PREBISCH Linares, Raúl Federico, Argentinean economist and second Executive Secretary of the United Nations Economic Commission for Latin America (ECLA), 1950-1963, and first Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), 1964-1969, was born 17 April 1901 in San Miguel de Tucumán, Argentina and passed away 29 April 1986 in Santiago, Chile. He was the son of Albin Teodoro Prebisch Jaeguer, a small business owner, and Rosa Faustina Linares Uriburu. On 25 October 1932 he married Adela Maria Moll, musician. They divorced in 1969 and on 27 February 1969 he married Eliana Diaz, librarian at the International Monetary Fund, with whom he had one son.

Source: http://prebisch.cepal.org/es/multimedia/foto/encuentro-de-prebisch-y-otros-funcionarios-de-la-cepal-y-eduardo-frei-montalva-en

Prebisch was raised in provincial Tucumán in Argentina’s remote northwest corner. His father was a German immigrant and his mother was of long-established colonial pedigree. The family was middle class, outside the social elite, but Prebisch and his seven gifted siblings were schooled by their parents and Jesuits in civic responsibility. Tucumán itself, however, was a case study of social exclusion. Prebisch came to be repelled by the conditions endured by Indian migrant workers and their families who worked the large sugar estates. The choice of economics as a career reflected his goal of social reform, with an early commitment to equity remaining a life-long imperative. Lacking the financial resources required to attend a foreign university, Prebisch enrolled in the new Faculty of Economic Sciences in Buenos Aires, arriving in April 1918 in an international city at a crossroads of ideas and debate, enriched by the arrival of intellectuals and political exiles of all kinds from Europe and the Americas. While he profited from the city’s cultural ferment, Prebisch found his studies in the Faculty excessively deferential to the British classics rather than focusing on his overwhelming interest: serious applied research on Argentina’s political economy. However, he did meet scholars like Alejandro and Augusto Bunge who broadened his approach to the discipline and introduced him to the work of important continental theorists such as Vilfredo Pareto and Maffeo Pantaleone. Similarly his translation of John Williams’s book on Argentine international trade introduced Prebisch to the work of Frank W. Taussig at Harvard University and other American economists. In the absence of Faculty seminars on Argentine public policy he organized informal research groups with equally committed fellow students such as Ernesto Malaccorto who would become lasting members of an emerging ‘Prebisch team’. His first scholarly work showed exceptional promise and, by 1921, his work on business cycle theory and Argentine economic history yielded findings which challenged conventional approaches. By his graduation in 1922 he had emerged as the outstanding student of his generation and was invited...
to join the Faculty. By 1925 he was awarded a tenured professorship and held this position until 1948.

Prebisch also looked beyond the academy. He was committed to deep social and land reform given the country’s obvious needs, but his career options were limited. He rejected the Soviet command model on both economic and political grounds. He considered joining a political party, but was deterred by the poisonous climate of party politics in the country and also lacked the financial resources and society connections for a power base of his own. This left the technocratic option, so he chose a public service career. As a reformist civil servant he would work within the Argentinean state to modernize a corrupt and outmoded system, thereby reforming public policy. Apprenticeship during the 1920s offered him unusual experience, while extended work visits to Australia, Canada, Europe and Washington DC introduced him to Argentina’s place and leverage in the international system. Appointments in Argentina complemented this foreign experience. He had two depressing research assignments with Argentina’s principal agricultural lobby, the Sociedad Rural, another task directing the National Statistical Office (1925-1927) and finally he set up a research office in the venerable Banco de la Nación with its own Economics Journal. The first issue, released in January 1928 when turbulence in the international economy was growing, gave Prebisch a national audience.

