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Foreign Aid, Development, and US Strategic Interests in the Cold War

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Scholars have argued that during the Cold War, the United States gave aid to its allies to reward them for maintaining an anti-Communist foreign policy rather than to promote their economic development. This finding is mostly based on data starting in the 1970s and does not accurately characterize US grand strategy before the 1970s, when the United States used aid to promote development among its allies in order to strengthen them against Communism. Using original data collected from historical editions of USAID's "Greenbook," this article identifies the amount of unconditional aid in the United States' foreign-aid programs in the period 1955–1970. This type of aid was designed to be politically attractive rather than to be developmentally effective. This article also develops an original measure of aid recipients' geopolitical alignment that draws on hand coding of 466 diplomatic documents. Using these data, this article finds that there was more unconditional aid in the United States' aid programs to neutral and nonaligned countries than in the United States' aid programs to its allies and security partners—a counterintuitive finding that shows how different the first half of the Cold War was from the second.[1]

Los académicos argumentan que, durante la Guerra Fría, Estados Unidos entregó ayuda a sus aliados a modo de recompensa por mantener una política exterior anticomunista en lugar de promover su desarrollo económico. Este hallazgo se basa principalmente en datos que inician en la década de 1970 y no caracteriza con precisión la estrategia general de los Estados Unidos antes de dicha década, cuando el país usó ayudas para promover el desarrollo entre sus aliados con el fin de fortalecerlos contra el comunismo. En este ensayo, se usan datos originales recopilados de ediciones históricas del "Libro verde" de USAID y se identifica la cantidad de ayuda incondicional en los programas de ayudas exteriores de los Estados Unidos en el período comprendido entre 1955 y 1970. Este tipo de ayuda fue diseñada para ser atractiva desde un punto de vista político en lugar de ser eficaz a nivel de desarrollo. En este ensayo, también se desarrolla una medición original de la alineación geopolítica de los beneficiarios de ayudas que se extrae de la codificación manual de 466 documentos diplomáticos. Gracias a estos datos, en este ensayo, se descubrió que existió ayuda más incondicional en los programas de ayudas de los Estados Unidos hacia países neutros y no alineados que en los programas de ayudas de los Estados Unidos hacia sus aliados y socios de seguridad; un hallazgo contraintuitivo que demuestra lo diferente que fue la primera parte de la Guerra Fría en comparación con la segunda.

Des chercheurs ont soutenu que, durant la guerre froide, les États-Unis avaient accordé une aide à leurs alliés pour les récompenser du maintien d'une politique étrangère anticommuniste plutôt que pour promouvoir leur développement économique. Cette conclusion est principalement basée sur des données prises en compte à partir des années 70 et ne caractérise pas précisément la grande stratégie menée par les États-Unis avant les années 70, lorsque les États-Unis utilisaient l'aide pour promouvoir le développement de ses alliés afin de les renforcer contre le communisme. Cet article s'appuie sur des données originales recueillies dans les éditions historiques du « Greenbook » (prêts et subventions des États-Unis à l'étranger) de l'USAID (Agence des États-Unis pour le développement international) et identifie le montant d'aide inconditionnelle figurant dans les programmes d'aide à l'étranger des États-Unis de la période 1955–1970. Ce type d'aide a été conçu pour être politiquement attrayante plutôt qu'efficace en termes de développement. Cet article développe également une mesure originale de l'alignement géopolitique des bénéficiaires d'aide qui repose sur un codage manuel de 466 documents diplomatiques. Il exploite ces données et constate que l'aide inconditionnelle des programmes d'aide des États-Unis aux pays neutres et non alignés a été plus importante que dans les programmes d'aide des États-Unis à leurs alliés et partenaires de sécurité, une conclusion contre-intuitive qui montre à quel point la première moitié de la guerre froide a été différente de la seconde.

Introduction

Theorists of international relations have long recognized the connection between wealth and military power (Gilpin 1981; Kennedy 1987; Kapstein 1992, 2–5). More than two thousand years ago, Thucydides wrote in the *History of the Peloponnesian War* that "war is not [an issue of having] more of weapons but of expenditure, through which weapons are of service" (1.83.2).[2] Modern theorists have extended the connection between wealth and power to the understanding of how security concerns affect economic relations among

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[1] The data underlying this article are available on the ISQ Dataverse, at https://dataverse.harvard.edu/dataverse/isq.

[2] Translation by the author, using the Greek text in the Oxford Classical Texts series (Jones and Powell 1942). See Kallet-Marx (1993) and Hornblower (1991) for a discussion of Thucydides' treatment of this subject.

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the members of an alliance: Gowa (1994), for example, has advanced the concept of "security externalities" to explain why countries trade more with their allies. The literature on foreign aid, however, generally portrays the pursuit of strategic interests and the promotion of development as alternative objectives. McKinlay and Little (1977) played an early role in establishing this distinction, which has since been sharpened to the point of suggesting a contradiction between strategic and developmental objectives. Berthélemy and Tichit argue that "if aid responds only to strategic and political considerations, there is indeed no reason for aid to be effective in promoting growth or reducing poverty" (2004, 253–54). Although Bermeo has challenged this distinction for the post-Cold War era, she maintains that during the Cold War itself, "security and donors' economic interests were overwhelmingly found to trump the desire for development promotion in explaining aid allocation patterns" (2017, 736).

In the literature on foreign aid, the Cold War is notorious for providing the great powers with incentives to bankroll regimes that took little interest in the welfare of their citizens. Pointing to "countries that were particularly favored in the aid process," such as "those that were seen as bulwarks against communism during the Cold War," Deaton observes that "those countries had some of the worst records of poverty reduction, and it is clear enough why" (2013, 282). As long as recipients supported donors' security objectives, donors did not insist that aid be used productively (McKinlay and Little 1977; Schraeder, Hook, and Taylor 1998, 310; Headey 2008, 163; Deaton 2013, 274–89). However, there is an issue with the logic of this theory: if recipients and donors were allies, then why did donors need to provide incentives to secure recipients' cooperation in security affairs?

During the Cold War, there were many aid programs that saw the United States supporting development for strategic reasons. President Truman declared that "the seeds of totalitarian regimes are nurtured by misery and want. They spread and grow in the evil soil of poverty and strife" (Yale Law School 2008), a view that Kapstein has characterized as "grievance theory" (Kapstein 2017, vii). The most successful programs were for US allies: conceiving of Europe and East Asia as bulwarks against Communism, US officials justified the massive levels of spending on postwar assistance programs by highlighting the connection between development and security (Jacoby 1966; Milward 1984; Pollard 1985; Haggard 1990; Christensen 1996; Forsberg 2000; Gaddis 2005, 39–40; Kuo and Myers 2012; Lee 2020a, 2020b). Similarly, after Cold War tensions in Latin America rose sharply in the wake of the Cuban Revolution, the Kennedy administration initiated the "Alliance for Progress" to promote development and security among its allies in the region (Brands 2010, 44–49). This is not to say that United States' support for development in the anti-Communist bloc was consistent or uniform. The United States made more of a concerted effort to promote development in Europe and East Asia than in Latin America because the Soviet Union and the People's Republic of China were much more powerful rivals than Cuba was; variation in US threat perceptions explains variation in US support for development among allies and security partners, as Lee (2020b) has argued.[3] However, promoting development to address security challenges was a consistent feature of the United States' policy toward all of its allies and security partners, and this article focuses on explaining the contrast in US policy between aid to allies and aid to non-allies. While the economic impact of US aid may have been limited, and while the United States may have had other motives in addition to containing Communism, development had a strategic rationale that was particularly powerful in the United States' alliances and security partnerships.[4]

Much of the Cold War has been underrepresented in the literature. Studies of foreign aid that use data from the Cold War generally begin their analyses in the 1970s.[5] Of the forty-eight articles in the volume *Geopolitics of Foreign Aid* edited by Helen Milner and Dustin Tingley, only eight use data from before the 1970s (Milner and Tingley 2013). The limited use of data from before the 1970s is a significant omission because the Cold War changed substantially in the 1970s. That was the decade that marked the end of Bretton Woods, détente between the United States and the Soviet Union, and rapprochement between the United States and the People's Republic of China. So great were these changes that contemporary leaders and observers referred to the Cold War as a thing of the past (Sargent 2015, 3–5). With Japan, Western Europe, and China having become major economic powers, the Nixon administration believed that the world was moving toward multipolarity. Although scholars were skeptical of this view, US officials believed that the dominance of the United States and the Soviet Union, which had been the distinctive feature of international politics since the Second World War, was starting to erode (Gaddis 2005, 278–81).

