October 1954, in Richard N. Burr and Arthur Schlesinger, Jr. (eds.), *The Dynamics of World Power*, vol. 3 (New York, 1973), pp.286-289; George Humphrey, "Address by George Humphrey, Secretary of the Treasury, before the Meeting of the American Ministers of Finance, on Economic Cooperation in the Americas," 23 November 1954, in Burr and Schlesinger, Jr., *op. cit.*, p.299.

7 U.S. Department of Commerce, Office of Business Economics, *Balance of Payments Statistical Supplement* (rev. ed.) (Washington, 1963), pp.24-25; 214-215.

8 Walter LaFeber, *Inevitable Revolutions* (2nd ed.) (New York, 1984), p.107; Gabriel Kolko, *Confronting the Third World* (New York, 1988), p.13.

9 Holland, *op. cit.*, pp.286-289.

10 Memorandum—Discussion at the 212th meeting of the National Security Council [hereafter NSC], 3 September 1954, File "212th meeting 2 September 1954," 12, Papers of Dwight D. Eisenhower as President [hereafter DDE papers], 1953-61, Name Series, Box 6, Dwight D. Eisenhower Library, Abilene, KS [hereafter Eisenhower Library].

11 Richard N. Adams, *Crucifixion by Power* (Austin, 1970), p.204; Millikan and Rostow, *A Proposal: Key to an Effective Foreign Policy* (New York, 1957), pp.132; 183; 185.

12 "Latin America as a Demonstration Area for US Foreign Policy in Action," 24 September 1955, File "OCB 091.4 Latin America (File #4) (5) [August-November 1955]," White House Office [hereafter WHO], NSC Staff Papers, Operations Coordinating Board [hereafter OCB] Central File, Box 73, Eisenhower Library.

13 Fred L. Block, *The Origins of International Economic Disorder* (Berkeley, 1977), p.8.

14 *Ibid.*

15 In this article I use the term "*norteamericanos*" for United States persons.

16 U.S. Agency for International Development, Statistics and Reports Division, *U.S. Foreign Assistance and Assistance from International Organizations: Obligations and Loan Authorizations* (Washington, 1962), pp.64; 73. This includes U.S. donations to international organizations.

17 "Latin America as a Demonstration Area for US Foreign Policy in Action."

18 Stephen G. Rabe, *Eisenhower and Anti-Communism* (Chapel Hill, 1988), pp.42-63; Piero Gleijeses, *Shattered Hope: The Guatemalan Revolution and the United States, 1944-54* (Princeton, 1991); Richard Immerman, *The CIA in Guatemala* (Austin, 1982); and Ronald Schneider, *Communism in Guatemala* (New York, 1958).

19 One well-known book that focuses on the details of PBSUCCESS, the CIA's attempt to overthrow the Arbenz regime, is Stephen Schlesinger and Stephen Kinzer, *Bitter Fruit* (New York, 1982). Frederick W. Marks III and Stephen Rabe spar over the relative importance of PBSUCCESS in toppling the Arbenz regime in two articles in *Diplomatic History*: Marks, "The CIA and Castillo Armas in Guatemala, 1954: New Clues to an Old Puzzle," *Diplomatic History* 14 (Winter 1990), pp.67-86 and Rabe, "The Clues Didn't Check Out: Commentary on the CIA and Castillo Armas," *Diplomatic History* 14 (Winter 1990), pp.87-95.

20 Kenneth J. Grieb, *Guatemalan Caudillo: The Regime of Jorge Ubico* (Athens, OH, 1979), p.283.

21 George Black, *The Good Neighbor: How the United States Wrote the History of Central America and the Caribbean* (New York, 1988), p.78.

22 Cole Blasier, *The Hovering Giant* (2nd ed.) (Pittsburgh, 1985), p.54; Adams, *op. cit.*, p.145.

23 Black, *op. cit.*, p.80; Blanche Weisen Cook, *Declassified Eisenhower* (New York, 1981), p.222.

24 "Economic Development in Guatemala," 13 March 1953, 814.00/3-1353, RG 59, NA.

25 DOS, Division of Research for American Republics, Office of Intelligence Research [OIR], 23 October 1950, *Guatemala: Communist Influence* no.5123, p.65, NA.

26 DOS, Division of Research for American Republics, OIR, 30 April 1953, *Guatemalan Support of Subversion and Communist Objectives* (1950-1953), no.6185, p.19, NA.

27 DOS, *Inter-American Conference for the Maintenance of Continental Peace and Security Quitandinha, Brazil, August 15-September 2, 1947* (Washington, 1948), p.79.

