

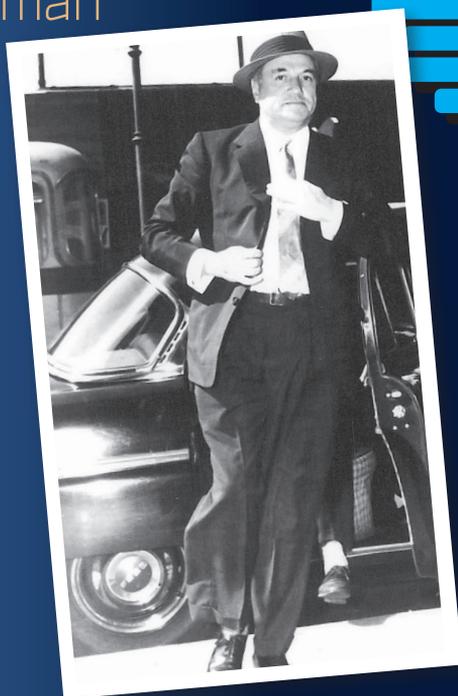
# Raúl Prebisch

→  
and the XXIst Century  
development

challenges

## Raúl Prebisch (1901-1986)

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UNITED NATIONS

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## 1. Argentine Roots

Raúl Prebisch was a driving force in international development theory, policy and institution-building in the Twentieth Century, but such global achievement could not have been predicted from his early years in Argentina. Born in 1901 and raised in provincial Tucumán in the distant northwest corner of the country, he grew up far from the glittering national hub of Buenos Aires.

Middle-class and of mixed parentage –Albin Prebisch a German immigrant father and small business owner, and Rosa Linares Uriburu from notable but financially-distressed colonial background– he came from a family that lacked wealth or the advantages of social class. The closest school for economic studies was the new and struggling Faculty of Economic Sciences in Buenos Aires: there was no money for a foreign university. Nevertheless the key to understanding the “essential Prebisch” begins with his formative years in Tucumán which determined his vocation and indelibly molded his idealism and search for justice. Raúl and his seven gifted siblings were schooled by their parents and by Jesuits to achieve and lead – to be part of a “golden generation” privileged to live in such a bounteous land and to be responsible for its future. But Tucumán itself was a case-study of social exclusion: Prebisch was repelled by the conditions endured by the Indian migrant workers and their families who worked the big sugar estates of his province while wealthy Argentina enjoyed a per capita income comparable to that of the United States. The choice of economics as career reflected his goal of social reform, with this early commitment to equity remaining a life-long imperative.

In April 1918, Raúl Prebisch left his home province on the Argentine periphery for Buenos Aires to begin university studies. He arrived to an electric political atmosphere. The city was a crossroads of ideas and debate as intellectuals, artists and political exiles of all kinds arrived from Europe and the Americas. Violent riots occurred in the streets in response to post-war economic turmoil, fanned by reaction to the Russian Revolution. No better time could be imagined for Raúl to begin learning about Argentina's economy and its place in this newly emerging international system.

Prebisch, however, found the new Faculty of Economic Sciences a disappointment. "I studied by myself because I did not find anybody to guide me," he later noted, underlining its `deficiencies` and `mediocrity,` with Anglophile professors deferring excessively to the British classics rather than directing disciplined course work or serious applied research on the Argentine economy. But Prebisch also met important scholars both within and outside the Faculty who influenced and broadened his training—Augusto and Alejandro Bunge, and Professors Luis Roque Gondra and Mauricio Neirensten, who introduced him to the thinking of Continental theorists Vilfredo Pareto, Enrico Barone, Maffeo Pantaleone and Hugo Broggi. Translating John Williams's PhD thesis on Argentine international trade deepened his interest in Frank W. Taussig's work at Harvard University and other US economists. In the end he was largely self-taught, but in the absence of seminars on Argentine public policy Raúl organized research groups with equally committed fellow students such as Ernesto Malaccorto who would become lasting members of an emerging "Prebisch Team".

Prebisch began his scholarly writing in 1919 with elegance and exceptional analytic promise. By 1921 his research on Argentine economic history yielded findings which challenged established economists - demonstrating, for example, that the Argentine experience in business cycles differed from that of the developed countries of Europe and using the terms "centre" and "periphery" for the first time.

By his graduation in 1922 he had emerged as the outstanding student of his generation and a valued member of the Faculty staff, and was awarded a tenured professorship three years later. But he did not pursue graduate studies, and looked beyond the academy for his choice of primary career. Politically he opposed communism, rejecting the Soviet model on both economic and political grounds; nor did he join the Socialist Party which had interested him after his arrival in the capital – or any other party. Instead he chose a technocratic option of reforming from within – to enter the Argentine public service with the objective of modernizing the state and public policy in his country.

