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ECLAC in its historical setting

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This lecture discusses the features of the colonial situation in Latin America that conditioned the region's economic and social performance in the nineteenth and early twentieth centuries. It deals in particular with Argentina, looking at the events following the First World War through to the beginning of the Second World War. Those events were formative in the education and experience of Raúl Prebisch, who 30 years later would give ECLAC its fundamental characteristics. The lecture examines the ideas that ECLAC contributed to the debate on Latin American development and the evolution of the countries that applied those ideas. It also looks at the external and internal circumstances that changed the context in which development policies were implemented from the middle of the 1970s onwards. Lastly, it identifies the most recent changes in the world economic situation, and the role of ECLAC in defending the ideas of freedom, well-being and tolerance, which are the essence of modern civilization.

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When I learned that I was to be asked to give the Seventh Prebisch Lecture, my first thought was how to avoid disappointing those who had extended me this rather daunting honour. It occurred to me that, in selecting an historian for the occasion, the Commission was hoping for something different from the offerings of those who had previously taken this podium. I would not be able to look for inspiration, then, to the contributions of those eminent persons, from Celso Furtado to Fernando Henrique Cardoso, who had played a sometimes decisive role in the chapter of Latin America's history that includes the trajectory of ECLAC, nor to those of Joseph Stiglitz and Dani Rodrik, both renowned economists able to speak with absolute authority on issues where prudence forbids me to tread. Instead, I heeded the advice of José Luis Machinea, who in his letter of invitation expressed the hope that my presentation would contribute to "understanding the long-term trends and the evolution of the social phenomena that underlie the functioning of countries in the region", and that is what I shall attempt to do here.

The first thing that becomes clear, from this perspective, is that ECLAC was established to articulate a response, suitable for the stage in which Latin America found itself at the time, to a question that was already two centuries old. The quest had originally been to find the key to overcoming what was already referred to as the lag of the far-off lands of the new world that Castile and Portugal had conquered and subsumed into their overseas empires. It would seek inspiration for this in a new science, one that abandoned the overarching perspectives that had placed metaphysics at both the base and the pinnacle of knowledge, and turned its attention to what the already outdated Aristotelian language called the "sublunar world", in the hope that a more accurate understanding of this mundane sphere would help to make the changes that would alleviate the harshness of human existence. Within this radical new approach, there arose in the eighteenth century the discipline called "political economy", which from its first systematic formulation in the works of Adam Smith came to occupy an ever more central place in the encyclopaedia of modern knowledge.

Yet even before 1776, when Adam Smith published his *Inquiry into the Nature and Causes of the Wealth of Nations*, those responsible for administering the overseas empires of Spain and Portugal were already addressing the economic problems there in the spirit of the new times. They saw, with growing clarity, that the practices that had seen them virtually unscathed through more than two centuries with ever more formidable rivals constantly entering the scene, first in Europe and then overseas, were fast losing their effectiveness.

Indeed, it was awareness of the increasing fragility of the Iberian empires that drove their administrators to consider the new perspectives offered by political economy. They hoped this would help them to develop strategies to replace those that had been found increasingly wanting. When we look back at the relationship that the administrators of both imperial systems established with this discipline, then still in its infancy, we can see a foreshadowing of how ECLAC would work with it in the twentieth century. It is also easy to recognize, behind those shared traits, the influence of the periphery from which both they and it viewed the economic system, whose operating rules this new discipline sought to unentangle.

Viewed from the centre of this emerging system, Adam Smith's theoretical construction could also be seen as the "country party's" indictment of the mercantilist privileges and monopolies flowing from royal favour, as defended by the "court party". The centre in fact had built a society that was discovering itself capable of charting the road to prosperity on its own. But the profile of the societies emerging from the Iberian conquest of the new world could not have been more different. Officials in Madrid or Lisbon trying to administer their far-flung empires on three continents were finding it increasingly difficult to wring from them the resources needed to withstand the attacks of these ever bolder rivals. They looked to political economy for useful lessons in how to build societies in those lands that could emulate the vigour reflected in the overwhelming economic and technical—and thus military—superiority of these same rivals.

This ambitious project was realized too incompletely to protect the Iberian empires from an external threat which, having mounted greatly during the new cycle of hostilities launched by the French Revolution, would lead to their irreversible demise. But the programme of reforms left as its legacy an agenda that the States emerging from the ruins of both empires would adopt as their own. It was now

□ This lecture was delivered at the Economic Commission for Latin America and the Caribbean (Santiago, Chile on 16 August 2007) on the occasion of the Seventh Raúl Prebisch Lecture.

their ambition to organize themselves on the model of the “Nation State”, whose advance in the old world, despite the efforts of Napoleon’s vanquishers to halt it in 1815, would dominate the entire coming century of European history. It would become clear over this century how important it was to endow the fragmented societies bequeathed by the conquest and the colonial period with the coherence needed to lay the human foundations for the nationality that each of these States aspired to construct as its political expression. Although the objective was now different, it was still recognized that the most urgent task of these newborn States was to bring about a radical transformation of the societal profile that had matured in the previous stage, and to bring it closer to that of the nations leading a process of change which, starting from the Atlantic seaboard of Europe, seemed destined to embrace the entire planet.

The successor States in all of the splintered domains of the Iberian empires assumed this task, but nowhere was this ambition carried so far as in Argentina. The preamble to the document that in 1853 marked that country’s entry into the constitutional era called upon “all the men of the world who want to live on Argentine soil” to join in building, on the vast and empty pampa, a radically new society, based on both material and human resources imported from overseas. No doubt leaders of this dizzying process of change placed great faith in the principles of the by now mature discipline of political economy, which severely constrained the role of the State in this area. But that did not prevent the State they organized and administered from finding ways to exert sway over the economic dimension of the vast transformation they had undertaken. Their success was such that by the dawn of the new century—and even before the peak of a flood of immigrants that would see few parallels around the world—it was already possible to discern the outline of the modern nation that, half a century before, Argentina had resolved to become.

We need to pause a moment at this point in what is necessarily a cursory exploration of the historical background of ECLAC, because this context, so distinct from the circumstances that would surround the creation of this United Nations agency, was to make an indelible mark on the person who first defined its agenda. Such a mark that, barely beyond adolescence, Raúl Prebisch had already defined with amazing precision the place he was determined to conquer in the world, and in that young man, we can already recognize the person who, a quarter-century later, having been

stripped of the place he had come to occupy in his native land, was to define no less precisely the agenda of the institution he would lead.

The context in which Prebisch began his public career was marked not only by the successful culmination of the enormous experiment in social engineering that his country had embarked upon in the middle of the previous century. It also reflected the mindset with which those same problems were being addressed both in the old world and in the new. At this fleeting moment, with the slaughter of the First World War still a fresh memory, both these worlds lived in the mistaken assurance that they were entering a stage of profound social and political transformation that would bring greater justice to relations between people and nations. A corollary of that vision of the times was the conviction that youth—better prepared for this task than the generations raised in the vanished pre-war world—was destined to seize the leading role it had never had before.

On the basis of these widely shared convictions, Prebisch was to lay out a programme of life and action that could not be more ambitious. A member of one of the first classes trained in the Faculty of Economic Sciences created by the University of Buenos Aires in 1913, and an instigator of the agitation thanks to which the student body won a place in the governance of Argentina’s universities, Prebisch was hardly more than a teenager. Yet he was the recognized leader of his university cohort, and he urged them to devote themselves to a profound overhaul of Argentina’s socio-economic order, one in which the cornerstones would be agrarian and fiscal reform, the latter designed to eliminate the regressive features of the existing tax system.

These objectives were by no means new—the political leadership and, more unexpectedly, the corporate representatives of the landholding interests grouped in the *Sociedad Rural Argentina* (“Argentine Rural Society”) had been decrying the evils of concentrated land ownership embodied in the *latifundio* for decades. But what was new was the strategy that Prebisch proposed to his fellow students for moving the programme forward. He urged them, in effect, to “find in State agencies and other institutions” observatories from which to gain an accurate understanding of the workings of the economic system they hoped to change. Half a century later Eduardo Malaccorto, who was one of Prebisch’s most effective collaborators in the Argentine phase of his career, would recall that, in response to the challenge of a young man who was

“already a revolutionary at the age of 22 [...] every one of us wanted to get into some sector of national life, where we could develop our own ideas and perfect our knowledge”.¹

No one would do this more successfully than Prebisch himself. His early contributions to introducing statistical methods in economic analysis had already attracted the attention of Professor Alejandro Bunge, who in 1916, with his *Riqueza y renta de la Argentina* (“Wealth and income in Argentina”), had brought new rigour to a field hitherto dominated by amateurs. In 1922, the Argentine Rural Society had already made Prebisch the head of its newly created Statistical Office. The following year the Minister of Finance, Raphael Herrera Vegas, who hoped to introduce income tax in Argentina and was facing strong counter-arguments that it would be impossible to enforce such a tax in a country with an agricultural economy, asked him to go to Australia and New Zealand and to find out how those two countries, which shared this economic profile with Argentina, had succeeded in implementing such a tax. Yet on the eve of Prebisch’s departure, Herrera Vegas was replaced in the ministry and his successor cut the mission short. This did not prevent Prebisch from completing the assigned task, however. What is more, was also able to familiarize himself with the government statistical agencies of those British dominions, which were pioneers in the use of the “statistical machines” that were revolutionizing working methods in this field. As well —motivated by his interest in Argentina’s land problem— he explored in situ the outcomes of the rural colonization plan in the Australian province of New South Wales. Meanwhile Tomás Le Breton, whom Prebisch knew from his time with the Argentine Rural Society, and who had recently been appointed Minister of Agriculture, was planning to introduce a very ambitious agrarian reform. He summoned Prebisch, upon his return, to work with him in preparing the draft of that plan, which, however, would never be addressed by Congress.