28 *Ibid.*

29 DOS, *Ninth International Conference of American States, Bogota, Colombia, March 30 to May 2, 1948* DOS Publication 3263 (Washington, 1948), pp.66-67; 209; 215-216.

30 *Ibid.*, pp.207-208.

31 U.S. Ambassador in Guatemala City to Department of State, 13 March 1953, 814.00/3-1353, Records of the U.S. Department of State, Record Group 59 [hereafter simply referred to as RG 59], National Archives, Washington, D.C. [hereafter NA].

32 "Memorandum of Conversation," 31 May 1951, 713.00/5-3151, RG 59, NA.

33 Blasier, *op. cit.*, pp.55; 58-59.

34 *Ibid.*, p.63.

35 Jacobo Arbenz quoted in "Economic Development in Guatemala."

36 *Ibid.*, p.238.

37 Blasier, *op. cit.*, p.153.

38 "Economic Development in Guatemala."

39 The value of U.S. direct investment in Guatemala fell from $106 million in 1950 to $101 million in 1954 (U.S. Department of Commerce, Office of Business Economics, *Balance of Payments Statistical Supplement,* a supplement to the *Survey of Current Business* [rev. ed.] [Washington, 1963], p.208).

40 "Memorandum of Conversation," 18 May 1950, 814.00TA/5-1850, RG 59, NA.

41 "Economic Development in Guatemala."

42 "Notes on U.S. Aid Program to Guatemala," 25 October 1955, RG 469, Records of the Agency for International Development and Predecessor Agencies, Box 34, Washington Federal Records Center, Suitland, MD [hereafter WFRC].

43 U.S. Agency for International Development, Statistics and Reports Division, *op. cit.*, p.73.

44 "Memorandum of Conversation."

45 "Political Repercussions of President Arbenz's Proposed Agrarian Reform in Guatemala," 26 May 1952, 814.20/5-2652, RG 59, NA.

46 International Bank for Reconstruction and Development, *The Economic Development of Guatemala* (Washington, 1951), pp.26; 40.

47 Twenty-two *fincas* (plantations) larger than 22,000 acres each covered 13.3% of the agricultural land; 7,446

fincas larger than 110 acres covered 70.6%; and 259,169 holdings of less than 8.6 acres each covered only about 10% ("Some Statistics on the Effect of the Draft Guatemalan Agrarian Reform Law," 12 June 1952, 814.20/6-1252, RG 59, NA).

48 LaFeber, *op. cit.*, p.118. Of the 59.8% of total Guatemalan territory that was arable, only 10% was utilized. This was in part due to UFCO's large holdings. The company maintained it needed these tracts of land because once the bananas on a particular plot of land were infected by the Panama disease, a common problem for Central American banana harvesters, that plot had to be abandoned and new land cultivated ("Expropriation of United Fruit Company Land in Guatemala," 13 March 1953, 814.20/3-1353 and "The UFCO Company and the Agrarian Reform Law," 23 June 1952, 814.20/6-2352, RG 59, NA).

49 "Some Statistics on the Effect of the Draft Guatemalan Agrarian Reform Law" ;"Economic Development in Guatemala." In February 1954, the National Agrarian Commission took 172,000 more acres from the giant fruit company. It was the last expropriation (Jim Handy, *Gift of the Devil: A History of Guatemala* [Boston, 1984], p.142).

50 Handy, *op. cit.*, p.142.

51 Guatemalan Ambassador to the United States Guillermo Toriello to DOS, 26 June 1953, 814.20/6-2653, NA.

52 Charles R. Burrows, quoted in Glcijeses, *op. cit.*, p.365.

53 "Aspects of the Guatemala Agrarian Reform Law and Their Repercussion on the Political Scene," 2 February 1952, 814.20/2-0252, RG 59, NA.

54 "Aide-Memoire," 28 August 1953, Records of the Bureau of Inter-American Affairs Relating to the OAS, Lot 60 D665, RG 43, Box 25, NA.

55 Cook, *op. cit.* , pp.223; 228.

56 Schlesinger and Kinzer, *op. cit.*, p.108.

57 Jim Handy, "'The Most Precious Fruit of the Revolution': the Guatemalan Agrarian Reform, 1952-1954," *Hispanic American Historical Review* 68 (November 1988), p.705.

58 *Mensaje del Ciudadano Presidente de la Reublica Teniente Coronel Carlos Castillo Armas a la Asamblea Nacional Constituyente, 29 October 1954*, p.14, Centro de Investagaciones Regionales Mesoamérica, Antigua, Guatemala [hereafter CIRMA].

59 Department of State, Division of Research for American Republics, OIR, 23 October 1950, *Guatemala: Communist Influence* no.5123, pp.2; 5; 56-57, NA.

