Policy Instruments and External Shocks: Explaining Differences in the Speed of U.S. Client State Acquisitions

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Abstract

Explaining why political events occur at different speeds is usually done by invoking tipping points or shocks. We argue that the latter, although a starting point, is inadequate and has to be supplemented, at least for activities involving multiple bureaucracies, by the policy instruments embedded in organizations and capable of being deployed in particular times and places. This is illustrated by a focus on U.S. foreign policy, the aim being to account for why the United States took much longer to acquire client states in Central America and the Caribbean in the first two decades of the twentieth century than it did to acquire South American and Canadian clients at the outbreak of World War II. The argument is that shocks can deploy certain policy instruments faster and on a more wholesale basis than others.

One of the striking features of political life is the great difference in the speed at which apparently similar events occur. We are all familiar with legislative struggles, organizing efforts, or military campaigns which advance at a snail's pace for years or decades, only to conclude with rapid success. Typically, this sort of belated acceleration is explained by appeals to either tipping points, in which some incremental process finally crosses a threshold; or shocks, in which an unexpected event galvanizes key people into taking action. However, these types of explanations fall short when the acceleration in question is not only – or not primarily – a matter of decisions by individuals, but rather of actions by bureaucracies. In such cases, there have to be capacities in place and resources at hand; while the latter may depend on individuals' decisions, there is no particular reason why the former must be developed incrementally.

These problems are particularly salient when there are multiple bureaucracies involved, as in the domain of foreign policy. Consider, for example, the largest and most baroque of all foreign policies: that of the United States. Almost any foreign policy carried out by the U.S. today involves a host of cabinet-level or semi-autonomous agencies: State, Defense, Treasury, perhaps Commerce or Justice; also particular branches of the armed services; as well as CIA, AID, and many others. Most of these organizations have been around for at least a half a century; and while going back farther in time takes us to a somewhat less crowded bureaucratic landscape, it also brings back agencies which subsequently lost some of their autonomy, such as the Navy Department or the Bureau of Insular Affairs. Thus, U.S. foreign policy has for over 100 years involved activities by multiple bureaucracies, which means that any belated acceleration of that policy needs to be explained by phenomena in addition to tipping points or shocks.

This paper focuses on one specific type of belated acceleration: the rapid acquisition of client states by the U.S. Except for a brief and limited experiment with colonial annexation, the American rise to a dominant position in the world has taken the form of support relations with

sovereign states, in which the latter acquiesce, however reluctantly, in that support and the oversight it entails. A first wave of client acquisition took place after the Spanish-American War, with Cuba opening the process in 1902 and El Salvador closing it in 1922. During these two decades, the U.S., by means ranging from Marine occupation to formal financial controls, took on as clients nine states in Central America and the Caribbean. In 1940, a second wave began, with 11 states in the Western Hemisphere becoming clients in only two years; a third wave followed after the war, this time involving over a dozen states in three years; and this rapidity was maintained repeatedly over the following decades. The question we wish to ask in this paper is why the initial wave took so much longer than the subsequent ones; and, corollarily, why there was such a lengthy hiatus (18 years) between the first and second waves.

Our answer is primarily organizational in nature. We argue that the principal capabilities the U.S. evolved for engaging in client support activities depended on a confluence of events in the target state, but that the confluence in one state had little to do with that in another. This made region-wide planning a slow process, one with many starts and stops. However, Washington's client support capabilities were neither politically stable nor readily applicable to other countries. What eventually enabled additional waves of client acquisition were new capabilities that were invented, for other purposes, during the preceding decade as well as more recently; the outbreak of World War II then provided an incentive to adapt and expand those capabilities to the rest of the Western Hemisphere. Those expanded capabilities then provided a basis for further client acquisition after the war. In this way, we combine an organizational explanation with the presence of shocks as an enabling factor to account for belated acceleration.

