

DISCUSSION PAPER SERIES

DP16585

When Interventions Fail: Lessons from the U.S. Experience in Latin America

Leticia Abad and Noel Maurer

ECONOMIC HISTORY

POLITICAL ECONOMY

CEPR

When Interventions Fail: Lessons from the U.S. Experience in Latin America

Leticia Abad and Noel Maurer

Discussion Paper DP16585
Published 27 September 2021
Submitted 23 September 2021

Centre for Economic Policy Research
33 Great Sutton Street, London EC1V 0DX, UK
Tel: +44 (0)20 7183 8801
www.cepr.org

This Discussion Paper is issued under the auspices of the Centre's research programmes:

- Economic History
- Political Economy

Any opinions expressed here are those of the author(s) and not those of the Centre for Economic Policy Research. Research disseminated by CEPR may include views on policy, but the Centre itself takes no institutional policy positions.

The Centre for Economic Policy Research was established in 1983 as an educational charity, to promote independent analysis and public discussion of open economies and the relations among them. It is pluralist and non-partisan, bringing economic research to bear on the analysis of medium- and long-run policy questions.

These Discussion Papers often represent preliminary or incomplete work, circulated to encourage discussion and comment. Citation and use of such a paper should take account of its provisional character.

Copyright: Leticia Abad and Noel Maurer

When Interventions Fail: Lessons from the U.S. Experience in Latin America

Abstract

On August 30, 2021, the United States completed its withdrawal from Afghanistan after a 20-year presence in the country. During the intervention, the Americans had tried to improve the capacity of the Afghan state, maintain political stability, and end endemic political violence. While the U.S. intervention prevented violent extraconstitutional overthrows, it failed to improve Afghan state capacity or to end the war. The Afghan government fell to Taliban insurgents even before the Americans had fully departed. Afghanistan, however, was not the first American intervention that had these three aims. Over the first third of the 20th century, the U.S. intervened regularly across Latin America. We use this historical experience to test whether these earlier interventions produced similar outcomes and extract lessons. We find that U.S. interventions decreased state capacity but promoted political stability and peace --for only as long as American officials were present. The Afghan experience, despite the rapid fall of the regime, does not appear to be an outlier.

JEL Classification: F51, F52, F54, N46, H56

Keywords: Intervention, Afghanistan, Latin America, Instability, Civil War, Coups

Leticia Abad - Leticia.Abad@qc.cuny.edu
City University of New York and CEPR

Noel Maurer - nmaurer@gwu.edu
George Washington University

“All that we desire to see, all neighboring countries stable, orderly, and prosperous.”

—President Theodore Roosevelt, 1904

“Most of us—me included—had a very superficial understanding of the situation and history, and we had a frighteningly simplistic view of recent history, the last fifty years.”

—General Stanley McChrystal, 2011

In the middle of 2021, despite two decades of effort, the Afghan government collapsed in just nine-day span. The United States failed to create a state with the capacity to control its own armed forces or regional officials. As early as 2009, eight years into the intervention, Ambassador Karl Eikenberry pointed out that the Afghan government could not carry out most state functions and its leadership showed little interest in trying, while US civilians and soldiers tried to fill the gap ([Eikenberry, 2009](#)).

The failure of the Afghan experiment raises a question: how did the U.S. perform in earlier attempts at pacification and state building? Is the Afghan failure an outlier or does it reflect a general pattern? Americans are reluctant to study past experiences, especially ones that provide cautionary tales. It is striking that the United States found itself embroiled in a long nation-building intervention in Afghanistan but never appears to have systematically examined its own earlier experiences. A policy-maker might reasonably argue that the recent historical record is hard to judge, simply because the interventions are so disparate both geographically and chronologically.¹ American officials paid some attention to the postwar occupations of Germany and Japan, but both countries were advanced industrial states before the United States defeated them. In order to judge the U.S. success at state-building we would want a series of comparable interventions, conducted around the same time, across of set of countries that provide reasonable controls.

Fortunately for social science, such a series exists: U.S. interventions across Latin America in the early 20th century. Starting in 1905, the United States established an intervention sphere over much the Western hemisphere. The strategic goal was to keep out German influence.² The tool was intervention by U.S. civilian or military personnel designed to improve state capacity, stabilize politics, and end political violence.

We find that U.S. intervention failed. State capacity fell under American tutelage, *even while Americans were on the ground*. Political instability declined but only as long as the Americans were present. Coups were prevented but organized political violence did not decline. No regime collapsed quite as quickly and dramatically as Afghanistan, but the interventions did not succeed on their own terms. The historical record implies that the most the U.S. can hope for is to remove regimes it does not like.

1 History

At the turn of the twentieth century, the U.S. government began to worry that political instability in Latin America represented a strategic liability. Specifically, U.S. officials worried that instability provided Germany with opportunities to expand its footprint in the Americas. The U.S. therefore began a prolonged series of interventions intended to strengthen Latin American state institutions, raise public revenue, and

¹Superficially, Grenada, Panama, and Bosnia-Kosovo appear to have been relatively successful; Haiti and Iraq much less so. But the huge heterogeneity among the cases makes it hard to draw firm conclusions. Moreover, in Grenada and Panama intervention required no state-building; rather, U.S. forces restored the previous government and withdrew.

