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POINT FOUR AND LATIN AMERICA

ROBERT CARLYLE BEYER *

A program of economic aid to the underdeveloped areas of the world, as suggested by President Truman in Point Four of his inaugural address of January 20, 1949, will probably be enacted into law before Congress adjourns. Whether Mr. Truman is correct in describing it as a "bold new program" or whether his opponents are correct in indicting it as a "global WPA," Point Four promises to occupy a place of importance in the world at large.

What is the significance of Point Four in our relations with Latin America?

The first answer to this question is that the new program rests largely on United States experience, both negative and positive, in Latin America. Although the areas which Congress was most intent in making targets for the immediate application of the program are those areas lying close to communist portions of the world, yet the genesis of the program lies in what we have done and what we have not done in Latin America.

Second, Point Four holds a promise for our hemispheric future in the shape of more successful relations with Latin America. The essence of this promise lies in the achievement of a clarified and permanent Inter-American understanding on economic matters. The program calls for a common acceptance of legal definitions of economic rights, responsibilities and expectations.

Third, Latin America will obviously be a recipient of benefits under the program. Although the one concrete definition of "underdeveloped" areas as those countries with a 1939 annual per capita income of $100 or less would technically exclude Argentina and Chile, yet there was no apparent disposition either in Congress or the State Department to deprive any part of Latin America from benefits. The American Republics, on their part, have displayed high hopes. Two days after the President's inaugural, the Council of the Organization of American States stressed its judgment that "Among these areas suffering all the deficiencies which President Truman pointed out in his speech the majority of the countries of the Western Hemisphere stand uppermost."[1] The 1950 budget for technical assist-

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1. N.Y. Times, Jan. 23, 1949.

ance proposed by the State Department allotted approximately $32,000,000 of a world total of $86,000,000 to Latin America alone. Precisely how Latin America will benefit is pure conjecture; but that they will receive favorable treatment is certain.

A General View of Point Four

Before commencing a more extended consideration of Latin American aspects of Point Four, it is necessary first to examine the general content and origins of the Act for International Development, as its final title reads, and the controversy it produced. A broad preliminary view enables one better to understand the special part Latin America has played in the framing of the program.

What the program provides.

The introductory statements of the Kee-Herter bill explain its purpose:[2]

> (a) The peoples of the United States and other nations have a common interest in the freedom and in the economic and social progress of all peoples. Such progress can further the secure growth of democratic ways of life, the expansion of mutually beneficial commerce, the development of international understanding and good will, and the maintenance of world peace.
> (b) The efforts of the peoples living in economically underdeveloped areas of the world to realize their full capabilities and to develop the resources of the lands in which they live can be furthered through the cooperative endeavor of all nations to exchange technical knowledge and skills and to encourage the flow of investment capital.

The rest of the bill spells out in both general and specific terms how the technical assistance and investment capital mentioned in (b) can best be supplied by the United States in order to fulfill the purposes stated in (a). The most important provisions of the bill are the following:

1. The program rests on mutual respect and confidence in fair treatment of both investor and investee. " . . . this involves confidence on the part of the people of the underdeveloped areas that investors will conserve as well as develop local resources, will bear a fair share of local taxes and observe local laws, and will negotiate adequate wages and working conditions for local labor."[3] On the part of investors it involves confidence that their property will not be seized without prompt, adequate and effective compensation; that they will have reasonable opportunity to remit earnings and withdraw capital, reasonable freedom to manage their own enterprises; and that they will receive non-discriminatory treatment in taxation and conduct of their business affairs.

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2. H.R. 7797, 81st Cong., 2d Sess. tit.III (1950).
3. *Ibid.*

2. The United States will provide technical assistance and capital only to those countries (a) that can profit in the sense of creating new wealth and raising standards of living, (b) that have integrated programs for the development of balanced economies, (c) that are doing what they can themselves to mobilize resources, (d) that will bear a fair share of the cost of the program. The measure, popularly stated, is designed to help those who help themselves.

3. The emphasis is placed on encouraging private capital to fulfill the purpose of the program both with respect to investment and to technical assistance; while government aid will be applied only to those activities to which private enterprise is not attracted.

4. The President is authorized to negotiate agreements for the carrying out of the program both with foreign governments and with international organizations such as the Organization of American States.

5. Assistance will be extended, if the spirit of the bill is observed, only after the needful country requests assistance and after a joint commission composed of representatives of both that country and the United States studies the economy as a whole and in detail and makes its considered recommendations.

Who and what's behind the program?

Point Four is, basically, an attempt of the United States of America to formulate a clear, definite and permanent foreign economic program. It is erected as one pillar of American foreign policy. The problems that arose in formulating it reflected the necessity of appealing to and satisfying opinion both at home and abroad. The arguments for the measure may, consequently, be divided into two groups: the first, designed to secure a favorable reception in the underdeveloped target countries; the second, directed toward securing approval from American special interests in general and Congress in particular.

Foremost among the arguments of the first category was the general need, grounded on consideration of humanitarianism and justice, for raising living standards throughout the world. Two-thirds of the world's population including most of Asia, Africa and Latin America had a mean annual per capita income in 1939 of $41 as compared with the corresponding United States figure of $554.[4] The Chairman of the House Committee on Foreign Affairs, when asked whether he thought God Almighty was for the Point Four program, replied affirmatively, "I would say that He would favor it; yes."[5]

4. State Dep't, *Point* 4. Special publication 87 (1949).

5. *Hearings before Committee on Foreign Affairs on H.R.* 5615, 81st Cong., 1st Sess. 78 (1949).

