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ECLA AND
THE FORMATION OF LATIN AMERICAN ECONOMIC DOCTRINE
IN THE NINETEENFORTIES

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1. Introduction

The foundation in 1948 of the Economic Commission for Latin America (ECLA) was recognized at the time as a crucial moment in the post-War construction of a regional doctrine of trade and industrialization. More recently, significant scholarly reassessments have related cepalino ideas to the wider tradition of late-industrialization ideology and subsequent Latin American debates on structuralism and dependency theory. However, the ideas themselves are still generally regarded as a product of the Latin American experience of the Great Depression on the one hand, and an autochthonous critique of neoclassical trade theory on the other. Early ECLA doctrine has yet to be clearly located within the contexts of contemporary economic development thought and inter-American political practice.

The economic evolution of Latin America during the 1940s is ably analysed by others while detailed accounts of cepalino economic propositions and the institutional history of ECLA itself can be found elsewhere. Instead, this chapter contains three propositions about the history of ideas: first, that the context of inter-American economic institutions within which the ECLA and its doctrine were established is best defined by the frustrated Latinamerican aspiration to move from the periphery to the industrialized centre of the world economy between the 'Four Freedoms' and 'Point Four' in 1941 and 1949 respectively; second, that the issues of unequal exchange and late industrialization have a long intellectual history which was well known in Latin America by the 1940s, to which the Prebisch model was a valuable but not the only ECLA contribution; and third, that a re-reading of the foundation of ECLA itself and the early cepalino publications reveals new sources for 'centre-periphery theory' and new evidence of the Latin American perception of the world economy in the 1940s.

The resulting argument raises some questions as to the originality of Prebisch' centre-periphery model, but this hardly unequal exchange for an improved understanding of the intellectual influence of ECLA economists at a crucial moment in modern Latin America history.

2. The Post-War Reinsertion of Latin America in the World Economy

The Latin American concern as to the region's role in post-War economic arrangements formed part of wider international debate throughout the decade about the organization of the world economy (Kock, 1969). Preliminary agreement on the need to reshape global trade and payments systems had been reached by the USA and the UK in 1942, an
agreement derived from a shared interpretation of the dangers of a return to the protectionism of the inter-War years when between 1929 and 1933 world trade had declined by 65% in value and 25% in volume (League of Nations, 1945). Keynes and others pointed out the need to avoid disastrous fluctuations in raw materials prices and for the coordination of national macroeconomic policies, as complements to free trade in manufactures.1

Pre-War European views on economic development had been originally derived from colonial policy, and the emergence of the US as a world power before WWII had involved similar aspirations as well as the commercial and financial restrictions of the Monroe Doctrine, both of which had generated considerable resentment in Latin America. However, Latin America could not be considered 'poor' between the Wars: average incomes were well above subsistence levels and comparable with those obtaining in Southern and Eastern Europe (Clark, 1940). Industry in the region was seen from outside as relatively dynamic, although much of the energy was considered to come from foreign corporations and immigrants, rather than from the local 'rent seeking' bourgeoisie (Rippy, 1947).

The new ideas on economic development are reflected in the influential books by Staley (1939, 1944) who argued for the industrialisation of the 'South' in order to achieve its integration to the international division of labour. Staley (1939: 70) classes Argentina and Chile with France and Australia; and Mexico, Peru and Colombia with Spain, Portugal and the USSR. 'Statism' was also accepted as widespread in the non-colonial South: Japan, Turkey, Mexico, and Egypt being leading examples. The League of Nations' concern during the 1920s for the economic development of poorer European nations was manifested in a report drawn up by Bruce - the Australian delegate to the League7 - in 1939 with plans for world socio-economic development (Walters, 1952), which were by implication equally applicable to Latin America.

In fact, the 1928 Conference of American States in Havana had already re-oriented US policy towards Latin America and the Caribbean: at the Seventh Pan-American Conference in Montevideo (1933) Hull announced that 'dollar diplomacy' was to be replaced by 'Good Neighbour' policy, of which the reconstruction of Puerto Rico was seen as a material manifestation. What Latin American governments regarded as a permanent change in status was confirmed at the Panama Conference (1939) and by the expansion of US government support through the EXIMBANK in 1940 (Alcalde, 1987: 120). The decision at Bretton Woods in 1944 to set up the International Trade Organization (ITO) - along with the IMF and the IBRD8 - with the aim of stabilizing primary commodity prices and promoting world trade seemed to mean that the Allied Powers were prepared to modify the earlier assumption (Lerner, 1943) that the post-War trade regime would be based on free trade.
From the Latin American point of view, their accumulated dollar reserves at the end of World War II would have to be applied to the renovation of their depreciated capital stock, as little new investment could be undertaken during the War years due to restricted supplies of capital goods from the US - except for those required to produce strategic exports for the Allies. Industrial employment had expanded rapidly during the previous ten years, as had urban populations, and the labour force had been 'incorporated' to the political system which lead to new pressures for employment creation and social infrastructure. Moreover, the supply of cheap local wage goods supply (particularly peasant-produced food) - which had protected real wages during adjustment to external shock during the thirties (FitzGerald, 1984) appears to have broken down during the forties as inflation eroded real wages. In this investment drive, Latin American governments logically anticipated both official and private support from the USA.