When the new military government of General José Felix Uriburu, a second cousin of his mother, took power in a bloodless coup in September 1930, Prebisch was named Under-Secretary of Finance. Holding this post until March 1932, he faced a formidable challenge. Argentina lay in the grip of the Great Depression, with a collapse of international trade and mass unemployment. During the postwar economic revival he had shared the broad laissez-faire consensus of mainstream economists and his first response to the crisis was along orthodox lines: cutting public sector salaries and slashing public expenditures. Given the deepening of the crisis, he soon shifted to an activist approach in trade, currency and income tax policy in order to stabilize the economy. As a delegate to the League of Nations’ Geneva Preparatory Commission and the 1933 World Economic Conference in London, where he encountered John Maynard Keynes’s Means to Prosperity (1933), Prebisch concluded that the liberal doctrine of comparative advantage in international trade theory was inadequate in explaining current economic realities. In Geneva and London the great industrial powers simply ignored the needs of agricultural countries such as Argentina and in its commercial relations the country was forced to accept a humiliatingly subordinate position to the United Kingdom (UK). The lesson was clear: Argentina could count only on itself and would have to defend its own interests to survive. The currency of international trade, he noted, was power (Dosman 2008: 81). He set up a National Recovery Plan and began preparations for a central bank. The Argentine Central Bank, created in 1935, was his solution to the instability in the national economy and, as its first Director-General (1935-1943), he soon stabilized the banking system. The bank’s public-private charter provided sufficient autonomy to play a core regulatory and steering role despite protracted political turbulence. He managed to begin a countercyclical policy to tame the international business cycle and oversee a careful but deliberate policy of import-substitution industrialization. By 1939 the Argentine Central Bank was recognized as one of the leading banking institutions in the world. Prebisch proved to be a rare thinker who was also a born administrator and policy maker with a huge capacity for work. A team of young economists from university days, who had worked in his research groups, had followed him to several institutions, and formed an administrative elite known as Prebisch’s ‘Brain Trust’. His record in managing the economy was exemplary: industrialization advanced, Argentina did not default on its debt and close relations were maintained with the US Federal Reserve and the Bank of England.

With war in Europe after September 1939 and the closing of that market to South American goods, Prebisch began negotiations with Brazil, Paraguay and Uruguay for a regional
free trade area and strengthened relations with the United States (US) during a visit to Washington DC from November 1940 to February 1941. However, war diplomacy after Pearl Harbor in December, specifically Argentina’s refusal to join the Allied war effort, abruptly curtailed this promising opening to the Americas and plunged Prebisch, with his strong pro-Allied views, into a period of renewed tension between his Central Bank and the government. Despite his evident successes in economic management, Prebisch was increasingly isolated. The new military government, which took power in June 1943, dismissed him in October. Even his university tenure was in doubt when Colonel Juan Perón consolidated power. Prebisch now realized that his technocratic strategy for reforming the state was not viable within dictatorships and he resolved henceforth to work only within a democracy and under the rule of law. He was banished from the public sector without severance pay and had to sell his car and rent his house to maintain his mortgage payments. He then received an invitation from the Bank of Mexico in December 1943 to visit Mexico City to lead a three-month seminar on banking and monetary policy, which proved a turning point in his life. Until his dismissal Prebisch had viewed Latin America from the perspective of Argentina’s national interests, particularly the complex diplomatic triangle that had emerged between Argentina, Brazil and Chile. He had little personal knowledge of Latin America beyond this core because Argentina’s reference point in the international economic order was with the UK, Europe, North America and Australia. The concept of ‘Latin America’ remained little more than a geographic expression to be ritualistically repeated at Pan-American conferences. The culture and wealth of Mexico as well as the many contrasts with Argentina, but also their potential convergence of interests in the emerging postwar world, stunned him. He met a new generation of Mexicans, creating life-long friendships. Other Latin American governments from Venezuela to Chile invited him to provide technical assistance. Yale University Professor Robert Triffin, who headed the Latin American Section of the US Federal Reserve and coordinated financial advisory missions to central banks in the region, invited Prebisch to work with him in several countries and recognized his stature as a leading pioneer of development banking. Prebisch’s regional reputation spread. Brazilian economists invited him to Rio and the Venezuelan government brought him to Caracas for a major mission on banking policy in 1948. These engagements built his understanding of the complexity, cultures and levels of development of the region and provided the opportunity to meet a new generation of young economists within a Latin American-wide vision.