Most importantly for the study of alliances and foreign aid, there were many more treaty allies among US aid recipients in the first half of the Cold War than in the second half: NATO allies, ANZUS allies, SEATO allies, CENTO allies, OAS allies, and allies in Northeast Asia. Many of these aid programs ended by the 1970s, and they ended because they had succeeded. If one examines Cold War data from before the 1970s, the picture of the geopolitics of foreign aid changes considerably. As an inversion of the conventional wisdom, this article shows that in the period 1955–1970, US allies and security partners were less likely to receive unconditional aid from the United States than neutral and nonaligned countries were. This type of aid was especially well-suited to securing political influence and especially ill-suited to promoting economic development. It did not feature prominently in the United States' aid to its allies because they were already anti-Communist, and the United States' strategic interest was in promoting development in order to strengthen their ability to resist Communism. It did

[3] See also Haggard (1990) for a comparison of external threats and developmental strategies in East Asia and Latin America.

[4] Milward (1984) discounts the importance of US aid for postwar European recovery. Gimbel (1976) discounts the importance of Cold War geopolitics in the origins of the Marshall Plan. Even if one were to agree with Gimbel (1976) and argue that containing Communism was not the main reason why officials in the Executive Branch decided to sponsor the Marshall Plan, the importance of containing Communism for mobilizing public support for the Marshall Plan has been demonstrated by Christensen (1996).

[5] Alesina and Dollar (2000) begin in 1970; Alesina and Weder (2002) begin in 1975; Ball and Johnson (1996) begin in 1971; Berthélemy and Tichit (2004) begin in 1980; Ahmed (2012) begins in 1975; Bearce and Tirone (2010) begin in 1975; Boone (1996) begins in 1971; Bermeo (2016) begins in 1973; Bermeo (2017) begins in 1973; Dollar and Levin (2006) begin in 1984; Stone and Carter (2015) begin in 1984; Dreher, Klasen, Vreeland, and Werker (2013) begin in 1975; Dreher, Nunnenkamp, and Thiele (2008) begin in 1973; Dunning (2004) begins in 1975; and Milner and Tingley (2010) begin in 1979. Uvin (1992) uses qualitative evidence on PL 480 and focuses on the period 1975–1990. As exceptions to this general trend, Eggleston (1987) uses data on PL 480 for the period 1955–1979, Bueno de Mesquita and Smith (2007) use data on US foreign aid going back to 1946, and Lundborg (1998) uses data going back to 1948, but none of these studies uses the data on PL 480 "Loans to Governments" that this article analyzes.

feature prominently in the United States' aid to neutral and nonaligned countries, however, because the United States' strategic interest was in influencing their foreign policies so that they would not support the international Communist movement.

This finding is based on a substantial data collection effort that uses historical editions of USAIDs "Greenbook" and an original measure of US officials' perceptions of aid recipients' geopolitical alignment. The historical editions of the Greenbook provide figures on the United States' budget support programs for recipient governments under the food aid program known as PL 480—figures that are not found in either the contemporary editions of the Greenbook or in the OECD DAC data. This article also uses a new measure of alignment that bridges qualitative and quantitative research. When aid recipients' alignment could not be inferred from alliance treaties, the coding was based on documents in the *Foreign Relations of the United States* (FRUS) series, a compendium of diplomatic papers published by the Office of the Historian of the Department of State. FRUS volumes "contain documents from the Presidential libraries, Departments of State and Defense, National Security Council, Central Intelligence Agency, Agency for International Development, and other foreign affairs agencies as well as the private papers of individuals involved in formulating US foreign policy" (U.S. Department of State n.d (a)). Using this resource, this article performs statistical analysis with primary sources: 466 documents were hand-coded by the author.

This article will begin by presenting a theory of the role of foreign aid and development in a bipolar international system and proceed by reviewing the discussion of these issues in the literature. It will then explain the sources of the data before proceeding to the empirical analysis.

The Geopolitics of Foreign Aid

Under bipolarity, there are three types of states in international politics: the great powers (*patrons*), which are rivals to each other; their allies and security partners (*clients*), which collectively constitute spheres of influence for the great powers; and states that have not aligned with either of the great powers (*neutrals*). Each of the patrons can adopt offensive and defensive strategies. In an offensive strategy, a patron takes hostile actions against its rival's sphere of influence: it attempts to compromise the security of its rival's clients through invasion, psychological warfare, or political subversion and it seeks to expand its own sphere of influence by offering incentives for the neutrals to align with it in their foreign policy. In a defensive strategy, a patron is actively resisting its rival's offensive strategy: it seeks to maintain its own clients' security in the face of hostile actions and it seeks to prevent its rival from gaining influence among the neutrals.

Foreign aid serves both of these strategies. In an offensive strategy, foreign aid serves as an incentive for the neutrals to align with the patron in their foreign policy. In a defensive strategy, foreign aid serves not only as a counteroffer to the rival's bid for influence among the neutrals but also as an instrument for enhancing the security of the patron's clients. One of the main channels through which economic aid can enhance the security of a client is through its impact on economic development: the growth in national wealth enables the recipient to finance a heavier military burden, the growth of industrial power enhances the recipient's military power, and economic prosperity helps to forestall political instability (Kapstein 1992; Gowa 1994, 2–5; Gaddis 2005). For the neutrals, by contrast, the patron's primary interest is in using aid to gain political influence, regardless of whether the strategy is offensive or defensive. Promoting economic development is secondary, at best, because enforcing aid conditionality introduces tension in bilateral relations (Headey 2008, 162). It follows that a patron's aid to its clients should have a greater emphasis on development than its aid to neutrals.

Previous studies have shown that donors use aid to purchase political support (Morgenthau 1962; Lundborg 1998; Dreher, Nunnenkamp, and Thiele 2008); this article focuses on the question of whose support donors seek to purchase. It proposes an answer that differs substantially from the conventional wisdom. Scholars have argued that the United States used aid to reward its allies and security partners for their support during the Cold War (McKinlay and Little 1977; Schraeder, Hook, and Taylor 1998; Dunning 2004; Headey 2008; Deaton 2013), which would be consistent with how US allies secured accession to the GATT/WTO and loans from the IMF on more generous terms (Stone 2004, 2011; Davis and Wilf 2017). The finding of this article is that it was the neutrals whose support the United States sought to purchase—with the term "neutrals" including both formally neutral countries (such as Austria and Switzerland) and nonaligned countries (such as Egypt and India)—by providing unconditional loans. For clients, by contrast, the United States and the recipient already had a common set of political interests, and the purpose of US aid was to promote economic development in order to enhance the recipient's military strength and resistance to political subversion; as a result, allies and security partners received less aid in the form of unconditional loans. Whether or not the United States actually succeeded in promoting development among its allies and security partners is a separate question that is outside the scope of this article.[6] Instead, this article focuses on the question of whether or not the United States even intended to promote development in the first place; it advances a theory of US foreign policy. It tests this theory using original data on unconditional aid and the geopolitical alignment of aid recipients in the first half of the Cold War, which the following section will describe in detail.

Description of the Data

The empirical strategy tests the proposition that since economic development enhances national security, the United States should have been more likely to promote development among its allies and security partners. To put these concepts into practice, this article uses an original measure of the "developmental content" of the United States' foreign-aid programs and an original measure of aid recipients' geopolitical alignment. The unit of observation is a country-year in which the United States allocated economic aid. This means that the analysis does not address the question of why countries received aid at all; the analysis explains variation among aid recipients.