The increased Latinamerican share of world trade (which rose from 8% in 1938 to 13% in 1946), the growth in trade between the republics during the War, and the need to find new markets to replace disarticulated European demand all seemed to justify a new position within the international economic order. That this order itself might require revision was also evident from the fact that the Latin American terms of trade in 1940 had stood at 33% below their 1928 level and by 1946 had fallen by another 23% (ECLA, 1978). The purchasing power of regional exports in that year, although 48% greater than in 1938, was still also below the 1928 level; while the accumulation of reserves during the war had only been achieved by prolonged depression of import volumes far below those experienced during the Great Depression. The fact that GDP had grown by 3.4% per annum between 1939 and 1945 (and was to grow by 5.3% over the rest of the decade) was seen at the time as an achievement against trading odds rather than as a positive effect of delinking (ECLA, 1949, 1951).

At the Inter-American Chapultepec Conference in 1945, the Latin American governments had expressed their views on the organization of markets for raw materials (including price stability) and the future of infant industries set up to support the US war effort (Cosio-Villegas, 1964); but Washington refused to commit aid or tariff preferences, and condemned proposals for development planning. It appears that the US regarded the economic problems of the region as essentially internal (Hansen, 1951) and was mainly interested in the allegiance of Latin America in the emerging struggle against communism (Brown and Opie, 1954). Despite this changed position, it was widely assumed in Latin America that industrial investment would be supported by the resumption of concessionary credits from the US, and involve considerable transfer of technology in the form of some sort of 'Marshall Plan' (Cosio-Villegas, 1964) as was proposed at the 1948 Inter-American Conference in Bogota.
The establishment of the International Trade Organization was negotiated and agreed upon in Havana in 1948, despite strong objections from the UK, as one of the last acts of the 'Freedom from Want' programme of the Roosevelt-Truman era. The 'Havana Charter' was clearly regarded by Latin America as legitimizing continental aspirations to the status of 'newly industrializing countries' enjoyed by Central Europe between the Wars and already being accorded to the ex-Dominions, as well as supporting industrialization through the continuation of the wartime export stabilization schemes and technology transfers. However, the US Congress subsequently refused to ratify the ITO and the initiation of the Cold War transformed the international agenda for the 1950s.

Under these circumstances the failure of the Havana Charter might well be characterized - and certainly was perceived by the Southern Cone members (ECLA, 1953) - as the rejection of Latin America at the portals of the industrialized world and its unwilling inclusion in a Third World newly emerging from the unanticipated decolonization process. The post-War UN (and its Economic and Social Council in particular) turned out to be quite different from what Bruce and Staley had proposed: it could be said that inter-American economic cooperation was one of the first victims of the Cold War. Above all Havana was seen as a profound political rebuff: "this shift was regarded as a betrayal by Latin America" (Alcalde, 1987: 179).

3. Contemporary Theory of Trade and Development

As economies whose output growth was clearly driven by the income from raw materials exports and dependent upon imported capital goods for investment, the terms of trade (considered as essentially exogenous) were inevitably central to economic debates in Latin America (as was the case in the Dominions), debates which presumably date back through the virreinato. The concept of 'unequal exchange' - in the broad sense of the North setting prices such that the return on its own resources is higher than that of the South - necessarily involves considerations of profits, accumulation and technology as well as wages and employment (i.e. the double factorial terms of trade), and also has a considerable history. The concept itself, of course, was attributed by Marx to Ricardo and Mill. Ricardo had based the classical concept of comparative advantage on technical conditions that govern labour inputs; but neoclassical trade theory broke away from the labour theory of value with Mill's introduction of the 'law of reciprocal demand' and factor-proportion theory. All three variants were to re-appear in the post-War debates initiated by ECLA (Rodriguez, 1987), but in the 1920s the concept of unequal exchange was widely employed in Central Europe to justify planned industrialisation (Mandelbaum, 1945). There were two
strands to this argument on the issue of how to 'catch up' with the technologically advanced industrial nations, both of which advanced considerably beyond the original protectionist position of List (1909).