Prebisch’s main interest since 1943 was completing a book on economic theory, which drew on his experience. While he had long since abandoned liberal orthodoxy, he had not yet succeeded in theorizing a coherent alternative approach to trade and economic relations between industrial and agricultural countries. The pieces of the puzzle came together when he began elaborating a ‘centre-periphery’ concept of the international economy after his Mexican trip and in 1947 he completed a text interpreting Keynes for Latin American readers. The two thinkers shared key approaches since both were committed to employment and greater equality through more activist state policies, but they also diverged in a critical dimension. Whereas Keynes’s primary focus was the welfare of developed economies, Prebisch’s optic encompassed the global system. He criticized Keynes’s failure to address the fault line between developed and developing countries, whose economies were inherently vulnerable. He had also noted the persistent decline in the terms of trade for primary commodity exports and advocated a policy of inward-development for Argentina. His book remained unfinished when the Perón government forced his resignation from the Faculty in November 1948. Unemployable in Buenos Aires, Prebisch accepted the offer of a senior appointment with the International Monetary Fund. When the executive board rejected his appointment, Prebisch’s prospects narrowed to a short-term consultancy with the United Nations (UN) Economic Commission for Latin America (ECLA; CEPAL in Spanish) in Santiago, Chile. His task was to write an introduction for ECLA’s first Economic Survey of Latin America to be presented at ECLA’s
Second Session in Havana in May 1949. The document Prebisch wrote and presented in Havana, *The Economic Development of Latin America and its Principal Problems* (Lake Success 1950), would prove to be his most enduring theoretical contribution. His conceptualization focused on a structural rift in the international economy in which the Latin American ‘periphery’ was linked to the industrial powers as a function of its natural resources, but in a subordinate position which primarily served the interests of the ‘centre’. The Havana Manifesto, as it was later called, advanced an alternative paradigm of the international system. Combining business-cycle theory and what became known as the ‘Prebisch-Singer’ thesis on terms of trade (the economist Hans Singer found similar results), he challenged the traditional comparative advantage approach to international trade, maintaining that the existing division of labour, between countries exporting raw materials and those exporting finished goods, concentrated the fruits of technical progress in the industrial countries. In this formulation international trade was not a mere exchange of goods, but rather reflected a far more complex relationship, ultimately of power: the concentration of benefits in trade underpinned the hierarchical structures in the world economy. The first corollary of this structuralist critique was evident: if international market forces left to themselves reproduced inequity, peripheral countries required an activist state to address asymmetric power relationships across and between regions of the world economy, to level the playing field. A second corollary, namely that the existing asymmetrical international system produced recurrent crisis rather than equilibrium, reinforced the importance of effective counter policies of peripheral states. Prebisch’s ideas were controversial, with the significance immediately understood by governments in the North, international financial institutions and developing countries such as India. Economist Jacob Viner (1952: 44) of Princeton University dismissed them as a dangerous amalgam of unsubstantiated historical conjecture and simplistic hypothesis. However, Prebisch had advanced a daring and compelling regional challenge with an alternative vocabulary, which addressed power relations in the international system.

UN Secretary-General Trygve Lie, who wanted a healthy regional commission, appointed Prebisch Executive Secretary of ECLA in June 1950 after he had checked with Washington, where Secretary of State Dean Acheson was sympathetic. In 1951 ECLA became a permanent UN body, which Prebisch transformed into a dynamic research centre. Singer compared Prebisch’s ECLA with Keynes’s Cambridge group in the 1930s as it captivated the imagination of young economists (Iglesias 1994: 44) and, like Keynes, Prebisch had his pick of the best minds, such as Celso Furtado, Victor Urquidi and Anibal Pinto. That economists from all parts of Latin America were working together for a common cause made ECLA all the more exciting and empowering. ECLA had essential regional tasks to perform, yet it was still accountable to governments. Not all Latin American governments took ECLA’s advice on economic policy, but they supported Prebisch as a valuable authentic voice and builder in their region. In the early 1950s most countries lacked the entire knowledge infrastructure of development: reliable statistics, basic country studies, planning capacity, research and technical assistance of all kinds. In 1951 ECLA began offering special courses for young economists and planners throughout Latin America, and the annual *Economic Survey of Latin America* became a best seller. By the late 1950s national capacities had greatly expanded in most countries, with ECLA as a key provider of essential services for development. Prebisch’s leadership proved effective. He built an extraordinary team of experts who felt especially fortunate to have been chosen to work (normally to exhaustion) for ‘the great heresiarch’ (D.H. Pollock in Dosman 2006: 15). Prebisch protected his staff with implacable firmness. His charisma, loyalty and uncompromising commitment energized his followers. Under his direction ECLA developed a theory of economic development for Latin America, different from US, Soviet or West European models and soundly based in the economic conditions of the time. Prebisch always ensured that conflicting perspectives on markets and the state were debated and results tested
empirically. Although import-substituting industrialization, as the model became known, remained controversial, it delivered strong annual regional economic growth of 6.2 per cent until the mid-1970s. ECLA’s focus evolved as the 1950s progressed with regional trade integration becoming its leading agenda item after 1956. However, Prebisch’s ambitious quest for a Latin American Common Market was unsuccessful, as the General Agreement on Tariffs and Trade (GATT) refused its support, and culminated in the more modest Treaty of Montevideo (1960) establishing the Latin American Free Trade Association. Yet a precedent was established and the challenge of strengthening the region within the global economy would remain a priority.