²Oddly, as we discuss later, U.S. concerns about German influence continued for a few years after Germany’s defeat in 1918.

Figure 1: Maximum extent of American intervention



Sources: See Appendix.

reduce instability. These interventions were not about the collection of debt. Substantial debt forgiveness regularly accompanied American intervention and U.S. administrations explicitly encouraged intervened governments to default on their debt on at least three occasions (Maurer, 2013).³

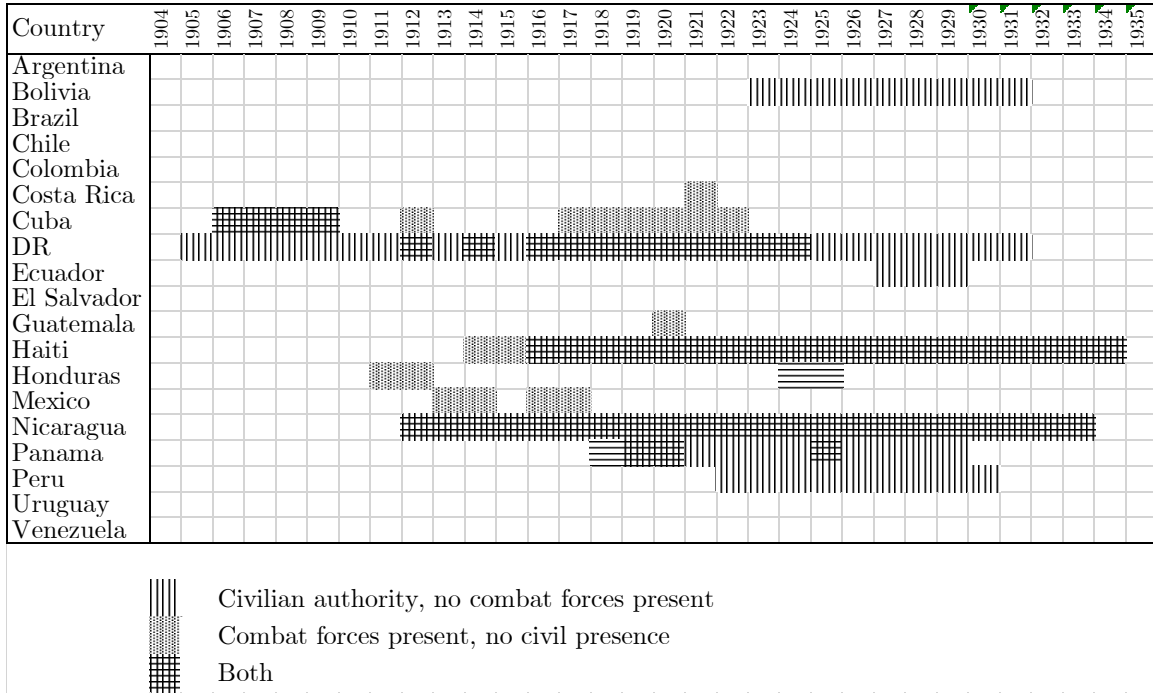
The era of U.S. intervention began in 1903, four years into a civil war in the Dominican Republic, when the U.S. received intelligence that the D.R. president planned to offer Germany a naval base in return for arms and financial support. The Dominican government fell in a coup that same year, but that only shifted the locus of concern: in February 1904, U.S. agents captured a letter from the insurgent leadership to the German consul openly requesting military aid (Rippy, 1937, 431-32) As the situation continued to deteriorate, President Roosevelt made the decision to take control of the country's customs agencies and stand up a new American-trained armed force to patrol the littoral and the Haitian border.

The plan did not work. The insurgency found revenue sources other than sacking the customshouses, which were now under American protection. In 1911, rebels ambushed and killed the Dominican president and the country slid back into civil war. In 1916, facing the specter of complete collapse, the Wilson administration took formal control of the Dominican state.⁴ The intervention was highly unpopular in the United States; Warren Harding ran for election in 1920 on an explicit platform of withdrawal. The

³There existed mechanisms that could protect creditors at far less cost than intervention. A 1926 loan to Honduras, for example, was tied to a 3-percent export tax and secured via the simple mechanism of collecting the revenue in the United States. Exporters needed to purchase stamps equal to the tax due in order to clear U.S. customs, and such stamps were sold exclusively by the National City Bank of New York.

⁴Wilson's explicit aim was to protect the D.R. from Europe (McPherson, 2014, 184).

Figure 2: Chronology of American interventions



Sources: See Appendix.

U.S. handed control back to the Dominicans in 1922 and withdrew the last Marines in 1924, although American agents retained control of the country’s fiscal institutions until 1941.