This sample covers most countries in the world. As table A2 in the online appendix reports, 49 countries did not receive any aid from the United States in the period 1955–1970 (compared to 123 countries that did). The countries that did not receive aid were generally either microstates or states that were aligned with international Communism. Excluding microstates might raise questions about selection

[6] The literature on this in development economics is, of course, vast. Deaton (2013) provides an excellent review of the literature. Other major studies include Easterly (2003) and Burnside and Dollar (2000). For the impact of PL 480 specifically, see Awokuse (2011).

bias insofar as size could be a proxy for strategic importance; however, the main empirical analysis controls for size by including the population of the aid recipient (as well as GDP per capita). The fact that many Communist bloc countries were not included in the sample is appropriate for theoretical reasons. As the following section will explain, the argument is about the contrast between aid to clients and aid to neutrals, so aid to adversaries is outside the scope of this article. Countries were selected into the sample of aid recipients (which is to say that Congress authorized economic assistance for them) by not being Communist and not being microstates.

Dependent Variable

The outcome that the analysis explains is the "developmental content" of the United States' foreign-aid programs: the extent to which the United States sought to promote development in the way that it designed the content of an aid package. The analysis will operationalize this idea by measuring how much of the total aid package consisted of "cash with no strings attached," aid without any conditions that amounted to a transfer of funds to the government of the recipient country. A lower proportion of unconditional aid in the overall economic assistance package indicates a greater interest in promoting economic development, while a higher proportion indicates a greater interest in gaining political influence.[7]

Remarkably, the amount of unconditional aid in the United States' economic assistance programs was reported for about a decade after the Foreign Assistance Act was passed in 1961. The historical editions of USAID's "Greenbook" (a statistical annex to an annual report to Congress) are available through a database called the Development Experience Clearinghouse, and they still report these figures even though contemporary editions of the Greenbook do not (USAID Statistics and Reports Division 1962; USAID n.d. [the 1961 Greenbook]; USAID Office of Program Coordination 1966 [the 1965 Greenbook]; USAID Bureau for Program and Policy Coordination, Office of Statistics and Reports 1971 [the 1970 Greenbook]).[8] The source of the funds was the food aid program created by the Agricultural Trade Development and Assistance Act, or Public Law 480. From its inception in 1954, PL 480 was designed to dispose of surplus commodities and to advance US foreign policy interests (Unger 2018, 88–89). It was originally divided into three "Titles," and a fourth was added in 1958 (Epstein 1987, 1). Under Title I, the United States would sell surplus agricultural commodities and then loan the proceeds back to the recipient country, with some loans being repayable in dollars and other loans being repayable in local currency (Baldwin 1966, 131). For loans repayable in local currency, there were prior agreements on how those funds would be used. The recipient could use them to finance development projects, support private industry, support common defense, or accept them as a loan to the government (Department of State 1958, 476–83).

With "Loans to Governments" (under Section 104 (g) of Title I), the United States would not designate the loans for a specific purpose but would leave the use of the funds to the discretion (or indiscretion) of the recipient. A state department bulletin from 1958 indicated that "foreign governments are also being *encouraged* to reloan [*sic*] some of the funds available to them under section 104 (g) [loans to governments] for projects involving private enterprise and investment" (emphasis added) but that "express agreements to reserve specific portions of 104 (g) loan funds for this purpose are no longer being sought in connection with current sales negotiations" (Department of State 1958, 484–85). In other words, "Loans to Governments" were a form of general budget support with no formal conditions. Although this type of aid was given in the form of loans rather than in the form of grants (reflecting the aversion on the part of Congress to authorizing grant aid in this historical period), PL 480 loans effectively functioned as grants because little of this debt was ever repaid.[9] Historical evidence supports the argument that PL 480 "Loans to Governments" were used to influence the foreign policies of recipient countries by exploiting the particular appeal that they had for governments.[10]

This specific loan category was chosen as the dependent variable because it had the least conditionality out of any aid program in this period: not only were there no strings attached, but there was not even an agreement about what the aid would be used for. Although it is not surprising a slush fund existed, it is surprising that US aid agencies reported the exact figures in an annual report to Congress.[11] Table 1 compares the conditionality of this program with the conditionality of other economic assistance programs for 1955–1970. It uses a minimal definition of conditionality as the existence of an agreement between the donor and the recipient about what the recipient would use the funds for. For "Grants from Triangular Transactions" (revenues generated from sales of US agricultural surplus in third countries) and "Dollar Credit Sales" (food aid repayable in dollars), there is not enough information to assess conditionality, so they are classified as "NA." For "Loans to Governments," it is known that there were no conditions, so the conditionality score is "0." For every other program, it is known from the Greenbook that they had a specific purpose, so they can

[7] Since Dietrich (2013) argues that the choice to provide aid to governments (in contrast to providing aid to non-state actors) reflects the quality of governance, it is helpful to clarify that the dependent variable in this paper does not measure variation in delivery tactics. Most aid (including the Marshall Plan; see Price 1955) was given to governments, but there was varying US influence over how governments used the aid. In other words, the variation in the dependent variable measures variation in conditionality, not variation in delivery tactics.

[8] The webpage for the 1961 Greenbook appears to have been deactivated sometime between the author's original date of access in 2015 and the publication of this article in 2021. The 1961 Greenbook does not appear to be available elsewhere in the Development Experience Clearinghouse. The complete citation information, including the original URL, has been recorded in the reference list.

[9] On Congress's preference for loans rather than grants, see Nolting (1983). On the low level of repayments in general, compare the level of repayments to the amount of the principal in the various editions of the Greenbook cited above. On the political difficulty of obtaining repayments from Egypt in particular, see *Foreign Assistance and Related Agencies Appropriations for 1968: Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives*, 90th Cong. 1 (1968) (statement of Lucius D. Battle, Assistant Secretary for Near Eastern and South Asian Affairs, Department of State). Recipients designated as "relatively least-developed" eventually had all of their Title I debts forgiven as a result of the International Development and Food Assistance Act of 1977 (Leach and Hanrahan 1994, 8).

[10] Rostow (1985, 329n111), Herter (1992), Badeau (2016).

[11] The reporting became murkier with the 1970 Greenbook, when USAID began providing figures for "Economic Development Loans" under Title I of PL 480 and ceased providing figures for "Loans to Governments." However, one can tell that these two programs were one and the same: somehow, the "Economic Development Loans" program started to have retroactive figures that corresponded to the figures for the "Loans to Governments" program that had suddenly vanished. This article, therefore, uses the figures on "Economic Development Loans" to compile data for "Loans to Governments" for the years 1966–1970, for which the 1970 Greenbook is the only available source of information (if there is doubt about the validity of this procedure, table 4 shows that the results are robust to dropping data from 1966–1970).

Table 1. Conditionality in US Economic Assistance Programs, 1946–1970

Program	*Description*	*Conditionality score*
Mutual Security Economic Program	Specified purpose (economic development for allies and security partners, including Marshall Plan aid)	1
Grants for Common Defense (PL 480 Title I 104c)	Specified purpose (defense)	1
Grants for Economic Development (PL 480 Title I 104e)	Specified purpose (economic development)	1
Loans to Private Industry (PL 480 Title I 104e)	Specified purpose (economic development)	1
Emergency Relief (PL 480 Title II)	Specified purpose (emergency assistance)	1
Export–Import Bank long-term loans	Specified purpose (promoting US exports)	1
Social Progress Trust Fund	Specified purpose (economic development)	1
Voluntary Relief Agencies[a] (PL 480 Title III)	Specified purpose (economic development)	1
Loans to Governments (PL 480 Title I 104g)	No purpose or conditions specified	0
Grants from Triangular Transactions[b] (PL 480 Title I 104d)	Not known	NA
Dollar Credit Sales (PL 480 Title IV)	Not known	NA

Sources: USAID Statistics and Reports Division (1962), USAID Office of Program Coordination (1966), and USAID Bureau for Program and Policy Coordination, Office of Statistics and Reports (1971).
Notes: The analysis in this article will be limited to 1955–1970, but the aid categories go back to 1946. The analysis begins in 1955 because that was the first year of aid under PL 480.
[a]"Voluntary Relief Agencies" indicate deliveries of food by charitable organizations. See USAID Statistics and Reports Division (1962), v.
[b]"Grants from Triangular Transactions" were funds whose use had not been determined at the time the Greenbooks were prepared. See USAID Statistics and Reports Division (1962), iv.

be assigned a conditionality score of "1."[12] An econometric comparison of the most important economic assistance programs appears in table A3 in the online appendix.