His career decision led Prebisch to take a series of jobs which would prepare him for senior office. Extended work visits to Australia, Canada, Europe and Washington introduced him to Argentina's place and leverage in the international system. Appointments in Argentina complemented this foreign experience: two research assignments with the SRA (Sociedad Rural Argentina) on the crucial agricultural sector; directing the National Statistical Office; and most important, setting up a research office in the venerable Banco de la Nación (BNA) with its own *Economics Journal*. The first issue of the journal appeared on 1 January 1928 as turbulence in the international economy was growing, and gave Prebisch a national audience. Two years later, at 29 years of age, Prebisch was named Under Secretary of Finance in the new military government of General José Félix Uriburu which took power in a bloodless coup on 6 September 1930.

Prebisch faced a formidable challenge. Argentina lay in the grip of the Great Depression, international trade had collapsed, and the country faced disaster and mass unemployment. During the 1920s he had shared the broad *laissez-faire* consensus of mainstream economists in this period of post-war economic revival; not surprisingly his first response to the crisis was on orthodox lines. As trade and tax receipts collapsed, a yawning budgetary crisis loomed; Prebisch attacked it with a brutal adjustment package, cutting public sector salaries and slashing public expenditures.

But the reality of the Great Depression forced a fundamental change: the liberal imperative against state interference in the private sector economy was frankly untenable given the unparalleled scope of the crisis. Only the government could lead a response, and Prebisch abandoned his previous liberal free-trade orthodoxy in a shift to an activist state in trade, currency and income tax policy to stabilize the economy. At the Geneva Preparatory Commission and the World Economic Conference in London in 1933, where he encountered John Maynard Keynes's "means to prosperity", Prebisch gained an additional lesson in economic realities. He had previously accepted the liberal doctrine of comparative advantage in international trade theory, but now saw that it was irrelevant in practice. The great industrial powers completely ignored the needs of agricultural countries; isolated and vulnerable Argentina was forced to accept a humiliatingly subordinate position to Britain in commercial relations. The lesson was clear enough: Argentina could count only on itself and would have to defend its own interests to survive. "The currency of international trade," he noted, "is power." A National Recovery Plan followed, and preparations began for a central bank.

The Argentine Central Bank, created a year later in 1935, was Prebisch's solution to the instability in the national economy after the onset of the Great Depression in 1929. As General Manager he immediately sanitized the banking system. Its public-private charter provided sufficient autonomy for the bank to play a core regulatory and steering role despite protracted political turbulence in Buenos Aires, while externally it managed a countercyclical policy to tame the international business cycle and oversee a careful but deliberate policy of import-substitution industrialisation. By 1939, the Argentine Central Bank was recognised internationally as one of the leading banking institutions in the world; although recognized abroad as the leading economist in Latin America, Prebisch was that rare thinker who was also a born administrator and policy maker with a huge capacity for work. The team of young economists from university days who had worked in his research groups had followed him to the BNA, the Ministry of Finance and now to the Central Bank, forming an administrative elite known in the capital as "Prebisch's Brains Trust." His record in managing the economy was exemplary; industrialisation was advancing, Argentina did not default on its debt, and close relations were maintained with both the US Federal Reserve and the Bank of England.

With war in Europe after September 1939 and the closing of that market to South American goods, Prebisch began negotiations with Brazil, Uruguay and Paraguay for a regional free trade area. Relations with the US were strengthened during his three-month visit to Washington from 8 November 1940 to 15 February 1941. But war diplomacy after Pearl Harbour on 7 December 1941 abruptly curtailed this promising opening and plunged Prebisch into a period of renewed tension between the Central Bank and the Argentine government. Despite his evident successes in economic management, Prebisch was increasingly isolated in Buenos Aires for his pro-Allied views and defence of the autonomy of the Central Bank, and the new military government which took power in June 1943 dismissed him six months later on 27 October.