In the following years, Prebisch played a leading role in government statistical work, first as Deputy Director of the National Department of Statistics and later as organizer and first Director of the new Economic Research Division created by Banco de la Nación Argentina, based on the model in use at the United States Federal Reserve. He also became senior

adviser to the Argentine Rural Society, the largest organization representing the landholding class, from which position he contributed more than anyone to articulating proposals for dealing with the increasingly critical situation facing the rural economy.

This summary suggests an early career that, at first glance, could not have been more successful. Yet, perhaps not so, in the light of the objectives that Prebisch had set himself. What was, at that time, his vision of the world he hoped to change? What did that vision tell him about the place from which he could influence that change? He was not yet 20 years old when, responding to a survey on the social question conducted by the *Revista de Ciencias Económicas*, he argued that the key to the matter lay in the misfit between the economic structure that was being steadily transformed by “the advance of productive methods due to technical progress” and “a parallel change in the social superstructure that governed the old relations between those who produced and those who managed production” that was lagging far behind. Although he recognized his debt to Marx with respect to this point, he had made it clear that he was not prepared to follow Marx in making the class struggle the exclusive and central theme of human history, and he found “more logical” the arguments of the socialist Filippo Turati, who “in certain cases” saw “class cooperation as a counterweight to class struggle”.

The existence of this alternative, he concluded, allowed a non-revolutionary solution to the social question, by “creating new forms, reforming existing institutions, and taking advantage of what works”. From this premise, Prebisch reached a conclusion that was by no means implicit, but one that appeared so obvious to him that he mentioned it merely as an aside: “Social evolution,” he added, “cannot be contained: it is useless to try to stop it; it is logical to try to channel it (and this is the task of governments)”.² It is not surprising that this conclusion appeared so obvious to him, in a country that was just emerging from a stage in which the State had assumed the dual task of organizing itself and forging a new society; it thus seemed reasonable that the demiurge of that society should not be denied the —altogether more modest— role of arbitrating any conflicts that would divide its creation.

In this implicit vision of the context that Prebisch hoped to influence, he was (perhaps without realizing

¹ 1971 interview with Ernesto Malacortto (Halperin Donghi, 2004, pp. 469 to 471).

² Raúl Prebisch Foundation (1991, vol. I, pp. 11 and 12).

it) relying on being able to do so successfully from the increasingly influential positions which his talents and his efforts secured throughout the 1920s. Yet as that decade closed, the results could not have been more discouraging: none of the reform projects he had helped prepare, not even the one to which he had rallied the most powerful segment of the landowning class, had taken so much as a first step towards implementation. He had forged his links with that sector in his first venture into public life which, like so much in his career, was nothing if not precocious: it occurred in 1922, when he arbitrated the dispute that was dividing the powerful livestock industry. The stance he took in that early role was that of someone setting an agenda for the sector that it would surely adopt if only it had the foresight to do so. On this point, Prebisch made no attempt to conceal his opinion of the landowning class, which he described as a “barn aristocracy”. It had, he insisted, only an “incoherent, disoriented and negative class instinct, most of the time” and therefore lacked a “clear awareness of its economic interests”, which would have led its members to “associate to organize the sales from their haciendas” as their rivals in the United States and the British dominions were then successfully doing.

These shortcomings obliged the State to intervene in conflicts between sectors of the landowning class and the meatpacking interests that dominated the export trade. Yet Prebisch did not think the State should do so by using public money to create an alternative marketing mechanism to the regime of the meatpackers and shipping companies, as the self-proclaimed victims were proposing. What was needed was to compensate for the failings of a class that did not know how to defend its own interests, by establishing a permanent audit of the meatpackers’ books. This would yield the information needed to impose a well-founded “minimum elastic price” on meat for export, which would be adjusted as necessary to fluctuations in overseas demand. Such a mechanism would eliminate both abusive profits for the meatpackers and the possibility of windfalls for producers stemming from an excessive minimum price (which would also hurt export demand). Prebisch was already aware that for the State to play this role successfully it would need “high moral standards among the public officials entrusted to administer and oversee the industry [...] and a technical capacity somewhat foreign to our bureaucracy, which

has been formed with a penchant for satisfying the appetites of Creole politics rather than selecting the most capable people”.³

An essential first step towards achieving the goals that Prebisch had set for himself and his generation was the creation of a capable technical bureaucracy to provide the State apparatus with the skills to intervene effectively in the economy. But was it solely as a result of the shortcomings of certain groups with conflicting economic and social interests that the State had to intervene? The range of projects with which Prebisch was associated attributed to the State the more ambitious purpose of serving objectives that would be shared by society as a whole. This consideration was already evident in his proposal for resolving the livestock conflict. There, he not only attempted to overcome the obstacles that prevented the return on the different factors of production from being proportional to their contribution to the productive process, but he also sought to ensure that the sector could develop to the fullest extent possible in the economic context of the time. This approach was decidedly central to the draft law on agrarian colonization: this proposed a radical transformation in the socio-economic structure of the grain-growing basins of the pampas, where the social pattern implanted in the past half-century of feverish expansion of the farming frontier had been criticized for decades.

In setting the socio-economic objectives of the projects they were promoting, Prebisch and the group that formed around him were not trying to be particularly original. On the contrary, what they wanted was to give the State and the conflicting interest groups in the economic and social arena the necessary competence to realize aspirations on which there was very broad consensus in Argentina. Nor did they seek to introduce original perspectives in the field of economic theory. Once again, the testimony of Malaccorto encompasses all the members of this group, when he declares that in his time at the Faculty of Economic Sciences its members had embraced “economic theories that could be found in any textbook: Marshall, Pantaleoni, Barone or the disciples of Pareto”. The portrayal of this array of economists with such widely differing theories as the exponents of a body of knowledge so unified in theory and practice that one could turn to any of them with indifference could be expected from persons who needed to believe that any of these economists could

³ Raúl Prebisch Foundation (1991, vol. I, p. 349).

provide them with totally reliable criteria for intervening successfully in socio-economics—something they could not have obtained, of course, from a discipline that had failed to overcome the lengthy coexistence of rival doctrines. So, given the role they had attributed to economic theory as the source of legitimacy for their eminently practical plans, it was all the more unthinkable that they would deviate from the principles that theory had taught them in their formative years. Indeed, they would adhere closely to those principles in the following decade, despite growing evidence of their inability to offer answers to the increasingly acute dilemmas posed by a world economy that seemed to have entered a freefall.

It was precisely the depth of the world crisis unleashed in 1929, and dramatically worsened in 1931, that radically changed the Prebisch group's standing in the country. The general collapse of prices and the sharp contraction of international trade badly hurt an economy that had enjoyed robust growth for more than a century, fuelled by flourishing exports. In the face of this emergency, with exports drastically reduced in volume and even more drastically in value, their much-diminished proceeds had to be distributed among the different sectors of the economy and society, and the volume of output for export controlled in order to avoid oversupply, which would drive prices down even further. The only agent capable of handling these tasks was the State. In effect, circumstances were now thrusting upon the State the role of arbitrator between groups with conflicting economic and social interests, a role which Prebisch and his followers had from the beginning insisted it should adopt.

In this unexpected context, often the very people who, up to the eve of the crisis, had consistently and fiercely resisted any attempt to use State power to limit their freedom of action were now urging it to intervene in the field they would have previously forbidden. This totally exceptional situation gave Prebisch the chance to introduce a profound fiscal and banking reform, with the technical cooperation of the group that he himself, more than anyone, had helped to form. Moreover, he was able to use the institutions created by that reform to effect trade-offs between economic and social interests, something he had always believed to be an essential duty of government. For nearly nine years following 1935, Prebisch himself, as head of the Central Bank, would be responsible for checking and regulating the daily pulse of the Argentine economy, with results that won him the backing of Keynes in his *General Theory* of 1936 and led others to compare his performance

with that of Hjalmar Schacht in Germany. Yet this was not a comparison that Prebisch would find particularly flattering: more than the successes he reaped at this time (in which he was aware that good fortune had played a considerable part), he prized his role in the effort to forge a techno-bureaucracy that would equip the Argentine government to act authoritatively and effectively in fields that until recently had been completely foreign to it.