The first strand of the inter-War European debate was to see unequal exchange as the central characteristic of trade between groups of nations at the 'centre' and the 'periphery'. This latter terminology was used by the German economic historian Werner Sombart (1928), who in his analysis of European history wrote of a dominant centre - Great Britain, supported by the United States - and an exploited and dominated periphery consisting of Central, Eastern and Southern Europe. This view was hotly contested by the economists of the Frankfurt School (Jay, 1973) on the orthodox Marxian grounds that exploitation by one proletariat (and thus 'country') by another was theoretically impossible, but none the less enjoyed considerable support in nationalist circles. The second strand was taken up by the Rumanian economist Manoilescu (1929) who discussed the sectoral dualism in the Ricardian model (surplus labour and low productivity in the wagegoods - ie food - producing sector lead to low export prices) in order to argue that the substantial urban-rural wage differential was a handicap to industry, which thus required a compensatory tariff structure.

That the European debate on centre-periphery was known and discussed in Latin America (and Argentina in particular) by the early thirties is beyond doubt - though in terms of international political economy rather than a formal analytical model (Love, 1990). Sombart (1928) was read in German and was translated in Mexico by 1946, and his (anti-Leninist) analysis of modern imperialism as a kind of neo-mercantilism which restricted the global spread of modern technology are similar to those that appear later in Prebisch' writing:

Para poder orientarnos en el caos de los diversos acontecimientos, debemos distinguir un centro capitalista, países centrales capitalistas y una masa de países periféricos que se observa desde ese centro; aquéllos son los países dirigentes, activos; estos, los países dirigidos, pasivos (Sombart, 1946, Vol 3, p. 10)\(^1\)

Wagemann - a Chilean who had studied in Germany in the 1920s - wrote a widely read book on trade (Wagemann, 1933) reflecting these ideas (Hodara, 1987), while Manoilescu (1929) was published in Sao Paulo in 1931. It is thus implausible to suppose that Prebisch - a university teacher of German origin as well as a central banker - was unaware of the origins of the centre-periphery concept.

Nationalist views on unequal exchange were an integral part of Argentine political discourse at the time and comparison with the problems of the Dominions frequent. The influence of List (1844, 1909) is explicit in the writing of Bunge (1918) and his Revista de Economia Argentina group (Korol and Sabato, 1990) - with whom Prebisch was connected - who then went on to influence the early stages of Peronism. Such geopolitical ideas were
highly influential among the Buenos Aires elite (Rock, 1987), as were the more technological arguments about industrialization by 'ingenieros' such as Dorfman (Korol and Sabato, 1990) - who set out what were to become the microeconomic bases of ECLA thought (Dorfman, 1942). Prebisch himself seems to have remained more interested in international monetary issues, although he did come under the political influence of Pinedo (Waisman, 1987) who pressed as finance minister for pro-industrial policies.

Despite the War, Latin American economists kept up with the major European and North American debates on trade, macroeconomics, price behaviour and development that took place during the decade (Blackhouse, 1985). The liberal ideas of Keynes were also quite well known in the region by the 1940s, and in fact Prebisch himself published a short summary of the General Theory (Prebisch, 1947) at the time. Work on power relations in international trade (Hirschman, 1945), late industrialisation on the periphery (Mandelbaum, 1945), the reconstruction of Southern Europe (Rosenstein-Rodan, 1943), and the consequences of macroeconomic mismanagement between the Wars (Lewis, 1949) seems to have been quite well known through personal contact and the press as well as scholarly publications. Much of the most important contemporary work in economic theory had been rapidly translated by El Trimestre Economico or the Fondo de Cultura Economica since the early thirties (Pazos, 1985). The same was true of socialist economic literature of the period (Noyola, 1956): both Marxist (Dobb, 1945) and Social-Democratic (Mannheim, 1945). Local contributions (such as Urquidi; 1946; Dorfman, 1942; Harris, 1945) in a similar vein were also widely read and discussed.