60 Department of State, Division of Research for American Republics, OIR Report, 30 April 1953, *Guatemalan Support of Subversion and Communist Objectives (1950-1953)* no.6185, pp.2-4; 19.

61 "Memorandum of Conversation," 30 November 1951, 713.00/11-3051, DOS, Central Decimal File, RG 59, NA; John Foster Dulles, "Intervention and International Communism in the Americas," *Department of State Bulletin* 30 (22 March 1954), p.424. Dulles stated the Soviets had a "design" to infiltrate the Americas but did not have "control" of any nation.

62 Dulles quoted in Cook, *op. cit.*, pp.269-270.

63 "Excerpt From Memorandum," 14 May 1954, Henry F. Holland Papers, RG 59, Lot 57 D295, Box 3, File "Country File—Guatemala—1954," NA.

64 Cook, *op. cit.*, p.225; Blasier, *op. cit.*, pp.157; 205.

65 Gleijeses argues that Eisenhower administration officials correctly perceived the increasing power of the PGT, Guatemalan communist party. He maintains, however, that Washington feared not only an impending alliance between Guatemala and Moscow but that the Agrarian Reform, by aiding the workers and peasants, threatened the stability of the social structure of the entire isthmus (Gleijeses, *op. cit.*, pp.365-366).

66 Suzanne Jonas, *The Battle for Guatemala* (Boudler, 1991), pp.41-55 and Michael McClintock, *The American Connection* (London, 1985), pp.28-37 discuss the 1954 to 1959 period in their works but do not thoroughly examine the assumptions behind and impact of U.S. economic aid.

67 AmEmbassy to DOS, 24 January 1955, 714.00/1 -2455, RG 59, NA.

68 Thomas Mann to Raymond G. Leddy, 17 September 1954, Holland Papers, Country File Guatemala, Lot 57D295, RG 59, Box 3, NA.

69 Henry F. Holland to Andrew N. Overby, 8 December 1955, 814.055/12-855, RG 59, NA.

70 Edward J. Sparks (Ambassador) to Roy R. Rubottom (Deputy Assistant Secretary), 12 December 1956, Office of Central American and Panamanian Affairs, Lot 60D647, RG 59, Box 2, MA.

71 Interview with Jorge Skinner-Klée, Sr., 19 May 1991, Guatemala City.

72 Sparks to Rubottom, 23 October 1956, Office of Central American and Panamanian Affairs, Guatemala Subject File, Lot 60D647, RG 59, File "1956—Guatemala—ICA—Klein and Sacks," Box 2, MA.

73 *Ibid.*

74 USOM/Guatemala, "Narrative for Fiscal Year 1957—Guatemala Program Submission (Non-Military)," 23 January 1956, RG 469, Records of the Agency for International Development and Predecessor Agencies, Guatemala, Box 31, WNRC.

75 U.S. Military aid to Guatemala totaled $1.4 million from 1956 (when it began) to 1961 (U.S. Agency for International Development, Statistics and Reports Division, *op. cit.*, p.64).

76 "Transfer of Military Equipment to Guatemala,"30 July 1954, *United States Treaties and Other International Agreements*, vol.5, pt.2, p.1927; "Bilateral Military Assistance Agreement Between the Government of the United States of America and the Government of Guatemala," 18 June 1955, *United States Treaties and Other International Agreements,* vol.6, pt.2, p.2110.

77 "Transfer of Military Equipment to Guatemala."

78 AmEmbassy Guatemala to Department of State, 7 August 1956, RG 469, Records of the Agency for International Development and Predecessor Agencies, Guatemala, Box 39, WFRC.

79 Department of State, "Intelligence Brief," 2 December 1957, no.2217, RG 469, Records of the Agency for International Development and Predecessor Agencies, Guatemala, Box 39, WFRC, 3.

80 Stephen M. Streeter, "Managing the Counterrevolution: The Eisenhower Administraion and Guatemala, 1954-1957," (1992), (unpublished manuscript), pp.16-18.

81 McClintock, *op. cit.*, p.32.

82 *Ibid.*, p.35.

83 Mann to Leddy, 17 September 1954.

84 "Subject: GUATEMALA: Economic Development Assistance Program," undated [1957?], Central American and Panamanian Affairs, Lot 60D647, RG 59, Box 2, File "Gratemala 1956—ICA—Klein and Sacks," NA.