In Cuba, the U.S. intervened in 1906 when Secretary of State Taft, on a fact-finding mission, discovered that the Cuban government had lost control of everything save a few cities in the wake of a contested election. An Army occupation force took over the government, handing back control in 1909. American forces returned in 1912 to help the government suppress an Afro-Cuban rebellion that the U.S. feared would receive German support, and again in 1917 when unrest erupted in the countryside. The second time the Marines remained until 1922.

Interest turned to Nicaragua when the country’s expansionist leader, José Santos Zelaya, tried to interest the German government in building a second Isthmian canal (Langley and Schoonover, 1995, 25-30,172). The U.S. backed a revolt against Zelaya in 1909. What we would now call covert action escalated to intervention when Nicaraguan forces discovered and executed U.S. agents caught placing explosive devices in the San Juan River (United States Department of Commerce, 1914, 412-28). U.S. Marines rapidly overthrew Zelaya but the new government proved unable to maintain order; the U.S. returned in 1912. Congress voted Nicaragua a then-unprecedented \$85 million aid package and American officials took over the country’s revenue agencies.⁵ U.S. involvement intensified after 1926 with the emergence of Augusto Sandino’s guerrilla army. U.S. public opinion turned sour after Sandino ambushed a group of Marines in August 1930. In 1931, the U.S. declared that its troops would no longer protect American miners and farmers in the Nicaraguan interior; two years later it withdrew. Sandino fled to Managua and received a hero’s welcome, where he sardonically saluted the departing Americans.⁶

⁵As a percentage of GDP, the aid package was the 2020 equivalent of \$1.7 billion. For comparison, USAID spending in Afghanistan peaked at \$1.9 billion in 2011 (SIGAR, 2018, 56).

⁶The commander of the National Guard, Anastasio Somoza, assassinated Sandino in 1934.

U.S. involvement in Haiti began in 1912, when the German government tried to purchase the port of Mole St. Nicholas for \$2 million (Sommers, 2015, 10-11). In 1914, Haitian rebels took control of the capital. American agents reported that German interests were behind the revolt (Kaplan, 1998, 58). The new government collapsed in 1915 and the U.S. intervened. U.S. forces then proceeded to fight a guerrilla war to protect the new government; the Marines did not withdraw until 1934 and the U.S. officials continued to run Haitian revenue services until 1947 (Wynne, 1951, 279).

Surprisingly, the fear of German intervention continued after Germany's defeat in World War I. American officials considered Chile a "moral ally of the Central Powers" and German intelligence networks established before the war remained active afterwards (Bisher, 2016, 258-64).⁷ U.S. reports worried about German-Chilean attempts to destabilize the Peruvian government throughout 1919 and 1920; in 1919, the American military attaché in Lima reported that Peruvian President José Pardo had "sold himself bodily to German interests." With American and British support, Augusto Leguía organized a coup against Pardo in 1919.⁸ In 1920, Chile began expelling Peruvians in the border area and both sides mobilized for war.⁹ Leguía sought American support and the U.S. government gladly provided it. In January 1921, Leguía agreed to put the Peruvian Navy under the command of American officers (Christenson, 2013, 59). Eight months later, he placed Peruvian revenue agencies under the control of a team selected by William Cumberland, an economics professor from the University of Minnesota. The agreement gave Cumberland appointment power over all employees and the right to hire American citizens for all positions.¹⁰ The American presence lasted until Leguía's overthrow in 1930.

Faraway Bolivia concerned the Harding administration out of fear that the Bolivian state would collapse and destabilize South America. The root of the concern was corruption. In 1922, U.S. officials reported that the finance minister "personally retained" — that is, stole — 20% of all tax collections (Contreras, 1990, 274). Contemporaneous Bolivian estimates corroborated the concerns: the Bolivian head of customs wrote that 25% of revenue disappeared between collection and delivery to the central government (Gallo, 1991, 274). The Harding administration pressured La Paz into placing all revenue collection and disbursement under the direct control of a board consisting of one Bolivian and two Americans approved by the State Department (Contreras, 1990).

The last intervention occurred in Ecuador, in an attempt by a military regime to gain U.S. recognition. A junta overthrew the elected government in 1925; the Harding administration refused to recognize the new government. Two years later, in an effort to improve their international standing, the Ecuadorians invited American officials to take control of the customs service. The U.S. extended recognition on August 13th, 1928. Perhaps coincidentally, the Ecuadorians soon sent the Americans home (FRUS, 1928, 117-18).

2 Empirics

We assess the result of U.S. interventions on three different outcomes: state capacity, political stability, and violence. Our dataset runs from 1900 to 1929, in order to avoid the confounding effects of the Great Depression. To measure state capacity, we collected customs revenue per capita as trade taxes were the main source of public revenue for these countries during this period. For political stability, we identified

⁷German operations in South America after 1918 appear to have been conducted at the behest of agents left over from before the Armistice. There is no evidence that officials in Berlin directed their actions, but U.S. officials did not know that.