## 2. The Prebisch Manifesto

Prebisch's dismissal from his beloved Central Bank was a crushing personal and financial blow. Although watched rather than arrested, he was banished from the public sector without severance pay and had to sell his car immediately and rent his house to maintain mortgage payments. Even his tenure as professor in the Faculty of Economic Sciences was in doubt as Juan Perón consolidated power in Argentina; he would also have to supplement his university income with outside work but there were few such prospects

in a politically hostile capital. Married since 1932, Raúl and Adelita Moll moved to a humble abode in a friend's `casita de campo` near San Isidro. But in early December 1943 Prebisch received a surprise invitation from the Bank of Mexico to visit Mexico City in January and lead a three-month seminar on banking and monetary policy. The proposal came at a critical moment; this new and unexpected "voyage to Latin America" would prove a turning point in his life and work. Until his dismissal Prebisch had viewed the region from the perspective of Argentina's national and geopolitical interests, particularly the complex diplomatic triangle that had emerged among Argentina, Brazil and Chile along with the smaller states of Uruguay, Paraguay and Bolivia. Prebisch had little personal knowledge of Latin America beyond this core before October 1943; trade ties were minimal. Culturally Buenos Aires was a cosmopolitan metropolis, but Argentina's reference point in the international economic order lay outside Latin America, with Britain, the US and Europe, or at least with the big agricultural countries of Canada and Australia. While the outbreak of war in September 1939 had forced a reconsideration of Argentine policy towards Brazil and the US, the concept of "Latin America" remained little more than a geographic expression to be ritualistically repeated at Pan-American conferences.

Prebisch's Mexican experience in 1944 challenged this optic. He was stunned by the culture and wealth of Mexico, the many contrasts with Argentina, but also their potential convergence of interests in the emerging post-war world. He met a new generation of Mexicans, creating life-long friendships. But the Mexican trip had a much broader impact, and in retrospect would prove an essential building block for his subsequent international career. Not only did other Latin American governments from Venezuela to Chile invite Prebisch for technical assistance, but the US Federal Reserve also revived their earlier connections with him from his Central Bank years. Robert Triffin, Chief of the Latin American Section, was coordinating "money-doctor" advisory missions to central banks in the region, and invited Prebisch to work with him in Paraguay, the Dominican Republic, Guatemala and Cuba. Triffin underlined his `indebtedness to Dr. Raúl Prebisch's pioneering work,` and other ties flourished as his regional reputation spread; Brazilian economists Eugenio Bulhoes and Otavio Gudin corresponded on banking issues and invited him to Rio; the Venezuelan Government invited him to Caracas for a major technical assistance mission on banking policy in 1948. Not only was he able to work with governments in every corner of the region to begin understanding its complexity, cultures and levels of development, but he also met the leaders of a gifted new generation of young economists with a Latin American-wide vision with whom he would later work.

Prebisch's consultative work on banking and monetary policy paid their monthly bills, but his main interest since 1943 was completing a major book on economic theory which drew on his earlier government experience. While he had long since abandoned the liberal orthodoxy of the 1920s, he had not yet succeeded in theorizing a coherent alternative approach to trade and economic relations between the industrial and agricultural countries. But the pieces of the puzzle were coming together: Prebisch began elaborating a "centre-periphery" concept of the international economy after his Mexican trip, and in 1947 completed a book interpreting Keynes for Latin American readers. The two thinkers shared key approaches in their thinking. Both were committed to employment and greater equality through more activist state policy, but they also diverged in a critical dimension. If Keynes's primary focus was the welfare of developed economies, Prebisch's optic encompassed the global system and he criticized Keynes's failure to address the fault line between developed and developing countries, whose economies were inherently vulnerable. He had also noted "the persistent decline in the terms of trade" for primary commodity exports, and advocated a policy of "inward-development" for Argentina. But his book remained unfinished when the Perón government forced his resignation from the Faculty in November 1948. Now unemployable in Buenos Aires, Prebisch faced a wounding exile, and he accepted an offer of a senior appointment with the IMF in Washington. When this was withdrawn in January 1949, Prebisch's prospects narrowed to a short-term consultancy with the new UN Economic Commission for Latin America (CEPAL) in Santiago Chile. His task was to write an introduction for CEPAL's first *Economic Survey of Latin America* to be presented at its Second Commission Session in Havana in May 1949.

The document which Prebisch wrote and presented in Havana, *The Economic Development of Latin America and its Principal Problems*, would be his most enduring contribution at the theoretical level with his concept of a structural rift in the international economy in which the Latin American "periphery" was linked to the industrial powers as a function of its natural resources, but in a subordinate position which primarily served the interests of the "centre". The *Havana Manifesto*, as it was later called, advanced an alternative paradigm of the international system: combining business-cycle theory and what became known as the "Prebisch-Singer" thesis on terms of trade, he challenged the traditional comparative advantage approach to international trade, maintaining that the existing division of labour between nations exporting primary products and those exporting manufactures concentrated the fruits of technical progress in the industrial countries. In this formulation international trade was not a mere exchange of goods, but

rather reflected a far more complex relationship – ultimately of power: the concentration of benefits in trade underpinned the hierarchical structures in the world economy. The first corollary of this structuralist critique was evident: if international market forces left to themselves reproduced inequity, peripheral countries required an activist state to address asymmetric power relationships across and between regions of the world economy – to “level the playing-field”, so to speak. The conventional wisdom that agricultural countries could thrive in the future by remaining commodity producers was undermined. A second corollary of the *Havana Manifesto*, namely that the existing asymmetrical international system produced recurrent crisis rather than equilibrium, reinforced the importance of an activist state: Latin American countries themselves must develop the required capacity for effective defensive counter-cyclical policies.