Furtado (1985), for instance, acknowledges the influence on his own thought of the books translated by the Fondo and more generally by European economics and social theory. This provided the theoretical background for his own preparatory work for the Havana Conference; where he used the League of Nations (1945) methodology to demonstrate that Latin America could not generate sufficient import capacity for industrialisation from primary exports. Furtado states that Prebisch himself was initially not interested in an ECLA post, but rather was engaged as a consultant and produced a 'polemical text' for Havana at the last moment. This did not criticize neo-classical theory as such but rather the lack of diffusion of technological progress due to international arrangements:

"to escape the constraints of the existing international order, the peripheral countries had to adopt the road of industrialization, the high road for access to the fruits of technical progress ... (although in doing this, Prebisch) ... exposed his flank to an easy counter-attack from the academic world, which demanded a conceptual rigour he did not possess." (Furtado, 1985 p. 61-2, author's translation)

It is in this context that the ECLA position in the late 1940s should be read: the failure of the USA to live up to Ricardian principles of free trade and the necessary recourse by Latin America to state-led industrialisation - just as Continental Europe had industrialised under an unfavourable British trade regime a century earlier.
4. The View from Santiago

The UN Economic Commission for Latin America (ECLA) was established in 1948 by the UN Economic and Social Council (ECOSOC), although not without difficulty (Pollock, 1978) - despite strong support from Secretary-General Trygve Lie (Alcalde, 1987). The idea had been proposed at the first session of the UN General Assembly in 1946, when Latin America accounted for 20 out of the total UN membership of 51 nations and, having emerged from the War as an ally of the victors, logically expected considerable external support for post-War reconstruction. However, the industrialised countries resisted the idea from the start - particularly the US, which felt that its dominance of the OAS might thus be weakened. In consequence, the ECLA was originally founded under three year's probation, and only became a permanent part of the UN system in 1951 (Hodara, 1987); its headquarters were established in Santiago de Chile.

The first product of the newly founded ECLA was the Economic Survey of Latin America, 1948 (ECLA, 1949). Prebisch had still not joined the Commission when it was written; it represents an 'untheorised' but nonetheless clearly structuralist interpretation of development of the main Latin American economies since 1937 - the main difference from subsequent Surveys being the relatively uncritical evaluation of foreign trade. Prebisch was in charge of the 1949 Survey (ECLA, 1951) but before this was released - and virtually as an appendix to the 1948 Survey - his celebrated essay on 'The Economic Development of Latin America and its Principle Problems' (Prebisch, 1949) was published by both the UN and the American Economic Review. The propositions put forward in this essay - and their incorporation into the 1949 Survey - generated considerable discussion and much hostile criticism (Pollock, 1978; Hodara, 1987) and rapidly became identified with the ECLA position as a whole.

The 1948 Survey seems to have been subsequently underrated, perhaps because it was overshadowed by the political impact of the 1949 Survey. Part 1 ('Growth, Disequilibrium and Disparities: an interpretation of the process of economic development') brought together valuable data on the main economies of the region for the first time. In the analysis of foreign trade and industry (pp. 44 et seq) considerable use is made of League of Nations (1945) methodology, including the 'elasticities approach', to explain the deterioration of the terms of trade since 1870 (p. xix). The text does show, moreover, how many of the premises about the state and industrialization that the ECLA was to develop in the 1950s were already widely accepted - such as the need for planning and the attribution of low manufacturing productivity to low private investment due to cheap labour (p. 15). Table 1 shows aggregate trends drawn from the 1949 Survey (based on the country data in the 1948 Survey), which also sets out the novel measure of 'import capacity' to show that despite a large increase in export volume the real import level per capita (and thus income potential) actually fell after the War.
Table 1 Latin America: External Trade 1925-49

<table>
<thead>
<tr>
<th>Indices (1937=100)</th>
<th>1925-9</th>
<th>1930-4</th>
<th>1935-9</th>
<th>1940-4</th>
<th>1945-9</th>
<th>Net Change 1925-49*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export Volume</td>
<td>97</td>
<td>88</td>
<td>94</td>
<td>89</td>
<td>113</td>
<td>+17%</td>
</tr>
<tr>
<td>Price Index:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>124</td>
<td>69</td>
<td>86</td>
<td>110</td>
<td>194</td>
<td>+57%</td>
</tr>
<tr>
<td>Imports</td>
<td>124</td>
<td>91</td>
<td>97</td>
<td>138</td>
<td>185</td>
<td>+49%</td>
</tr>
<tr>
<td>Terms of Trade</td>
<td>100</td>
<td>75</td>
<td>89</td>
<td>79</td>
<td>104</td>
<td>+4%</td>
</tr>
<tr>
<td>Import Capacity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>96</td>
<td>66</td>
<td>84</td>
<td>71</td>
<td>118</td>
<td>+22%</td>
</tr>
<tr>
<td>per capita</td>
<td>114</td>
<td>72</td>
<td>84</td>
<td>64</td>
<td>96</td>
<td>-16%</td>
</tr>
</tbody>
</table>