⁸A lurid incident involving the suicide of a Chilean spy of German in Peru reached American newspapers (Bisher, 1993).

⁹Tensions worsened when a coup overthrew the Bolivian government and the new regime cut off talks with Chile over restoring Bolivia's access to the sea (? , 305)

¹⁰The agreement also gave Cumberland a weekly meeting with President Leguía and a salary of \$16,000 — slightly less than \$215,000 in 2016 dollars (FRUS, 1921, 657-58). See also Rosenberg (2003, 157).

Table 1: OLS regressions, full samples

	<i>Log Customs Revenue per capita</i>			
	(1)	(2)	(3)	(4)
	Revenue - OLS	Revenue - 2SLS	Coup attempt - OLS	War - OLS
intervention	-0.1920** (0.0163)	-1.3839*** (0.0023)	0.2403*** (0.0099)	0.1573*** (0.0067)
L.intervention	-0.2186 (0.1964)	0.4535 (0.2148)	-0.2751*** (0.0010)	-0.1119 (0.1098)
R-sq	0.48	0.25	0.14	0.14
Observations	422	422	476	476

Notes: The table shows results *Log of customs revenue per capita, probability of coup or coup attempts, and probability of war*. Each specification includes year fixed effects, and controls for GDP per capita, lagged precipitation, terms of trade, and presence of a modern navy. P-values in parentheses. Standard errors are clustered on country. *, **, and *** indicate significance at the 10, 5, and 1 percent levels, respectively.

every unconstitutional or violent actual or attempt to regime change. For violence, we included every major conflict that passed the 1,000 battle death threshold over the period.¹¹ (For details, see Appendix.)

Our treatment variable is an indicator variable with value one if a country was under American intervention in a particular year. Intervention (I_{it}) accounts for both deployments of US combat forces and civilian officials.¹² For controls we include real GDP per capita, terms of trade, rainfall, and an indicator variable for the presence of a modern navy. In some specifications, we also add the duration of the intervention per year. The specification for all outcomes O for country i on year t is as follows:

$$O_{it} = \alpha + \beta I_{it} + \theta I_{it-1} + \gamma X'_{it} + \epsilon_{it} \quad (1)$$

Outcome variables are real revenue per capita, an indicator variable with value of 1 when a coup or coup attempt took place, and an indicator variable war with value of 1 when a conflict occurred. Our main variable of interest is intervention I_{it} that takes the value of 1 if country i in year t when the country was intervened. We include its first lag I_{it-1} to account for differences in arising at the beginning and at the end of a given intervention. X'_{it} are other covariates, and ϵ is the error term. All specifications include year fixed effects and errors are clustered at country level.

The results tell a sobering story about the effectiveness of U.S. intervention (see Table 1). The U.S. failed at building state capacity. Intervention aimed at rooting out corruption in revenue collection. Revenue, however, *fell* when the Americans took over (Specification 1 of Table 1). The first year of intervention saw a decline of real revenue per capita of around 17%. Continuing intervention—that is when both the intervention and the lagged intervention take the value of one—only made matters worse.

Might this result be endogenous? After all, political instability and economic instability go hand-in-hand. It might very well be the case that sudden revenue collapses prompted U.S. intervention or that revenue collapses and intervention were both caused by an omitted variable. In order to exclude that possibility, we employed an instrument for intervention. Since intervention was correlated with the fear of German involvement, we used the sailing distance between the country’s principal port and Hamburg as an instrument.¹³ Distance is normally time-invariant, of course, but the opening of the Panama Canal to

¹¹We improved the Correlates of War dataset with additional conflicts that met the threshold, see appendix.

¹²Our results hold when we restrict the definition to include only interventions in which American civilians took control of state institutions in the intervened countries. This restriction has the effect of eliminating short deployments intended to protect Americans and their property in Guatemala and Honduras, a brief mission aimed at separating Costa Rican and Panamanian soldiers, and the various limited deployments into Mexican territory during the Mexican Revolution.

¹³Bolivia lost access to the Pacific a few decades earlier so we used the Chilean port of Antofagasta.

commercial transport had the effect of reducing the sailing distance between Pacific ports and Hamburg, Germany. The reduction in distance, however, should not have negatively affected tariff revenue for three reasons: (i) These countries traded little with Germany; (ii) The opening of the Panama Canal had the effect of diverting trade to the United States; and (iii) Any unobserved canal-related increase in trade with Germany should have served to increase tariff revenues rather than reduce them. Specification 2 presents the second-stage results. Our conclusions hold: American intervention disrupted or discouraged local governments from effectively collecting the revenue they were due (Specification 2 of Table 1).