But it was not merely the catastrophic turn taken by the world economy that gave Prebisch the chance to advance the ambitious programme he had set in 1922 for himself and the contemporary group of young economists whose acknowledged leader he was. His influence was given a decisive boost by the new political framework that emerged from the first military coup which, in September 1930, overturned the institutional order established by the Constitution of 1853-1860. He was appointed Undersecretary of Finance by General José Félix Uriburu, who had been installed by the revolution as provisional President of the Republic. From that position, Prebisch was able to make radical changes in fiscal arrangements, which had revolved around the taxation of overseas trade since 1809, when the last Viceroy of Rio de la Plata had opened the future Argentina to world commerce and thus set it on the road that until 1929 took it to ever loftier heights. What Prebisch did was to introduce the income tax. For decades there had been a broad consensus that this was necessary and yet two Argentine presidents had failed, under the constitutional framework, to secure congressional support for it. With the suspension of that framework by the revolution's victory, that obstacle was gone: having obtained General Uriburu's authorization to prepare the draft bill on a Friday afternoon, Prebisch put it together over a weekend of feverish work, and by the following Monday it was the law of the land.⁴

Such experiences might understandably give Prebisch some concern over the impact that the imminent return to representative institutions might have on his plans for even more radical changes. Yet for some years this concern seemed to have been totally unjustified. Indeed, after some initial hesitation, General Agustín B. Justo, who as constitutional President faced the challenge of governing a country that was hopelessly divided by the experience of living under a military regime (a regime which, in bequeathing

⁴ Raúl Prebisch Foundation (1991, vol. I, p. 349).

him power, also bequeathed him the overwhelming unpopularity that had led to its demise), accepted the far-reaching reforms included in the economic plan prepared by his ministers of agriculture and finance, with the coaching of Prebisch, and went on to secure its approval by a Congress that, restored in 1932, was embarking on one of the most brilliant chapters of its entire history.

But this admirable parliamentary performance was facilitated by the boycott called by the party that had been overthrown in 1930, in response to the deliberately humiliating conditions that the military authorities had imposed as a condition for its return to the electoral arena. The Radical Party's decision in 1935 to rejoin national affairs was enough to reveal just how artificial this happy experience was. Although the political forces holding the reins of government owed their position to the Radicals' boycott of the electoral arena, that party still maintained its majority status despite having lost power. The governing forces showed themselves ever more determined to retain power, resorting increasingly to electoral fraud. Factional tensions that until 1935 had remained beneath the surface now erupted violently. The reform phase of the Justo government came to an abrupt end in 1936 in a huge parliamentary scandal, in which some of the sponsors of its initiatives were the target of accusations that, while never proven, were (and are still today) widely accepted by public opinion. That reaction is understandable, since (though phrased in the language of slander and insult) those allegations voiced the frustration felt by the majority parties that had been thrust aside by the regime reinstated in 1932—a regime that held power and was governing the Argentine economy only because the citizens had been humiliatingly stripped of their right to freely elect their governors.

In the midst of the political and institutional collapse of the regime emerging from this incomplete constitutional restoration, the management of the institutions created in 1935 to handle the new economic and financial functions of the State lost nothing of its original effectiveness. Indeed, it was rewarded by the success with which Argentina coped with the challenges posed by the Second World War, different but no less severe than those sparked by the economic crisis. Yet this did not save those institutions from the growing disrepute of the regime that had created them, and of which they were still a part. It was not surprising, then, that four short months after 4 June 1943, when the now terminally vitiated constitutional order was toppled by a military coup headed by General Pedro Pablo Ramirez

(who had been Minister of War in the government he overthrew), that General, now President of the Republic, signed a degree dismissing Raúl Prebisch and putting an end to his career in Argentina.

One aspect of this stage of his career warrants further attention, not only because it contributed decisively to the dismal anticlimax that ended years of growing success, but also because, in a narrower scenario, it hints at what would happen during a more complex career in ECLAC. We already noted that Prebisch saw an essential difference between what he and his group were trying to accomplish and Schacht's contribution to the impressive revival of the German economy in the first five years of Hitler's regime. To this it must be added that his rejection of any affinity with Schacht's work reflected something more than his abhorrence of the regime to which the German economist had devoted his formidable talents as a financial wizard. Schacht, after all, had at his disposal the admirably efficient institutional, economic and financial apparatus of the State which the new regime had just taken over. By contrast, Prebisch and his group had been obliged to create such an apparatus from scratch, and had done so masterfully, but their approach had more in common with that of the *grands commis d'État* and their retinue of the mercantilist era. He also shared with them a trait that had become even more prominent in the Iberian version of this current, which reached the apogee of its influence under the banner of enlightened despotism. At that time, the monarch's financial policy advisers did not confine their ambitions to securing the resources needed to defend Spain's place on the international chessboard. They also believed they could use the power of the absolute State to imprint a new profile on Spanish society. Prebisch and his entourage implicitly shared this premise, without realizing how anachronistic it was becoming in a swiftly modernizing society and in a context of representative democracy. This unperceived anachronism did much to explain both the futility of the group's efforts in the 1920s and the painful outcome of the following stage, when it owed its leading place to a regime that survived only through brazen subversion of the democratic system that had been formally restored in 1932.

But what was anachronistic in Argentina, which from 1912 to 1930 had elected its governors in fully competitive and honestly tallied elections, was not anachronistic in most of the rest of Ibero-America, where the crisis had sparked similar problems to those confronting Argentina. Financial and economic circles

in the rest of the subcontinent had been following with growing interest the new institutional framework that was allowing the Argentine government to address these challenges with notable success. In particular, it would not be anachronistic for another half-century in Mexico, where Prebisch (barely three months after his dismissal as Governor of the Central Bank of Argentina, on 17 October 1943) engaged with his Mexican central banking counterparts in a “round of discussions”, in which he would try to draw from his experience “some positive lessons for monetary and financial policy”. The invitation to discuss this topic with his Mexican peers reflected (as Celso Furtado recalled in 1985) the international admiration that his work had earned for the Central Bank of Argentina, and it is no surprise the discussions that closed each of his six lengthy and dense presentations reflected his listeners’ interest in the practical operation of the complex financial mechanisms that had allowed the Argentine State to act so efficiently in this new framework. But though this was his colleagues’ main concern, Prebisch already had a different one. As he stated in his initial presentation, the first “positive lesson” he drew from his experience was that, while the lead players had “frequently been barely within the limits of sound monetary doctrine [...] we must ask if that sound doctrine was really sound for us, if it really responded to the nature and structure of the Argentine economy.” And he wondered, “Has the time not come to formulate our own principles, derived precisely from our reality, and to develop our own sound doctrine, taking and adapting everything that is useful from general principles to establish a national monetary policy?”

Prebisch explained, in terms that leave no room for doubt, why he looked back at his Argentine experience from a different perspective from that of his Mexican colleagues: it was now time for him (though not for them) “to examine the events from afar without any need for immediate action, to judge them with a critical spirit and an overall vision, and to extract positive lessons for monetary and financial policy”.⁵ The sober tone in which Prebisch referred to the painful episode that had recently stripped him of the position he had devoted two decades to achieving in Argentina reflects more than a scruple for elegance. If he could form a retrospective balance that reflected neither rancour nor nostalgia, it was above all because he had now discovered the path he must pursue. He took the

first step in that direction when, looking anew at the experiment that had ended in this abrupt anticlimax, he asked whether the successes he had reaped from it were not in fact a reward for his readiness to stray from “sound monetary doctrine” whenever warranted by circumstances. This was a question that he and the ministers he advised had refused to entertain while they participated in that experiment. Usually, he had defended his unorthodox decisions against those who could see no positive outcome to them with the argument that the dominant countries in the world trading system had not hesitated to use their power to restructure trade along lines far removed from “sound doctrine”, and in this way to shift onto their weaker trading partners a disproportionate share of the fallout from the crisis. Consequently, Argentina, which accounted for no more than 2% of the total value of international trade, and therefore had very little influence on its new configuration, could not avoid making changes to its monetary and financial policy. Although they might be condemned from the viewpoint of “sound doctrine”, those changes had in fact proven essential for preventing this newly emerging mercantile order from wreaking all its destructive potential on the national economy.

Only when circumstances permitted—or, more accurately, obliged—Prebisch to “examine from afar” this stage in which he had played a leading role, would he cease to see that new mercantile order as a given that it would be pointless to debate, and recognize it as a problem instead. But neither in his presentations at the Bank of Mexico nor in his contribution to the seminar on Latin America hosted at that time by the Colegio de México did Prebisch go into the specific modalities with which this problem would have to be addressed in Latin America. What was new in his ideas was that he no longer felt obliged to present the innovations he had helped introduce in Argentina as necessary adjustments to a highly abnormal situation, justified only for as long as that situation persisted. Rather, he portrayed them as a reflection of a more mature attitude to economic doctrines that were not rejected but that, even after the emergency has passed, still had to serve “the goals or objectives we are pursuing”.