* 1945-9/1925-9

Source: ECLA (1951), p. 17

Part 2 ('Economic Development of Selected Latin American Countries') contains much excellent data (derived from detailed appendices\textsuperscript{19}) on industrialization in the larger countries of the region and empirically substantiates the negative effect on growth of changing world trade conditions. These studies - which were presumably based on previous research carried out by the authors before the foundation of ECLA itself - helped to define cepalino ideas on industrialisation as such. The aggregate data in Table 2 shows the rapid expansion of import capacity followed by stagnation: actual imports rose rapidly between 1945 and 1947 as accumulated reserves were spent, and then dropped back as the terms of trade effect and profit outflows squeezed liquidity\textsuperscript{20}. 
Table 2 Latin America: The External Constraint 1945-9

<table>
<thead>
<tr>
<th></th>
<th>1945</th>
<th>1946</th>
<th>1947</th>
<th>1948</th>
<th>1949</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US $ bn</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>4.2</td>
<td>5.3</td>
<td>6.3</td>
<td>6.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Capital inflow</td>
<td>0.3</td>
<td>0.4</td>
<td>0.7</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Gross receipts</td>
<td>4.5</td>
<td>5.7</td>
<td>7.0</td>
<td>7.1</td>
<td>6.3</td>
</tr>
<tr>
<td>ToT effect(^a)</td>
<td>-</td>
<td>1.9</td>
<td>2.6</td>
<td>2.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Factor outflow(^b)</td>
<td>0.5</td>
<td>1.0</td>
<td>1.0</td>
<td>1.5</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Imports:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity</td>
<td>4.0</td>
<td>4.7</td>
<td>6.0</td>
<td>5.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Actual</td>
<td>2.8</td>
<td>4.0</td>
<td>6.3</td>
<td>5.8</td>
<td>5.3</td>
</tr>
</tbody>
</table>

* at 1950 prices  
\(^a\) 'loss' due to deterioration of terms of trade since 1945  
\(^b\) profits, interest and repatriation of capital  
Source: ECLA (1951), p. 16

The effect of this import constraint was reflected more in the stagnation of consumption than in investment (as Table 3 indicates), implying that unequal exchange was leading to severe social tensions. The country studies were the prelude to not only a number of important ECLA ideas about technology itself (Rodriguez, 1980), but also an appreciation of the domestic constraint placed on the expansion of modern industry by 'traditional' ownership forms in sectors such as agriculture (Prebisch, 1951).
Table 3 Latin America: Production and Accumulation 1945-49

<table>
<thead>
<tr>
<th></th>
<th>1945</th>
<th>1946</th>
<th>1947</th>
<th>1948</th>
<th>1949</th>
<th>Net Change 1945-49*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US $ bn.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Domestic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>27.4</td>
<td>30.9</td>
<td>33.6</td>
<td>34.6</td>
<td>35.7</td>
<td>+30%</td>
</tr>
<tr>
<td>Investment</td>
<td>3.3</td>
<td>4.3</td>
<td>5.1</td>
<td>6.1</td>
<td>6.3</td>
<td>+90%</td>
</tr>
<tr>
<td>Consumption</td>
<td>22.7</td>
<td>25.2</td>
<td>28.5</td>
<td>27.7</td>
<td>29.1</td>
<td>+28%</td>
</tr>
<tr>
<td>% of GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>11.9</td>
<td>13.9</td>
<td>15.3</td>
<td>17.7</td>
<td>17.6</td>
<td>+48%</td>
</tr>
<tr>
<td>$ per capita</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption</td>
<td>164</td>
<td>179</td>
<td>198</td>
<td>188</td>
<td>192</td>
<td>+28%</td>
</tr>
</tbody>
</table>

* 1949/1945
** at 1950 prices
Source: ECLA (1954), pp. 5 and 9

Immediately after the Havana meeting, work started at ECLA on the final version of the 1949 Survey (Furtado, 1985, pp. 76-80), which was intended to give substance to the original, somewhat rhetorical, presentation. The personal standing of Prebisch as a central banker had probably been crucial in causing the stir at the Inter-American Conference; but by the same token his conservative fiscal and monetary stance, and his somewhat 'Argentine' views on the negative effects the shift from the UK to the US as the 'Centre' (a worldview not necessarily shared by Brazil or Mexico) are still evident in the final version, which was presented at the meeting of ECLA at Montevideo in 1950 (ECLA, 1953).