Intervention appears to have performed better in terms of political stability. A stable state should not see change or attempts to change its government outside of its own constitutional strictures. We therefore tested whether intervention succeeded in discouraging regime change. Intervention correlated with a higher probability of a coup or coup attempt in the arrival year. The problem, of course, is that a higher probability of a coup or coup attempt at the beginning is likely endogenous, in the sense that the U.S. often intervened *because* instability had risen. Ongoing interventions, however, reduced the probability of a coup attempt by a little over 3 percentage points (Specification 3).¹⁴ These results hold when we exclude Cuba 1906-09 and the D.R. 1916-22 from the data, because in these two cases the United States assumed full sovereign control over the country making coup attempts *de jure* impossible.¹⁵

Intervention, however, appears to have failed when it comes to keeping the peace. The probability of war increased with the arrival of American intervention—although, again, this result is likely endogenous. The likelihood of war did not, however, decline during ongoing interventions (Specification 4). In other words, the onset of war tended to coincide with the arrival of American officials—an unsurprising result in light of the above historical discussion—and did not then decrease. Another way of stating this result is to say that the United States found it easy to get into wars but difficult to get out of them.¹⁶

2.1 Robustness checks

It is possible that our results are driven by our sample. For example, a skeptical reader could reasonably argue that the U.S. never had a serious intention (or even ability) to intervene in the southern cone nations: Argentina, Brazil, Chile, or Uruguay.¹⁷ On Table 2, panel A we present our main specifications excluding these countries. The results don't differ much. An even more skeptical reader might argue that the non-intervened countries and intervened countries were too different to compare, no matter how many controls we include or how we cluster our errors. In Table 2, panel B we further restrict the sample to include only countries that were intervened at some point. Our results still hold.

Readers might also object that we are lumping together rather short interventions (say, landing Marines in Honduras) with ones in which the U.S. stayed for almost two decades (say, occupying Haiti). We therefore add a duration variable in the specifications in Table 2, panel C. In terms of state capacity, duration does not affect our results: the length of the American presence had no effect on the ability of local governments to collect revenue. In terms of political stability and war, interventions did a little

¹⁴During an ongoing intervention the value of the indicator variable for intervention and its lagged value are both one. The net effect of an ongoing intervention in any given year is therefore the sum of the two coefficients. In this case $0.240 - 0.275 = -0.035$.

¹⁵Following Singh (2014), we define coups as an attempt by part of the state apparatus to seize power by force.

¹⁶The instrument we employed to account for endogeneity in our measure of state capacity is unfortunately not suitable to use for coup attempts or war. It does not satisfy the exclusion restriction, since it is quite likely that decreased distance to Germany could directly increase the scope of German interference and thus contribute directly to increased political instability or a higher probability of civil conflict.

¹⁷In fact, there is some evidence that the Wilson and Harding administrations considered Chile to be a threat which its interventions in Peru and Bolivia were aimed *against*. We know that Argentina grossly discounted U.K.'s commitment to defend the Malvinas Islands decades later.

Table 2: Robustness checks

<i>A. Excludes Argentina, Brazil, Chile, and Uruguay</i>			
	(1)	(2)	(3)
	Revenue	Coup attempt	War
intervention	-0.2154** (0.0229)	0.2540** (0.0158)	0.1503** (0.0149)
L.intervention	-0.2363 (0.2115)	-0.2847*** (0.0028)	-0.1025 (0.1460)
R-sq	0.41	0.17	0.15
Observations	310	364	364
<i>B. Only Intervened countries</i>			
	(1)	(2)	(3)
	Revenue	Coup attempt	War
intervention	-0.1560** (0.0272)	0.2708** (0.0198)	0.1075** (0.0100)
L.intervention	-0.0249 (0.7181)	-0.2894** (0.0116)	-0.0752 (0.2703)
R-sq	0.62	0.21	0.18
Observations	247	280	280
<i>C. Duration intervention</i>			
	(1)	(2)	(3)
	Revenue	Coup attempt	War
intervention	-0.2498* (0.0867)	0.2253** (0.0299)	0.1759** (0.0128)
Duration intervention	-0.0145 (0.4345)	-0.0303*** (0.0000)	-0.0175*** (0.0024)
R-sq	0.47	0.15	0.15
Observations	422	476	476

Notes: The table shows results *Log of customs revenue per capita, probability of coup or coup attempts, and probability of war*. Each specification includes year fixed effects, and controls for GDP per capita, lagged precipitation, terms of trade, and presence of a modern navy. P-values in parentheses. *, **, and *** indicate significance at the 10, 5, and 1 percent levels, respectively.