Independent Variable

The independent variable in the analysis is the aid recipient's geopolitical alignment, operationalized using a scale that measures the political distance between the aid recipient and the United States. A value of 1 indicates that the recipient was a client of the United States. Different values were used to categorize neutrals based on their perceived susceptibility to Communist influence: a value of 2 indicates that the recipient was one of the neutrals and susceptible to US influence but not to Communist influence (such as Austria and Switzerland) and a value of 3 indicates that the recipient was one of the neutrals and susceptible to both US and Communist influence (such as Egypt and India), which this article characterizes as "Swing States." Finally, a value of 4 indicates that the recipient was an ally or a security partner of the Soviet Union. The higher the value of this variable, the greater the perceived distance between the United States and the aid recipient.

The method of assigning values drew on alliance treaties and historical documents. A value of 1 was automatically assigned to formal US allies (such as members of NATO), and a value of 4 was automatically assigned to formal Soviet allies (such as members of the Warsaw Pact), because their alignment was clear. For aid recipients that were not formally allied with either of the great powers (about 54 percent of the total country-year observations), the coding was based on the historical documents published in the FRUS series, which show how US officials perceived the alignment of the recipient (U.S. Department of State n.d. (b)). Four hundred and sixty six of these documents factored into the analysis; all of the documents were coded by hand and without assistance.[13] Since 456 of the 466 documents used to create the independent variable are available online, this article adapts the method of active citation proposed by Morvacsik (2010) to quantitative analysis in order to facilitate transparency and replicability in the coding process: hyperlinks are provided for the documents that are available online, and the documents that are only available on microfiche or in print are referenced with complete citation information.

This variable operationalizes the concept of geopolitical alignment as a spectrum ranging from alignment with the United States (a value of 1) to alignment with the international Communist movement (a value of 4). The intermediate values of 2 and 3 capture the diversity of alignment among the neutrals. If this distinction had not been observed, the coding would have grouped together countries as different as Austria and Egypt, or Switzerland and India. The coding system corresponds with how US officials conceptualized the blocs and groupings of the Cold War. Translating these categories into numerical values may raise the question of whether or not the categories are equidistant from each other: whether the difference between South Korea (1) and Austria (2) was equal to the distance between Austria and Egypt (3) or to the distance between Egypt and Poland (4). The assumption of equidistance is based on the differences in how closely the recipient supported US foreign policy interests. A value of 1 indicates strong support for the United States, a value of 2 indicates moderate support, a value of 3 indicates nonsupport, and a value of 4 indicates hostility to the United States. The statistical results

[12] A question that may arise is why, if "Economic Development Loans" were described above as being equivalent to "Loans to Governments," the "Grants for Economic Development" should be regarded differently. The answer is that "Grants for Economic Development" were reported along with the "Loans to Governments" in older editions of the Greenbook, which suggests that they were not being used to cover up for "Loans to Governments" in the way that the "Economic Development Loans" were.

[13] For an example of an aid recipient that was coded as having a political distance of 2, see Flake (1992, 659). For an example of an aid recipient that was coded as having a political distance of 3, see Bunker (1992, 483–84).

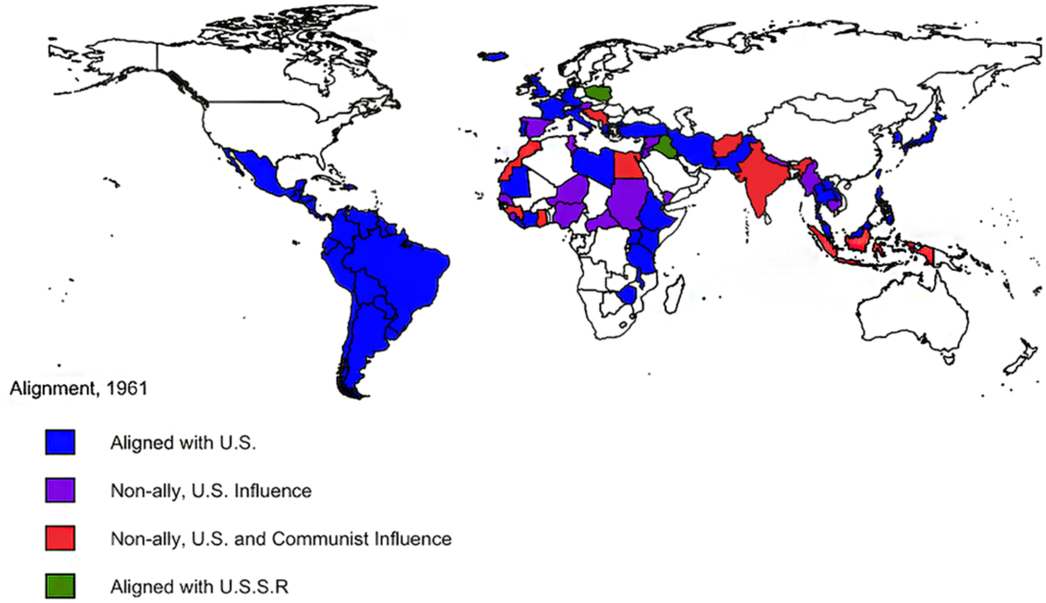

Figure 1.

are not dependent on the assumption of an equidistant scale; as will be shown in a following section, the results are still significant if the scale of political distance is transformed into indicator variables for the various categories of alignment.

Figure 1 visualizes the independent variable in 1961.[14] Aid recipients are shaded in according to their geopolitical alignment: blue corresponds to a value of 1, purple corresponds to a value of 2, red corresponds to a value of 3, and green corresponds to a value of 4. Countries that are not shaded in did not receive economic assistance from the United States in 1961.

Figure 1 represents the raw data on alignment: it includes all of the countries that received US economic assistance in 1961. Some of these countries were excluded from the empirical analysis, however, for reasons that will be explained in the following section.

Countries Excluded from the Analysis

Aid recipients were excluded from the analysis if they met any one of three conditions: if their alignment could not be inferred, if their foreign policy was controlled by another country, or if they were aligned with the Communist bloc. Alignment could not be inferred from countries that were so unstable that they lacked a functioning government that the United States could seek to influence; alignment also could not be inferred from countries if there was no FRUS documentation on that country in a given year (76 of the 1,422 country-year observations). The foreign policies of European colonies were controlled by the colonizing power, so they were also excluded. The rationale behind dropping these countries is that a theory about the trade-off between promoting development and influencing foreign policy should exclude those countries where there was no possibility of influence.

Finally, Communist bloc countries (including both formal Soviet allies and countries perceived to be aligned with Communism) were excluded because they fall outside the scope of the theory.[15] The theory does not seek to explain the strategic logic behind the United States' aid programs to Soviet clients but to show the contrast between aid to US clients and aid to neutrals. Moreover, Communist bloc countries were legally barred from receiving PL 480 aid: beginning with the original legislation in 1954, PL 480 was limited to "friendly nations" outside the Communist bloc.[16] The sample, therefore, consists of non-Communist countries with an autonomous and functioning government. This exclusion resulted in 222 (out of 1,432) country-year observations being dropped.

Temporal Scope of the Data

The data cover the period 1955–1970. 1955 was the first year in which the United States was able to generate budget support through PL 480; 1970 was the last year in which there was a legislative provision for reporting the amount of general budget support in PL 480.[17] Although there are data on the various Titles of PL 480 for the post-1970 period, they are not specific enough to indicate the extent of conditionality. For example, in the 1987 Greenbook, the PL 480 data are disaggregated into Title I and Title II, but the Title I data are only broken down into loans repayable in local currency and loans broken down into US dollars, without any indication of what the loans would be used for. This is

[14] The figure was created using the cshapes package described in Weidmann, Kuse, and Gleditsch (2010).

[15] The United States provided foreign aid to Eastern European countries in the hope that they "might dilute Soviet hegemony somewhat" (Mark 1981, 321), but the amounts were insubstantial, most likely because of legislative constraints on providing assistance to Communist bloc countries and the possibility that aid might be used to enhance their economic and military power.

[16] See Epstein (1987) for an overview of the legislative history of PL 480 and the requirement that allocations be limited to "friendly nations" (7). Subsequent amendments expanded the definition of "friendly nations" to exclude countries that "permitted its ships or aircraft to transport commodities to or from Cuba" (15).

