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Excerpt
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1 Introduction

In the beginning, all was America.

John Locke[1]

The President (Eisenhower) wished to refer to a question that had been troubling him. The US has been working since 1947 . . . to achieve stability throughout the world but instead seems to have been faced with unrest and unhappiness . . . he had heard . . . that all our aid merely perpetuates the ruling class and intensifies the tremendous differences between the rich and the poor . . . The President wondered whether we were stupidly pushing ahead . . . without taking into account the effects these programs might be having.[2]

Since the end of World War II, the developing world has experienced regular bouts of political instability and violent conflict. These conflicts have often embroiled the great powers and led them to intervene militarily, as is the case most recently in such countries as Afghanistan, Iraq, Libya, and Syria. This history leads to the question: what (if anything) can and should the members of the international community, including states and multilateral organizations, do to stabilize developing world regimes, eradicate the domestic insurgencies that trouble them, and steer them toward a future of domestic peace and sustained economic growth?

While much of the recent academic literature and policy debate surrounding that question have naturally emphasized the pros and cons of military intervention in developing world conflicts, including the types of forces and technologies that should be deployed and whether kinetic interventions should be used at all, the great powers have also relied on a host of other policy instruments to advance their global interests. Throughout the postwar era, for example, the United States has used the tools of foreign economic policy for intervening in the developing world (as did the Soviet Union), in the hope of shaping the policies and prospects of recipient governments.[3] In fact, foreign economic policy has even been viewed by American policy-makers as a "substitute" for military power.[4] As then Congressman John F. Kennedy put it in 1952, "The Communists have a chance of seizing all of Asia in the next 5 or 6 years. What weapons do we have that will stop them? The most effective is technical assistance."[5]

America's economic interventions in the developing world – which encompass foreign aid alongside policies for trade, investment, and finance – have been designed and deployed in the hope of strengthening and stabilizing pro-western governments. This strategic orientation remains in place today as the United States confronts terrorist and insurgent groups that operate in and threaten weakly governed countries. In that context, recall the US Senate report on Afghanistan cited in the Preface, which states "foreign assistance can be a vital tool for promoting stability."[6]

But what does that phrase mean in practice? How can foreign assistance be delivered in such a way as to promote stability? Isn't it possible, to the contrary, that foreign economic interventions can provoke instability in target nations? Instability could arise, for example, as a consequence of providing rents to corrupt leaders and their supporters; by creating an elite backlash against reform policies; or by foisting "free" markets for goods, services, and labor on people who are unprepared for the volatility that market forces bring in their train. The idea that these forces could upend political stability was, of course, the central insight of Karl Polanyi in his classic work, *The Great Transformation*, which linked Europe's great twentieth-century upheavals, its wars, and revolutions, to the harsh logic of an unregulated global economy.[7]

What was American strategy for achieving prosperity and security in the "third world"? Why did Washington believe in the crucial importance of economic reform as a stabilizing measure? Did reform, when it was carried out, ultimately prove stabilizing? In this chapter we begin to address these questions by laying out the book's argument and main hypotheses and providing an introduction to the case study methodology that will be used.

Political Stability and Economic Reform in US Foreign Policy

As I will show in this book, American officials, along with many academics, have long believed that the path to stable, pro-western governments depended upon the adoption of domestic policy reforms by developing world regimes. The purpose of such reforms would be to diffuse political and economic power and create a more inclusive political economy. Without reforms along these lines, countries were doomed to face conflict and rebellion.[8]

The country cases presented here, drawn from different regions and decades, will demonstrate that the United States has often deployed its foreign economic policies in an effort to induce developing world governments (and the local elites that provided their base of support) to restructure their political economies in a more egalitarian direction, providing greater opportunities to groups, like tenant farmers, that were traditionally locked into poverty. In so doing, any appeal that communism (and, more recently, terrorism, and insurgency) might hold to those who were traditionally excluded would be undermined. Building on the work of such scholars as Dwight Macdonald and John Orme, I call this American strategy one of *reformist intervention*.[9]

Reformist intervention finds its ideational roots in what today is called "grievance theory," or the causal belief that economic deprivation leads to political instability and authoritarian regimes.[10] President Harry S. Truman neatly summarized this theory when announcing his eponymous doctrine in 1947: "[T]he seeds of totalitarian regimes are nurtured by misery and want."[11] If Washington hoped to turn back the totalitarian tide and build stable pro-western governments, it would need to do so by ensuring that the people who were deemed most susceptible to radicalization, namely, the poor and disenfranchised, enjoyed what his predecessor Franklin D. Roosevelt had called in 1941 "freedom from want."[12]