Secondly, Point Four will improve our relations with foreign countries. "The old imperialism," said President Truman in his inaugural, "has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair dealing."[6] From Under-Secretary of State James E. Webb, "I should like to state for the record as forcefully as I can that whatever may have been our mistakes in the past, it is the policy of this Government not to intervene in the domestic affairs of foreign countries."[7]

Aware of the propaganda capital that the Soviet Union would inevitably make of the program, supporters asked again and again that we make clear that our intentions were completely peaceful and friendly. The Marxist finds no trouble in explaining Point Four as the enlistment of the total political and military power of the State in the defense and promotion of capitalist interests in backward areas of the world. He regards it merely as another form of imperialism—international rather that national—that stems inevitably from the failure of capitalism to find markets at home for either goods or surplus capital. "This bold new program," said the Polish delegate to the ILO convention of 1949, "is economic exploitation pure and simple."[8] Part of the true boldness of the program consists in Uncle Sam's jutting his jaw into the face of this powerful communist rationale, which, despite its superficiality, is bound to appeal to many minds for its sheer simplicity.

Sensitivity on this score was exhibited by men who had given thoughtful consideration. Representing the National Grange, J. T. Sanders recommended the United Nations as the best agent of the program, because "Even though we know that our motives toward underdeveloped areas are not those of the exploiter, we must realize that real fear of this exists and can be fanned into flame against the United States and her alleged 'imperialist schemes.' "[9] Spruille Braden, in opposing governmental guarantees to American citizens investing abroad, warned, ". . . it would involve us in the worst form of dollar diplomacy; . . ."[10] "It would be represented by Communists and others as proof positive that private enterprise cannot operate on its own, but must be supported by the taxpayers' money."[11] Truman avoided mention of communism in both his presidential pronouncements, although he did make reference to the "false doctrines" to which democratic people might turn if they meet with frustration and disappointment.

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6. State Dep't, *op. cit. supra* note 4, at 79.

7. *Hearings before Committee on Banking and Currency on H.R.* 5594, 81st Cong., 1st Sess. 56 (1949).

8. *Hearings, supra* note 5, at 278.

9. *Hearings before Committee on Foreign Affairs on H.R.* 5615, *H.R.* 6026, *H.R.* 6834, *H.R.* 6835 *and H.R.* 7346, 81st Cong., 1st and 2nd Sess. 394 (1950).

10. *Hearings, supra* note 5, at 230-1.

11. *Id.* at 232.

A third argument advanced for Point Four was need for checking communist inroads with some constructive attempt to solve the very problems for which communists claim to have the answers. In shaping the program, our representatives in both legislative and executive branches of government showed their concern over this dilemma: the need for striking out on a bold economic policy and, in the accomplishment of it, the need for acquiring friends rather than enemies. They groped for a program that would excel in its appeal the promises offered by the communists. It had to be a program outlining a path of immediate action toward the solution of basic economic problems; it had to be offered with convincing good faith; it had to be a program so inspired by good will and self confidence—"a firmness in the right as God gives us to see the right"—that the program would be acclaimed by the world rather than be bargained for suspiciously. If the program was to meet and counteract successfully the arguments and appeals of Soviet Communism, then something of the quality of a religious reformation had to be achieved. One agricultural specialist with long overseas experience in both Latin America and China said, "It is necessary to get right down to the farmer level itself. You must do for him what the communists say they are going to do. At least you must do something which gives them faith that you have the answers, and you must begin to demonstrate it."[12] Republican Congressman Walter Judd, in making his last appeal from the House floor, said, "Believe me, the Communists have a program for those people. It is a phony and will not solve their problems, but at least it promises them something. Surely we cannot vote for no program at all for half the world."[13] Former Ambassador to Russia W. Averell Harriman stated, "One of the wise aspects of the Point IV program is that if all of the people of those underdeveloped countries see some hope, I am confident they will not be subjected to the type of Communist infiltration that you have seen in other places."[14]

The second category of arguments included those that were intended for the consumption of Americans alone and designed to rally the support of people who demanded to know what specific good the program did the United States.

First, the economic benefits redounding to Americans were pointed out most clearly by the Assistant Secretary of Labor:[15]

> Though the intent of the program is not primarily to increase markets for United States trade, it is undeniable that development of these areas and expansion of their trade will bring with it expansion of our own trade.

12. *Hearings, supra* note 9, at 357.
13. 81 Cong. Rec. 4609 (March 31, 1950).
14. *Hearings before Committee on Foreign Affairs on H.R.* 7378, 81st Cong., 2d Sess. 65 (1950).
15. *Hearings, supra* note 5, at 280-1.

> First, the underdeveloped areas will require equipment with which to increase their productivity. It is natural to assume that a considerable part of this equipment will come from the United States. Second, the increased productivity brought about by new equipment will result in increased purchasing power, which, in turn, means more buying of things that are not produced at home or that are produced more economically abroad, particularly in the United States. It seems obvious, then, that more Americans will be employed to make the goods which the peoples of the underdeveloped areas will be able to buy.