[17] The legislation for PL 480 was amended to no longer allow for loans to be repaid in local currency under Title I, which ended the program that had previously allowed the United States to use revenues from the sale of food as budget support assistance to the recipient government (Leach and Hanrahan 1994, 5).

Table 2. Summary statistics for the sample

Variables	*(1) N*	*(2) Mean*	*(3) Standard deviation*	*(4) Min.*	*(5) Max.*
Loans to Governments (total)	1,067	5.843	27.95	0	490.8
Loans to Governments (proportion of economic assistance)	1,067	0.0534	0.144	0	1
Political distance	1,067	1.457	0.660	1	3
"Swing State"	1,067	0.0937	0.292	0	1
All neutrals	1,067	0.364	0.481	0	1

not enough information for measuring conditionality: Title I is not clearly more or less developmental than Title II, since Title II data group together aid for economic development and aid for disaster relief, and Title I data cover a wide range of programs.[18] It is only in the Greenbooks for the 1955–1970 period that Title I data are disaggregated at a level of detail that conveys the extent of conditionality and the specific purpose for which the aid was allocated. Moreover, FRUS is not systematic in its coverage of individual countries for the second half of the Cold War because of the ongoing process of declassification review for more recent documents, so the independent variable cannot be measured with a high degree of accuracy after 1970.

Control Variables

The control variables in the analysis include a dummy variable for the region of the recipient, a dummy variable for the US presidential administration, the POLITY2 measure of democracy in the recipient (Marshall, Gurr, and Jaggers 2014), and data on population (logged), GDP per capita (logged), GDP per capita growth, and total trade as a percentage of GDP from the Penn World Tables, version 5.6 (Heston and Summers 1991), which is the last version with data on states from the Cold War, such as Yugoslavia and East and West Germany. Including these economic data reduces the potential for endogeneity, as it addresses the possibility that the allocation of unconditional aid may have been related to the recipient's level of development or strategic importance (proxied by population as a measure of size). The POLITY2 measure and the measure of total trade were rescaled by a factor of 1,000 to facilitate the presentation of the coefficients in the tables below; this rescaling did not affect the significance of the results. Basic facts on the aid recipients (year of independence from colonial rule and year of formal membership in alliances) were taken from the *Encyclopedia Britannica* (Encyclopedia Britannica 2021), the *CIA World Factbook* (Central Intelligence Agency 2021), and various pages on the websites of the alliance organizations and the Department of State (U.S. Department of State n.d. (c)); Organization of American States 2021).

Empirical Results

Summary statistics for the independent and dependent variables in the sample (after certain countries were excluded from the analysis for the reasons explained above) are provided in table 2. The first two rows report the summary statistics on PL 480 "Loans to Governments," both in total as a proportion of total economic assistance. The third row reports the summary statistics on the scale of political distance. The remaining rows report the summary statistics on transformations of the scale of political distance: the variable in the fourth row is a dummy variable for whether or not the recipient was a "Swing State" in the Cold War (i.e., if it was originally given a value of 3) and the variable in the fifth row is a dummy variable for whether or not the recipient was a neutral (i.e., if it was originally given a value of 2 or 3).

The figures in the second row indicate that, on average, "Loans to Governments" represented about 5 percent of economic assistance in a given country-year observation, though in some instances they represented as much as 100 percent. The figures in the fourth row indicate that about 9 percent of the country-year observations were for "Swing States" in the Cold War, and the figures in the fifth row indicate that about 36 percent were for neutrals (with the remaining 64 percent being for US clients). This means that most of the aid programs in the sample were for US clients, and "Loans to Governments" represented a small proportion of the overall economic aid package, on average. As table 2 shows, however, "Loans to Governments" represented a significant proportion of the total economic aid for the "Swing States," which is precisely what one would expect if the United States was using that type of aid to gain political influence.

Table 3 shows the results of OLS regressions in which the outcome variable is "Loans to Governments," either as a proportion of total economic assistance (models 1, 2, 5, 6, and 7) or in absolute terms (models 3 and 4). The regressions show that the greater the political distance between the recipient and the United States, the higher the level of US aid commitments as "Loans to Governments." Note that when "Loans to Governments" is calculated as a proportion, the figure in the denominator is total economic assistance rather than Official Development Assistance (ODA). The historical editions of the Greenbook report all forms of economic assistance, and they do not always provide enough information to allow for a precise calculation of what would and would not qualify as ODA. The exception is the 1970 Greenbook, which does distinguish between ODA and other forms of economic assistance; according to its classification, the main form of US economic assistance that does not qualify as ODA is lending by the Export–Import Bank. By using the total economic assistance as the denominator in the proportions, the regressions in table 2 include Export–Import Bank loans, based on the observation that the United States used those loans to promote its foreign policy interests during the Cold War.[19] Table 4 shows that the results are robust to dropping Export–Import Bank long-term loans.

In table 3, the models include the control variables described above, and they include both country- and year-fixed

[18] For the 1987 Greenbook, see USAID Bureau for Program and Policy Coordination (1988).

[19] The State Department "constantly pressed" for the Export–Import Bank to support US foreign policy interests in Latin America (Nolting 1983, 663).

Table 3. "Loans to Governments" in US economic assistance, 1955–1970 (OLS)

Variables	*(1) Loan Gov. (Proportion of total economic assistance)*	*(2) Loan Gov. (Proportion of total economic assistance)*	*(3) Loan to Gov. (Abs.)*	*(4) Loan to Gov. (Abs.)*	*(5) Loan Gov. (Proportion of total economic assistance)*	*(6) Loan to Gov. (Proportion of total economic assistance)*	*(7) Loan to Gov. (Proportion of total economic assistance)*
Political distance	0.0887**		12.26	12.26**			0.0816*
	(0.0363)		(9.287)	(4.815)			(0.0414)
"Swing State"					0.166***		
					(0.0598)		
Neutrals						0.0447*	
						(0.0235)	
Loans to Gov.							0.334***
							(0.0593)
Distance = 2		−0.00166					
		(0.0343)					
Distance = 3		0.164***					
		(0.0574)					
Democracy (rescaled)	0.581	0.140	228.2	228.2	0.147	0.574	1.499
	(2.150)	(2.085)	(265.9)	(186.7)	(2.099)	(2.208)	(1.573)
Population (logged)	0.341**	0.344**	−0.330	−0.330	0.344**	0.369**	0.198
	(0.163)	(0.165)	(26.95)	(16.63)	(0.165)	(0.166)	(0.148)
GDP per capita (logged)	−0.106	−0.103	−28.57	−28.57**	−0.103	−0.0935	−0.0112
	(0.0834)	(0.0822)	(18.15)	(14.11)	(0.0824)	(0.0850)	(0.0655)
GDP per capita growth	−0.0701	−0.0731	−33.28	−33.28	−0.0731	−0.0707	−0.141
	(0.110)	(0.109)	(35.92)	(26.26)	(0.109)	(0.111)	(0.0985)
Trade Open	1.662	1.472	−72.97	−72.97	1.475	1.638	1.659
	(1.274)	(1.257)	(92.67)	(75.86)	(1.250)	(1.343)	(1.084)
Europe	−0.0300	−0.110	19.15	19.15	−0.110	0.0393	−0.0700
	(0.0888)	(0.0991)	(13.87)	(14.55)	(0.0962)	(0.0874)	(0.0815)
Asia	−0.271*	−0.362**	2.989	2.989	−0.360**	−0.337**	−0.123
	(0.156)	(0.161)	(29.19)	(16.14)	(0.153)	(0.157)	(0.145)
Near East	0.291*	0.299*	−13.99	−13.99	0.298*	0.328*	−0.0479
	(0.173)	(0.172)	(30.94)	(22.60)	(0.172)	(0.175)	(0.141)
North America	0.138	0.0509	61.24	61.24*	0.0527	0.0612	−0.00512
	(0.166)	(0.158)	(51.28)	(32.98)	(0.155)	(0.165)	(0.137)
Oceania	0.798***	0.716**	54.92**	54.92**	0.717**	0.778***	0.126
	(0.283)	(0.292)	(26.47)	(21.49)	(0.292)	(0.289)	(0.127)
Latin America	0.344**	0.257*	54.79*	54.79**	0.259*	0.291**	0.116
	(0.141)	(0.140)	(30.76)	(22.09)	(0.139)	(0.142)	(0.117)
Eisenhower	0.153*	0.156*	−14.03	−14.03	0.156*	0.165*	0.229***
	(0.0819)	(0.0807)	(20.02)	(14.22)	(0.0809)	(0.0830)	(0.0764)
Kennedy	0.0965**	0.0992**	−0.285	−0.285	0.0991**	0.108**	0.0754**
	(0.0431)	(0.0428)	(8.025)	(6.428)	(0.0426)	(0.0442)	(0.0359)
Johnson	0.00815	0.00927	−0.890	−0.890	0.00923	0.0112	0.0139
	(0.0117)	(0.0127)	(1.289)	(2.815)	(0.0127)	(0.0111)	(0.00982)
Constant	−2.725	−2.593	195.5	195.5	−2.591	−2.953*	−2.030
	(1.711)	(1.705)	(359.1)	(238.8)	(1.704)	(1.737)	(1.530)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Clustered SE	Yes	Yes	Yes	No	Yes	Yes	Yes
Observations	884	884	884	884	884	884	776
R-squared	0.385	0.395	0.598	0.598	0.395	0.369	0.488