The 1949 Survey is mostly made up of the expanded version of the Prebisch model of trade relations and a critique of the then orthodox (ie. Federal Reserve and Bank of England) monetary approach to balance of payments theory. This implied not only an analysis of the economic problems of the Periphery, but also criticism of the behaviour of the Centre in setting high prices, wages and profits for itself on the one hand and retarding the spread of technology and industry on the other - although what was demanded was not 'de-linking' but rather more openness on the part of the Centre (Rodriguez, 1987).

The 'centre-periphery' model set out in the 1949 Survey contains four key points:
   i) the terms of trade reflect a combination of collusive behaviour by labour and business at the Centre (which can 'make' prices due to its market control) and surplus labour at the Periphery (which must 'take' prices due to competition between suppliers), leading to a built-in balance of payments disequilibrium;
ii) the diffusion of technology from the Centre to the Periphery is retarded by institutional constraints, lack of investment and poor labour mobility, while the market structure means that any increase in productivity leads to increased profits at the Centre but lower prices at the Periphery;

iii) import-substitution is a 'second best' alternative to fair prices for primary commodities and access to Centre markets for manufactured exports; but it is necessary in order create employment as well as growth;

iv) the need for national planning is legitimated by the experience of state intervention (at the Centre) during the War and the need to ensure that domestic profits are used for industrial investment rather than luxury consumption.

The crucial step in the argument, upon which the force of the ECLA critique depended, was thus the lack of competition at the Centre:

"the theory also refutes the classical assumption of competition ... both the factor and product markets of the Centre operating under monopolistic markets, while competitive markets prevail at the Periphery." (Baer, 1961)

As Cardoso (1977) points out, Prebisch's position was not a repudiation of Ricardo - as Viner (1952) and Harberler (1960) incorrectly state - but rather a complaint that the mutual Ricardian benefits from trade were being inequitably distributed as a direct consequence of Northern protectionism.

Despite - or perhaps because of - the force of this argument, official ECLA views on international trade were considerably modified for the 1950-51 Survey (Rodriguez, 1980). Although this document contains a major statistical advance in the form of the use of national accounts on a comparable basis, the centre-periphery model was changed to make the terms of trade deterioration arise from the difference between the income elasticity of demand for imports of raw materials (by the Centre) and manufactures (by the Periphery). This return to what was essentially a more elaborate version of the model given in the 1948 Survey involved the abandonment of not only the explicit (Ricardian) critique of class behaviour at the Centre but also the structuralist analysis of supply determination and income distribution at the Periphery.

The resultant theoretical model was fatally flawed by being highly reliant on contingent trends in commodity prices. ECLA views, once reduced to a contingent proposition on net barter terms of trade were mercilessly attacked by neoclassical economists as being both empirically (Viner, 1952) and theoretically (Harberler, 1960) untenable. None the less, the Surveys of the early 1950s continued with this approach, and although the (Keynesian) critique of international demand management was developed further the trade model continued to be based on acceptably neo-classical supply elasticities (ECLA, 1954). Coincidentally or not, Washington eventually came to terms with Santiago - if only because
cepalino doctrine had become an integral part of governmental discourse in the region - and allowed the ECLA became a permanent part of the UN system (Pollock, 1978).

5. **ECLA Doctrine in Retrospect**

ECLA theory did not, therefore, come as a great surprise to Latin American economists; although the systematic exposition of the centre-periphery model (in both its forms) and the statistical support provided by the *Surveys* was very welcome. The reaction came from neo-classical economists at the Centre, and was undoubtedly strengthened by the fact that such a critique should come from a technical UN institution lead by a respected figure in the central banking world (Pollock, 1987).

Thus, although it is correct to place ECLA at the centre of the history of modern Latin American thought on development (Kay, 1989); it is probably inaccurate to regard the origins of the centre-periphery model as essentially autochtonous and based on the experience of the inter-war years. Nor can ECLA thought be reduced to an expression of regional nationalism in the tradition of earlier thinkers such as Mariategui and Haya de la Torre as Hirschman (1960) does - if only because the ECLA economists (with the significant exception of Noyola) seem to have been largely innocent of Latin American Marxism.