Theoretical background: client states and policy instruments

Since the 1890s, the U.S. role in the world has been marked by several characteristics. One of the most important is the presence of a network of client states; elsewhere, we have defined a client as "a state for which the maintenance of its regime (i.e., the configuration of political and

economic arrangements that give formal and informal power to certain types of actors) is (1) considered by the U.S. government as a legitimate matter of concern which (2) is worth considerable political and, if need be, economic and military efforts, should the regime be seen as endangered. In addition, the dominant political forces in the state (3) also consider that characteristics (1) and (2) are themselves normal and legitimate."[1] Notice that there is nothing in the above definition which restricts U.S. concerns to client states' foreign policies: instead, what American policy makers focus on is the configuration of political and economic power within the country, even if that might be affected from time to time by other states' policies and/or impinge on other U.S. goals. As a result, U.S. officials spend considerable amounts of time surveiling and obsessing over the domestic politics and economic policies of their clients: how crooked an election is in Afghanistan (2009); what the constitutional provisions are for presidential power in Uruguay (1964); who verifies foreign customs receipts in the Dominican Republic (1905). One important source of concern for Washington is, of course, the security problems confronted by various of its clients, but even then, those problems are much more likely to revolve around domestic opponents (perhaps seen as aided or inspired by other states) than a threat of invasion. This makes for two particularly interesting qualities to U.S. foreign policy.

One is that, to an astonishing degree, the role of client is voluntary. Client states are neither colonies nor annexed provinces; as sovereign entities, they have the right, at least in theory, to end their ties with the United States. The fact that they do not is only partly due to U.S. pressure, and then only in a handful of cases. Rather, the role of the U.S. as patron is seen by key political actors in the client as reasonable, even if at times clumsy and intrusive. (The intrusiveness is much less with wealthier clients, who are trusted and valued junior partners for the U.S.). In this sense, U.S. power vis-à-vis dozens of countries around the world (82 at latest count) is akin to the Gramscian notion of hegemony. The point is not that military force is never used to protect clients or that U.S.

[1] Sylvan and Majeski (2009: 29). The conceptual and theoretical discussion in this section is largely drawn from this monograph; so, to a lesser degree, is the historical discussion in the next section, although this paper both adds to and modifies that history. In particular, our concern here is to problematize notions such as "building up piecemeal" and "taking awhile" by proposing concrete organizational explanations for what we above termed "belated acceleration."

culture is always admired by segments of clients' populations, but that a large and active U.S. presence in clients' affairs is considered by both sides as reasonable.

The second quality worth remarking is the wide range of activities which the U.S. surveils and, if need be, acts on in an anticipatory or corrective fashion. At present, these may include, but are by no means limited to: elections, economic policy, narcotics policy, the treatment of trade unions, the readiness and armaments of the country's military, and the success or failure of counterinsurgency campaigns. Typically, surveillance and actions related to these and other issue areas is carried out by a field apparatus of U.S. government employees who, more often than not, are engaged in programmatic activities. For example, they may be tasked with disbursing funds for a rural vaccination program, or with training noncommissioned officers in the use of new weapons systems, or with evaluating the riskiness of the loan portfolios of the country's banks, or with fomenting dissent within opposition parties, or with hunting down guerrilla fighters in particular provinces. Some of these activities we have qualified as the "routine maintenance" of clients; others as constituting intervention, aimed at propping up the client's regime by taking over some of its maintenance tasks. This latter category is itself quite varied, ranging from emergency loans and large-scale covert bribery efforts to crash programs of arms sales and combat activities, perhaps involving U.S. troops. What is significant about these various efforts is that, as we will discuss below, they are programmatic, involving repeated sequences of activities carried out by specialists who are housed within different government organizations and with resources allocated for those precise activities. Although the U.S. does have all-purpose generalists at work in its embassies around the world, most of the personnel there are engaged in specific, specialized programs. Even in the earliest days of U.S. clientilism, such specialists existed, albeit in what now seem like minuscule numbers.