Note: Robust standard errors in parentheses (***$p < 0.01$, **$p < 0.05$, *$p < 0.1$).

effects.[20] With the exception of model 4, the models also used clustered standard errors at the country level. Model 1 reports the baseline regression where the independent variable is the scale of political distance and the outcome is "Loans to Governments" as a proportion of the total economic assistance. It shows that each additional point of geopolitical distance from the United States is associated with about a 9 percent higher proportion of the total economic assistance in the form of "Loans to Governments." Since there may be concern about whether or not all aid recipients can be placed on a single dimension of political distance, model 2 has dummy variables for the different categories of alignment ("Distance = 2": the aid recipient is neutral but subject to US influence and not Communist influence; "Distance = 3": the aid recipient is a "Swing State" that is subject to both US and Communist influence) as the

[20] To avoid perfect multicollinearity, the regressions do not include the administration indicator variable for Nixon and the region indicator variable for Africa.

independent variable.[21] It does not have a dummy variable for "Distance = 1" (aid recipient is a US client) in the same regression to avoid perfect multicollinearity, but model 6 implicitly provides the same information, since model 6 uses a dummy variable for all of the neutrals ("Distance = 2 or 3"), which is the inverse of a dummy variable for all of the clients. Model 2 shows that the "Swing States" received significantly and substantially higher levels of "Loans to Governments" than the other types of aid recipients (about 16 percent more, on average), which is consistent with the theory in this paper because these were the non-Communist aid recipients for which the United States had the greatest interest in gaining political influence.

In models 3 and 4, the dependent variable is the absolute amount of "Loans to Governments" rather than "Loans to Governments" as a proportion of total economic assistance. The significance of political alignment in these regressions is sensitive to the model specification: the coefficient is not statistically significant in model 3, which has both country-fixed effects and standard errors clustered at the country level; however, the coefficient is significant in model 4, which has country-fixed effects but not standard errors clustered at the country level. This sensitivity suggests that the geopolitical alignment of the recipient explains the relative amount of "Loans to Governments" (relative, i.e., to the overall economic assistance package) more effectively than it explains the absolute amount of "Loans to Governments." This finding is consistent with the theory, since the relative amount captures the choice of "Loans to Governments" compared to other forms of economic assistance. Since economic assistance can achieve many different types of objectives (including gaining influence, promoting development, and supporting domestic exporters), it is appropriate to have a measure of the relative prominence of gaining influence in comparison with these other objectives.

Models 5 and 6 transform the original scale of political distance into indicator variables. In model 5, the independent variable is an indicator for whether or not the recipient is a "Swing State": as with the results in model 2, it shows that "Swing States" received about 16 percent more "Loans to Governments" on average than the other types of non-Communist aid recipients, and this result is significant at the 1 percent level. Model 6 uses an indicator variable for all of the aid recipients that were neutrals, both the ones that were not subject to Communist influence ("Alignment = 2") and the ones that were ("Alignment = 3"). This result is less statistically significant than the result in model 5, and the magnitude of the coefficient is lower, which suggests that the "Swing States" were the most important factor driving the allocation of "Loans to Governments" to aid recipients that were not US clients. Finally, model 7 includes the lagged dependent variable in a regression with the original scale of political distance as the independent variable, and it shows that the result is still significant (albeit at the 10 percent level).

Table 4 shows that the results are highly robust to a variety of alternative specifications. It begins with a model that only has the independent variable (political distance) and the dependent variable ("Loans to Governments" as a proportion of total economic assistance), and it progressively adds each of the control variables, the year- and country-fixed effects, and the clustered standard errors over a series of 10 regression models. Model 12 changes the dependent variable to "Loans to Governments" as a proportion of ODA (calculated using an approximate method of subtracting Export–Import Bank loans from the figures for total economic assistance, since USAID does not always provide breakdowns into ODA and non-ODA assistance). Model 13 drops observations from 1966–1970 as a robustness check, for the reasons explained in footnote 11. In general, performing the econometric analysis required a number of judgments on the part of the author, namely the precise model specification, how to calculate the denominator in the dependent variable, and the temporal scope of the analysis. Table 4 shows that findings are not dependent on these judgments and that the results are robust to a variety of alternative specifications.

Table 5 shows the results of the same analysis as in Model 1 of Table 3, but with alternative measures of geopolitical alignment. Model 1 of Table 5 uses an indicator variable for whether or not the aid recipient had an alliance treaty with the United States: it shows that treaty allies received less aid in the form of "Loans to Governments" compared to aid recipients that were not treaty allies, which is consistent with the theory in this paper. Models 2–5 use UN voting data from Bailey, Strezhnev, and Voeten (2017): UNGA ideal point distance as the measure of alignment in models 2 and 3 and UN voting similarity in models 4 and 5.

The results of the analysis with UN voting data are sensitive to the model specification. The results are not statistically significant in models 2 and 4, which use both country-fixed effects and standard errors clustered at the country level; however, the results are statistically significant in models 3 and 5, which do not use country-fixed effects but do use standard errors clustered at the country level. It is worth noting, however, that in models 3 and 5, the direction of the coefficient is consistent with the theory of this paper. The positive coefficient in model 3 indicates that the greater the ideal point distance between the United States and the aid recipient, the higher the proportion of aid that the United States allocated in the form of "Loans to Governments." The negative coefficient in model 5 indicates that the lower the similarity in the voting behavior of the United States and the aid recipient, the higher the proportion of aid that the United States allocated in the form of "Loans to Governments." These results support the interpretation that the United States used unconditional aid to influence the foreign policies of countries that were not closely aligned with the United States in international politics.

The likely reason for the sensitivity of the results with the UN voting data is that US officials considered UN voting behavior to be a noisy signal of countries' alignment in the Cold War. US officials only considered countries' voting behavior to be an indicator of alignment when the votes were on a specific subset of issues that had to do with Cold War geopolitics, rather than on all issues brought before the United Nations (e.g., see Intelligence Advisory Committee 1988, 901–2). Moreover, UN voting was only one element of a whole spectrum of issues on which a country could indicate its geopolitical alignment (others including recognition of the People's Republic of China, recognition of East Germany, the presence of Soviet advisors, and aid and arms transfers from the Soviet Union). The index of political distance created for this article aggregates all of these issues, since it measures the assessments of US officials after these issues had been taken into consideration.

Since the dependent variable varies between zero and one, the analysis was also performed using a fractional probit with country- and year-fixed effects (Table 6, models 1–3) and also with country-fixed effects omitted (Table 6,

[21] I thank an anonymous reviewer for raising this issue and for suggesting the solution.