One Representative, in supporting the bill, referred to the need for assistance in Southeast Asia. "Here," he said, "is the area of greatest potential for the consumption of American-made goods."[16] "Our country," said another, "has a great and growing productive capacity. To maintain this healthy condition, we must have great and growing markets abroad."[17]

A concomitant result of the program would be to correct the adverse balance of trade afflicting most countries of the world in a gradual process by which we tend to accept more of their exports.

Second among the arguments appealing to American immediate self-interest was the greater security the Act provides capital invested abroad. Since our experience in Latin America was of exceptionally vital importance here, this subject is left to a later and more detailed consideration.

A final argument was that Point Four is a permanent program. Lend-lease, the Marshall Plan, ECA have all been emergency economy measures to satisfy foreign needs which, it was anticipated, will disappear in the foreseeable future. Point Four, on the other hand, was debated on the floors of Congress with full awareness that the program was long range in nature. Many critics were not so much opposed to the program on its present scale as they were to what the program might become in the future under an administration that was ready and quick to introduce government into finance, when, in its opinion, private capital had failed.

The foregoing arguments, which appear to be persuasive enough to insure the passage of Point Four in some form, did not prevail uncontested. Although Point Four has bi-partisan support, it provoked spirited debate and strong enough opposition to make evident the hesitancy with which some votes were cast and consequently the tenuous character of the apparent political agreement.

Conservative and liberal reactions to the Act reflected controversies over domestic measures. Liberals, accenting the critical nature of world events, emphasized the necessity for speed and minimized the cost. Democratic floor leader Sam Rayburn, referring to the present as "the most dangerous era" for world democracy, described the $45,000,000.00 asked for in the bill

16. 81 Cong. Rec. 4599 (March 31, 1950).
17. 81 Cong Rec. 4610 (March 31, 1950).

as "a paltry sum."[18] Senator Edwin C. Johnson asked that the United States "raise its sights" on the Point Four program. "We've got to begin talking in terms of billions,"[19] he said. More cautious and economy minded legislators hesitated to give their support because of the cost and succeeded in cutting the appropriation requested from $45,000,000.00 to $25,000,000.00 Representative Ralph Gamble of New York expressed the state of mind of many when he said, "I want to know where we are and where are going. I am getting worried. I am not fooling."[20]

The most distinctive disagreement between liberals and conservatives occurred over the relative emphasis to be placed on government initiative and private initiative in the implementation of the program. Since Point Four contemplates essentially the projection of the American industrial and economic system to foreign parts of the world, it was to be expected that disagreement over this foreign program should closely resemble contests over domestic economic issues. Some of the same forces that lined up in opposition to one another over housing, medicine and natural gas now fought over the interpretation of Point Four. Private organizations representing American business were quick to support President Truman's inaugural announcement with public statements defining their own interpretation of what the proper methods of administration should be. The National Association of Manufacturers and the United States Council of International Chambers of Commerce made separate studies in the early months of 1949 emphasizing that governmental activity should be confined to efforts to create a business climate in foreign countries favorable to private investment and that government loans be delimited to projects under private execution.[21] Two billion dollars, the NAM estimated, would be available for investment abroad by American private enterprise in 1952. Whether it will go abroad depends, it added, on the elimination of unfair foreign treatment of capital.

A different emphasis in the interpretation of Point Four was expressed by California Representative Helen G. Douglas.[22]

> We believe that Government should promote the general welfare. Point IV reflects that basic philosophy . . .
> . . . I am impressed by the fact that although there has been a lot of talk . . . about exporting industrial know-how and agricultural know-how, there has been very little discussion about exporting labor know-how . . .
> . . . It seems to me that in encouraging foreign investments in underdeveloped areas it is important to export union and collective bargaining

18. 81 Cong. Rec. 4611 (March 31, 1950).
19. N.Y. Times, Apr. 10, 1950, § 1, p. 1.
20. *Hearings*, *supra* note 7, at 23.
21. N.Y. Times, Mar. 22, 1949; *Id.* Apr. 26, 1949.
22. *Hearings*, *supra* note 5, at 287-8.

know-how as well as agricultural and industrial know-how, if this program is to be a meaningful, constructive part of our foreign policy.

Professor Rayford Logan, representing the National Association for the Advancement of Colored People, likewise declared that ". . . unless Point IV provides at least as adequate protection for labor as it does for capital . . . we are forced to the regrettable conclusion that . . . Point IV will merely be the old imperialism under a new guise."[23]

Accompanying these political differences over current policy appeared a consistent divergence between conservatives and liberal interpretations of history. It was interesting and significant that supporters and opponents of the bill recognized the Point Four program to be of basic and lasting historical importance and that they consequently felt compelled to justify their stands by historical argument. "We are talking about people who are in the same fix we were in 150 years ago,"[24] said one Representative. "We were [backward people] at one time,"[25] said Rayburn. "We benefited from capital coming from Europe," said Nelson Rockefeller. "We benefited from technical knowledge coming from Europe and from the managerial experience of the highly industrialized nations of Europe."[26] In answering his own question of why America developed historically into the industrial leader of the world Judd declared, "What I believe is that our Government's major contribution heretofore has been in providing a climate, an order, a system in which most men could handle most of their problems by themselves, with, sometimes, the Government supplementing, assisting, even planning, yes, but not managing. And this is what I want to maintain, if possible."[27] Spruille Braden was both more specific and more conservative:[28]

> I do not think you can say which came first, the chicken or the egg, but nevertheless, in developing our West, they [companies] did not have to go out and first put in ports, or put in roads, or clean up swamps before people would go there to look for mines and other ways to develop its economy, whatever it may have been before.
>
> So that all that is necessary is to assure the American investor that he is going to be given fair treatment and conditions under which he can work.