This programmatic quality extends to the very moment at which a state becomes a client. While there may perhaps be a formal and explicit decision that the U.S. should henceforth be responsible for the maintenance of a particular regime, such a decision is meaningless – and indeed

will not be taken – unless the U.S. has a particular means by which that maintenance can be carried out. This might involve sending the Marines, or arranging a loan, or selling weapons, but one way or the other, it has to be practical. That in turn means that the U.S. has to have capacities in place to engage in those activities, even if the precise time-and-place deployment of those capacities is new. Hence, before the U.S. had a significant navy and a well-endowed financial sector, its ability to acquire client states, whatever its wishes and that of the potential client may have been, was close to nonexistent. By contrast, once those capabilities were in place, even though they expanded and proliferated significantly over the course of a century, new clients could continue to be acquired. However much a particular regime may have been threatened or, conversely, presented great potential for the promotion of U.S. interests; however much those interests may have been ideological, military, or economic, stable or shifting; what every client acquisition has in common is that it involved the deployment of particular programmatic capacities in a country from which they had previously been absent.

The term that we employ for those programmatic capacities is policy instruments. Formally, a policy instrument is a capability for generating a specific recurring sequence of purposeful activities, with this capability being housed in a particular organization or part of an organization. (adapted from Sylvan and Majeski 2009: 8). By definition, every policy instrument has a built-in immediate goal (mission), such as tracking down insurgents or providing financial liquidity, and those who apply the instrument in a given setting are, as a matter of routine, tasked with providing information to their superiors as to the instrument's success or failure in achieving that mission. In this way, surveillance of a client's performance and a regime's prospects is built into every program by which that client is acquired and maintained.

Although policy instruments are created and can be destroyed, they rarely appear out of nowhere or disappear into the ether. Typically, a new instrument is built out of bits and pieces of existing ones, although it may be inspired by another instrument at home or in another state. For example, as we will discuss below, several U.S. instruments in the early post-1898 days were partly

an attempt to copy British and other foreign colonial models, while being built on instruments already deployed in the U.S. (e.g., the Bureau of Indian Affairs). By the same token, when instruments are dismantled (say by ending a budget line or being dissolved pursuant to an executive order), many of the personnel are transferred to other agencies, even if some of their specialized skills may not be called on for some time. This is what happened to the OSS after World War II, when its component parts were dispersed elsewhere, only to be brought back once the CIA was created. At other times, an instrument can be overhauled by being given new resources and new locations of applicability, as happened when the Mutual Security Agency was recast in the 1960s as the Agency for International Development. On still other occasions, a particular capacity can be spun off into a separate program, then cloned in other agencies; this was the case with military training and the eventual creation of JCET. Finally, an instrument may be dusted off, relabeled slightly, and deployed where it was earlier resisted. This occurred regarding Afghanistan, where the CIA's proposal for using its well-honed ability to distribute suitcases of cash to local warlords, after laboriously wending its way through the national security bureaucracy and arriving at Condoleezza Rice's desk, was literally put into a new cover with Osama Bin Laden's picture and approved practically on the spot a few days after the attacks of 9/11.

Notwithstanding this malleability, there are limits to the range of situations in which a particular policy instrument can be applied. Combat troops, for example, may be used to distribute relief supplies and to train junior officers, as well as to patrol villages in search of insurgents, but they cannot be tasked with corrupting political foes or propping up the level of a country's currency. This lack of fit can lead to inaction, or to persistence, as when a patently unsuccessful policy instrument continues to be deployed *faute de mieux*, or to the creative reinterpretation of existing capabilities in completely new domains, especially when the situation is deemed to be dire. As we will see, each of these options was pursued at one point or another from the 1920s to 1940.

These considerations lead us to a proposed explanation for both the length of the original client acquisition wave in the first two decades of the 20th century and the hiatus between that first

wave and the second wave which began in 1940. In brief, the package of instruments employed for clients during the first wave depended on local, country-specific conditions to be triggered; those conditions in some cases took many years to arise. Moreover, the package of instruments was practically impossible to apply in other countries outside the Caribbean and Central America; when World War II approached, U.S. policy makers had to restructure existing or recently-created policy instruments designed originally for other purposes. To see this, let us now turn to a historical walk-through of the first two waves of client acquisition.