Table 4. Robustness checks (OLS)

Variables	(1) Loan Gov. (Prop. Total)	(2) Loan Gov. (Prop. Total)	(3) Loan Gov. (Prop. Total)	(4) Loan Gov. (Prop. Total)	(5) Loan Gov. (Prop. Total)	(6) Loan Gov. (Prop. Total)	(7) Loan Gov. (Prop. Total)	(8) Loan Gov. (Prop. Total)	(9) Loan Gov. (Prop. Total)	(10) Loan Gov. (Prop. Total)	(11) Loan Gov. (Prop. Total)	(12) Loan Gov. (Prop. ODA)	(13) Loan Gov. (1955–1965)
Political distance	0.0439***	0.0498***	0.0561***	0.0624***	0.0557***	0.0563***	0.0614***	0.0645***	0.0659***	0.0887***	0.0887**	0.0917**	0.108**
	(0.00952)	(0.0104)	(0.0108)	(0.0123)	(0.0113)	(0.0116)	(0.0115)	(0.0114)	(0.0112)	(0.0230)	(0.0363)	(0.0389)	(0.0465)
Europe		0.0725***	0.0567***	0.0589***	0.103***	0.105***	0.0976***	0.0665***	0.0637**	−0.0300	−0.0300	−0.169	−0.0339
		(0.0155)	(0.0167)	(0.0188)	(0.0237)	(0.0240)	(0.0241)	(0.0253)	(0.0251)	(0.0992)	(0.0888)	(0.174)	(0.150)
Asia		0.0387***	0.0222**	0.0471***	0.0496***	0.0533***	0.0650***	0.0493***	0.0498***	−0.271**	−0.271*	−0.542*	−0.577**
		(0.0114)	(0.0109)	(0.0157)	(0.0159)	(0.0163)	(0.0169)	(0.0171)	(0.0170)	(0.120)	(0.156)	(0.306)	(0.278)
Near East		0.0531***	0.0492***	0.0795***	0.108***	0.110***	0.103***	0.0798***	0.0757***	0.291**	0.291*	0.596*	−0.285
		(0.0152)	(0.0150)	(0.0178)	(0.0212)	(0.0214)	(0.0219)	(0.0232)	(0.0229)	(0.130)	(0.173)	(0.350)	(0.282)
Latin America		0.0485***	0.0432***	0.0566***	0.0787***	0.0784***	0.0672***	0.0486***	0.0467***	0.344**	0.344**	1.813**	0.671**
		(0.0112)	(0.0116)	(0.0128)	(0.0159)	(0.0161)	(0.0169)	(0.0169)	(0.0167)	(0.136)	(0.141)	(0.861)	(0.280)
North America[a]		0.00984	−0.0275*	−0.0166	0.0455*	0.0450*	0.0412	0.0398	0.0411	0.138	0.138		
		(0.00858)	(0.0141)	(0.0152)	(0.0261)	(0.0266)	(0.0270)	(0.0283)	(0.0274)	(0.147)	(0.166)		
Oceania[b]		0.00984	−0.0275*	−0.0135	0.0479*	0.0468*	0.0249	0.0120	0.0189	0.798***	0.798***		0.524*
		(0.00858)	(0.0141)	(0.0149)	(0.0259)	(0.0265)	(0.0291)	(0.0310)	(0.0310)	(0.240)	(0.283)		(0.276)
Democracy (rescaled)			3.055***	2.786***	3.621***	3.521***	3.481***	2.885***	2.830***	0.581	0.581	1.161	−2.695
			(0.707)	(0.719)	(0.776)	(0.776)	(0.771)	(0.742)	(0.726)	(1.671)	(2.150)	(3.178)	(3.755)
Population (logged)				0.00313	0.00400	0.00412	−0.00697	−0.00513	−0.00517	0.341***	0.341**	0.633*	0.715**
				(0.00557)	(0.00557)	(0.00561)	(0.00685)	(0.00666)	(0.00676)	(0.122)	(0.163)	(0.327)	(0.278)
GDP per capita (logged)					−0.0320***	−0.0305***	−0.0230**	−0.0105	−0.00777	−0.106	−0.106	−0.0692	−0.164
					(0.00933)	(0.00944)	(0.0103)	(0.0108)	(0.0106)	(0.0748)	(0.0834)	(0.142)	(0.145)
GDP per capita growth						−0.119	−0.0977	−0.0840	−0.106	−0.0701	−0.0701	−0.0473	−0.0615
						(0.0906)	(0.0908)	(0.0904)	(0.0920)	(0.0960)	(0.110)	(0.129)	(0.146)
Trade Open							−0.849***	−0.686***	−0.660***	1.662*	1.662	1.401	2.984
							(0.218)	(0.202)	(0.213)	(0.986)	(1.274)	(1.480)	(1.868)
Eisenhower								0.0704***	0.0600*	0.286	0.286***	0.278**	−0.0130
								(0.0127)	(0.0337)	(0.183)	(0.108)	(0.109)	(0.143)
Kennedy								0.0509***	0.0563**	0.158*	0.158**	0.141**	0.000581
								(0.0117)	(0.0231)	(0.0839)	(0.0630)	(0.0651)	(0.0273)
Johnson[c]								0.0227***	0.00591	0.0257	0.0257**	0.0216*	
								(0.00732)	(0.00974)	(0.0228)	(0.0101)	(0.0113)	
Constant	−0.0106	−0.0597***	−0.0591***	−0.105*	0.117	0.107	0.183**	0.0393	0.0172	−2.857**	−2.857*	−5.715*	−5.738**
	(0.0130)	(0.0180)	(0.0190)	(0.0559)	(0.0759)	(0.0773)	(0.0777)	(0.0803)	(0.0808)	(1.245)	(1.647)	(3.268)	(2.521)
Time	No	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes
Year FE	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Country FE	No	No	No	No	No	No	No	No	No	Yes	Yes	Yes	Yes
Cluster SE	No	No	No	No	No	No	NO	No	No	No	Yes	Yes	Yes
Observations	1,067	1,067	1,023	893	893	884	884	884	884	884	884	796	555
R-squared	0.040	0.065	0.089	0.103	0.114	0.116	0.125	0.149	0.186	0.385	0.385	0.395	0.455

Note: Robust standard errors in parentheses (*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$).

[a]There are no coefficients or standard errors for North America in models 12 and 13 because all of the aid to North America (i.e., Canada) was in the form of Export-Import Bank Loans in 1968–1970. Model 12 subtracts Export-Import Bank Loans from the denominator, which results in a denominator of 0 for all of the North America observations, so the coefficient and standards could not be estimated. Model 13 omits all of the observations from 1966–1970, so there are no observations of North America in the truncated period.

[b]There are no coefficients or standard errors for Oceania in Model 12 because all of the aid to Oceania was in the form of Export-Import Bank Loans. Model 12 subtracts Export-Import Bank Loans from the denominator, which results in a denominator of 0 for all of the Oceania observations, so the coefficient and standards could not be estimated.

[c]There are no coefficients or standard errors for the Johnson administration dummy variable in Model 13 because Model 13 drops all of the observations from 1966–1970.

Table 5. Alternative measures of geopolitical alignment

Variables	*(1) Loan Gov. (Prop.)*	*(2) Loan Gov. (Prop.)*	*(3) Loan Gov. (Prop.)*	*(4) Loan Gov. (Prop.)*	*(5) Loan Gov. (Prop.)*
Alliance Treaty	−0.0786**				
	(0.0343)				
UNGA Ideal Point distance		−0.0282	0.0194*		
		(0.0178)	(0.0106)		
UNGA voting similarity				−0.000714	−0.131**
				(0.0495)	(0.0553)
Europe	0.0407	−0.00384	0.0954**	0.0387	0.0953**
	(0.0889)	(0.0834)	(0.0413)	(0.0859)	(0.0418)
Asia	−0.301*	−0.426***	0.0513	−0.308**	0.0550*
	(0.166)	(0.137)	(0.0316)	(0.148)	(0.0307)