Discussion of the history of ideas in this case comes up against a peculiar problem. Prebisch (1984) himself - abetted by somewhat hagiographical biographers such as Dadone and di Marco (1972) and Guzman (1976) - claims to have thought up the idea of the centre-periphery model by himself. The context of this act of parthogenesis was apparently the experience of delinking and import-substituting industrialisation in the inter-War period: an argument applied by Sunkel (1979) to Latin American development theory as a whole and sustained by Kay (1989). Colleagues such as Cardoso (1977) and Pinto (1972) are rather more circumspect, attributing the model to Prebisch but seeing it as a reaction against neo-classical trade theory, an approach which is supported by Love (1980). The most comprehensive study of ECLA economics (Rodriguez, 1980) discreetly avoids the whole question of theoretical antecedents, referring only to the influence on Prebisch himself of his practical experience of central banking in Argentina between the Wars. Furtado (1985) - the outstanding economist of his generation - is more outspoken, as we have seen.

It is perhaps understandable that in the immediate post-War period Prebisch preferred to overlook the 'Central European influence' between the Wars. Sombart had become a convert
to National Socialism (to which Prebisch, as an anti-Peronist was particularly antipathetic) and Manoilescu had been a member of the Iron Guard. In sharp contrast, to the untutored eye - or at least to US businessmen - the centre-periphery model seemed to reflect Leninist theories of imperialism (Pollock, 1978). Dependency theorists seem to have been inspired by a similar interpretation (Kay, 1989). None of this excuses, however, Prebisch' failure to acknowledge the contributions of his contemporaries - both within Latin America and outside.

Indeed Prebisch himself was deliberately misleading on the topic of his own intellectual formation, dismissing the 'first stage' (ie pre-ECLA) of his thought in a few lines:

"Important theoretical problems emerged in my mind..." (Prebisch, 1984: 176)

He acknowledges no intellectual mentors - even the subject of his doctoral dissertation (Pareto, 1927), let alone Ricardo - and omits his book on Keynes (Prebisch, 1947) from his bibliography. Above all, he attributes the ECLA model exclusively to himself - hardly mentioning the work of eminent (albeit younger) colleagues in Santiago.

This criticism does not necessarily imply a denial of the originality of Prebisch or the ECLA, for as Gerschenkron (1969) points out, theorists faced with similar circumstances - in this case, late industrialising countries facing an adverse organisation of world trade - will tend to come to similar conclusions. It is surely not surprising that when faced with similar statistical evidence for the South as a whole and exposed to the same contemporary debates among academics and policy makers, Singer (1950) should put forward - from the headquarters of the UN in New York - an interpretation so similar to the modified 'elasticities' version of the centre-periphery model that they would become known jointly (in the Anglo-Saxon world at least) as the 'Prebisch-Singer theory' (Baer, 1961).

Only in the late fifties, when the Surveys incorporated the pioneering work by Sunkel (1958) and Pinto (1958) on the structuralist theory of inflation did the ECLA return to the battle of ideas (ECLA, 1964). These authors explicitly based their interpretation on earlier work by Noyola (Bazdreh, 1984), and were strongly influenced by Kalecki (FitzGerald, 1990) and British debates of the forties (Arndt, 1985). Prebisch' own ideas on inflation and monetary policy remained unrepentently orthodox (Guzman, 1976).

Meanwhile, institutional geopolitics continued. The GATT, established in 1947, reflected the industrialized countries' position on manufacturing trade much better than the ITO. By the time the UNCTAD was established in 1964 (with Prebisch as its Secretary-General) the industrialised countries saw no need to cede control of trade to the UN. Indeed, as recently as 1984, the US Tariff Act attempted to extend to world trade in services the same protectionist measures it refused to lift on goods at the Havana Conference nearly half a century later.
The theory of unequal exchange itself was taken up again by Amin (1974), who worked from Leninist principles to posit terms of trade set by capital accumulation at the Centre, and in a more formal Marxian framework by Emmanuel (1971) as part of a wider critique of capitalist accumulation on a world level\textsuperscript{24}. Kaldor also constructed models, possibly under some ECLA influence, to demonstrate how a long-term downward trend of the terms of trade could arise from diminishing returns to agriculture and rising wages in the North (Thirlwall, 1986). The Ricardian implications of surplus labour present in ECLA analysis\textsuperscript{25} were independently developed by Lewis (1954) and the implications for trade theory more rigorously defined\textsuperscript{26}. In fact, the distinctive 'ECLA model' of international trade was to be set out much later within its proper neo-Ricardian context by another Argentine economist (Braun, 1973) who stresses the direct administration of world prices by the Centre (i.e. the OECD) - which is a producer of not only manufactures but also raw materials. Finally, Diakosavvas and Scandizzo (1991) at last confirm econometrically the ECLA proposition that net barter terms of trade for primary commodities do have a long-run tendency to deteriorate.