The first wave: post-1898 acquisitions

When the Spanish-American War ended, the U.S. found itself with several new lands under its control. One of them, the Philippines, was annexed, even though this action was strongly contested both in the U.S. and in the Philippines itself; the latter hostility quickly gave rise to a guerrilla war and a brutal counterinsurgency campaign. This had repercussions for Cuba, which had thousands of its own demobilized veterans, and so Secretary of War Elihu Root announced that the U.S. occupation there would be temporary, with Cuba becoming an independent state in a few years. After some U.S. electoral tinkering worthy of Tammany Hall, this came to pass, and Cuba found itself with a new government formally committed to U.S. oversight of its activities and with a permanent American naval base on its shores. Such intrusiveness turned out to be insufficient for the U.S. and, several years later, the Marines were sent in to control the country (they were replaced by Army forces) until a more stable government could be assembled. By then, the U.S. had already used the Marines to detach the province of Panama from Colombia, set it up as a separate state, allow the U.S. possession of part of its territory, and permit U.S. military action (ostensibly in defense of the canal) "at all times and in its discretion" (Schoultz 1998: 168).

There was nothing terribly novel about having the Marines land in Latin American or Caribbean countries. The United States had been doing it since the late 19th century, with expeditions even before that. However, those earlier actions, always accompanied by the threat of

naval bombardment and sometimes by rifle-armed sailors, were typically aimed at extracting U.S. citizens from dicey situations or extracting an apology from local officials. What Panama and Cuba ushered in was an era in which the Marines (as well as the Army, in both countries) carried out prolonged occupations, negotiated political settlements, and set up successor military forces (see below). Statutorily, the Marines were part of the U.S. Navy, and some of these actions deeply involved naval admirals, not only as formal superiors but as U.S. proconsuls. Thus, the Dominican Republic was acquired as a client following negotiations carried out by both the U.S. Minister and a naval commander; a decade later, the Marines began an 8-year occupation of the country. Several years later, it was the turn of Nicaragua, with the U.S. backing an initial revolt and then, from 1912 to 1933, carrying out an occupation practically without interruption. A similar situation occurred in Haiti, with a domineering U.S. admiral, a 15-year occupation, and a Marine office becoming the head of the gendarmerie. Repeated interventions were carried out in Honduras as well, though not a sustained occupation; and until the Canal Zone was established (when the Army took over the job), in Panama; and briefer military actions in Costa Rica, Guatemala, and (again) Cuba.

The prolonged use of the Marines and, to a lesser degree, the Navy was made possible by both quantitative and qualitative changes in those services. From early 1898 to 1916, the Marines expanded by a factor of nearly four; they had forces in readiness on the East Coast of the U.S. as well as in Guantánamo; and they grouped battalions and regiments onto transports for rapid deployment. The Navy, too, grew in size, and although most of its changes had to do with modernizing the fleet with an eye to future combat, it also created a Caribbean Division of the North Atlantic Squadron, the idea being that this set of ships would serve as a pool from which one or more could be detached as circumstances needed (Healy 1988: 250, 253).

One might ask why the Navy and Marines were resorted to so much more frequently than the Army. Part of the answer is that the services were completely separate in those days, with formal coordination only beginning in 1903 and not really developing until World War I. (This separation extended to the State Department, which as yet another agency had repeated problems of

coordination and jealousy regarding the Navy.) Since the Navy and the Marines had been employed frequently in Central America and the Caribbean prior to the Spanish-American War, the lack of coordination with other agencies and the tradition of naval officers'' autonomy regarding the use of their ships meant that there was already a policy instrument at hand for use in the region. However, another reason has to do with the kinds of activities the Army was configured to carry out: wars against nonwhite guerrilla forces (the U.S. frontier, the Philippines); wars against European-style armies (the Spanish-American War, most recently); and territorial governance (on display, notably, in Cuba, the Philippines, and the Panama Canal Zone). Rebel forces in Central America and the Caribbean did not fall into these categories, and thus initial landings tended not to be followed by Army troops (Challener 1973: 6-47, 52-62; Healy 1976; Linn 1997; Plischke (1999).