Prebisch’s image in US government circles during most of the 1950s was that of a dangerous leftist whose protectionist ideas would ruin Latin America, but this changed after John F. Kennedy’s election as President. When Kennedy announced his Alliance for Progress in March 1961, he paid Prebisch the compliment of incorporating the ECLA doctrine wholesale to underpin the proposed Ten Year Plan and invited him to help shape the Alliance. No longer an object of suspicion, Prebisch accepted the invitation to be Coordinator of a new Panel of Experts of nine independent and distinguished regional specialists, who were mandated to evaluate the national development plans which Latin American governments would have to present as a pre-condition for US financing. The concept set out a new vision of US-Latin American relations. However, the entire Alliance for Progress floundered rapidly and Prebisch resigned in June 1962. For some time he had been considering the formation of a research and training body that would operate side-by-side with ECLA, but with greater autonomy from US and Latin American governments. In 1962 the UN approved its concept, structure and funding and when Prebisch resigned from the Alliance for Progress and faced his final years in ECLA, he agreed to lead the Latin American Institute for Economic and Social Planning, which was called ILPES, or simply the Institute, and based in ECLA’s new building in Santiago, as Secretary-General. For a brief period Prebisch led ECLA and ILPES simultaneously until a new global initiative emerged.

In January 1963 UN Secretary-General U Thant invited Prebisch to head a major initiative that developing countries had been demanding for years. The UN General Assembly had finally approved a UN Conference on Trade and Development (UNCTAD) to be held in Geneva in early 1964. Prebisch was U Thant’s candidate for the secretary-generalship of this conference (until July 1964, since there was no assurance that a permanent organization would be created), but the Western states contested this nomination by putting forward Australian John Crawford. Delegates became impatient when no majority was found, while the preparatory committee was called for 23 January. The decision to ask Prebisch was made in a great rush at the very last moment of that day and implemented rather informally. Because international trade had become a sensitive issue at the UN, Prebisch was not alone in realizing that the odds of failure were high. The industrial countries strongly supported GATT and saw no need for more UN bureaucracy, whereas the developing countries argued that GATT practices favoured developed countries at their expense and insisted that the new UNCTAD become a permanent and powerful body to support their interests within a more balanced system. For Prebisch the stakes were too high to refuse. The parallels between region building in Latin America through ECLA and this new challenge were intriguing: UNCTAD offered him the opportunity to project his concept of North-South relations to the global level. The 77 developing countries of Africa, Asia and Latin America that had voted for the UN Resolution authorizing UNCTAD in December 1962 comprised his constituency in UNCTAD. However, in spite of rhetorical solidarity their differences went far deeper than those among the industrialized countries. In order to improve their collective bargaining strength Prebisch, through the force of personal conviction, managed to bring them into a ‘Group of 77’, which provided them identity and a group system of negotiation within UNCTAD. In addition, U Thant’s worries in December

1963 that the birth of Prebisch’s son would affect the progress of UNCTAD preparations were not borne out. The conference, held in Geneva from March to June 1964, was well prepared by Prebisch and adopted a Final Act which contained several principles to govern trade relations, principles grounded in Prebisch’s previous work. In December the UN General Assembly established UNCTAD as a new permanent UN body, with Prebisch as its Secretary-General. There was optimism that a more equitable approach to trade and development might well succeed. For Prebisch, success depended on inserting UNCTAD as a negotiating forum within the global agenda of international trade. He was convinced that at least some leaders from the North would come to understand the huge stakes involved and coaxed both rich and poor countries to manage globalization and to see it as a process in which international agreements could only be reached if North and South worked together. He campaigned for pragmatic measures, insisting on the discipline of development, converging interests and reciprocal responsibilities. He drew on his last reserves of leadership to locate new sources of support. As he had done for ECLA, he attracted leading economists from around the world to staff the new secretariat in Geneva such as Sidney Dell, Wladek Malinowski, Gunnar Myrdal and Jan Tinbergen.