A contrasting, liberal point of view was argued by Secretary of Interior Julius A. Krug: "Our American history of resource development has taught us that nature cannot sensibly be brought to serve mankind by a series of blind stabs. We would be sorry friends to the world if we exported our skill in lumbering without giving with it our skill in flood

23. *Id.* at 211.
24. *Id.* at 289.
25. 81 Cong. Rec. 4611 (Mar. 31, 1950).
26. *Hearings*, *supra* note 5, at 80-1.
27. *Id.* at 78.
28. *Id.* at 239.

control; if we aided in the conversion of new areas for agriculture but kept the secrets of soil conservation; if we found valuable minerals but withheld the knowledge of their economical use."[29]

Although cynics are wont to claim that all man learns from history is that he learns nothing from history, yet they who read the Point Four controversy will have to admit that at least man tries. Men of more optimistic faith will find that the Point Four legislation rests constructively on historical experience and upon certain lessons it has taught.

Latin American Backdrop

The historical-minded thinking that went into the framing of Point Four derived largely from our experience in Latin America. It is natural that it should have been so, for the pattern of our relations abroad, both political and economic, both in outline and detail, was cut in the Western Hemisphere.

As a nation we asserted our influence and our power in the Venezuelan-British Guiana boundary dispute of 1895 and in the Baltimore incident with Chile in 1891. Fifty years after defeating Mexico, we ventured again into international conflict by depriving Spain of Cuba and Puerto Rico. T. Roosevelt's big stick over Colombia in Panama, Taft's dollar diplomacy in Central America and Mexico, Wilson's watchful waiting over Mexico and Haiti were all developments of paramount importance in the shaping of our foreign policy. Mexico became what Frank Tannenbaum has aptly called "The Anvil of American Foreign Policy."[30] In his treatment of Mexico, President Wilson exhibited the same attention to the principle of self-determination that he showed in Europe during and after World War I. In the 1920's, by remaining out of the League of Nations we paralleled in world affairs the aloofness we registered toward Spanish America when such vital issues as intervention were debated in the Havana conference of 1928. In the 1930's a friendlier American policy toward the world with a moratorium on European war debts and the recognition of the USSR was, in part, a reaction to the loss of foreign friends sustained in Latin America. The Good Neighbor policy, besides being the external expression of the New Deal at home, was both hemispheric and world wide in orientation.

During the very time when our national temper was most isolationist, we felt an obligation to maintain the forms and structure of Pan-Americanism; and we found the obligation undemanding. While we abstained from participating in the League of Nations for fear of assuming obliga-

29. *Id.* at 299.

30. F. Tannenbaum, Mexico: The Struggle For Peace and Bread (1st ed. 1950).

tions required under the covenant, we continued membership in the Pan-American Union and continued to send delegates to the International Conferences of American States, for action in the American zone entailed no serious commitments. While we were fearful of becoming entangled through the League in world situations over which we had little control and in which we felt little direct interest, we knew ourselves to be on safe ground as long as we remained within the bounds of the Western hemisphere where our influence was preponderant.

From the Pan-American movement we gained experience in close international collaboration, and in 1933 we finally accepted at Montevideo the lesson that Latin America had been frantically preaching—the principle of the juridical equality of nations and their right to security from intervention in domestic affairs. As a member of sixty to seventy Inter-American organizations, conferences, commissions, institutes and societies, the United States broadened its international experience by playing lead role in programs which involved the pooling of specialized knowledge and the cooperative investigation of Inter-American problems. It has become almost a commonplace to point out that the oldest and most experienced laboratory of international government is Pan-America. Certainly the international experiences and experiments of American personnel—whether acting in private or public capacity—have occurred in the Western hemisphere.

The political foundations of our Latin American policy are, however, only half the story. Economic foundations were equally apparent and more deeply explanatory.

Latin America became the first foreign market for the investment of American capital. Even before World War I, which turned the United States from debtor to creditor, we had invested $1,242,000,000 in Latin America. Over a billion dollars was planted in the Caribbean alone, and most of that in sugar.[31] Total United States direct investments abroad absorbed by Latin America are represented in the following table:[32]

(In billions of dollars)

	Latin America	Total World
1919	2.0	3.9
1929	3.6	7.7
1940	2.6	7.3
1948	4.1	11.3

After World War I had educated the American public to buy foreign securities, the 1920's accordingly witnessed a flooding of the United States

31. M. WINKLER, INVESTMENTS OF UNITED STATES CAPITAL IN LATIN AMERICA, 275 (1929).

32. *Hearings*, *supra* note 9, at 491.

market with two billion dollars worth of bonds issued by national, state and municipal authorities all over Latin America. With the collapse of world prices in 1930 and the inability of Latin-American governments to secure foreign exchange, almost all issues fell into default. The irrational way in which the bonds were issued (without any real reference to the long term capacity of the country to pay off the debt) and the ignorant way in which they were bought (without any understanding of the purposes to which the money was to be devoted) explained the catastrophe; but explanations and tardy reappraisals did not eliminate the rancor that appeared. The American investor fingered his worthless Bolivian bonds with resentment and resolved never again to place confidence in Latin America; while the Latin American, observing around him few material results from the loans, protested governmental policy failure in a widespread series of political revolts. Far from sympathizing with the American investor, the Latin American turned more nationalist, identified political dictatorship, corruption and exploitation at home with the influence of the foreign investor.