A second policy instrument resorted to repeatedly during the first decades of the century was the use of private loans and financial controls to oversee countries' economic policies. The loans and the controls operated in tandem: states with disastrous finances needed money to be bailed out, but lenders would be unwilling to act unless and until they could be guaranteed that the debt would indeed be serviced and that customs receipts would not be siphoned off to pay for private militias. In working out these arrangements, the key role was played by the U.S. government, particularly the State Department, which would try to come up with various individuals, all U.S. citizens, who could be considered as trustworthy enough to oversee the client's financial dealings; if possible, State would also attempt to obtain congressional or Senate assent to formal U.S. guarantees (this rarely worked out). In addition, State would play an intermediary role between the client government and whichever Wall Street banks were being fingered to organize the loan. In opting for this type of package, the U.S. was following in the footsteps of European countries in their dealings with weaker states, such as Egypt, the Ottoman Empire, Peru, Serbia, Greece, and Persia.

The earliest full-fledged package of loans and controls constructed by the United States was for the Dominican Republic. For a decade, the country's debt was controlled by a New York syndicate (with a former U.S. cabinet official as one of the principal officers), but when new

financial needs arose, the State Department sent a Johns Hopkins economist to work out a deal with Wall Street Banks and the government in Santo Domingo (American efforts were aided by the U.S. minister and a U.S. naval commander). What resulted was a two-part deal: first, an agreement between the two governments stipulating that customs houses would be "administered by a U.S. receiver appointed by the president of the United States (but paid as an employee of the Dominican Republic"; moreover, the country's public debt could not be increased without the U.S. president's consent. The second part of the agreement "was a loan contract between the Dominican government and the investment banking house of Kuhn, Loeb. ... This loan was conditioned upon the ratification of the convention that guaranteed servicing by U.S. government collectors" (Rosenberg 1999: 46).

Over the next two decades, repeated arrangements of this sort were worked out for U.S. clients throughout Central America and the Caribbean.[2] The specific modalities varied: which particular bank or consortium of banks would advance the loans, what exact controls would be imposed, and who applied the diplomatic and military pressure that was usually necessary to arrive at a final agreement. On rare occasions, the U.S. government would itself advance money; but dollar diplomacy, as the policy was referred to in the Taft Administration, was for the most part a combination of ostensibly private money, academic experts, and, behind the scenes but still quite apparent, the threat of U.S .military force to buttress the legal control arrangements (Nearing and Freeman 1925; Lockmiller 1955; Munro 1974).

In order for these packages to be assembled repeatedly, several conditions needed to be fulfilled. The first was the capacity to mobilize pools of capital in the U.S. The advent of investment banking in New York later in the nineteenth century was critical in this regard, and even though the sums of money were relatively minor as contrasted with loans to European countries or to U.S. domestic enterprises, they were sufficiently problematic that without a well-established set of procedures for syndicating bank loans, none of the State Department's blandishments would have

[2] There was also a similar package worked out in Liberia, which, if not yet a client, was considered to lie within the U.S. sphere of influence; attempts were also made to do the same for different countries in South America. In all these cases, as we will see below, the absence of Marines meant that there was no means of maintaining a specific regime, with the result that financial defaults were common.

been of any avail. The growing size of U.S. banks, as well as their interlocking share holdings and directorates, facilitated these syndicates (Frieden 1988; Stallings 1987).

However, it was also necessary for pressure to be applied by Washington. Of course, the banks knew that the U.S. government could, via its use of military force, serve as a means of ensuring that loans would be repaid (the financier Jacob Schiff, asking his London associate, "If they do not pay, who will collect these customs duties?" received the reply, "Your marines and ours"), but even then, the banks often dragged their heels and needed to be dragooned into consortia and committees (Jack Morgan, for instance, complained that certain negotiations were "only undertaken because U.S. Government anxious get Honduras settled").[3] That pressure, sweetened by the prospect of outmaneuvering competitors, was enhanced in its effectiveness by the connections that existed between high officials of the State Department and the various bankers whose efforts they solicited. Although some of those connections were personal (several Secretaries of State had been Wall Street lawyers, and many of the senior officials in the Department came from families with extensive ties to the investment banking world), this did not mean that government officials saw themselves as agents of Wall Street (Dayer 1976; Wiebe 1959). Rather, they shared a world view, one that can be summarized simply in the words of the Harvard-educated military officer who became the military governor of Cuba: "When people ask me what I mean by stable government, I tell them, 'money at six percent.'" (Wood, cited in Alfaro, Maurer, and Ahmed 2007: 1). In this regard, it is striking that even when the staunchly anti-Wall Street William Jennings Bryan became Wilson's Secretary of State, his notions of good government led him to support additional loan-and-financial-control packages in Haiti, Nicaragua, Panama, and Cuba (Adler 1940; cf. Munro 1934).