Prebisch’s *Manifesto* was enormously controversial, its significance immediately understood by governments in the North and developing countries like India as well as the international financial institutions. Economists such as Jacob Viner of Princeton University were infuriated, dismissing it as a dangerous amalgam of unsubstantiated historical conjecture and simplistic hypothesis. They entirely missed the point. The cognitive leap offered by Prebisch was permanent, one of those rare theoretical formulations that brought Prebisch into the top rank of development economists and changed the discipline forever. To the horror of free-market fundamentalists, classical theory now faced competition, its absolutism challenged by a credible, non-Marxist ex-central banker. Western capitals and international agencies immediately realized that an alternative vocabulary was now in play which addressed power relations in the international system and demanded that the industrial as well as raw material producers share responsibilities in international development. Excitement was in the air.

### 3. The Creation of Latin America

In Havana Prebisch had advanced a daring and compelling regional challenge. The UN immediately hired him as *de facto* leader of CEPAL and within a year he was named its Executive Secretary. Prebisch’s energy was magnetic. In 1951 the organization was confirmed as a permanent UN regional commission, and during the succeeding years of triumph he transformed it into the most dynamic research centre in the Americas. Economists such as Sir Hans Singer could only compare Santiago under Prebisch with John Maynard Keynes’s Cambridge group in the 1930s as a centre of excitement and creativity. Like Keynes in the 1930s, Prebisch’s CEPAL captivated the imagination of young economists tired of inherited

ideas and policies. Like Keynes, Prebisch had his pick of the best minds, like Celso Furtado, Victor Urquidi or Anibal Pinto, and the fact that economists from all parts of Latin America were working together for a common cause made Santiago all the more exciting and empowering.

From the first CEPAL had essential regional tasks to perform. As a UN regional commission CEPAL was accountable to governments - Latin American as well as the US, UK, France and the Netherlands. Not all Latin governments took its advice on economic policy, but they supported Prebisch as a valuable authentic voice and builder in their region. In the early 1950s most countries lacked the entire knowledge infrastructure of development: reliable statistics, basic country studies, planning capacity, research and development and technical assistance of all kinds. Training was another area urgently required, and beginning in 1951 special courses were offered for young economists and planners throughout Latin America. CEPAL's annual *Economic Review of Latin America* became a best-seller. By the late 1950s much progress had been achieved: national capacities had greatly expanded in most, but not all cases, and CEPAL was established as a key provider of essential technical services for development.

Latin America was a region waiting to be created. The *Havana Manifesto* opened an unprecedented period of theoretical and applied research on economic development in Santiago, and Prebisch's leadership proved as effective in CEPAL as in the Argentine Central Bank. He built an extraordinary team which felt especially chosen and fortunate to work – normally to exhaustion - for “the great heretic”. He protected his staff with implacable firmness; his charisma, loyalty and uncompromising commitment energized his followers; “I am objective,” he would say, “but never neutral.”

Under Prebisch's direction CEPAL developed a theory of economic development for Latin America, different from US, Soviet or West European models, which was soundly based in the economic conditions of the early 1950s. He was always careful to ensure that conflicting perspectives on markets and the state were debated and results tested empirically. Import-Substituting Industrialization, as the model became known, would deliver consistent regional growth of 5.2% per annum over 30 years.

CEPAL's focus evolved as the decade progressed. A regional focus was implicit in CEPAL's creation, structure and governance and staff selection, as well as in its theoretical work, cross-border sectoral studies and the promotion of continental producer associations. But regional trade integration became CEPAL's leading agenda item following Prebisch's return in 1956 from his unhappy year in Argentina as Special Economic

Advisor to the President. His ambitious quest for a Latin American Common Market was unsuccessful, culminating in the more modest Treaty of Montevideo (1960) establishing the Latin American Free Trade Association. But a precedent was established, and the challenge of strengthening the region within the global economy remains a priority. Few concepts are as closely identified with Raúl Prebisch as integration, which he saw as extending beyond trade to include the social and political dimensions of development. Indeed CEPAL's early work in social policy and development under his direction was pioneering.