In the postwar developing world, the group that American policymakers thought most susceptible to radicalization was its enormous, exploited peasantry, especially following Mao Zedong's successful communist revolution in China in 1949. Thus, agrarian reform in general and land reform in particular became centerpieces of America's Cold War efforts to stabilize developing world regimes. As historian Nicole Sackley has written, "The specter of violent villages and uprooted peasants … who … took up revolution … drove the construction of the early framework for post-war economic development."[13]

If revolution was to be avoided, reforms were required. This theory was expressed early on by James Davies, who wrote in a pathbreaking article (where he introduced the "J Curve" or rising expectations theory of revolution), "The slow, grudging grant of reforms … may effectively and continuously prevent the degree of frustration that produces revolt."[14]

But reforms do not come easily anywhere, much less in weak states where leaders rely on a narrow base of elite support. Samuel Huntington put it this way: "The way of the reformer is hard … his problems are more difficult than those of the revolutionary."[15] Unlike the latter, whose sole focus is on overthrowing the *status quo*, the reformer has to fight a two-front war against entrenched interests on the one hand and radical extremists on the other.

Of all reforms, land reform posed perhaps the greatest political challenge to developing world governments given its zero-sum character, at least when the objective was the breakup and redistribution of large estates and haciendas as opposed to the colonization of new, virgin lands. Why would governments, which were often heavily influenced if not altogether captured by landlords, engage in such redistributive policies? Under what conditions could rural elites be motivated to give up some of their control over the land to the peasantry in an effort to promote long-run political stability? Did the state even have the capacity to supplant the landlords in rural areas? Would it be able to meet the needs of peasant farmers for credit, extension services, critical inputs like fertilizer and irrigated water, and markets?

This book is about US efforts to steer the developing world in a stable, pro-western direction through the promotion of economic reform, using land reform as our main case study. It is thus concerned with the interplay between causal beliefs and US foreign assistance policies and how these policies played out in the face of local governments and societies that possessed their own ideas and interests concerning the organization of the political economy. Why did the United States believe in the stabilizing influence of economic reform? Under what domestic political-economic conditions were governments able to carry out reform packages? Were these reforms stabilizing in fact? By examining the politics of land reform, we gain insights into these questions. As the geographer George McBride put it, "[W]hen you answer the question, 'Who really owns the soil?,' you lay bare the very foundations upon which its society is based, and reveal the fundamental character of many of its institutions."[16]

Following World War II and into the period of decolonization, many developing countries witnessed enormous disruptions in long-standing patterns of economic and political life. The landlord class in East Asia, for example, had been largely discredited by its association with the colonial and wartime Japanese rulers, providing an opening to peasant-oriented movements aimed at land redistribution, some of which were organized or at least supported by local communist and socialist parties. Further, in countries like the Philippines and South Vietnam, governments faced severe security challenges from communist-led insurgencies, and making trade-offs among competing policy objectives was hardly a straightforward exercise for local officials much less than the American policy-makers who tried to influence them. What was the relationship between security and development in these places? Were they inextricably linked, or did they need to be tackled separately? Such questions continue to haunt the United States in such countries as Afghanistan and Iraq.

I use the case of land reform as a lens for examining America's diplomatic, military, and economic relations with the developing world, a rich topic that is still in the early stages of scholarly investigation.[17] From a theoretical standpoint, I first seek to understand how ideas (e.g., grievance theory) and interests (including both economic and national security interests) shaped foreign assistance policy, and in particular the attempt by policy-makers to address both economic and security challenges by promoting reform agendas.[18] In that vein, scholars of American foreign relations have convincingly shown, for example, how modernization theory informed US foreign aid programs during the 1960s, transforming the complex and messy work of development into a rational, technocratic process that emphasized calculating the capital inputs needed to fuel a country's "take off" into sustained growth. Work in this tradition finds the gleanings of modernization theory in the New Deal and the elaboration of the Tennessee Valley Authority, which demonstrated to the entire world how poor rural areas could be transformed by system-changing technologies like electrification.[19]

But beyond looking at the relationship between ideas and policy formation, I am also interested in analyzing the domestic political-economic conditions under which reform agendas are most likely to be advanced, particularly in the face of heavy opposition to them. Here I draw heavily on the robust body of theoretical and empirical literature devoted to the political economy of reform in general (whose focus is

Ideas/Causal Beliefs (e.g., Grievance Theory)➔**Inputs** (e.g., The Design of Foreign Aid Programs)➔**Outputs** (e.g., Economic Reform)➔**Outcomes** (e.g., Political Stability)

Figure 1.1 **Theory of Change: From Ideas to Policy Outcomes**

more on economic growth rather than political stability) and scholarship on land reform in particular (where stability concerns tend to loom larger). In a following section I provide the main hypotheses that guide this book.