He proposed that the countries of Latin America pursue those goals by jumping uninvited into the debate among the imminent victors of the Second World War on the future role of the gold standard in the monetary system that would govern the post-war world. They would be able to invoke their experience, which taught that “the gold standard, as we have seen

⁵ Raúl Prebisch Foundation (1992, vol. III, p. 1).

it function, does not allow us to achieve” those goals and objectives. Yet Prebisch did not propose that they should oppose, on that basis of that experience, the return to a monetary standard that had “much that was good”. It would be sufficient to “use it better, learning from the lessons of past experience” which suggested “stripping it of its excessively automatic operation and supplementing it with other features that have proven effective”.

Viewed in this way, national economic and financial policymakers everywhere would be well advised to distance themselves from “sound doctrine”. He stated this explicitly in a 1948 paper, which left no doubt that his objections to classical doctrines were directed less at what they taught than at the attitude that inspired them. He did not deny that classical economists carried “logical reasoning to its extreme, and later they enlisted mathematics to give to all this theoretical structure a rigour, a precision, and a scientific elegance that it had hitherto lacked”, but he saw in this a victory purchased at too high a price: “the more they reasoned, the more they removed the body of doctrine from the living reality [...] of the real world that economics was supposed to explain, in order to give us the means to act upon it”.

Of course he mentioned that this “living reality” was that of “our countries”, and he added that “to prepare our own ideas and to develop a national economic policy adapted to them” it would be useful to compare notes with “other similar countries”. But he did not yet go so far as to outline the problematic aspects of the relationship between those seeking to secure for “our countries” a tolerable place in the new and inhospitable post-Depression mercantile order, and the doctrines emanating from the central core of the economic system enveloping them. Although that centre had been more severely devastated by the crisis than the Latin American periphery of the system, it still wielded power as it groped towards an exit from the ruins, and it would be illusory to think it would refrain from using that power to protect its interests at the expense of the periphery.

None of this was yet present in Prebisch’s propositions, but there was something perhaps more important. Although he had not so much as sketched the stance Latin America should adopt in the coming debate, he had already decided that the region must insist upon its right to participate in it. This effectively defined the direction that his career would take thereafter. As we know, this new stage began with a victory even more spectacular than those that had

crowned his previous work, since he was to make the newly established ECLAC into an instrument that would allow Latin America’s representatives to take part in the debate on the course of the world economy in the wake of history’s most terrible war. In retrospect, it is easy to understand that this plan faced formidable obstacles; for its success made one of the first cracks in the bipolar structure that the two rival coalitions recently formed by the victors in the great conflict were determined to impose on the entire planet.

In this eminently political undertaking, Prebisch fell back on what he had learned from his previous experience as an observer and a participant in the labyrinthine accords and disaccords among those who were steering the course of a crisis-devastated economy from the commanding heights. Celso Furtado has given us, in “*A fantasia organizada*”, an unforgettable vignette of Prebisch at his moment of triumph. He had just received from Getulio Vargas, recently returned to the presidency of Brazil, the support that (together with that of Mexico and Chile) would allow him to take ECLAC in the direction he wanted, and his comments reflect an admiration for the Brazilian leader that Furtado finds excessive. What Prebisch saw in Vargas, above all, was a statesman who never flagged in his effort to give the Brazilian State the mechanisms that would impress new efficiency on its performance in the economic and financial field, while steering a political process even more tormented and convulsive than that of contemporary Argentina. Furtado complains of Prebisch’s blindness to other, less positive aspects of the Vargas regime (a blindness that Prebisch shares with many other Argentines), and attributes this to a conviction that the world was living in an age of dictatorship, in which the best that could be hoped for was enlightened despotism. Whether Prebisch’s attitude reflected that conviction or the lessons of Argentina’s experience (which seemed to suggest that the changes to which he had devoted his life were harder to introduce in democracy), he certainly did not regret that his recent change of fortune, in other respects so harsh, could restore him to those commanding heights, where the disruptive influence of democratic politics was hardly felt, and where his native instincts had always allowed him to navigate with rare skill.

What Prebisch admired most about Vargas was the care he took to endow the Brazilian State with an institutional apparatus that would serve it efficiently in the new activities opening up in the economic and social sphere. That admiration foreshadowed some of the criteria that Prebisch would use at the helm

of ECLAC: his first priority would be to give the recently created agency the institutional soundness and operational effectiveness that had marked his handiwork in his native country. What made it easier was that this time his locus was in Chile. One of the keys to both the brilliant successes and the sad anticlimax of his Argentine career was that his capacity for creating solid and effective institutions was completely exceptional in a country where the need for such virtues was seldom recognized, and in the end it was not appreciated enough to protect him. Chile, on the other hand, prided itself, and not without reason, on having a sharper institutional sense than any other Hispanic-American nation. In this more hospitable domestic climate, ECLAC was not to only survive amid political cataclysms of overwhelming intensity, but would constitute the nucleus from which other research and educational institutions would emerge, and they too would prove capable of surviving the direst adversities.

In this more propitious setting Prebisch, now turning 50, was able to repeat the feat that had launched his Argentine career three decades earlier. And Joseph Hodara (whose work, *Prebisch y la CEPAL*, offers the passionate testimony of someone who has lived the experience he narrates) is surely right when he indicates that, now as then, the secret of Prebisch's success as a builder of institutions is that in them the institutional bond is reinforced by the charismatic ties among the people recruited for an undertaking that seeks not only to advance knowledge but to transform the reality it explores. Thirty years earlier Prebisch had been able to lean on pre-existing ties as he enlisted his classmates in a collective project that he proposed as a life undertaking for them all, and enshrine himself as the *primus inter pares* in that group. Now, as Hodara again tells us, Prebisch was surrounded by a group that came into being solely in response to his call to work on an agenda that evoked "ardent enthusiasm among a young generation of economists determined to observe the evolution and practice of development from within, without regard to accidents of nationality", and that group recognized him as "a master who inspired reverence by his style, his energy and his age". In its members he commanded a "compulsive loyalty and an almost apostolic devotion"⁶ even more intense than he had evoked when both the leader and his followers were barely beyond adolescence.

Nor do I believe that Hodara was mistaken when he relates the bond that Prebisch had forged with his collaborators to make the Commission "a charismatic island within a frankly bureaucratic landscape", with what could be called the hybrid nature of its relationship with economics. On one hand, his leadership bears traces of the "profound wellsprings of the Latin American cultural and institutional tradition", while the "particular style" with which he exercises it perpetuates in some respects that of those two very traditional figures of the Latin American scene, the *caudillo* and the thinker.⁷ But even in his Argentine phase he had been a prime mover in professionalizing the social sciences, a process that banished forever "the image and the working method of the traditional thinker"; now, in ECLAC he was going to reap "the fruits of that process and hasten it substantially, particularly in the economics field".⁸

For this reason, the entourage attracted to ECLAC by his inspiration and teaching would find in both a dual validation of the undertaking for which he had assembled them. On one hand, with this project they were again taking up an illustrious and deeply rooted Ibero-American intellectual tradition; on the other, they spearheaded the effort to equip the aspiring champions of Latin America with the scientific and technical skills that would give them full rights to take part in advancing the social sciences, of which they had for too long been distant spectators. There was something in Prebisch's ideas that made it easier to integrate both sources of validation: from the legacy of the thinker came both the firmness with which he demanded the status of social science for economics and the insistence that practical economics could transform reality. Both these traits could be seen in the stamp that Prebisch placed from the outset of his career on his efforts to enhance the scientific standards of the economic research that he would direct. This was strongly empirical: as early as 1921, while still referring only to university, he complained of "the old spirit of teaching", entrusted to professors who "read, assimilate, synthesize and repeat theories, and even refute some of them", whereas what was needed is to "study objectively the facts of our economic life", something that required "searching and selecting data from among complex reports and statistics, examining them in detail, and organizing them".⁹

⁶ Hodara (1987, p. 11).

⁷ Hodara (1987, p. 12).

⁸ Hodara (1987, p. 34).

⁹ Raúl Prebisch Foundation (1991, vol. I, p. 64).

We have already seen how, in 1948, he remained firmly committed to this principle. He therefore lost interest in developments in economic theory which, in his view, “strayed too far from the real world, which economics was supposed to explain in order to give us the means to act upon it”. This distancing does not betray any ambition to replace the theoretical tools developed in the great centres of economic knowledge with other tools forged from concrete Latin American experience. On this point his attitude still reflected that adopted a century earlier by Juan Bautista Alberdi, who incarnated more than anyone in Argentina the figure of the thinker. Indeed, when Prebisch claimed the right “for us to have our own sound doctrine, and to use and adapt everything that is useful from general principles”, he invited Latin Americans (just as Alberdi did in 1837) to distance themselves from Europe as a teacher. He continued to recognize the Old World as the irreplaceable source of those general principles, but at the same time he assumed the supplementary and no less indispensable task of selecting and adapting from those principles what was useful for analysing the realities he wanted to transform in practice.