The magnitude of Prebisch's achievement with CEPAL can scarcely be exaggerated. CEPAL was now a permanent and valued voice for the region it had virtually called into being. To his followers, Prebisch was Latin America's Keynes; with the US paralysed intellectually by McCarthyism and Cold War hysteria, CEPAL seemed a beacon of developmental rationality in the inter-American system.

But Prebisch was not universally appreciated; his relations with Washington in particular were conflictual in the early 1950s. There he was viewed as an ultra-protectionist whose ideas were ruining Latin America. In fact, Prebisch's structuralism did openly challenge the mainstream assumptions then endorsed by the US Treasury; after CEPAL won permanent status in 1951, it remained disliked, distrusted and closely-watched. CEPAL projected a new approach to US-Latin American relations based on development and long-term mutual economic interests: an inter-American development bank, financial cooperation, commodity price stabilisation and support for Latin American regional integration. None of these proposals was radical; most had been supported by Washington during the Second World War when the US needed Latin American support, only to be delayed indefinitely after 1945. To placate Washington Prebisch went so far as to substitute "programming" for the more socialist-sounding "planning". Overall he was the classic "misunderstood moderate". In CEPAL he was worried about the threat of inflation and stressed the limits of state-led industrialisation in import-substitution. In theory Prebisch's approach to markets and the state in the economy was difficult to criticize in Western capitals. During his years in the Central Bank he had evolved a concept of the "intelligent state" which he described as "a lean but strong public sector, capable of defining overall orientations for national development and supporting the private sector rather than suffocating its dynamism." But his actual pragmatism was irrelevant – Prebisch was caricatured by critics from the beginning as dangerously leftist, and his image in Washington as a radical protectionist set in stone.

Change came suddenly with the election of John F. Kennedy. Prebisch was no longer an object of suspicion when Kennedy announced his Alliance for Progress on 13 March 1961, a “vast new Ten Year Plan for the Americas” to open a “historic decade of democratic progress.” Washington had been spurred by security threats: the Soviet space success in launching Sputnik on 4 October 1957; the violent reception of Vice-President Nixon in Latin capitals during April-May 1958; and the Cuban Revolution of 1 January 1959. More Cubas were feared; the previous US neglect of Latin America had to change. Previously rejected as Washington’s *enfant terrible*, Prebisch now found himself called the father of the Alliance and invited him to the US capital to help implement the new Ten Year Plan. Even more, President Kennedy paid him the compliment of incorporating the CEPAL doctrine wholesale when he announced the Alliance for Progress.

Prebisch accepted the invitation and helped shape a special mechanism –a Panel of Experts comprising nine independent distinguished experts– to evaluate the national development plans to be presented by Latin governments as a pre-condition for US financing. In September he moved to Washington as Coordinator of the Panel of Experts to create a novel experiment in development conditionality. It would be his shortest job ever. The Panel of Experts, as it turned out, had neither leverage or executive power of any kind, and governments did as they pleased in the ordinary way. The entire Alliance for Progress was floundering and he resigned on 13 June 1962.

Prebisch’s leadership of CEPAL was nearing an end. For some time, and encouraged by senior UN personalities, he had been considering the formation of ILPES (Institute for Economic and Social Planning) as an arms-length research and training body under his leadership but with greater autonomy from Latin and the US governments than CEPAL. By 1962 the concept, structure and funding had been located, and as Prebisch resigned from the Alliance for Progress the UN formally approved his appointment as Secretary General of ILPES to be based in CEPAL’s new building in Santiago. But before he could begin his ILPES work in earnest Prebisch was offered an opportunity to reformulate his vision of development at the global level.

## 4. The Global Strategy

Prebisch’s approach to innovation in both the Argentine Central Bank and CEPAL was similar - a search for “an historical moment” in which a new concept could transform an organisation into a movement. Theory, machinery and policy: this powerful trinity, linking an idea to an institutional

mechanism in order to nurture rational dialogue and generate new policy, comprised the core of the Prebisch vision. He had achieved his goals in both cases, and his charisma attracted teams of gifted economists to help shape and implement the new vision.

A third opening for Prebisch's model of innovation appeared unexpectedly in 1963, this time at the global level. UN Secretary General U Thant invited him to head a major initiative which developing countries had been demanding for years. A UN Conference on Trade and Development (UNCTAD) had been finally approved by the General Assembly and would be held in Geneva in early 1964. But it was a huge undertaking with uncertain results. International trade had become one of the most sensitive issues at the United Nations - on this, at least, all governments could agree. It was the proverbial "hot potato"; where an international conference like this - even if the largest in history - would lead was another matter.