One way to think about the relationship between ideas, interests, public policies, and policy outcomes is in terms of what today is commonly referred to as a "theory of change." In a theory of change, policy-makers are supposed to articulate their causal beliefs regarding how inputs are transformed into outputs and outcomes. To put this as a figure in terms of my argument about US foreign policy (Figure 1.1).

In essence, this book examines that theory of change, highlighting the complications associated with translating ideas into policies, much less into desired political outcomes like stability. As we will see, the politics of policy-making in both the United States and recipient nations provided intervening variables that buffeted the neat theory of change outlined in this simple figure.

By adopting an historical perspective, I seek to reveal continuities in American ideas about and policies toward the developing world that would elude a more journalistic or anecdotal approach. To give just one example of strategic continuity or stickiness, American officials continue to express their belief in the power of grievance theory – the idea that economic hardship and deprivation is a leading cause of political instability – and in the ability of US foreign aid programs to help governments address and overcome such grievances. As the 2015 National Security Strategy of the Obama administration put it, "We have an historic opportunity to end extreme poverty within a generation and put our societies on a path of shared and sustained prosperity. In so doing, we will . . . decrease the need for costly military interventions."[20] For President Obama, like Congressman Kennedy more than 60 years earlier, foreign aid could serve as a substitute for armed force.

The record of foreign assistance as a political stabilizer is, however, decidedly mixed.[21] As we will see, the vital hinge in American efforts to promote pro-western regimes was provided by the local political economy. In some cases, land reform did indeed contribute to political stability for extended periods of time. In others, it proved destabilizing as it upset long-standing rural relationships without offering better institutions in their stead.

The message that emerges from this study is thus twofold: first, the specificities of time and place matter. In countries where landlords had lost their political influence, as in much of Asia after World War II, agrarian reform had openings that were less available in other places. But beyond these idiosyncratic factors, structural variables – like the asset allocation of elites and their opportunities for asset diversification – matter too and can guide the scholar and policy-maker toward a better understanding of the conditions under which foreign powers and the international community can influence reform trajectories in recipient nations. While drawn from the case of agrarian reform, such lessons would also seem applicable to other developing world regimes whose wealth is tied to natural resources. By exploring Washington's attempts to influence the domestic political economy of developing nations, and the limits of such influence, the book contributes to scholarship on both development and security, and in particular on the role of foreign powers and international institutions in promoting stabilization.[22]

Introducing the Hypotheses

The book is framed around a number of hypotheses concerning the relationship between ideas, public policies, and outcomes like political stability. As we will see, several of these hypotheses are drawn from other scholars who developed them in the context of altogether different large-N or country case studies, mainly of economic development and land reform. By adopting this methodological approach, I seek to nest within a much broader literature any findings generated from my restricted sample of case studies, suggesting their potential generalizability.

In terms of the role of ideas, for example, I borrow directly from Judith Goldstein in arguing,

H1: *The role of ideas increases, the greater the policy uncertainty.*[23]

Within the ideational literature that Goldstein represents, scholars have found it challenging to isolate the role of ideas as an "intervening variable" in shaping the design of public policy. Among her contributions has been to show how new ideas (in her case the emergence of free trade as the lodestar of US foreign economic policy following a long history of industrial protectionism) are most likely to influence policymakers at times when the direction of policy-making is up for grabs. Such openings occur, for example, when previous policies have failed to deliver the promised results or at times of great political, social, or economic upheaval.

Using the index developed by Baker et al.,[24] it is clear that the late 1940s, with its concerns over the possibility of another depression, an emerging Cold War, and a hotly contested presidential election, was a period of significant policy uncertainty in the United States (note that their index is limited to *economic* policy uncertainty). Which policies should and would the US pursue at the war's end? Would another depression be avoided? What role would the United States play in economic recovery and reconstruction?