This measured distancing seems all the more reasonable because the juncture at which economics now found itself as a discipline seemed to suggest that it might be the right approach even for those pursuing it within those great centres. In effect, in the revision of economics proposed by Keynes, the practical consequences were much more radical than the theoretical innovations, which merely made superficial adjustments to the majestic architecture of the neoclassical doctrines and (like Prebisch) did so with the benefit of practical experience accumulated by someone who since 1918 had followed the economic process from what were still the “commanding heights” for the entire planet. This circumstance meant that the frontier between theoretical elaboration and the analysis of concrete economic processes lost something of its original clarity, and despite the caution Prebisch observed whenever he ventured to draw general conclusions from specific analysis there were growing ranks of critics who saw behind such analysis the influence of a doctrine that was there even if only as a spectre. These complaints accused ECLAC of straying ever further from the neutral information mandate that the United Nations had set for its regional commissions and they were sufficiently well-founded that the same people who, in the name of the institution, denied them any validity find it more flattering than problematic that Albert Hirschman recognized the paper on “The

Economic Development of Latin America and Its Principal Problems” (1949) as constituting the “Latin American Manifesto” that Prebisch certainly intended it to be.¹⁰

That paper, in which ECLAC spoke out in debates over the future path of economics for the first time, showed some signs that the attempt at a unified diagnosis of the problems that integration into the post-war economic order was posing for all of Latin America must have been influenced by previous experience in a narrower framework. Thus, although in the report that Hirschman called the “Latin American Manifesto” Prebisch constantly stressed the specific modalities with which these problems appeared in each national context, the fact remains that he presented them as variations on a theme in which one of those national experiences —not surprisingly, that of Argentina—clearly stood front and centre. It is easy to recognize this, for example, in the central role that he assigned to the transit from a global system centred on Great Britain to one revolving around the United States, which meant that in some passages the anti-imperialist message that some complained of appeared to reflect instead a state of mind akin to that denounced in India at that time as nostalgia for the days of the Raj. But what was here a problem of nuance took on much broader consequences when, from its base in Santiago, ECLAC began to develop a more detailed picture of the process experienced by the Latin American economy in the twentieth century in which (again not surprisingly) Argentina and Chile occupied centre-stage.

From the perspective of this southern extremity of South America, the narrative focused on the difficult transition between a period of “outward-oriented growth”, rapid economic expansion based on agricultural and mining exports (which were already losing steam when the 1929 crash triggered the collapse of the world economic order that had made it possible) and one of “inward-oriented growth”, in which the leading role was played by industrialization based on the substitution of imported consumer goods, which the sharp decline in exports sparked by the crisis had placed beyond the reach of these economies. The paper also stressed how much this transition had been facilitated by the creation, during the previous period of export-led prosperity, of a broad consumer market for those now unaffordable goods, and of transportation and marketing networks that were readily available

¹⁰ Gurrieri (1982, vol. I, p. 14).

for the goods that would now replace them. On this point, the problem ascribed to Latin America was based mainly on the experience of Argentina. On the other hand, the adverse consequences attributed to the contrast between sectors of the national economy with productivity levels that were close to being internationally competitive and other, much broader sectors with extremely low productivity related mainly to Chilean agriculture, which was criticized for being so outmoded that high protective barriers were needed to keep it alive, and for affording rural populations such a low standard of living that domestic demand could not expand rapidly enough to provide the desired stimulus for industrialization.

The aspects of Latin American reality that occupy the central place in these first diagnoses by ECLAC did not, of course, apply only to this southern corner of the region. They extended well beyond it, in configurations sufficiently distinct from those of the South that no one should be surprised by the differences of stress and nuance between these ECLAC diagnoses and the one that Arthur Lewis was then beginning to sketch out from his Caribbean perspective. This other diagnosis, based on a partially different perspective, did not invalidate those offered by ECLAC from a decidedly “Southern Cone” viewpoint, but we must recognize that it was the latter one that affected the direction the Commission’s thinking was to take when, starting from what were essentially assessments of the recent past, ECLAC set out to formulate proposals with a view to the future.

When this happened, the Commission’s necessarily cautious institutional interventions were to be accompanied by more explicit ones arising from the constellation of academic institutions springing up around it. The profile of the personnel of these new establishments reflected the criteria that guided their recruitment, wherein economics was viewed, above all, as a social science with the exquisitely practical purpose of guiding society in its efforts to transform itself. This explains why Prebisch was so eager to bring to ECLAC the Spanish sociologist José Medina Echevarría, whom he enlisted from the ranks of Republican exiles in Mexico. Only two years younger than Prebisch and, like him, quickly recognized in this new field as “a teacher who inspired reverence by his style, his energy and his age”, Echevarría, a convinced social democrat, laid the primary blame for the catastrophic turn taken by European history after the First World War on the path down which Lenin had led the Socialist movement, a movement which —although

this could not have been its original intention— had shown itself by then capable of promoting gradual changes in the balance of social forces and held the promise of other, more far-reaching changes. Faced with this reformist current, Lenin had not been content to propose a return to the revolutionary sources of Marxist socialism, but handed the leadership of the movement in this new stage to a fresh collective player, a “party of a new kind” that in Russia was embodied by the Bolsheviks. Thereafter the rekindled class war had yielded a succession of increasingly catastrophic upheavals, which had begun in Europe with the triumph of fascism in Italy in 1922, and had led in Spain, after three years of savage civil war, to the outcome that drove so many Spanish intellectuals to seek new roots in the Hispanic-American world in 1939.

This vision, which made explicit the assumptions that had instinctively guided Prebisch from the beginning of his career, would turn out to be prophetic, in that it anticipated the coming changes in both the political and the socio-economic context of Latin America and the world. Those changes vindicated the Commission’s ideas, rescuing them from the marginal status they had managed to achieve since its foundation, to such an extent that 10 years later those ideas seemed to have attracted nearly universal consensus. But they were soon to face a decidedly inhospitable climate during the no less savage political upheavals and social conflicts that would follow this brief season of fleeting hopes. As the 1950s advanced, it became increasingly clear that what in the Old World had begun as an unexpectedly successful post-war economic reconstruction was continuing on a worldwide scale in a wave of growth with no foreseeable end. This climate of growing optimism about the future was quite appropriate as the culminating phase of the “*rente glorieuses*” approached—those “30 glorious years” following 1945, which the French economist Jean Fourastié would recall nostalgically in 1979 as the golden age of the capitalist order, whose survival had aroused well-founded doubts half a century earlier, but which now seemed to be promising an ever more brilliant future.

But it was not only the capitalist order that seemed to hold this promise. Until 1960, the economy of the Socialist bloc had been growing even faster than that of the countries hitched to capitalism, and many concluded from this that both blocs were coming to grips successfully with the shared problem of economic development. So much so, that in 1960 Walt W. Rostow, in his “non-Communist manifesto” (*The Stages of*

Economic Growth) imbued with the spirit of the Cold War, presented the Soviet Union's triumphant entry into the era of self-sustained development as the culmination of a process that had begun under capitalism in the empire of the czars. A sign of this reborn confidence in the future was the willingness to wager on it with the formulation of what (after that confidence evaporated) came to be described —and condemned— as “grand narratives”, which looked to this mystery-free future for the key to reconstructing the past. (After a long century in which greater caution had reigned here, this was an aspect that the “non-Communist manifesto” of 1960 picked up on from the Communist manifesto of 1848). Narratives like Rostow's offered grounds for celebration to societies that were coming to be known as the “first world”, to which the future promised further progress and constantly rising prosperity, but read from Latin America they seemed to herald, not without anxiety, the mortal challenges that the region would face in that all-important transition. Hence the new-found confidence in the future underpinning these narratives inspired in what would soon be known as “ECLAC thinking” an ambition to decipher the enigmas of the past.

If there were grounds for anxiety, it was not because Latin America's growth was lagging behind the first world —in the second half of the 1950s Brazil's rate of growth was the highest anywhere outside the Socialist orbit, and in the first two decades after the Second World War even Argentina's lustreless performance produced a growth rate slightly higher than that of the United States. Rather it was because not even these growth rates, which would be hard to surpass, were enough to significantly reduce the gap that separated Latin America from the developed world.