The result of this experience of the twenties was the almost complete cessation of Latin-American bond sales on the American market from 1930 until after the second World War. Latin leaders tried to turn from a dependence on foreign borrowing to the creation at home of governmental corporations and to a policy of economic nationalism. But they were soon obliged to turn abroad again. The United States government by the middle thirties had initiated a campaign of friendliness with Latin America and as the second World War loomed in the East, we wooed our good neighbors to the South economically as well as politically.

The accent was now laid on government initiative. The Reciprocal Trade Agreements Program was projected first in Latin America and carried to its most successful fruition there. The Export-Import Bank was created in 1934 to promote international trade by enabling foreign countries to develop their economies through the purchase of American materials and services. Originally directed toward the stimulation of trade with the Soviet Union, it was oriented in the late 1930's to Latin America, and in the years from 1940 to 1948 $908,000,000 was authorized in loans to Latin America.[33] World War II brought the United States into still closer economic relations with Latin America. The Reconstruction Finance Corporation, created by Hoover as a domestic lending institution, directed the overseas purchase of strategic materials. South of the border it had spent over $1,000,000,000 by October 31, 1943.[34] The United States and Latin America contracted a

33. Martin, *Export-Import Bank and Pan-American Congress*, 167 COMMERCIAL AND FINANCIAL CHRONICLE 1998 (1948).

34. SEN. DOC. NO. 132, 78th Cong., 1st Sess. 117 (1943).

moral and economic alliance by whose unwritten terms the United States undertook to cushion the effect of World War II on Latin America, while the other American republics undertook to cooperate by mobilizing their economic resources for war. By this historical evolution the United States government had come to dominate Inter-American economic as well as political relations.

Direct investments in Latin America—investments, that is, whose control resided in American hands—present in their history a close parallel to portfolio investments. It is impossible here to do more than merely indicate general trends and outcome of our direct investment experience. From the time of Theodore Roosevelt the announced policy of the United States was to insist, if circumstances demanded, that every republic to our South honor its debts; the Monroe Doctrine was not to be considered a shield against the enforcement of legitimate financial demands of foreign powers. Concern for the military security of approaches to the Panama Canal combined with heavy investments in the Caribbean led the United States government to plant military forces in Haiti, the Dominican Republic, Mexico, Panama, Nicaragua, Honduras, Guatemala and Colombia. We aimed to protect United States persons and property and to maintain political peace. In several of these countries we created economic protectorates by managing their customs houses in the interest of orderly public finance. In Mexico, American oil interests, confronted with social revolution and the alteration of their legal status, protested in loud terms.

The net result of our policy during this period was to earn along with the peso profit a dividend of foreign hatred. The history of American imperialism will unquestionably be rewritten in the space of the next few years with more favorable accents than have heretofore been common, but no matter how good our intentions, how justified on occasion our protests, or how adroitly the argument of economic "stability" may be elaborated, there can be no denying that every action suggesting intervention resulted only in the forfeiture of foreign friendship. Even when we intervened in the interests of what we considered good government and democracy (as against Victoriano Huerta and Pancho Villa in Mexico in 1914 and 1916), we merely stimulated an anti-foreign nationalism. Patriotic reformers of Latin America who in the Twentieth Century had caught the world's prevailing spirit of democratic change protested that the emphasis placed by foreign capital upon the need for political stability in Latin America tended to perpetuate a system of political dominion and economic exploitation of the many by the few. José Vasconcelos, Mexican Minister of Education in the early 1920's and one of Latin America's foremost intellectuals, wrote in 1926 that "The imperialist and the dictator always find ways to come together as their end

is the same—the enslavement and exploitation of the people for the benefit of a small powerful group."[35]

The American investor for reasons connected with the depression and with a rude awakening to the superficiality of his knowledge of Latin American economies now became wary of placing new investments. Even more discouraging to him, however, was the growth of nationalism, of labor's political power and the resulting program of social legislation which imposed heavier taxes and welfare obligations upon foreign interests. New laws restricted the number of foreigners employable by any enterprise established in Latin America, discriminated against concerns, the majority of whose stock was owned and controlled abroad, and limited the transfer of profits and the repatriation of capital. These developments, taken together with the expropriation of American oil properties in Bolivia and Mexico in the 1930's, all tended to heighten the businessman's distrust and to diminish the flow of American capital. The attitude of the informed and educated citizen of Latin America today is to regard legislation that circumscribes foreign activities in his country as both appropriate to political sovereignty and necessary to social welfare; while the American investor regards it as a discriminatory harassment detrimental to the long-term interests of Latin America itself. Out of the complex of these two opposing viewpoints an impasse has grown. Capital, though needed in Latin America and though available in the United States, has not been flowing.