This uncertainty about the future direction of policy was particularly apparent when it came to foreign assistance. Following World War II, American officials did not have a set of clearly elaborated ideas about the role of the United States in promoting the fortunes of the world's "underdeveloped areas," as they were called at that time. To the extent any single idea provided policy guidance, it was "self-help," with minimal assistance coming as needed from the multilateral institutions that had been set up under the Bretton Woods accords, the International Monetary Fund (IMF) and World Bank. The notion that the United States would engage in a large, bilateral foreign aid program was still a distant prospect.[25]

But even after the United States launched such aid programs in the late 1940s, there was (and still remains) uncertainty about their purpose and the outcomes they could hope to achieve. Was foreign aid primarily for economic development or for national security? For immediate, humanitarian needs or for longer-run economic requirements like infrastructure? Which countries or governments should receive aid and how much? In what form: grants or loans? Through which channels, bilateral or multilateral, should aid be provided? How much leverage did the United States have over recipients? Did aid promote economic growth and political stability? All these questions were debated as foreign aid grew in importance during the Cold War era and many if not most of them still nag at us today. Because of the continuing uncertainty about the rationale for and effectiveness of foreign aid, not to mention enduring questions about how to achieve sustained economic growth in the poorest countries more generally, ideas continue to play a prominent role in development debates. We will consider this topic at greater length in the following chapter.

In response to growing uncertainty about the fate of the developing world during the Cold War in the face of a growing communist threat, the United States promoted policies to help build stable, pro-western regimes. The policy that I emphasize here is land reform. But under what domestic political and economic conditions were US efforts in that direction most likely to succeed, meaning when were local elites most likely to engage in a reform process that offered "land to the tiller"?

Building on the work of Daron Acemoglu and James Robinson (and indeed that of de Tocqueville, who famously distinguished between the effects of mobile and immobile assets on democratization), the main hypothesis, H2, of this book is that

H2: *Land reform was most extensive (as defined by the creation of new family farms) when local elites were least dependent on agricultural rents.*[26]

That occurred, for example, when land constituted a relatively small share of elite assets, or when the economy was in transition from agriculture to industry and elite assets were being reallocated to the new economy; in both cases our proxy measure is the intensity of agriculture as a share of GDP.[27] Specifically, in order to judge the relative importance of agriculture in an economy, we will determine whether the country's agriculture/GDP ratio is at least one standard deviation above the regional average.

Regarding the extent of ownership concentration within the agricultural sector, I follow Vanhanen in using the area under cultivation by family farms – defined as those farms worked by fewer than four persons – as a percentage of all farm holdings.[28] As he writes, "The higher the percentage of family farms, the more widely economic power resources … are usually distributed."[29] We will see throughout this book that scholars have also emphasized other measures of power (or the lack thereof) in the agricultural sector, including landlessness and land inequality, and we will make frequent reference to their findings as well.[30]

The extent to which landlords were compensated for their losses from a reform scheme either financially or through subsidized investment opportunities also mattered to their political opposition, as these payments influenced their income stream. Hypothesis H2 is thus the flip side of one that is commonly found in the contemporary literature on the political economy of economic reform, namely, that *reform is more likely the higher the compensation for the losers.*[31]

If these hypotheses strike the reader as being just plain obvious, it should be recognized that they still demand from policy-makers a fairly serious political economy analysis of foreign aid recipients before committing funds aimed at promoting reform programs. The extent to which this type of analysis occurs and influences aid allocation decisions is a topic that could undoubtedly be debated by scholars and is one that is covered in the country case studies. As Arthur Schlesinger remarked about the frustrations associated with promoting policy reform in Latin America during the Alliance for Progress, "We all underestimated the dead weight of vested interests."[32]

In addition, land reforms were more likely when landholding elites had been politically tainted, as in postwar Japan, and thus were no longer political power brokers. Proxy measures for political power could include voting patterns or representation in such political bodies as parliaments (e.g., the Japanese Diet) or in the executive branch.

To frame these as a hypothesis

H3: *The more influential are landlords in political life, the more resistance to land reform.*

Where the concentration of elite assets in a single sector is high, it is also likely that autocratic forms of government are also present; this, in fact, is one manifestation of the so-called natural resources curse.[33] In this context one might conjure up the history of Latin America, with its concentrated landholdings and long periods where much of the continent was under the sway of military rulers, or Africa where resource-rich economies have been controlled by certain ethnic groups in autocratic fashion.

Conversely, a large literature, built on the assumption of a "median voter," argues that democracies are more likely to engage in redistributive policies than autocracies, since the median voter is relatively poor in capital as compared to the elite.[34] The question of whether land reform in particular has been more or less prevalent in autocratic vs.