Because of this recognition of the way things were, the dual perspective toward the past and future (an essential feature of development economics), would take a different slant in “ECLAC thinking”, distinct from that of economists in the developed world. In a Latin America that was beginning to recognize itself as part of the Third World, examination of the past started from the future —whose positive signs were less a sure promise than an inescapable imperative— and stretched back far beyond the brief interval that separates the present from the beginnings and flowering of the Industrial Revolution, to discover in more remote ages the reasons why, in the era of development, it remained so hard to make up Latin America's ingrained lag. In 1958 and in 1959 two books by ECLAC undertook this exploration by two different routes. In *Chile, un caso de desarrollo frustrado* (“Chile, a case of frustrated

development”), Aníbal Pinto Santa Cruz recast in the vocabulary of development economics some ideas and diagnoses matured in a long century of thinking about this lag. He especially praised the ideas of Francisco Encina and constantly acknowledged his debt to that author's work, *Nuestra inferioridad económica, sus causas, sus consecuencias*, (“Our economic inferiority, its causes and its consequences”), published in 1912. Encina's works abound in intuitions of which some are admirably penetrating and others excessively arbitrary, but there is no doubt that Santa Cruz found in them a very useful inventory of issues that had to be tackled by any scholar wishing to tackle the old yet ever new problem of Latin America's lagging performance. In *A formação econômica do Brasil* (“The economic formation of Brazil”), Celso Furtado took a different road: he used the tools of retrospective economic analysis to try to pinpoint the time at which the economies of English-speaking and Portuguese-speaking America began to diverge. He found it in the decades between the independence of the United States and that of Brazil, and he also demonstrated that, although Brazil's growth rates were thereafter again comparable with those of the United States, the gap that had opened up at that time would not be closed. He reached the same conclusion for Mexico and Spanish-speaking South America. It is tempting to conclude from this that the earlier independence of the United States gave that country something more than a chronological leg-up, by allowing it to become an independent participant in the Atlantic economy before the advance of the Industrial Revolution opened a gulf between its centre and the periphery, to which the new Iberian nations found themselves relegated from their beginnings.

While these perspectives developed in ECLAC made a significant contribution to contemporary thinking about the issues and methodologies of the social sciences, which in those years were attracting increasing attention in Latin America, they also began to have an influence in the realm of day-to-day politics. Evidence of this was seen in the mid-1950s, when the term *desarrollismo* (“developmentism”) appeared in the political vocabulary, and on its heels a recognition that Latin America's post-war political and social climate differed vastly from the conditions that had prevailed between the outbreak of the Great Depression and the end of the Second World War. In that earlier time Prebisch had been able to influence the course of Argentina's economy, for the two reasons indicated above —on one hand, the proven incapacity

of the market economy's automatic mechanisms to end a deepening crisis meant that interests traditionally opposed to State intervention in the economy now turned to the government in desperation, while at the same time the establishment of a new political order, however shaky, had done away with universal suffrage and had severely confined the manoeuvring room of labour and social movements, with an analogous effect in those sectors. By contrast, by the post-war era, the situation had changed radically in the first aspect, with consequences that were being felt as well in the second.

With the economic upheavals triggered in 1929 behind them, Prebisch and the ministers he advised had been able to argue in 1935 that their efforts to boost industry were driven not by ideological or doctrinaire leanings but by the recognition that this was the only way under the circumstances for Argentina to make up some of the ground it had lost. And when the victors of the Second World War made it one of their objectives to restore the global market, which in fact had ceased to function in 1929, it seemed once again quite feasible, as an alternative to the model improvised over the previous decade and a half, to go back to the one that had served Argentina so well for more than a century.

This alternative took shape most clearly in Argentina but gained a greater or lesser hold virtually throughout Latin America, and had a political impact that, among the larger countries, could only be effectively blunted in Mexico (which from the beginning of its revolution followed its own path in this respect). Those not prepared to renounce the economic and social changes made during the previous stage were obliged to rally support for the industrialization model from a broader public than the owners of industry. Hence the rise of political currents that later came to be called "populist", which sought to win the support of the urban masses for the industrialization alternative as a counterweight to the growing reluctance of the propertied classes. This shift consolidated and accentuated the features that, from their beginning, differentiated the social framework of the industrialization taking place in Latin America from that of the earlier Industrial Revolution in the first world. For one thing, there was now a labour movement in place, and the populist solution would help it to progress. There were already hints (and sometimes more) of labour laws which, in a populist political setting, could not fail to have a growing influence on the day-to-day lives of the working class. All of this would merely worsen the difficulties of an

industrialization effort that could no longer benefit, as it had during the war, from the absence of all competition from the developed world. But even more serious was the fact that 10 years after the end of the war this industrialization model (based on producing mass consumption goods mainly for the middle and working classes) was exhausting its growth potential. It is not surprising, then, that the political movements identified with the industrialization alternative felt the need to breathe new life into it, and this need drove the rise of what came to be known as "*desarrollismo*".

The term alluded to the idea of opening a new phase in which the industrialization process would be deepened. As originally conceived in ECLAC, it would have to address the production of capital and intermediate goods once light industry had grown sufficiently to create a broad market for such products. The political leaders who adopted this attractive label for their plans started this new phase by promoting the production of durable consumer goods targeted at the upper and upper-middle classes. It is easy to see why they did so, since the serious and imminent threat to their supporters represented by the industrial sector's incipient stagnation enhanced the attractiveness of offers by first-world corporations, hungry for the monopoly rents that were there for the picking in industrial economies closed to any significant external competition. But while this strategy rapidly permitted the hoped-for industrial revival able to restore the original drive to the populist movements, it was not long before the innovations made to give those movements a new lease of life were opening the door to changes in the socio-economic framework that had facilitated the previous advance of populism. This happened for two reasons that ultimately fuelled each other. On one hand, local production in these new branches of industry, far from replacing imports which had in fact been virtually suspended for decades, was creating a need for new and different imports. This meant constant resort to external investment and credit and, consequently, increasingly limited the decision-making freedom of economic policymakers in the receiving nation. On the other hand, the fact that these new industries (whose growth contrasted with the stagnation of the older industries that catered to an already saturated mass lower- and lower-middle class market) could survive and even prosper amidst an income redistribution pattern contrary to that which the populists had originally intended helped to weaken the political power of a movement that in 1945 believed the future belonged to it.

By the end of the 1950s, both external and domestic forces were becoming increasingly effective in countering the populists and their supporters and this was reflected in an ongoing struggle over income distribution among the social sectors, interrupted by truces that were doomed to be shattered as soon as a new burst of inflation made them obsolete. This led to fear that what had been hailed as an admittedly difficult transition between two industrial models would end up in stagnation and instability that would drag on indefinitely. In the context of a rapidly growing world economy, with which Latin America was finding it increasingly difficult to keep pace, it became clear that in order to avoid chronic stagnation deeper changes were needed in the region's economic and social structures than those introduced under the banner of populism. In 1958 the Commission produced an essay describing this broadening of perspectives, one that resonated far and wide. In *La inflación chilena, un enfoque heterodoxo* ("Chilean inflation, a heterodox approach"), Osvaldo Sunkel called for "lifting the monetary veil" to discover the structural causes of inflation, which he attributed to the damaging economic and social consequences of the low productivity of Chilean agriculture, as mentioned above. This was at first glance a rather arbitrary conclusion, since industry suffered similar constraints, but it was justified by Sunkel's proposal to go beyond that diagnosis and suggest a way to overcome the impasse in the Chilean economy through a deep-reaching economic and social reform, which could only start with agriculture.

In 1959 the triumph of the Cuban revolution had the immediate effect of rallying a Latin American consensus around the more ambitious agenda that was beginning to take shape. By 1961, that agenda was drawing murmurs of approval from Washington. This agreement on the basic socio-economic problems of Latin America lasted longer than might have been imagined possible when Latin America was becoming a battleground for the Cold War, which had been exiled from the developed world and was preparing to bloody the farthest reaches of the Third World. Shortly after his victory, Fidel Castro launched an idea that was then taken up by Brazilian President Kubitschek in his proposed "Operation Pan-American". This was ultimately given shape in the Alliance for Progress, which the United States would offer its southern neighbours as an alternative to the socialist path that Cuba was championing.

In 1960 this consensus, which essentially mirrored the Commission's thinking, seemed to be on the

ascendant everywhere. While in Cuba, with the coaching of Felipe Pazos, the attempt to overcome stagnation and expand the narrow domestic market through a huge boost in mass consumption capacity gained for a time almost unanimous support for the revolutionary regime from Cuban society, in Chile the Christian Democrats came to power in 1964 with a programme that reflected the essence of ECLAC thinking, defeating a leftist, similarly inspired alternative. In fact, the Alliance for Progress had now adopted as key themes the agrarian and fiscal reforms that Prebisch had proposed to his followers back in 1922.

As we know, things were soon to take a different turn. Why was the shift that Lenin had introduced in the socialist movement, and which Medina Echevarría had thought so catastrophic for the Old World, now having repercussions in the new? Certainly, that shift can be blamed for much of what was tragic in the stage that began with the defeat in Latin America of revolutionary and reformist movements alike, from the overthrow of Brazilian President João Goulart in 1964 (the same year in which the Christian Democrats launched their "Revolution in Freedom" in Chile), to the removal of Maria Estela Martínez de Perón in Argentina in 1976. But we must ask if there were not other problems that had less to do with the contents of the ECLAC project than with where it came from, and which would also explain the ultimately insurmountable problems involved in putting it into practice.