The role played by the American government during the period under review was always of a "follow-up" character. It appeared on the scene after the crisis had developed and often after the damage had been done to try to untangle the politico-economic knots. Whether the government was the "silent partner" of business and the abettor of his claims or whether it acted as the representative of the anti-imperialist sentiments of the American people, the nature of its actions was almost always that of "mopping up." Shifts in the American government's attitude toward problems raised by the migration of capital to Latin America reflected the same vacillation that characterized governmental policy toward business at home. At times, as during the administration of Calvin Coolidge, the government declared that American property enjoyed the same protection abroad as at home, while on other occasions the government has taken the attitude that investors abroad ran all the risks attendant upon the vagaries of foreign politics. The periods in American history when administrations emphasized the need for closer control of business by government in our domestic affairs coincided with periods when they were most sympathetic to the rights of Latin America in the exercise of political control over their economies. The

35. J. VASCONCELOS, ASPECTS OF MEXICAN CIVILIZATION, 72 (1st Am. ed. 1926).

general attitude of the American government was one of indifference to the circumstances under which capital became invested in Latin America. Only when a crisis involving American interests forced our government's hand did it take action.

Looking back on the history of our economic relations with Latin America we find in clearest outline the antecedents of the Point Four program. Where there had been no meeting of the minds between North Americans and Latin Americans, between investors and investees, and where government had shown marked concern, misunderstanding was inevitable. The core of that misunderstanding existed in the rights and responsibilities of foreign capital. As long as these rights and responsibilities were undefined, the atmosphere of our economic relations with Latin America was saturated with mutual recriminations, charges of bad faith, and the spirit of boycott.

The flow of private capital to Latin America, which ceased in the early 1930's, has been resumed since the war in a far more cautious and limited manner. In the three years from 1945 to 1947 a total of $614,000,000 was invested directly in Latin America by United States interests; and of this total $261,000,000 was in oil, mainly Venezuelan.[36] This rate of investment is not impressive even though it represents almost two-thirds of total United States investments abroad, because the concentration in one industry and one country fails to contribute to any broad or balanced development of foreign economies.

After World War II the need for stimulating the flow of capital was generally recognized. The Latin American government and the local aspiring industrialist were relatively indifferent to the question of whether the United States government or the American private investor should provide the capital. All that concerned Latin America was the raising of its productivity and the redressing of its progressively unfavorable balance of trade. Industrialization became a burning and patriotic desire of every republic from the largest to the least. In the United States, however, the issue of who was to provide the capital was of vital importance. The fifteen year stagnation of American private investments produced a profound discontent on the part of representatives of capital in general. They demanded that the role played by government in breaching the period of capital shortage be halted and that they be restored to the supplier role played by them before 1930.

But how was this change to be effected? How were the old mistakes, misunderstandings and grievances to be avoided? Was it not apparent that a bold, new program was now necessary?

It has already been pointed out how the current contest between liberal and conservative forces was conditioned by general domestic and foreign

36. State Dep't, *op. cit. supra*, at 46.

considerations in framing the Point Four legislation. The extent, however, to which we, through our representatives, were mentally reviewing our specific experience in Latin America, was manifest in the progress of public debate.

The early pre-1930 phase of our economic policy in Latin America was cited for its failure to win friends. The kind of governmental protection afforded our private interests in Latin America had produced baleful results. One representative warned against the danger of disturbing the Good Neighbor policy: ". . . in our own experience, after the large investments of the American capital were made in Latin-American ventures, our Marines were sent into Nicaragua and elsewhere. That created bad feeling against the United States."[37] "We do not want to return to the big stick."[38]

The later, post-1930 period taught the lesson that excessive government expenditure in Latin America was likewise no sensible way of winning friends. When Senator Hugh Butler returned from a tour of Latin America in 1943 and presented to Congess his report relating to expenditures by the United States government in or for Latin America, he argued in one of his more restrained passages that " . . . thoughtful people of Latin America do not like what we are doing. . . Latin Americans are not suppliants. Neither are they paupers. They do not want handouts. They want to make their own way."[39] "Good-Neighborism" changed to "rich-uncleism" in Senator Butler's opinion and produced alarm in Latin America. "This alarm can readily degenerate into hate. That is what, inevitably, will happen unless we at once initiate a policy which treats the people of those countries neither as mendicants nor as children, but as adults, capable of making a good future with what they have and by their efforts."[40] The truth of this prophecy was borne out to some extent in 1948 when Secretary of State Marshall's offer at Bogota to propose a $500,000,000 increase in the authorized capital of the Export-Import Bank was met with an unenthusiastic and almost hostile reception.

The method by which Point Four legislation aims to meet capital-flow problems in the present and future in the light of the past is contained in the provisions of the Kee-Herter bill summarized at the beginning of this paper.

The negotiation of bilateral investment treaties between the United States and each of the Latin American countries soliciting help is an implied prerequisite for the extension of either government or private credit. If not in special investment treaties, then in renegotiated treaties of trade,

37. *Hearings, supra* note 7, at 24.
38. *Ibid.*
39. SEN. DOC. No. 132, 78th Cong., 1st Sess. ix-x (1943).
40. *Id.* at x.

commerce and navigation, the responsibilities and rights of American capital in Latin America will be carefully defined. The articles prescribing these conditions will theoretically create an economic climate propitious to the entry of American capital and protective of Latin American interests. The precise content and wording of these articles will be devised presumably by diplomatic personnel and specialists in international, business and labor law.

The urgency with which the United States government considers the need for achieving success in this venture is illustrated by its startling proposal that the government guarantee our private investments. It proposed through bills introduced in both the Senate and the House that the Export-Import Bank be authorized "to guarantee United States private capital invested in productive enterprises abroad which contribute to economic development in foreign countries against risks peculiar to such investments."[41] The risks for which guarantee was proposed were 1) inability to convert earnings, 2) expropriation, and 3) physical destruction of property incident to international war. At present writing it does not appear likely that such a guarantee program will be incorporated into Point Four law. However, the very fact that it received extended consideration indicates impressively the limits to which United States leadership is prepared to go in order to promote Point Four objectives.