Table 3: Bootstrapping

<i>A. Full samples</i>			
	(1)	(2)	(3)
	Revenue	Coup attempt	War
intervention	-0.192** (0.0163)	0.240*** (0.0099)	0.157*** (0.0067)
Bootstrapped	0.0080	0.0490	0.0000
<i>B. Excludes Argentina, Brazil, Chile, and Uruguay</i>			
	(1)	(2)	(3)
	Revenue	Coup attempt	War
intervention	-0.215** (0.0229)	0.254** (0.0158)	0.150** (0.0149)
Bootstrapped	0.0160	0.0501	0.0050
<i>C. Only intervened countries</i>			
	(1)	(2)	(3)
	Revenue	Coup attempt	War
intervention	-0.156** (0.0272)	0.271** (0.0198)	0.108** (0.0100)
Bootstrapped	0.0078	0.0501	0.0040

Notes: The table shows results *Log of customs revenue per capita, probability of coup or coup attempts, and probability of war*. Each specification includes year fixed effects, lagged intervention, and controls for GDP per capita, lagged precipitation, terms of trade, and presence of a modern navy. P-values in parentheses. Wild-bootstrapped P-values for intervention *, **, and *** indicate significance at the 10, 5, and 1 percent levels, respectively.

better: indicators improved slowly the longer the intervention lasted. The emphasis should be on *slowly*: it would take approximately seven years to return to the pre-intervention level of political instability and ten years to return to the pre-intervention level of conflict.

An attentive econometrician may object our low number of clusters. Rumor has it that if the number of cluster is, say, lower than 35, our coefficients may be fictional as a result of understated standard errors. Fortunately, [Cameron and Miller \(2008\)](#) have developed a solution to this problem: wild-bootstrapping. Our estimations survive this method as reflected in the p-values on Table 3.

Endogeneity, the bane of the social scientist’s existence, may be driving our results. In particular, we have to worry about omitted variable bias. [Altonji et al. \(2005\)](#), [Bellows and Miguel \(2009\)](#) and [González and Miguel \(2015\)](#) have developed an ingenious method to quantify how large unobservables would have to be to invalidate the results obtained in OLS regressions. By adding one covariate at a time sequentially, we can assess the relative magnitude of the coefficients with the observed covariates to the ones from an unconstrained regression with no controls. This exercise allows us to infer how important these covariates are in determining the coefficient of interest. The larger the ratio between the absolute difference between the constrained and unconstrained coefficients and the unconstrained coefficient, the more important the covariates included are.¹⁸ In all cases, we find that unobserved characteristics must be between one and three times more important than the observed variables in order to do away with the results we have found in our specifications (see Table 4).

¹⁸Mathematically, this sentence is much more elegant. Let β_U be the coefficient for the unconstrained regression, i.e. with no controls, and β_C be the coefficient for the constrained regression, i.e. with controls. The ratio described in the text is then: $\frac{\beta_U - \beta_C}{\beta_C}$.

Table 4: Selection on unobservables

	Revenue	Coup attempts	War
L.intervention	2.08	1.75	3.23
GDP per capita	1.64	1.94	3.44
Terms of trade	1.93	1.94	3.31
Precipitation	1.01	1.93	3.13
Navy	1.05	1.89	3.14

Notes: This table presents the ratios between constrained and unconstrained coefficients for the coefficient *Intervention* for the outcomes: log of customs revenue per capita (Revenue), Coup attempts, and Violence (War). All specifications include year fixed effects and standard errors are clustered on country.

3 Conclusion

The U.S. intervened across Latin America during the early 20th century with the aim of creating stable states that could resist German penetration. U.S. soldiers, Marines, and civilian administrators proved able to reduce violence (slightly, in some specifications) and stabilize governments (more strongly). What they were not capable of doing, however, was increasing the intervened states' capacity to govern.

In this light, the American experience in Afghanistan seems like less of an outlier and more of a continuation. The intervention brought stability in the sense that the U.S.-backed government did not face coup attempts or violent successions. The United States, however, was not able to end conflict.¹⁹ And as in Latin America a century before, the U.S. failed to increase the capacity of the Afghan state to carry out its most basic functions.

Broadly speaking, early-20th-century U.S. strategy in Latin America differed from early-21st-century U.S. strategy in Afghanistan in two respects. First, in Latin America the U.S. generally installed Americans inside the local government's chain of command. In Afghanistan, the United States was careful to give the Afghans "ownership" of their government, out of fear that giving *de jure* responsibility to Americans would remove accountability for Afghan officials and delegitimize the Afghan state.²⁰ Second, with the significant exception of Nicaragua, the U.S. did not directly subsidize the governments of intervened states in Latin America.

These differences appear to have mattered for the outcome in Afghanistan. Our findings show that placing American officials directly inside the governmental chain of command in Latin America did little to eliminate corruption in the region. Doing the converse in Afghanistan, however, also failed to incentivize Afghan actors to perform better, as Ambassador Eikenberry noted as early as 2009. Similarly, subsidizing the operations of the ineffectual Afghan state in 2001-21 proved no more successful than subsidizing the

¹⁹To be fair, the intensity of violence under U.S. presence was likely significantly lower than previously: estimates of Afghan civilian and military casualties over 2001-21 are much lower than our lowest estimates of violent deaths during the 1990s, let alone the carnage of the Soviet occupation (Hansch, 2001).