Table 5. Continued

Variables	(1) Loan Gov. (Prop.)	(2) Loan Gov. (Prop.)	(3) Loan Gov. (Prop.)	(4) Loan Gov. (Prop.)	(5) Loan Gov. (Prop.)
Near East	0.329*	0.372**	0.0813*	0.316*	0.0925**
	(0.177)	(0.169)	(0.0419)	(0.172)	(0.0463)
North America	0.0995	−0.183	0.0541	−0.0545	0.0656
	(0.180)	(0.177)	(0.0450)	(0.161)	(0.0484)
Oceania	0.810***	0.524*	0.0419	0.546*	0.0548
	(0.293)	(0.269)	(0.0522)	(0.275)	(0.0563)
Latin America	0.325**	0.0861	0.0373	0.138	0.0422
	(0.150)	(0.140)	(0.0271)	(0.131)	(0.0290)
Democracy (rescaled)	0.417	0.849	3.175**	0.606	3.108**
	(2.207)	(2.331)	(1.286)	(2.359)	(1.262)
Population (logged)	0.367**	0.370**	−0.00190	0.310*	−0.00182
	(0.168)	(0.151)	(0.0140)	(0.161)	(0.0143)
GDP per capita (logged)	−0.0931	−0.0330	−0.0212	−0.0369	−0.0200
	(0.0857)	(0.0790)	(0.0158)	(0.0792)	(0.0159)
GDP per capita growth	−0.0710	−0.139	−0.181*	−0.103	−0.141
	(0.111)	(0.124)	(0.0983)	(0.112)	(0.0926)
Trade Open	1.666	1.182	−0.484	1.313	−0.487
	(1.360)	(1.490)	(0.387)	(1.440)	(0.384)
Eisenhower	0.165*	0.151*	0.0210	0.134	0.0190
	(0.0834)	(0.0802)	(0.0272)	(0.0812)	(0.0277)
Kennedy	0.109**	0.111**	0.0704***	0.113**	0.0741***
	(0.0444)	(0.0443)	(0.0255)	(0.0445)	(0.0256)
Johnson	0.0123	0.0202	0.00317	0.0119	0.00270
	(0.0113)	(0.0124)	(0.00652)	(0.0114)	(0.00651)
Constant	−2.894	−3.239*	0.142	−2.755	0.242*
	(1.760)	(1.659)	(0.127)	(1.716)	(0.133)
Year FE	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	No	Yes	No
Cluster SE	Yes	Yes	Yes	Yes	Yes
Observations	884	793	793	851	851
R-squared	0.368	0.374	0.161	0.371	0.160

Note: Robust standard errors in parentheses (***$p < 0.01$, **$p < 0.05$, *$p < 0.1$).

Table 6. "Loans to Governments" as a proportion of total economic assistance, 1955–1970 (fractional probit)

Variables	(1) Loan Gov. (Prop.)	(2) Loan Gov. (Prop.)	(3) Loan Gov. (Prop.)	(4) Loan Gov. (Prop.)	(5) Loan Gov. (Prop.)	(6) Loan Gov. (Prop.)
Political distance	0.842***			0.619***		
	(0.229)			(0.0904)		
"Swing State"		0.977***			1.263***	
		(0.247)			(0.167)	
Neutrals			0.562			0.577***
			(0.671)			(0.169)
Europe	3.319***	3.128***	3.978***	0.564	0.341	0.799*
	(1.111)	(1.102)	(1.248)	(0.389)	(0.376)	(0.414)
Asia	−0.613	−1.501	−1.213	0.613*	0.328	0.682**
	(2.146)	(2.099)	(2.346)	(0.335)	(0.325)	(0.341)
Near East	4.918**	4.991**	5.344**	0.794**	0.518	0.985**
	(2.142)	(2.144)	(2.211)	(0.361)	(0.340)	(0.405)
Latin America	5.569***	4.697**	5.362***	0.496	0.0952	0.585
	(1.933)	(1.875)	(2.014)	(0.345)	(0.349)	(0.361)
North America	3.419*	2.499	2.922	−2.241***	−2.639***	−2.068***
	(2.017)	(1.934)	(2.137)	(0.564)	(0.561)	(0.579)
Oceania	12.12***	11.31***	12.22***	−3.080***	−3.442***	−2.821***
	(3.791)	(3.772)	(3.993)	(0.458)	(0.457)	(0.499)
Democracy (rescaled)	−18.24	−19.08	−12.96	28.83***	25.83***	28.18***
	(28.44)	(28.59)	(28.42)	(9.313)	(9.405)	(9.845)
Population (logged)	4.569**	4.628**	4.900**	−0.140*	−0.152**	−0.0730
	(2.089)	(2.082)	(2.219)	(0.0797)	(0.0723)	(0.0897)
GDP per capita (logged)	−1.710*	−1.679*	−1.737*	0.0895	0.101	−0.0748
	(0.943)	(0.956)	(1.011)	(0.107)	(0.110)	(0.120)

Table 6. Continued

Variables	(1) Loan Gov. (Prop.)	(2) Loan Gov. (Prop.)	(3) Loan Gov. (Prop.)	(4) Loan Gov. (Prop.)	(5) Loan Gov. (Prop.)	(6) Loan Gov. (Prop.)
GDP per capita growth	−0.432	−0.395	−0.162	−1.020	−0.842	−1.276**
	(1.109)	(1.098)	(0.999)	(0.623)	(0.688)	(0.642)
Trade Open	13.53	13.42	12.88	−13.50***	−12.75***	−10.71**
	(9.052)	(9.157)	(9.637)	(4.122)	(4.130)	(4.231)
Eisenhower	2.380**	2.427**	2.660**	1.425***	1.387***	1.342***
	(1.053)	(1.054)	(1.076)	(0.399)	(0.438)	(0.377)
Kennedy	1.813***	1.836***	2.136***	1.373***	1.321***	1.406***
	(0.690)	(0.694)	(0.654)	(0.339)	(0.396)	(0.290)
Johnson	0.473	0.493	0.720**	0.590**	0.551*	0.650***
	(0.426)	(0.443)	(0.312)	(0.253)	(0.320)	(0.192)
Constant	−40.62**	−39.73**	−42.63**	−3.108***	−2.047*	−1.990*
	(19.57)	(19.72)	(21.17)	(1.116)	(1.083)	(1.194)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	No	No	No
Clustered SE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	884	884	884	884	884	884

Note: Robust standard errors in parentheses (***$p < 0.01$, **$p < 0.05$, *$p < 0.1$).

models 4–6). Standard errors are clustered at the country level in all models. The results are similar to those reported in the original OLS, except that the indicator variable that groups together all of the neutrals is not statistically significant if country-fixed effects are included in the regression. The coefficients show that the greater the political distance between the United States and the aid recipient, the more aid the United States allocated as "Loans to Governments." This coefficient is especially large for the "Swing States." With the exception of model 3, these results are statistically significant at the 1 percent level.

Conclusion

Many studies of the geopolitics of foreign aid have distinguished between donors' political and developmental goals, arguing that aid is ineffective at promoting economic development when the recipient is strategically important to the donor. The Cold War is especially notorious for being a period when the United States gave aid to reward allies for maintaining an anti-Communist foreign policy (Deaton 2013, 282). In this view, being an ally of the United States is associated with negative economic outcomes: development may be the exterior motive, but politics is the ulterior motive. However, if wealth enhances a state's military power (as Gilpin 1981; Kennedy 1987; Gowa 1994, and Thucydides himself have argued), then the United States should have had a strategic interest in using foreign aid to promote economic development among its allies. This alternative view aligns more closely with the empirical record of aid programs such as the Marshall Plan and US aid to Japan, South Korea, and Taiwan.

This article has argued that the conventional wisdom accurately describes the second half of the Cold War but not the first half. Most studies of the geopolitics of foreign aid use data from the 1970s onward, but the pre-1970 era is arguably of greater interest because there were many more treaty allies among the United States' aid recipients in that period. To examine that period while addressing the limitations of the data, this article has used historical editions of USAID's "Greenbook," which report data on a provision under PL 480 in which the United States provided "Loans to Governments" as funds with no strings attached, aid that could not be expected to promote development but that could be expected to promote political influence. This article has also used a new measure of geopolitical alignment, which incorporates hand coding of 466 primary sources from the FRUS series, to quantify how US officials perceived the political distance between the United States and the aid recipient.

These data show that the United States was less likely to give "Loans to Governments" to allies and security partners than to neutral and nonaligned countries in the period 1955–1970. This finding is counterintuitive from the perspective of the existing research, but it follows naturally from the propositions that providing unconditional aid is not an effective way of promoting development and that the United States had a strategic interest in promoting development among its clients. This argument does not presuppose any altruistic motives on the part of the donor, but it does contend that a great power can find promoting development to be in its strategic interest.

Supplementary Information

Supplementary information is available at the *ISAISQ* data archive.

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