Celso Furtado offers moving testimony in the three books that trace his career, from *A Fantasia organizada*, covering the hopeful years at ECLAC, to the increasingly sombre *A Fantasia desfeita* and *Os ares do mundo*. This is the testimony of one who, alone among Prebisch's recruits to ECLAC, rose to occupy in his native country a position comparable to the one that Prebisch had held in Argentina, only to discover that it was now impossible to steer the economic and social process from that position, as Prebisch had been able to do when Argentina was seeking a new path amid the ruins of capitalism's greatest crisis. The triumph of a response imposed by the most savage of means put an abrupt end to the project with which Furtado hoped to continue the work of Prebisch, and this stamped a bitter and indelible mark on his memory. But that bitterness did not prevent him from recognizing that the triumph of a blind and brutal reaction had been not the cause but rather the consequence of a failure that, in hindsight, seemed to him inevitable.

This is how he put it in a book that dates from the time when, as a result of the lurch to authoritarianism

in Brazil, he was “crossing an invisible line that would mark [his] life definitively”.¹¹ In that book, in which he tried to draw some lessons from this abrupt reversal of fortune, he recalls how “in underdeveloped economies, the market for the factors of production works to increase income concentration, because there are no social forces capable of opposing that trend” and he adds that the State, the only institution that “can fill that gap by arbitrating between accumulation and distribution, will act in one direction or the other depending on the social forces that control it. What is important to note here is that whichever side holds the levers of power —authoritarianism or populism— the result is an unstable situation, because the excessive concentration of income causes social instability, and excessive redistribution frustrates growth”.

And events proved that the “political education effort” that could make it acceptable to seek a balance between these two excesses would be impossible in the authoritarian framework imposed by force in Brazil, which “restricts citizen participation in political activity and degrades the exercise of power by stripping it of social control”. By contrast, in the open society previously assured by the prevalence of representative democracy, “populism [would have been] capable of improvement”¹² because “practical politics” would still have been able “to indicate the paths to building an institutional framework that could give effect to the ideas of freedom, prosperity and tolerance, which are the essence of modern civilization”.¹³

This is the sad but honest conclusion of one who had taken it upon himself, in the name of the State, to arbitrate between accumulation and distribution in Brazil, as Prebisch had done three decades earlier in Argentina, only to discover that the State had fallen under the control of social forces that were now less inclined to respect the arbitrator’s verdict than to impose whatever best suited their perceived legitimate interests. He then realized that there was no longer a place for him in his native land. Societies willing and able to take charge of their economies, like those that Iberian and Iberoamerican reformers, from Pombal to Prebisch, had used as models, had now been built. However —as Furtado also stresses— in the industrialized countries, market forces in principle guarantee economic growth because they have achieved a balance of social forces organized and integrated into the productive system,

thanks to which the historical rise in real wages reflects the increasing relative scarcity of labour. In underdeveloped countries, on the other hand, where no such equilibrium exists, “liberalism —an ideology devoted to preserving the social status quo through gradual reforms— was replaced by authoritarianism”, while “socialism —an ideology focused on social justice— was turned into populism”. It was difficult for Furtado not to deduce from this a corollary that struck too close to home. Here was someone who had hoped to carry on the two-centuries-old struggle to advance Latin America, from his position at the pinnacle of the State. But as he would discover, that State was no longer capable of steering the path of society, and 1964 marked the end of his homeland career, one that had been just as brilliant as that Prebisch had enjoyed in Argentina up to 1943. It is easy to understand that Furtado continued to re-live this setback, with an intensity of feeling that is fully reflected in the works he would compile more than a quarter-century later into *Os ares do mundo*.

As Hodara notes, the shift in the political as well as the economic and social climate in Latin America that had derailed Furtado’s previously triumphant career made it impossible for the Commission’s interventions in the now permanent debate about Latin America’s future to regain the “prophet-caudillo” status they had under Prebisch.¹⁴ But that would not stop ECLAC from formulating them, nor from extending its analyses of the present into a future now more uncertain than it had been in the euphoric times when Rostow had examined it nor, indeed, from arriving at conclusions that were perhaps more accurate than those set out in *The Stages of Economic Growth*. Let me at this point offer a personal anecdote from a seminar given in Berkeley in 1980 by Osvaldo Sunkel, in which he announced that the convergence between the developed world and the Third World that had been frustrated in the 1960s would be achieved through a change of direction opposite to the one in which such great hopes had been placed. The first world, he said, would take on a more opulent version of the deplorable social profile that had been maturing in its Latin American periphery. If I retain such a vivid memory of that seminar it is because I also recall my scepticism about that prophecy —I was convinced that Osvaldo was disregarding (as economists often do) the obstacles to such changes posed by the forces of inertia (to which we historians

¹¹ Furtado (1993, p. 127).

¹² Furtado (1993, p. 148).

¹³ Furtado (1993, p. 149).

¹⁴ Hodara (1987, p. 229).

are more sensitive)—and my surprise when the future he announced to us duly began to unfold over the two following decades.

Looking back, I should not have been so surprised, given the signs of an impending change of scene that had been building up over the previous decade. In 1971, President Nixon ended the dollar's fixed-rate convertibility into gold. That move reflected changes in the world economic balance that were undermining the absolutely dominant position the United States had achieved in the course of the Second World War. The first oil crisis in 1973 was an even more ominous sign of an end to the good times that people had thought would go on forever. In fact, it was something more than that: it was the first announcement that the magic was gone from the economic formula which had guaranteed prosperity for the first world, and which to survive would have needed an overabundant flow of raw materials (and to a lesser extent of food) shipped at very low prices from the periphery. This upset could be attributed to the creation of the Organization of Petroleum Exporting Countries (OPEC), an initiative of the main oil-producing countries along the lines of that proposed in vain by Prebisch half a century earlier to the Argentine livestock raisers. As we know, the first world's response was to allow carefully controlled inflation to ensure that the slump provoked by the sharp hike in oil prices would not spiral into depression, something those with vivid memories of the political fallout from the capitalist economy's crisis of 1929-1931 were determined to avoid at all costs.

The inflation to which the First World resorted to manage stagnation had the immediate objective of preserving the welfare state introduced after 1945 in Europe, and with less superstructure but with comparable results in the United States. This was deemed essential to avoid a return to the social upheavals of that earlier nightmare. But the economy's next turn would quickly reveal as excessively optimistic the notion (which had become popular during the previous boom) that government officials tracking the situation had adequate tools to keep the economy broadly on the desired path, and needed only, perhaps, to improve their fine-tuning. The flaws in that notion would become clear in the unexpected outcome of efforts to keep the economy on track, which, in fact, drove it ever further away from that track without anchoring it firmly in any alternative channel. Thus, when the slow but incessant redistribution towards wage-earners of a GDP no longer growing as fast as hitherto brought the term "negative real interest

rates" into common use, there were those who saw in this the first sign of an unexpectedly peaceful end of the capitalist chapter of world history. But when inflation in the United States reached levels that were seriously alarming to the general public, President Carter decided, in this unsustainable situation, to throw his support to those who (according to a formula that had become suddenly popular) were ready to squeeze inflation from the monetary system as one wrings water from a sponge. This decision, taken in an effort to save the essentials of the post-war economic and social order, helped take the world economy in a direction opposite both to that expected by those who believed they were witnessing the euthanasia of the capitalist order and to the one Carter himself had intended it to take. In effect, he had not counted on the huge inertia that had built up in a gigantic national economy too accustomed to growth, and he was obliged to enter his re-election battle with inflation not yet beaten. With the harsh fallout from a spike in interest rates that brought them to previously unimaginable levels, and with no sign on the horizon that the long-promised victory was within reach, his defeat at the hands of Ronald Reagan was inevitable. Reagan's contagious optimism reassured a public overwhelmed by gloomy forecasts that, just by willing it, the country would soon be bathed in the light of a new dawn. And in fact his victory heralded the dawning of a new era. The effort launched in the hope of securing a new lease of life for the postwar socio-economic order would now be used to give capital the chance to retake from labour and government nearly all the ground it had lost since the Great Depression of 1929, when for a time the very survival of capitalism had seemed under threat.