²⁰The failure to put Americans inside the chain of command this in Afghanistan often proved a problem for American policy. For example, in Nangarhar province in 2006, U.S. military personnel had to *pretend* that they had the authority to remove high-level members of the Afghan National Police (ANP) in order to get ANP officers to release equipment to their own front-line personnel. In actual fact, American officials had no power to command, chastise, or remove ANP officers. More generally, Americans often wound up carrying out governing functions *de facto*. LTG Eikenberry discussed this dilemma at length in his role as Commander, Combined Forces, and later as Ambassador. Later SIGAR reports also discussed the paradox that American officials could not assume governing functions or command authority with removing accountability from Afghan officials but could not also trust Afghan officials to carry out their functions without direct U.S. supervision. See SIGAR (2021, 29,41,57), SIGAR (2019, 39) and SIGAR (2016).

ineffectual Nicaraguan state had been in 1912-33. What the U.S. has not been able to do, either in the 20th century or in this one, is build effective states or create enduring stability where it did not already exist.

A Data sources and methodology

To assess the effects of the American empire on the Western Hemisphere along the three dimensions of state capacity, political stability, and peace, we assembled a dataset from primary and secondary sources. We strive to include all Latin American countries from 1890s to 1929; however, the coverage, either geographical or temporal, varies based on data availability.

Our main outcome variables are grouped in three main categories.

- State capacity: we look at annual real customs revenue per capita borrowed from [Arroyo Abad and Maurer \(2017\)](#).
- Political stability: we identified every unconstitutional or violent regime change or attempt, excluding self-coups. We looked at whether a coup or attempt occurred in a given year from [Lehoucq and Pérez-Liñán \(2014\)](#) and [Maurer \(2013\)](#).
- War: we constructed an indicator variable to reflect when a country in given year was at war. Starting with the Correlates of War (COW) conflict database, we added nine major conflicts not recorded on this dataset (Palmer et al. 2015): The Acre War (Bolivia and Brazil, 1899-1903); the Del Lago Revolution (Nicaragua, 1903); the Dominican Civil War (1902-04); the Estrada Rebellion (Nicaragua, 1909-10); the Honduran Civil War (1909-1911); the War of the Quiquises (D.R., 1911-12); the Negro Rebellion (Cuba, 1912); the Mena Rebellion (Nicaragua, 1912); Haitian civil unrest (Haiti, 1912 and 1914-15); and the Consulado Revolt (Brazil, 1913-16).

Our treatment indicator includes two types of intervention: the presence of fiscal receiverships and U.S. troops.

- Receivership: we identified all the American interventions on the Western Hemisphere from 1890s to 1929, also borrowed from [Arroyo Abad and Maurer \(2017\)](#). Our treatment variable—receivership—is a binary variable with value one if a country was under American intervention in a particular year.
- Troops: The indicator variable troops takes the value of one when the U.S. stationed troops in a particular country in a given year using [Maurer \(2013\)](#).

Our controls include:

- GDP per capita: For the larger countries, we use GDP from the Maddison project ([Bolt and Van Zanden, 2014](#)) and population from [Yáez et al. \(2014\)](#), Mitchell, and Population Statistics. For Haiti, we incorporated the data from ([Henochsberg, 2016](#)) until 1915. For the Dominican Republic, we used [Martínez Moya \(2014\)](#)'s estimations. Unfortunately, smaller countries, especially in Central America and the Caribbean, lack historical GDP before 1920. To fill that void, we estimated GDP using the expenditure approach. We assumed consumption and investment followed the imports

trends, we added government spending from [Arroyo Abad and Maurer \(2017\)](#) and trade balance from the TRADHIST database. As all these figures were in nominal terms, we deflated them with ?'s export and import indices. We applied the real growth rates to 1920 —the earliest data point available in the Maddison project dataset— to obtain GDP figures since 1900.

- Terms of trade: borrowed from [Arroyo Abad and Maurer \(2017\)](#).
- Navy: we coded an annual indicator variable to capture whether the country had a modern navy from [Maurer \(2013\)](#).
- Precipitation: Annual rainfall is from the World Bank (2018).

For long-term outcomes, we relied on the coup data by [Powell and Thyne \(2011\)](#), GDP per capita from the Maddison Project, precipitation from the World Bank, U.S. troops on the ground from [Maurer \(2013\)](#), terms of trade from MOxLad.

