

# All (geo)politics is local: revisiting Cold War aid

by Cameron Hill

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US President John F. Kennedy with Indonesian President Ahmed Sukarno of Indonesia at Andrews Air Force Base, Maryland, 1961

*Photo Credit: JFK Library*

As I have argued in [two previous posts](#), given the current ubiquity of the “statecraft” framing in Australia’s elite policy discourse surrounding the link between its wider foreign policy goals and development assistance, it is surprising that virtually none of the academic and policy commentary references the era during which this link reached its apogee – the Cold War. Multiple empirical studies [have confirmed](#) the importance of foreign policy and geostrategic considerations in determining aid allocations during this period. This was particularly the case for the two principals — the US and the Soviet Union — for whom aid was a key part of a largely zero-sum suite of power balancing efforts to gain and maintain influence with potential and established client states.

Indeed, it was during the height of the Cold War (1962) that the “father” of modern “realist” thought in International Relations, Hans Morgenthau, put forward a “political theory” of foreign aid [which he described](#) as “no different from diplomatic or military policy or propaganda. They are all weapons in the political armoury of the nation”. Even realists like Morgenthau, however, recognised early on the limits on the modern practice of foreign aid as a source of inducement aimed at purchasing policy or behaviour change from clients, as compared with older, more explicit forms of inter-state “bribery”. For Morgenthau, the heart of the aid-influence problem is that while the giving of bilateral aid is inherently political — “[the] price of political services rendered or to be rendered” — both the donor and the receiver must pretend that it is not. As a result, their underlying goals and incentives are obscured. He argues:

Old-fashioned bribery was a relatively straightforward transaction; services were to be rendered at a price, and both sides knew what to expect. Bribery disguised as foreign aid for economic development makes of giver and recipient actors in a

play which, in the end, they may no longer be able to distinguish from reality. In consequence, both may come to expect results in terms of economic development which in the nature of things may not be forthcoming.

Thus, both are likely to be disappointed, the giver blaming the receiver for his inefficiency and the recipient accusing the giver of stinginess and asking for more. The ideology, if taken for granted, gets in the way of the original purpose of the transaction, and neither side believes that it has received what it is entitled to.

Morgenthau concludes that aid is only likely to result in policy influence in cases where the political philosophies of the donor and recipient are already aligned and when “the procedures through which aid is given and the subject matter to which it is applied lend themselves to the creation of a connection between the aid and politics of the giver which reflects credit upon the latter”. Subsequent empirical studies focused on US Cold War aid have focused on this latter question – that is, whether and under what conditions aid was successful as an instrument to gain policy concessions.

In an analysis that includes data covering 45 years of US Cold War aid transfers, Bueno de Mesquita and Smith **posit that** the amount of influence that donors can “purchase” using aid is mediated by calculations of political survival and domestic political institutions within the recipient country. They find that countries with small “selectorates” (that is, autocracies) are more easily influenced than those with larger ones (that is, democracies). This is because the domestic political costs of policy change are likely to be higher in democracies and, as their domestic support coalition size increases, “recipient leaders require larger amounts of aid before they are willing to accept aid-for-policy deals”. The incentive for donors on the other hand is to find the cheapest aid-for-policy deals and, “as the amount of aid required to purchase policy concessions increases, donors become less likely to pay”. Similar studies examining the mediating effects of recipients’ domestic institutions **have been applied** to China’s contemporary “economic statecraft”.

Other studies have applied “principal-agent” frameworks to explain how differing incentives between recipients and donors sometimes worked against Cold War attempts to purchase policy influence through aid. As well as efforts to forge strategic and foreign policy alignments, these studies have examined the link between aid and the credibility of donor conditionalities designed to purchase other policy changes from recipients, such as economic and political reforms. The basic problem **common to many of these studies** is that “aid is a transfer of resources, and once given, can be difficult to control”.

In environments characterised by multiple alternative and competing aid providers, attempts by donors to exercise control — in the form of policy deals or other conditions on aid — may inadvertently push recipients towards their competitors, thereby diluting influence and undermining foreign policy goals. Alternatively, strategic and other conditionalities may simply be deemed not credible by recipients because of the competitive pressures on donors to outspend their rivals.

Summarising these findings, [one author concludes](#) “donors face important constraints in using foreign aid as a policy tool: limited abilities to make aid conditional, fungibility, and competition among alternative donors”.

Such limitations were encountered by the US during the 1980s when the Reagan administration attempted to link its aid allocations with the United Nations General Assembly voting patterns of recipients in order to increase developing and non-aligned countries’ support for its strategic policy preferences. This was enacted via specific legislation passed by the Congress in 1986 authorising the president to restrict aid to states found to be routinely in opposition to US Cold War positions in the UN. In their [statistical study of General Assembly](#) voting patterns in the subsequent three years, Kegley and Hook found “an absence of an empirical association between aid and voting coincidence [voting with the US] before and after the enactment of the 1986 linkage strategy”. Indeed, in some cases, US aid recipients’ voting coincidence in the UN declined after the strategy was implemented.

Interpreting these results, Kegley and Hook hypothesise that recipient elites acted primarily in terms of their own strategic interests and that “for many recipients of US assistance, the costs of deference to a powerful donor presumably exceeded the benefits”. They also note inconsistent implementation of the policy directive among multiple US agencies responsible for diplomacy and foreign aid programs, suggesting principal-agent constraints *within* donors (for example, between the executive and the bureaucracy), as well as those between donors and recipients.

In [a previous post](#), I have discussed Robert Rakove’s history of the evolution of US foreign policy towards the “third world” countries under the Kennedy and Johnson administrations of the 1960s and the failure of their attempts to use aid to secure “influence” among the emergent nations of the Global South. The result was [growing disillusionment](#) and, by the mid-1960s, “increasingly poorly funded, [aid] faded as the serious political initiative that Truman, Eisenhower and Kennedy had envisioned”.

These quantitative and qualitative studies of Cold War aid suggest that the link between foreign aid and wider foreign policy goals (on which “statecraft” depends) is more complex than is sometimes portrayed by its contemporary proponents, who

might think, “more aid equals more influence”. This is not to say there have not been cases where aid has successfully helped establish or maintain donor policy influence vis-à-vis recipient countries, including when it comes to the latter’s geopolitical alignments. But **it does suggest** that the relationship between the two is mediated by local political forces and that “in the event of serious donor-recipient disagreements, domestic politics usually dominates”. In cases where such disagreements do not exist, this, in turn, raises questions about whether aid designed primarily to purchase strategic policy concessions is really needed at all, and whether such resources would be better directed toward achieving agreed development or other outcomes.

*This blog is the third in a series on [Cold War aid](#).*

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