The obstacles to success were impressive, and Prebisch was not alone in realizing from the first that the odds on failure were high. The industrial countries strongly supported the existing system anchored by their negotiating forum, the General Agreement on Tariffs and Trade (GATT) and saw no need for more UN bureaucracy. The developing countries challenged the fairness of the system, arguing that GATT practices favoured developed countries at their expense and insisting that the new UNCTAD become a permanent and powerful body to support their interests within a more balanced international system. The GATT represented the established order of the powerful; the developing countries were weak, lacking both strategy and organization.

The challenge for Prebisch was irresistible; the stakes were too high to refuse. The parallels between region-building in Latin America when he assumed control of CEPAL and this new challenge were intriguing; CEPAL had paved the way. UNCTAD offered Prebisch the opportunity to project his concept of the North-South dialogue to the global level and forge a new organization just as he had molded CEPAL into a powerful regional secretariat. Under his direction UNCTAD could be a global version of CEPAL in its diagnosis of structural inequity and global transformation. Theoretically UNCTAD drew on and extended CEPAL's concepts of unequal exchange and asymmetry to North-South relations: nothing less than the prospect, however slight in practice, of a global "alliance for progress".

The developing countries of Asia, Africa and Latin America comprised Prebisch's constituency in UNCTAD, just as Latin America had supported the construction of CEPAL. 77 had voted for the UN

Resolution authorizing UNCTAD in December 1962 and new supporters were flocking to the ranks. They had pledged cooperation in building a new world order, and their numbers looked impressive. But below the rhetorical solidarity, valuable as it was, their differences went far deeper than among the industrialized countries: size, culture, levels of development, security interests, historic rivalries, political ideologies, and so forth. They needed a mechanism to improve their collective bargaining strength, and in 1963 Prebisch was able to bring them into a G77 (Group of 77) to provide identity and a group system of negotiation within UNCTAD. A historic opening for institutional innovation was taking place, it seemed, with the glimmer of an emerging counterweight to the geocentric approach of the OECD countries. When UNCTAD was finally held in Geneva in 1964, and founded the permanent major new UN body for which the G77 had campaigned for years, such early optimism swelled to a belief that a more equitable approach to trade and development might well succeed.

For Prebisch the success of UNCTAD depended on inserting it as negotiating forum within the global agenda of international trade. The developed countries as a whole were bound to resist, but they had also rejected, at first, the concept of establishing UNCTAD as a permanent body at all. Later they had come around and agreed, and he was convinced that some leaders at least from the North would come to understand the huge stakes involved - the mutual security and economic benefits of a more equitable and peaceful world. He cajoled the rich and poor countries to manage globalization – to see it as a process to be shaped by both developed and developing countries working together. International agreements could only be reached if North and South worked together. He campaigned for pragmatic measures, he insisted on the “discipline of development”, on “converging interests” and “reciprocal responsibilities”.

At UNCTAD’s second meeting in 1968 in New Delhi Prebisch proposed a *global strategy* to underpin a basic reform of global governance in pursuit of equity and justice in North-South relations. Both sides, the rich and poor countries, would have to compromise for success: trade concessions and development assistance were required from the rich countries, but only in return for domestic reforms in the recipient countries to make this assistance effective. Developed countries would demand conditions, he knew, but Prebisch urged developing governments to accept conditionality so long as it was both reasonable and equitable as originally foreseen in President Kennedy’s Alliance for Progress. A balance had to be maintained, he argued, but all countries

had so powerful a converging interest in long-term stability and equity that both sides would eventually endorse their respective commitments and responsibilities.

Within the United Nations only Dag Hammarskjöld equalled Prebisch in his ability to project a compelling and coherent vision to the global community, and he drew on his reserve of leadership to locate new sources of support. Like CEPAL in its early years he attracted leading economists from around the world - Gunnar Myrdal, Hans Singer, Sidney Dell, Wladek Malinowski, Jan Tinbergen, and many others - to staff the new secretariat in Geneva. United behind a shared ethic of development UNCTAD waged a formidable campaign for global equity between 1964-68.