United behind a shared ethic of development, UNCTAD waged a formidable campaign for global equity between 1964 and 1968. At UNCTAD’s second meeting in 1968 in New Delhi, Prebisch proposed a global strategy to underpin a basic reform of global governance in pursuit of equity and justice in North-South relations. Both sides would have to compromise for success: trade concessions and development assistance were required from the wealthy countries, but only in return for domestic reforms in the recipient countries. Knowing that developed countries would demand conditions, Prebisch urged developing governments to accept conditionality so long as it was both reasonable and equitable. The decisive problem facing Prebisch in UNCTAD was his lack of power. UNCTAD was set up to rethink and recast the rules of the game in international trade. While his friends argued that UNCTAD could not expect more than incremental change, Prebisch demanded a negotiating role for UNCTAD, but could not command the compliance of governments from either the North or South. Following the failure to achieve his expectations at the second UNCTAD conference in New Delhi, Prebisch announced his resignation in November 1968 to a shocked staff. Rumours of his possible resignation had already swirled up in New Delhi, but U Thant moved quickly to quash the gossip by renewing Prebisch’s contract to 1971. A few months later, however, Felipe Herrera, President of the Inter-American Development Bank (IDB), proposed Prebisch direct a major IDB study on the financing of economic development in Latin America. Prebisch did not consult anyone on this, assuming that he could combine it with UNCTAD. He changed his mind after the shock that followed the killing of hundreds of students by the Mexican army prior to the Summer Olympics and the shifting political attitude in Latin America. Feeling compelled to address this regional turmoil, being visibly ill from overwork, and facing important personal decisions, he openly speculated on an early departure from UNCTAD in November 1968. Five days later, after consulting with U Thant regarding the leadership transition and promising to remain a personal advisor to him in preparing the UN Second Development Decade, he tendered his resignation on grounds of poor health.

Prebisch left UNCTAD in March 1969, choosing Washington DC as his new home base. He led the IDB task force and published the report Change and Development: Latin America’s Great Task (New York 1971), which stands out as his key theoretical contribution after UNCTAD. He opened a new chapter by bravely departing from ECLA’s import-substitution industrialization model, calling for accelerated economic growth to head off violence and social conflict. He saw the exhaustion of inward-looking development as the root cause of the present crisis, while the onset of ‘dynamic insufficiency’ left Latin America falling behind Asian economies such as South Korea. A new rational approach of avoiding excessive protectionism,
promoting greater competition to improve productivity, and promoting foreign investment and domestic reforms, was required to generate economic growth. Restoring dynamism in Latin America therefore required structural reforms: social mobility and education, agricultural reform, redistribution of income from the upper classes, and above all honest governments mobilizing support for rational development strategies to forestall both populism and socialist command economies. Prebisch also sought to revive ILPES, which had emerged as a major training centre for Latin America, albeit without achieving its original promise. Prebisch had remained its Secretary-General, relying on deputies and extended visits to Santiago, but he could not reverse the persistent budgetary cuts and other setbacks that undermined the Institute and he resigned in January 1973. By now he had completed his last official commitments. Aside from periodic requests from the UN Secretary-General he was free of administrative obligations and busy with what he loved most: new ideas and a constantly expanding dialogue on change and development. In 1976 he founded the CEPAL Review, which he edited until his death. Anchored in his large circle of friends based in every continent, he travelled extensively for lectures and honours. His role was now that of prophet, and he was as controversial as ever. During the 1970s he intensified his critique of Latin America’s imitative capitalism, constantly expanding his conception of economics as a discipline to include social transformation, institutional change and the environment. He supported US President Jimmy Carter’s human rights agenda between 1976 and 1980 and had little patience with experts who hailed Latin America as the region of the future. The reality, he argued, was that the commodity and credit boom in the region concealed unsustainable debts, clientelism and bloated states. The neoliberal triumphalism of Reaganomics and Thatcherism left him even more disillusioned. He was delighted when President Raúl Alfonsin invited him to return to Argentina after the restoration of democracy in 1983. Prebisch died of a heart attack in April 1986, while advising ECLA in Santiago.

Prebisch was a driving force in international development theory, policy and institution building. As a founder of structuralism he challenged conventional economics with a distinctive Latin American school of thought and practice based in concepts of power and global equity. As well as being a pioneering thinker, he committed his vast leadership capacity to accomplishing concrete results, particularly through his transformational work in UN development diplomacy in ECLA and UNCTAD. His key assumptions on international vulnerability, markets and power, the role of ‘intelligent’ states, integration, global governance and development ethics have vindicated him as a great intuitive economist, development leader and global citizen.


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