A third condition that was in place by the turn of the century and that enabled dollar diplomacy was the development of a cadre of financial experts. Some of these were academics, specialists in economics at leading universities (Hollander, Jenks, Kemmerer). Others were financial journalists (Conant), former bankers (Morrow), or Wall Street lawyers (Rathbone) named

[3] Quoted in Chernow (1990: 131, 132). In one case, the U.S. was prevailed upon by National City Bank (the predecessor of Citibank) to send a warship to a client (Haiti) in order to remove its official gold reserves to New York (Rosenberg 1999: 82).

as ambassadors or Treasury Department officials (Drake 1997; Rosenberg and Rosenberg 1987). These financial experts worked with others, such as political science professors (Rowe) and army officers (Crowder) who became high-level officials in the U.S. government and helped draft legal codes and administer the civilian administration of various client states (Jones 1934; Hanson 1994). As we will discuss below, it is striking that none of these experts came up within the ranks of the State Department (Barnes and Morgan 1961).

The combination of repeated and/or prolonged military intervention by the Marines and private loans backstopped by financial controls was employed for some two decades to acquire nine client states in the Caribbean and Central America. For the next 18 years, no new clients would be acquired; when they were, it was on a wholesale basis in just two years. What accounts for the relative slowness of the first wave, as well as the hiatus between the first and the second? To answer these questions, we can begin by observing that the conditions under which the policy instruments of the first wave could be employed were of two sorts: a rebellion, in reaction to which the Marines could be sent; or a financial crisis, for which loans and controls could be arranged. (Of course, the two often coincided.) In the absence of either condition, it was unlikely that the U.S. Congress would go along or that political elements in the target state would be receptive. Thus, the trigger for client acquisition was some kind of military or financial turmoil, and while such conditions were not uncommon, they did not occur on a regular basis: a state might go many years in peace, paying off its creditors from time to time or renegotiating its debts, then suddenly descend into chaos. Add to this the fact that rebellions were country-specific and did not spread, and that there were only weak connections between financial crises (e.g., creditors in one country might be spooked by events in another, but this would only have a knock-on effect for certain highly liquid financial instruments), and the conclusion is that client acquisition with first-wave instruments would take a number of years to extend to every country in the region. This does not yet explain why the second wave of acquisition was so much more rapid, but it does provide the beginning of an answer.

We have seen that the two first-wave instruments went together. Without the Marines, or the functional equivalent thereof, the financial controls would not be worth very much; on the other hand, without loans and financial supervision, there would be little chance of converting military intervention into a sustainable longer-term relationship. This complementary quality of the two instruments can be seen clearly by looking at South America in the 1930s. Many of the states on the continent had some type of financial controls set up for them during the preceding decade, but the chances of sustained U.S. military intervention were close to zero: the countries were too populous, population centers were often inland, far from the reach of naval artillery; and military intervention had become increasingly unpopular in the United States as wars in Haiti and Nicaragua dragged on. (Indeed, this unpopularity led the U.S. to withdraw the Marines, leaving in their stead a constabulary ["Guardia Nacional"; "gendarmerie"] headed by a pro-U.S. local strongman: a Somoza, a Trujillo, or a Batista.) Given the instruments then available, the U.S. was thus unable to acquire South American states as clients during the 1920s or 1930s. One of the consequences of this nonoccurrence was that when financial crisis loomed in South American republics, the United States found itself hobbled. An example of this is Brazil in 1937, when the government, facing the prospect of suspending its foreign debt payments, found itself under major pressure from the Foreign Bondholders Protective Council. The U.S. reaction was telling: the Secretary of State cabled to the U.S. ambassador that the "Council has made a vigorous protest to the Brazilian Government. It has requested this Government to consider the use of coercive measures in order to secure the continuation of debt service on dollar bonds. The Department is definitely informing the Council that it will not consider the use of coercive measures"[4] (cf. Abreu 2006; Schoultz 1998: 259; cf. Longley 1989: ch. 2).