The problem facing Prebisch in UNCTAD was simple but decisive: he lacked power. UNCTAD was set up to rethink and recast the rules of the game in international trade. His permanent secretariat in Geneva led the campaign for a world economic order with less unequal power relationships; it had the commitment, ideas and strategy for a durable vision of change to reappear later in the principles and content of the New International Economic Order (NIEO) - the North-South *cause celebre* of the 1970s - or the contemporary discourse on “civilising globalisation” in the UN Millennium Declaration (2000). And there were successes among the defeats - agreement, for example, on a GSP (Generalized System of Preferences); his friends argued that UNCTAD could not expect more than incremental change.

But this was not Prebisch; he wanted and demanded more - a negotiating role for UNCTAD – but he could not command the compliance of governments, whether of the OECD or the G77. The Vietnam War consumed energies in Washington, and the World Bank and IMF turned sour amidst a general fatigue. Just as Kennedy’s Alliance had failed, the *global strategy* was ahead of its time.

After failing to achieve his expectations at UNCTAD II in New Delhi, Prebisch announced his resignation to a shocked staff. He would be leaving Geneva after logging 700,000 air miles spreading the gospel.

## 5. The Return of don Raúl

Prebisch did not leave Geneva in 1968 to retire: his attachment to Latin America had not diminished during the years away in UNCTAD, and this commitment redoubled with his return. Political opposition ruled out moving to Buenos Aires; instead he chose Washington as his new home-base, married Eliana Diaz, and revived his leadership of ILPES

(Latin American Institute for Economic and Social Planning) which he had created in 1961 and which badly needed renewal after languishing during his absence in Geneva.

The Americas were at a cross-roads; it was a tumultuous period from North to South America, with riots, violence, terrorism and military coups, disappointing economic growth and stormy US-Latin American relations under the newly-elected President Richard M. Nixon. Prebisch felt compelled to address these more immediate challenges as well as lead ILPES, and agreed to direct a new Commission on Latin American Development for the Inter-American Development Bank. The report, *Change and Development: Latin America's Great Task*, scheduled for 1970, would be a major undertaking. But this was not all: Raúl was also named Senior Adviser to the UN and CEPAL, adding another layer of special assignments, travel and conferences. Such serious over-commitment would lead inevitably to frustration, exhaustion and depression over catastrophes like the Chilean coup of 11 September 1973.

Prebisch's IDB Report stands out as his key theoretical contribution in this difficult period. His call for accelerated economic growth to head off violence and social conflict opened a new chapter by departing from the import-substitution industrialization model of the early CEPAL years: the root cause of the present crisis, he argued, was the exhaustion of inward-looking development. Instead, the onset of "dynamic insufficiency" left Latin America falling behind Asian economies such as South Korea. A new rational approach was required to generate 8% growth – avoiding excessive protectionism, promoting greater competition to improve productivity, promoting foreign investment and domestic reforms.

Latin governments, Prebisch argued, should look first to their own failings and only then at those of outsiders and the international system. "Profound changes in the economic and social structure and in attitudes toward the development process," were required, he insisted, "Without these big changes even the best policy of international cooperation is bound to fail. If the developed countries, as is often said, must have the political will to cooperate, the developing countries, too, must have the political will to introduce fundamental reforms into their societies." South Korea, for example, had applied the CEPAL doctrine more successfully than Latin American countries, reflecting a stronger state and a more equitable social structure. Restoring dynamism in Latin America therefore required structural reforms: social mobility and education, agricultural reform, redistribution of income from the upper classes, and above all the discipline of development –honest governments mobilizing support for

rational development strategies to foreclose both populism and socialist command economies.

Prebisch had made some of these points before, beginning in 1956 when he warned against the excesses of Perón's protectionist policies and criticized clientelism. After 1959 Prebisch's attention to socio-political obstacles to development in Latin America expanded. In his 1961 study, *Towards a Dynamic Development Policy for Latin America*, he had shifted ground considerably. He now spoke of institutional weak points in the region (feudal structures, inequalities in income distribution, and a lack of genuine commitment to economic planning and discipline) that went well beyond CEPAL's earlier diagnoses, and he repeated these concerns even more urgently in his May 1963 Mar del Plata farewell speech to CEPAL.

UNCTAD further convinced him that import-substitution was easily abused; without an "intelligent state" it was a double-edged sword and recipe for stagnation. The innovation of *Change and Development: Latin America's Great Task* was bringing his earlier criticisms together into one systematic analysis with explicit links among economic reforms, social change and development in Latin America. It was a courageous break with past doctrine and a notable display of theoretical self-criticism.

By 1975 Prebisch had completed his last official commitments and was free of obligations to begin a last, rich period of fulfillment. Anchored in his family and enormous circle of friends in every continent, he travelled extensively around the world to give lectures and receive an accumulation of honours and prizes befitting his stature. But mainly he was busy with what he loved most: new ideas and a constantly expanding dialogue on change and development.