85 Armas, *op. cit.*, p.14.

86 Mann to Leddy, 17 September 1954.

87 "Notes on U.S. Aid Program to Guatemala," 25 October 1955, Records of the Agency for International Development and Predecessor Agencies, Guatemala, RG 469, Box 34, WNRC; Adams, *op. cit.*, p.139. In 1955, direct investment of foreign private-sector capital was 3.7 million *quetzales*. In 1960, it rose to 16.8 million *quetzales* (International Monetary Fund, *Balance of Payments Yearbook*, vols.8-16).

88 Carl Nepud to Marcus P. Quinn, 25 June 1956, RG 469, Records of the Agency for International Development and Predecessor Agencies, Guatemala, Box 37, WNRC.

89 Neil to Williams, 25 February 1957, Central American and Panamanian Affairs, Subject File Guatemala, Lot 60D647, RG 59, Box 3, NA.

90 USOM/Guatemala, "Fiscal Year 1956 Program Narrative Section," 11 March 1955, RG 469, Records of the Agency for International Development and Predecessor Agencies, Guatemala, Box 31, WFRC.

91 *Ibid.*

92 *Ibid.*

93 USOM/Guatemala, "Narrative for Fiscal Year 1957—Guatemala Program Submisson (Non-Military)."

94 "The Economic Development of Guatemala," July 1954?, Holland Papers, Country File Guatemala, Lot 57D295, RG 59, Box 3, NA.

95 Mann to Leddy, 17 September 1954.

96 AmEmbassy Guatemala to DOS, 25 July 1958, "1955-1960 Economic Development Plan," RG 469, Box 33, WFRC. IBRD funding was for the Atlantic and Pacific Highway construction (IBRD, *The World Bank in Latin America—October 1958* [Washington, 1958], p.32).

97 "A Report to the NSC," NSC 149/1, 20 April 1953, WHO OSANSA, NSC Series, Policy Papers Subseries, Box 4, File "NSC, 149/2," EL. The aid program was to be temporary. Quickly ending aid flows fit neatly into the overall goal of producing a showcase: the new Guatemala was not only to be stable, democratic and prosperous, but, eventually, self-reliant ("Memorandum of Conversation—GUATEMALA: Economic Aid Level for FY-57," 5 March 1956, Central American and Panamanian Affairs, Lot 60D647, RG 59, Box 2, NA).

98 Agency for International Development, Statistics and Reports Division, *op. cit.*, p.39. Part of the 1961 FY was in John F. Kennedy's administration.

99 Harry Turkel (REA) to RRR, 25 November 1959, RRR papers, Lot 60D 553, RG 59, Box 13, NA; ECLA, "Suplemento Estadistico," *Economic Bulletin of Latin America* 5 (November 1960), p.32 and *EBLA* 6 (November 1961), p.47.

100 Measured in constant-dollar 1970 *quetzales*, Guatemala's currency, Gross Domestic Product increased 3.5% in Guatemala over the 1953-1960 period (James W. Wilkie and Peter Reich [eds.], *Statistical Abstract of Latin America* 20 [1980], pp.285; 287). In 1955, direct investment of foreign private-sector capital was $107 million; in 1956, it rose to $114 million and in 1957, to $129 million. By 1959, it had reached $132 million (U.S. Department of Commerce, Office of Business Economics, *op. cit.*, p.214).

101 Adams, *op. cit.*, pp.194-95; 152; 393; 401.

102 Committee for Economic Development, *Economic Development of Central America* (New York, 1904), p.149.

103 Roy R. Rubottom to Clarence Dillon, 19 December 1958, 820.10/12-1958, RG 59, NA. In 1953, 76.7% of

Guatemala's foreign exchange came from coffee; in 1960, 66.2% percent did (Dirección General de Estadistica, *Guatemala in Cifras* Cuadros, XI-5 and XII-7; Banco de Guatemala, *Boletin Estadistíco* 4 [1964], p.73).

104 L.D. Mallory to DOS, 31 December 1958, RG 469, Records of the Agency for International Development and Predecessor Agencies, Guatemala, Box 36, WFRC.

105 Dulles to AmEmbassy Guatemala, 24 November 1958, RG 469, Records of the Agency for International Development and Predecessor Agencies, Guatemala Box 36 WFRC.

106 Direccíon General de Estadistíca, *Guatemala in Cifras*, Cuadro V-9; United Nations, Food and Agriculture Organization, *World Grain Trade Statistics, 1959-60* (Rome, 1960), p.28.

107 L.D. Mallory to DOS, 31 December 1958.

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109 John Gillin, "San Luis Jilotepetue" in Richard Adams (ed.), *Political Changes in Guatemala Indian Communities* (New Orleans, 1972), p.27; C.A. Stewart (Director of the Office of Central American Affairs) to RRR, 12 June 1959, RRR papers, Box 13, NA.

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