The deeper issue underlying the hiatus between the first and second waves is that the first-wave instruments involved minuscule public expenditures. Bank loans were private; the State Department remained starved for resources by Congress; and the Navy and Marines, although larger

[4] Hull to Caffery, 16 November 1937, Foreign Relations of the United States, 1937, vol. 5: 353-4. For a list of South American defaults in the 1930s, see Sturzenegger and Zettelmeyer (2007: ch. 1).

in effectives than before 1898, were rarely given more than a third of a billion dollars for all their activities around the world. To paraphrase Tennessee Williams, U.S. attempts to maintain or intervene on behalf of its clients during the four decades after the Spanish-American War relied on the kindness of strangers. This was one of the reasons that the Marines turned to local strongmen: they could provide the muscle, give that the U.S. government was not going to provide cash. A larger country which could not attract private investments was on its own.

To get a better idea of just how limiting the first-wave policy instruments were as a means of acquiring and maintaining clients, consider the issue of arms sales. Whatever their political benefits may be for the donor state, we are accustomed to thinking of arms transfers as a means of bolstering a recipient state's military. For this to occur, though, the recipient must have the financial and legal ability to get hold of weapons, as well as an incentive to do so. Through the end of the 1930s, most U.S. clients were not able to satisfy all of these conditions (see Table 1). First and most importantly, all U.S. arms sales in that era were commercial. Armed forces would contract directly with manufacturers such as Colt or Remington, paying cash. Since most U.S. clients then were small with finances in dreadful shape, and since government spending in those countries was subject to strict external controls (the U.S. also was trying to cut down on the size of the pre-acquisition military), this left little money for arms purchases, especially beyond machine guns, rifles, and ammunition. Larger nonclients were both financially and legally able to place larger orders, as the contrast with Canada, Brazil, and Mexico shows.

A second factor restricting the utility of arms sales prior as a means of bolstering clients prior to World War II is that for many years, a number of clients were occupied by the Marines and had their armies disbanded. This can be seen clearly in the columns for the Dominican Republic, Nicaragua, and Haiti, where occupation coincides with reduced sales and the end of occupation with an upswing. Even then, however, the U.S. exercised a restraining influence, since it was general policy to restrict sales of heavy weapons (even assuming they could be afforded [Garner 1937; Grant 2007; Meyer 1970; Morey 1916]). As a result, arms sales were of little use to most U.S.

clients, being able to equip their militaries for policing and other repressive functions, but not for serious combat activities. (In any case, total worldwide U.S. sales, except at the height of World War I, were never more than $10 million a year, with the largest U.S. purchasing client, Cuba, averaging around $400,000 a year after the first World War; Harkavy 1975; Collier 1980; cf. Engelbrecht and Hanighen 1934.) Under these circumstances, it is difficult to imagine that the U.S. would be an attractive patron to South American states, or that it would seriously consider committing itself to maintaining their regimes.

Thus, the policy instruments employed by the United States to acquire clients in the first two decades of the century not only prolonged the time it took for that to happen but were, for all practical purposes, impossible to use for acquiring larger or more landlocked clients. Nonetheless, such clients were acquired starting in 1940. How was this possible?

The second wave: pre-World War II acquisitions

Shortly before the Second World War broke out, the United States began preparing for action against German and Italian influence in Latin America. These efforts accelerated after formal hostilities began, with planning for hemispheric defense. The U.S. convened conferences of all the states in the area and sent additional military attaches to their capitals. At the same time, various South American countries began submitting requests for large quantities of new U.S. arms, especially heavy weapons, and to have those purchases subsidized as much as possible by the United States. This created a problem, as the U.S. had no policy instruments in place that had been used for arms transfers, and so Roosevelt began considering using other instruments for this purpose. What he settled on, at first, was the Export-Import Bank. Ex-Im, as it was called, was an agency that had been set up in the 1930s to facilitate trade with the Soviet Union and Cuba, but the bank's mandate was soon broadened and it began to finance an ever-expanding array of projects. For it to be used to enable arms purchases was simply one more step in the development of Ex-Im

as a policy instrument, one which Congress willingly took – to the tune of $500 million – in the autumn of 1940.