Prebisch's flagship publication for this debate was the *CEPAL Review*, his last creation in 1976 which he would edit until his death in 1986. The journal was a capstone achievement, a concluding chapter in a quest reaching back to his university years to create and strengthen Latin American research centres. From first to last he had insisted on the region maintaining intellectual autonomy in development policy and ensuring that applied research reflect the specific realities of Latin America. Now CEPAL itself was struggling to interpret a region transformed by domestic turmoil and external shocks like the OPEC challenge in October 1973. The *CEPAL Review* became a crucial platform for this theoretical renewal with don Raúl's office, at the end of the hall from the Executive Secretary, a symbol of confidence and continuity with the golden years.

Prebisch's thinking had never ceased to evolve, from the liberal orthodoxy of his early years, and through the Great Depression, the *Havana Manifesto* and CEPAL, to UNCTAD and *Change and Development: Latin America's Great Task*. In his final years as regional prophet, this intellectual enlargement continued. During the 1970s he intensified his critique of Latin America's "imitative capitalism", constantly expanding his conception of economics as a discipline to include social transformation, institutional change, and the environment.

Prebisch supported the human rights agenda of President Jimmy Carter between 1976-80, and had little patience with experts who hailed Latin America during these years as "the region of the future". The reality, he argued, was that the commodity and credit boom in the region concealed unsustainable debts, clientism and bloated states. It would end badly, he knew. But the neo-liberal triumphalism of the Ronald Reagan Revolution left him even more disillusioned. He found the quixotic beliefs in self-regulating markets or the state as problem rather than solution to be dangerously simplistic, and predicted with equal insight that this newest international fashion would end in "the second great crisis of capitalism." Prebisch was a great intuitive economist who had seen too much in his life to fall victim to ideological simplifications of either right or the left. "Take note, brother Sancho," he would quote from Don Quixote, "that this adventure and those like it are not adventures on islands, but at crossways."

## 6. Towards a New Paradigm

Don Raúl's life and work have withstood the ebb and flow of fashion and revived as an inspiration for a new development paradigm in Latin America. Understanding the life and work of Prebisch enriches the regional and global memory; on the other hand it is obvious that Prebisch was man of his times, and that much has changed since his death. Most of the specific policies he promoted during the Twentieth Century are either not relevant today, or they are accepted as conventional wisdom by both supporters and detractors. His most famous metaphors –centre and periphery, the intelligent state, progressive capitalism and global compact– form part of everyday discourse and no longer arouse passion and controversy. But there are aspects of Prebisch's life and work –basic orientations, so to speak– which retain their validity and serve as a point of departure for new thinking on development and a model for new policies to address this new era of global transformation.

If we accept that a new paradigm requires a fundamental revision of current assumptions, the realization of Prebisch's vision of human sustainable development with growth and equity requires new thinking across disciplinary boundaries. As he said shortly before his death, "We must find a new rationality, one not based solely in economic and social, but also fundamentally ethical objectives." In effect this comment on the expansion of the discipline sums up his voyage as an economist since the opening of the Twentieth Century. Confronted by today's complexities, Prebisch would certainly counsel opening a debate in search of a new paradigm appropriate to Latin America's future – a no-holds-barred debate without sacred cows (including rethinking his own work from earlier decades), but with Prebisch's unflinching determination and conviction.

Prebisch was a giant of ideas and action, a key global citizen of the Twentieth Century. A leading theoretician and powerful leader, he left an indelible imprint on Argentina, Latin America and global relations. He made, rather than endured, history – he was a person who refused to recognize the word "no", a leader who never governed with state power, and whose only weapons were persuasion, charisma and respect. As the founder of structuralism he challenged conventional economics with a distinctive Latin American school of thought and practice based in concepts of power and global equity. As well as being a pioneering thinker, Prebisch committed his vast leadership capacity to accomplishing concrete results, particularly through his transformational work with CEPAL and UNCTAD. Revered by the legions whose lives he enriched, Prebisch is one of the great and enduring figures of Latin America.

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President Raúl Alfonsín invited Prebisch to return to Argentina after the restoration of democracy to assist him in rebuilding the economy; in 1984, thirty-five years after leaving his beloved city, he was finally back home in Buenos Aires - a dream fulfilled at last, an old wound healed. Across the Andes in Santiago he had CEPAL, the institution that he loved more than any other. The unity of his life and work was complete; after a day of work on the *CEPAL Review*, don Raúl died on 19 April 1986.

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