The first victim of the abrupt change of direction imposed by this model from the very centre of the First World would be the Socialist bloc formed by Eastern Europe and the Soviet Union. There, since the early 1960s, rapid post-war growth had given way to deepening stagnation. The bloc then sought to alleviate the consequences of that stagnation, during the economic and financial boom years that its adversaries in the Western bloc were still enjoying, by opening up to the credit and investment flows spilling over from the West. The fallout from the end of that boom is visible in the backdrop to the dizzying process that in 1989 saw the absorption of the self-proclaimed first German workers' and peasants' state' by the very bourgeois Federal Republic of Germany. This marked the beginning of the collapse that would be consummated in 1991 with the dissolution of the

Soviet Union. That unexpected cataclysm had few precedents in world history, and would close the cycle of revolutions in modern Europe with the collapse (which looked much like suicide) of the most ambitious of all those revolutions. At the same time, it inspired in those who had won such an overwhelming victory the assurance that they were witnessing an end to history whose features were curiously similar to those of the beginning of history proclaimed imminent by Marx and Engels in their 1848 manifesto. They were convinced that in the era now opened by this colossal triumph humanity would be governed to the end of time by the principles enshrined in the purest version of the economic as well as the political and social credo that had guided capitalism in its vigorous youth. But they were no less convinced that the economic model prevailing during the three most glorious decades in capitalism's entire history had just been condemned as well by the implacable verdict of history. Indeed, it was undeniable that both in Europe and in the United States the political forces still tied to that model were backed into a defensive corner from which, in an effort to save what was salvageable, they seemed resigned to yield one position after another to an increasingly self-confident adversary.

It is not surprising that the 1980s would soon be remembered in Latin America as "the lost decade". To a degree even more alarming than in the Soviet bloc, Latin American countries had over-borrowed abroad. Even Mexico and Venezuela, buoyed by the oil boom, found themselves at the end of the credit boom in trouble just as deep as their less fortunate neighbours, with debts they could not pay off and or easily roll over, even at the exorbitant interest rates that had now replaced the previous, temptingly low ones.

As that decade opened, the lurch to authoritarianism had already extended to the three most southerly countries of Latin America. While in Brazil the military government succeeded in releasing the *desarrollista* drive, which had proven incapable of overcoming obstacles within a democratic political setting, the Southern Cone saw an attempt to impose a plain and simple return to the outward-oriented development model through a kind of State terrorism that in Chile and Argentina (and to some extent in Uruguay) reached levels previously unthinkable in the region.

These regimes had staked all on an economic project that turned out to be unsustainable, and they would suffer severely from a far less accommodating financial climate than the welfare states that had flourished in Europe during the previous boom. Their

external debts kept growing as fast as in the previous phase, as they resorted to rollovers that provided no new resources for their national economies and merely postponed the inevitable day of reckoning, when settling accounts would be even more costly. The decline of the authoritarian regimes sparked by this unexpected (although expectable) change of fortune paved the way for political transitions. But Argentina was the only country to have a fully representative democratic system restored by the beginning of the decade, and it faced the impossible task of administering the financial legacy (which was particularly crushing there) left by the military government. By then, in most Latin American countries, including those that had not suffered State terrorism, the hangover from the previous boom, while less stifling than in Argentina, made it even harder to address the consequences of what was increasingly recognized as an irreversible change of era, and one that was by no means limited to the financial and economic sphere.

In this new context, "ECLAC thinking", which since 1949 had been tracking developments in Latin American economies and societies with explicit analyses and less explicit forecasts, would now offer, through the contribution of Fernando Henrique Cardoso, what we might call a posthumous picture of the phase that had just ended. On this basis, Cardoso would propose a more modest agenda for change, as an alternative to the one that ECLAC had championed under Prebisch, and he would also suggest some practical ways to implement that agenda, which again represented alternatives to the instruments Prebisch had tried to use throughout his public life.

In 1968, when intensified political and ideological repression by the four-year-old regime in Brazil forced Cardoso to seek refuge at ECLAC, he had already absorbed some ideas gleaned from the Commission's work into his vision of Brazil's and Latin America's problems. At the same time, having been trained as a sociologist in the traditions of both Marx and Weber, he associated himself closely with the perspectives that Medina Echeverría had introduced in ECLAC in this area. The first fruit of his temporary sojourn at ECLAC was a report prepared in collaboration with his Chilean colleague Enzo Faletto, which the following year became a short book, *Desarrollo y dependencia en América Latina. Ensayo de interpretación sociológica*, ("Development and dependency in Latin America: a sociological interpretation") which, as we know, generated ripples that are still felt today. In that book we can already make out the path that Cardoso was

to take upon the close of that turbulent stage in which reform, revolution and reaction once again vied for the future of Latin America with an intensity not seen since the crisis of independence.

The direction that Cardoso would take in the future is suggested most clearly in the care he took in this 1969 book on sociological interpretation to distance himself from the generalized explanations for Latin America's laggardness inspired by the rival views of history on which these mortally antagonistic alternatives were based (although not always explicitly). That distance was reflected in his refusal to offer any global dependency theory to counter those already competing: Cardoso and Faletto both objected that experience offered many situations of dependency with traits that did not all fit those theories. Based on this premise, they outlined a typology of these varied situations, looking above all at the balance (different in each case) between the forces and influences wielded by agents external to the process that led to underdevelopment and those available to the dominant local players, whose support of those agents was essential for the continuity of that process. They drew on a very concise reconstruction of the historical experiences in which these situations had matured. More than their conclusions about any of these situations, we are interested here in the other, implicit premises underlying their argument that there was a multiplicity of "dependency situations". Behind the conviction that there are different roads to underdevelopment, and that these roads shape the profile of the economies and societies forged in the process, it is easy to discern a more general conviction about the mechanisms through which every historic process must pass, which is entirely incompatible with any view of history. This in turn led implicitly to a corollary that had immediate practical relevance: even after the much-heralded "decade of decisions" of the 1960s had come to the most disastrous end imaginable, that closure was not an end of history, but a turning point which, while undeniably negative, had not removed from the scene those who had just suffered utter defeat.

At the very first sign that the military regime in Brazil was about to enter its decline, Cardoso drew from this analysis of defeat a corollary that affected him even more personally: he concluded that the time had come (even before full restoration of the freedoms that the military had suspended) for him to enter politics. His political role would not be to offer up arguments for the "political education effort" that Furtado had thought so essential for persuading a divided society

that only a solution far removed from the "excesses" of both authoritarianism and populism could offer escape from the labyrinth in which it was locked. Rather, he would gamble on his vision of the future by throwing himself into the political arena. As we know, that gamble was unexpectedly successful, however desperate it might have looked, undoubtedly because, on the one hand, our colleague had a very sound understanding of the limits that the fast-advancing new world socio-economic order set on those who refused to give up on their long-standing goals in this now decidedly adverse context. On the other hand, he also displayed an unexpected skill for manoeuvring in the field of day-to-day politics.

Cardoso's career may have shown that, after two centuries of proposals for overcoming Latin America's lag, there was still a road open to those seeking to follow in the footsteps of that illustrious tradition if they decided to pursue it through democratic politics. But the end of those two centuries left ECLAC with the same problem. Of course, the road chosen by Cardoso was closed to the Commission: in the midst of profoundly altered circumstances it now had to find an effective way to continue the task that Prebisch had assigned it, by introducing a Latin American perspective into the debate on the socio-economic order, which once again, as at the end of the Second World War, was entering a time of radical changes.

The task that awaited it would not be easy. The decade of the 1980s had already witnessed the crushing victory of the business and financial world over both labour and the State. As the following decade dawned, the collapse of so-called "real socialism" in its original Eurasian embodiment was seen by the victorious credo's adherents as irrefutable vindication of the economic (as well as the social and political) doctrines enshrined in that credo, and in the debates in which ECLAC staunchly participated those doctrines would form the core of a new orthodoxy that was reluctant to recognize the legitimacy of any dissenting opinion.

In this context, however unrewarding, ECLAC played the role of a sceptical observer and in response to the relentless advance of the new ideological orthodoxy it invoked the ever more glaring gap between the effects of the policies inspired by that orthodoxy and what it had promised to deliver. And we may note that, confirming this argument's validity, in the 1990s the economies of Chile and Brazil, whose economic and social policies reflected that same scepticism, were the most conspicuous exceptions to the generally disappointing performance of the Latin American

economies in a decade that for several was even more “lost” than the preceding one.

With the opening of the new millennium it was already clear that the shift in relations between the State and the groups that had occupied centre-stage in the industrial society, far from heralding the end of history, had opened the way to a great historic mutation whose ultimate goal was impossible to foretell, but whose course lent itself less and less to confirming the simple lessons that the new orthodoxy insisted on drawing from it. And today, while that goal remains in the shadows, it is even clearer that the stage at which we are now will bring changes far deeper and broader than the startling shifts we have already seen, and that

both those who upheld this ephemeral orthodoxy and those who are glad to see it dissipate are witnessing the opening scenes of a drama whose plot is yet to be revealed.

What should the Commission’s role be in response to this gloomy present and uncertain future? Perhaps it should retain the role it played in the final two decades of the past century, which sowed the seeds for everything we are now reaping. That means bearing witness and remaining faithful—in the words of Celso Furtado, and changing only the tense of the verb—“to the ideas of liberty, prosperity and tolerance, which were the essence of modern civilization”.

(Original: Spanish)

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