The second step came a few months later when Congress passed the Lend-Lease Act. This had originally been intended as a means of aiding Germany's western opponents, but it quickly was used as the means of paying for Latin American arms transfers. By October 1941, i.e., still before the attack on Pearl Harbor, a second Lend-Lease appropriation was voted, this one explicitly adding another $150 million for Latin America. By this time, Canada had been included in hemispheric planning and so, with one exception (Argentina, which kept its distance on the issue of the war), the U.S. had now transformed both North and South American states into clients. Although the primary goal was to prepare for the possibility of an Axis attack, U.S. planners took care to calculate how many weapons would also be needed to defend against "internal disorder" and promote "internal stability"; it was also envisaged that money should be used to "adjust the economic relations between the United States and Latin America." This policy, breathtaking in its scope and speed, was blandly approved by the Chief of Naval Operations as "just common sense" (Conn and Fairchild 1989: 213).

It is tempting to see the second wave of client acquisitions as the translation of New Deal government programs into the realm of foreign policy. Ex-Im was one of dozens of agencies hatched in the 1930s (another, also concerned with providing financial assistance in greater quantities and in a lower-key fashion than the bank loans of earlier decades, was the Exchange Stabilization Fund [Bordo and Schwartz 2001]) and Lend-Lease was very much in the same tradition[5] (Becker and McClenahan 2003). Nonetheless, Ex-Im had been around for the better part of a decade before the start of the war; it had been devised at the outset for foreign lending; and its use for weapons purchases was clearly born out of controlled panic. It is more accurate to see the war as a shock which, in effect, cloned a munitions variant of Ex-Im before recasting that variant as a separate, dedicated policy instrument (Lend-Lease).[6]

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[5] Both Franz Schurmann (1974) and John Ruggie (1982) have made arguments compatible with this one.
[6] Cf. Gould and Lewontin's "spandrels of San Marco" argument (1979).

Notice, however, that not all wars are shocks in this sense. Given the range of policy instruments available in 1917, U.S. entry into World War I had practically no effect on client acquisition. No clients were acquired during or immediately after the war; and while it could be argued that the Marines' occupation of Haiti in 1915 was spurred by concern over potential European involvement there, the precise chronology of the intervention (and the fact that it had been tried a year earlier before the war broke out) undercut that claim. Similarly, the fact that the Spanish-American War ushered in the first wave of client acquisitions does not mean that it was a shock which facilitated acquisitions as did World War II. Certainly, the Navy's travails in sending a battleship around Cape Horn made U.S. officials more eager to build a canal and thus, at the margin, contributed to acquiring Panama as a client. However, if the principal effect of shocks is to motivate the use or transformation of an existing policy instrument, it is dubious that the war with Spain did much in that regard. At most, it reinforced U.S. determination to brook no interference in the region, though that determination dates back at least to the 1890s and the confrontation with Britain over Venezuela.

Even to put things in this way, though, is somewhat misleading: it makes it appear that wars, qua shocks, are conceptually independent of the policy instruments whose deployment they may spur. This is true only to some degree. Policy instruments put to work in particular times and places can make shocks more likely. Had the U.S. not had such an extensive client apparatus in South Korea in 1950 (at the time, the U.S. embassy in Seoul was its largest anywhere), officials would not have been so stunned by the outbreak of the war, and hence so ready to ramp up rearmament and foreign aid in reaction to the events of June 25. Similarly, the recent expansion of NATO made the U.S. and its allies more willing to contemplate war with Serbia in 1999. Indeed, strictly speaking, shocks can be seen as situations that fall far outside the expected range of applicability of policy instruments, both one's own and others.

We began this paper with observations about the speed with which political events occur. From a policy instrument perspective, speed turns out to be a consequence of the fit between

situations and organizational capacity. The United States was able to acquire clients far more quickly in 1940 than for previous decades, not because it was more experienced or wealthier, but because it had come up with a method for dealing with more than one country at a time. That knowledge has not been forgotten, and the U.S. is still acquiring multiple clients within brief time intervals.

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