No one can pass by this view of Point Four in its Latin American context without pulling himself up to the startling question: What would have happened if Point Four had been conceived and applied in 1910 or 1920? Could we have obviated dollar diplomacy? Could the fiasco of Latin American government borrowing and default have been averted? Had Woodrow Wilson's energies not been sapped by war in Europe, might not he have been able to devote his full talents and sympathetic imagination to the task of framing an economic charter for the Americas? Could not, in short, governmental insistence on the negotiation of economic *ententes* among American powers have redirected the steps of history down avenues of productive cooperation? "If" questions can earn only "Well, maybe" answers; but freedom of will among nations has been just important enough in history to make such questions disturbing.

Technical assistance

The discussion up to this stage has been confined to that part of the Point Four program pertaining to the encouragement of capital outflow. The second division of Point Four provides for the exchange of technical knowledge. The experience of the United States and Latin America has been no less important in the framing of the second part of the Point Four law

41. H.R. 5594 and S. 2197, 81st Cong., 1st Sess. (1949).

than our capital experience proved as background to the first.

In the pre-1930 era, our technical knowledge was carried south almost solely by private industrial enterprisers beginning with the well-known 19th century industrialists William Wheelwright, Henry Meiggs and Minor C. Keith, followed in the 20th century by growing and now big-name companies in mining, petroleum, sugar, and banana industries, in transportation and civil engineering. Exceptions to the private character of this process were the Panama Canal, sanitary and educational activities in Cuba, and the E. W. Kemmerer financial advisory mission to Andean countries in the middle 1920's.

In the post-1930 period, when American technology as well as capital was staying home, the United States government began to assume the role of provider. In the industrial field government never claimed special technical knowledge; but the weight of its assistance was felt in fields precisely where it was qualified: in agriculture, education, sanitation, public administration, social welfare, conservation, and others. These broad social prerequisites of industrial growth were emphases of both the New Deal and Latin America in the thirties. Implementing various Inter-American resolutions and conventions dating from 1936, the United States gradually expanded a technical assistance program which was continued by Congress after the war but which never reached large budgetary proportions. Most of this program was included within the framework of two agencies.

The first of these agencies, created in 1939 and known today as the Inter-Departmental Committee on Scientific and Cultural Cooperation, began operations in 1941 on a budget of $370,500. Acting through various federal departments, the Committee sponsored many activities ranging from the development of new chicken feed in Guatemala to the prevention of industrial accidents in Uruguay. The emphasis of the program was placed, first, on the assignment of American technicians to specific problems selected in consultation with and largely as a result of the solicitation of the Latin American governments, and, second, on the training of Latin American personnel both at home and in the United States. An essential part of the agency's activities has been the educational program, upon which an average of one-sixth of the budget has been spent. The Committee operated with a total expenditure in the years from 1940 to 1948 of approximately $25,000,000 with its 1949 budget established at $4,100,000.[42]

The second agency providing technological knowledge to Latin America is the Institute of Inter-American Affairs. Beginning during the war under Nelson Rockefeller as the Office of the Coordinator of Inter-American Affairs, it was re-authorized by Congress in 1946 to continue its long-range

42. State Dep't, *op. cit. supra* app. D.

action programs in health, sanitation, food-supply and education. Under this program the Department of Agriculture cooperates with fifteen American republics in the operation of widely distributed agricultural stations. The greatest expenditure has been for health programs, which have included the training of 5,000 persons and is currently directed to the operation of 550 specific projects or activities. The Institute of Inter-American Affairs spent about $59,000,000 in the course of the years 1940-48.[43]

The final act which passed the House on March 31, 1950, by a vote of two hundred and twenty to one hundred and fifty and the Senate on May 5 by a vote of thirty-seven to thirty-six, stipulated continuation of the Institute of Inter-American Affairs and pertinent parts of the United States Information and Educational Exchange Act, including them within the Point Four budget appropriation.

The almost unqualified Congressional approval accorded the government know-how programs is to be explained, first, by the profitable return for each dollar expended (measured by the increase of United States markets for goods and capital) and, second, by the enthusiastic reception of the program in Latin America evinced by the fact that for every dollar the United States government has spent, the Latin American governments have contributed three. The policy of offering knowledge and training only when sought and the policy of gradually withdrawing from a project once it is on its feet has brought to Inter-American economic relations a friendship sprung from enlightened collaboration rather than either private or governmental paternalism.