6. **Concluding Remarks**

No more than tentative conclusions as to the formation of modern Latin American economic doctrine can be drawn from the argument presented in this chapter, if only because research on post-War economic discussions at the national level remains to be done. However, it does seem clear that early ECLA theory is best read as part of a wider debate on the post-War world order rather than a delayed reaction to the Great Depression or a precursor of Third World developmentalism. As to the long-run consequences of the ECLA contribution, Ocampo (1990) may well be correct in suggesting that despite the failure to establish a permanent system of international economic management more conducive to sustained industrialization in Latin America, the lasting influence of ECLA doctrine is to be found in the shared premises of regional political debate.
NOTES

1. My thanks are due to: Edgardo Floto for our original conversations on the topic at Cambridge over a decade ago; David Rock for encouraging me to put it on paper for the SSRC-sponsored workshop on 'Latin America in the Post-War Period' at Santa Barbara; Joe Love and Cris Kay for helpful comments on an earlier draft; and Sylvia Raw for her generous gift of Celso Furtado's post-modernist autobiography A Fantasia Organizada.


6. Mannheim (1945) - an influential book in Latin America at the time (Furtado, 1985, p. 15) - stresses the role of the intelligensia in moments of crisis; and as Gerschenkron (1969) points out, theorists faced with similar circumstances (eg. late-industrializing countries facing an adverse organization of world trade) will tend to come to similar conclusions.

7. In fact, the 'Bruce Report' guided the economic and social strategy adopted by the UN and the creation of the Economic and Social Council in 1944 - from which the ECLA was subsequently to be born.

8. The remit of which included development planning.

9. In fact, despite popular belief to the contrary (eg. Sunkel, 1979) quotas rather than tariff protection had been the central feature of Latin America's remarkably successful adjustment in the 1930's to external shock (Thorpe, 1984; Ground, 1988) a practice continued during the war years.

10. The passive monetary policy resulting from debt default, abandonment of the gold standard and structural fiscal deficits all gave effective macroeconomic support to the industrialisation process through the 1940s (Diaz-Alejandro, 1984).

11. "Ricardo's theory contemplates that three labour days in one country can be exchanged against one in another ... In which case the richer country exploits the poorer, even when the latter gains by the exchange, as J.S. Mill has also explained..." (Theories of Surplus Value, vol III).

12. "In order to guide ourselves through the chaos of diverse events, we must distinguish between a capitalist centre (central capitalist countries) and a mass of peripheral countries seen from this centre: the former are active, leading countries; the latter are the passive, lead countries" (my translation).

13. Prebisch himself visited Australia before the War (Dadone and di Marco, 1972).

14. Although he remained highly conservative in his monetary theory, apparently only adopting wage-stickiness (in the 'centre' economies) from Keynes (Furtado, 1985).

15. Who had been the youngest delegate at Bretton Woods, representing Mexico.

16. Furtado (1985) stresses the influence of British and French economics (particularly those translated by FCE) on his own intellectual formation.

18. Set out formally by Singer (1950), although the influence of Lewis (1949) is apparent.

19. Furtado (1985) lists the authors of these, including himself on Brazil and Urquidi on Mexico.

20. The data has since been revised (ECLA, 1978), but the figures presented here reflect contemporary perceptions and thus are presumably more relevant to the argument of this paper.

21. This can easily be set out in formal algebraic terms (Floto, 1990).

22. "The peripheral countries have no means of adsorbing the surplus of their gainfully population except by developing their own industrial activity." (ECLA, 1951, p. 49)

23. According to Furtado (1985: 140) Viner had debated this theme with Manoilescu too.

24. Emmanuel takes up this theme directly from the European tradition - despite attempts by Bacha (1978) and Love (1980) to locate him as stemming directly from Prebisch.

25. Furtado (1985, Chap 4) claims to have "conceived" this idea himself in 1949. This may be so, but the concept is not a new one, and it was the elaboration of Marx' formulation in Mandelbaum (1945) which influenced Lewis - who worked with Mandelbaum at Manchester in the 1950s. However, the more interesting point is that rural underemployment was clearly a problem in Brazil but not in Argentina.

26. "The Law of Comparative Costs is just as valid in countries with surplus labour as it is in others. But whereas in the latter it is a valid foundation of arguments for free trade, in the former it is an equally valid foundation for arguments for protection." (Lewis, 1954: 449)
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