References

- Altonji, J. G., T. E. Elder, and C. R. Taber (2005). Selection on observed and unobserved variables: Assessing the effectiveness of catholic schools. *Journal of political economy* 113(1), 151–184.
- Arroyo Abad, L. and N. Maurer (2017). Could europe run greece? lessons from u.s. fiscal receiverships in latin america, 1904-34. mimeo.
- Bellows, J. and E. Miguel (2009). War and local collective action in sierra leone. *Journal of Public Economics* 93(11-12), 1144–1157.
- Bisher, J. (1993). German and chilean agents in peru: Entwined by a yen for espionage. *International Journal of Intelligence and CounterIntelligence* 6(2), 205–12.
- Bisher, J. (2016). *The Intelligence War in Latin America, 1914–1922*. Jefferson, N.C.: McFarland and Company.
- Bolt, J. and J. L. Van Zanden (2014). The maddison project: collaborative research on historical national accounts. *The Economic History Review* 67(3), 627–651.
- Cameron, A. Colin, J. B. G. and D. L. Miller (2008). Bootstrap-based improvements for inference with clustered errors. *The Review of Economics and Statistics* 90(3), 414–427.
- Christenson, J. (2013). *From Gunboats to Good Neighbors: U.S. Naval Diplomacy in Peru, 1919-1942*. Ph. D. thesis, University of West Virginia, Morgantown, West Virginia.
- Contreras, M. E. (1990). Debt, taxes, and war: the political economy of bolivia, c. 1920–1935. *Journal of Latin American Studies* 22(1-2), 265–287.
- Eikenberry, K. (2009, November 6). Coin strategy: Civilian concerns. Telegram to the Secretary (Clinton).
- FRUS (1921). *Ambassador Gonzales to Secretary of State*, Volume Vo. 2.
- FRUS (1928, August 28). *Secretary of State to the Minister in Ecuador (Bading)*. Number 822.01/64a.
- Gallo, C. (1991). *Taxes and state power: political instability in Bolivia, 1900-1950*. Temple University Press.
- González, F. and E. Miguel (2015). War and local collective action in sierra leone: A comment on the use of coefficient stability approaches. *Journal of Public Economics* 128, 30–33.

- Hansch, S. (2001). *Five Illustrations of Uncertainty: Mortality in Afghanistan, Bosnia, North Korea, Rwanda, and Sierra Leone*. Washington D.C.: National Academy Press.
- Henochsberg, S. (2016). *Public debt and slavery: the case of Haiti (1760-1915)*. Ph. D. thesis.
- Kaplan, E. (1998). *US Imperialism in Latin America: Bryan's Challenges and Contributions, 1900-1920*. Number 35 in Contributions in comparative colonial studies. Westport, CT: Greenwood Publishing Group.
- Langley, L. and T. Schoonover (1995). *The Banana Men: American Mercenaries and Entrepreneurs in Central America, 1880-1930*. Lexington: University Press of Kentucky.
- Lehoucq, F. and A. Pérez-Liñán (2014). Breaking out of the coup trap: Political competition and military coups in latin america. *Comparative Political Studies* 47(8), 1105–1129.
- Martínez Moya, A. (2014). *Crecimiento económico dominicano (1844-1950): Recesiones, Grandes Tendencias y etapas relevantes del product total y per cápita*. Santo Domingo: Archivo General de la Nacion.
- Maurer, N. (2013). *The empire trap: the rise and fall of US intervention to protect American property overseas, 1893-2013*. Princeton: Princeton University Press.
- McPherson, A. (2014). *The invaded: How Latin Americans and their allies fought and ended US Occupations*. New York: Oxford University Press.
- Powell, J. M. and C. L. Thyne (2011). Global instances of coups from 1950 to 2010: A new dataset. *Journal of Peace Research* 48(2), 249–259.
- Rippy, J. F. (1937). The initiation of the customs receivership in the dominican republic. *The Hispanic American Historical Review* 17(4), 419–457.
- Rosenberg, E. S. (2003). *Financial missionaries to the world*. Duke University Press.
- SIGAR (2016, September). Corruption in conflict: Lessons from the u.s. experience in afghanistan. Technical Report SIGAR-16-58-LL, Special Inspector General for Afghanistan Reconstruction.
- SIGAR (2018, May). Stabilization: Lessons from the u.s. experience in afghanistan. Technical Report SIGAR-18-48-LL, Special Inspector General for Afghanistan Reconstruction.
- SIGAR (2019, June). Divided responsibility: Lessons from u.s. security sector assistance efforts in afghanistan. Technical Report Report Subject Date SIGAR-19-39-LL, Special Inspector General for Afghanistan Reconstruction.
- SIGAR (2021, August). What we need to learn: Lessons from twenty years of afghanistan reconstruction. Technical Report SIGAR-21-46-LL, Special Inspector General for Afghanistan Reconstruction.
- Singh, N. (2014). *Seizing power: The Strategic Logic of Military Coups*. JHU Press.
- Sommers, J. (2015). *Race, Reality, and Realpolitik: US–Haiti Relations in the Lead Up to the 1915 Occupation*. New York: Lexington Books.
- United States Department of Commerce (1914). *Papers Relating to the Foreign Relations of the United States, With the Annual Message of the President Transmitted to Congress December 7, 1909*. Washington D.C.: GPO.
- Wynne, W. H. (1951). *State Insolvency and Foreign Bondholders: Selected Case Histories of Governmental Foreign Bond Defaults and Debt Readjustments*, Volume 2. New Haven: Yale University Press.

Yáez, C., R. Rivero, M. Badia-Miró, and A. Carreras Marín (2014). Nuevas series anuales de población de américa latina desde el siglo xix hasta el 2000. *Scripta Nova. Revista Electrónica de Geografía y Ciencias Sociales*, 2014, vol. XVIII-471.