Private institutions have likewise brought new scientific knowledge to Latin America, although on a far smaller scale. Missions, the Rockefeller Foundation, the Institute of International Education are a few. The most spectacular recent achievement of this nature has been the Rockefeller-financed International Basic Economy Corporation, whose operations in Venezuela and Brazil have encountered a friendly cooperation as well as concrete success.[44]

The policy of authorizing the government rather than private enterprise to provide certain kinds of technical assistance abroad has won acceptance in United States foreign economic relations. At least, the program was not assailed with the same vigor as the idea of government loans: in general, it was approved with little reservation. Among the witnesses who decried its importance was Spruille Braden, broadly acquainted in Latin America both as a business man and former Ambassador to Colombia, Cuba and Argentina. Elaborating his argument with specific references to Latin America, he

43. *Ibid.*

44. R. Russell, *Revolution—the American Way*, THE AMERICAN MAGAZINE, 28-9 (Sept., 1949).

emphasized the point that United States business and private capital have "In the most constructive fashion possible . . . carried our scientific advances, industrial and agricultural progress, and technical knowledge to the remotest corners of the globe, and in so doing they have materially raised living standards and promoted the achievement of peace, plenty and freedom."[45] On the other hand Nelson Rockefeller, equally Latin American minded, repeated many times the idea expressed in his testimony here, that "Against that background [of world economic interdependence] I don't think one could say that technical cooperation with other countries, either in public health or in agriculture or in education, could be anything but basically sound and essential . . ."[46] "Private enterprise cannot do the big job in these areas of public health and education."[47]

Although the implementation of the Point Four program depends upon the final phrasing of the bill, it is likely that one particular technique will be employed: the joint economic commission. The model for the joint commission is to be found in the Joint Brazil-United States Technical Commission which was organized in 1948 and reported in March of 1949. Brazil requested the collaboration of United States technicians in making an analysis of those factors in Brazil which tended to promote or retard development and in framing a set of specific recommendations for future policy. As a result, the commission was organized under the direction of John Abbink, President of McGraw-Hill, and American specialists sat down across the table from Brazilian technicians to work out the problems in common. Any one familiar with the economic literature on Latin America recognizes the report of this commission as the most complete and realistic study ever made of the Brazilian economy.[48] The creation of joint commissions similar to that of Brazil is not mandatory under H.R. 7797, but the policy, as outlined in section 310, is plainly considered advisable both from the point of view of the recipient country as well as the United States. Several other joint commissions are now in operation and will make their reports in due time.

United Nations interest

The United Nations extended cordial support to the Point Four proposal. It is irrelevant here to discuss the relationship of the United Nations to Point Four except to indicate that UNESCO has swung or been swung behind the lineup of Latin American nations. It was a Brazilian delegate, José Nunes Guimaraes, who was hailed for his positive statement at Lake

45. *Hearings*, *supra* note 5, at 229.
46. *Id.* at 83.
47. *Ibid.*
48. DEP'T STATE, REPORT OF THE JOINT BRAZIL-UNITED STATES TECHNICAL COMMISSION (1949).

Success that Brazil was ready to grant the capital guarantees sought by foreign investors.[49] It was also significant that the occasion selected by Secretary General Trygve Lie for the announcement of the $30,000,000 outlay to assist the Point Four program was the meeting in Havana of the United Nations Economic Commission for Latin America.[50] A final proof of United Nations interest was the mission of technical assistance to Haiti which was undertaken on the request of that republic and which reported back to the UN early in 1949 with an admirable, detailed and incisive report. "The Mission," wrote Trygve Lie, "is in a sense a precursor of the ampler efforts which, it is hoped, the international organizations concerned will be enabled to display in realization of the bold programme of technical assistance to under-developed countries envisaged by the President of the United States . . ."[51] Many considerations recommend that the United States turn the whole Point Four program over to the United Nations. The rapid realization of such a program, however, appears unlikely.

Conclusion

Whether or not the Point Four program is handled primarily through the United States or through the United Nations, Latin America was essential to its evolution. The reasons which are deeply historical and not accidental can be most simply summarized in the following way:

As a result of the Napoleonic wars and the ensuing revolutions in Spanish America from 1810 to 1825, the Western Hemisphere became the only part of the world where undeveloped economies were matched with independent republican governments. From 1825 to 1934 the Spanish American countries, while making only slight advances economically, did, in the struggle to defend their independence, achieve juridical equality with other nations including the United States. In no other area of the world was this struggle carried on with such passionate persistence and such success. Africa, Australasia and southern Asia during the same years of the 19th and 20th century were achieving perhaps a somewhat greater degree of economic development under the sheltering colonial cloak of Europe, but political independence was for them something to be achieved rather than defended; and juridical equality is something that the emancipated colonies of Africa and Asia are now in the process of inheriting from Western Hemisphere experience rather than achieving for themselves.

Point Four takes for its political philosophy the juridical equality of all independent states no matter how weak they may be. It bases its economic philosophy on the necessity for strong nations to help the weak for reasons

49. N.Y. Times, May 20, 1949.
50. N.Y. Times, May 30, 1949.
51. Mission to Haiti, iii, IIB. 2 UNESCO, United Nations (1949).

of moral obligation and enlightened self-interest rather than on the rights pertaining to political empire as practiced by Europe in Africa and Asia and attempted but defeated in Spanish America.

Point Four goes farther and draws on Latin American experience even more significantly in proposing a solution to the economic impasse between suspicious investors and investees. Colonial areas have never had occasion in their histories to encounter this dilemma, because European investing interests have always controlled local government. Yet it is a dilemma which could readily develop in the Asia and Africa of today. A possible factor tending to prevent its emergence there in acute form is that the lessons learned in the Western Hemisphere during the last fifty years can be applied through Point Four to the world at large. The Point Four proposal to the world came from America not merely because the United States has today the largest supplies of available capital and not merely because it needs to correct its excessively favorable balance of trade, but also because we have learned from our productive yet anguished relations with Latin America that adherence to the philosophy of Point Four is the only way by which democratic-capitalism can survive.