

〈追悼論文〉

In memory of Dr. Prebisch —His life and Economics

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I

The well-known Argentine economist Dr. Raúl Prebisch passed away on April 29 last year. He was caught by a sudden heart attack in Santiago in Chile. He just celebrated the 85th birthday less than two weeks before, and had been very active in his work until his closing days. The funerals were held in Buenos Aires, Argentina and in Santiago, Chile. In Buenos Aires, Argentine President Raúl Alfonsín attended the ceremony and made a heartfelt memorial address. The death of Dr. Prebisch was deeply lamented not only in Argentina and Chile, but also all over the world, especially in the developing countries. It was because he devoted himself to work for the problems of the developing countries.

Dr. Prebisch is a very well-known Latin American economist in Japan. His works had been widely introduced and studied. I myself started my research on Latin American economy from studying the theory of Dr. Prebisch, which served me as an excellent guide. I published my study on economics of Dr. Prebisch in “Study on Latin America by ECLA-Reconsideration of Prebisch Theory”⁽¹⁾. This work focused on the introduction and reexamination of the theory and the policy of economic

development presented by Dr. Prebisch. I ask the readers to refer to it, who are interested in this subject.

In this article, I would like to trace the life of Dr. Prebisch, and through which we will appreciate his contributions to the problems of the developing countries.

II

The life of Dr. Prebisch can be divided into four stages, according to the main bases of his activities. The first stage is to 1940's, while he grew up, educated in Argentina and devoted himself to the Argentine economic and political problems. He was born on April 17, 1901. He studied political economy in the National University of Buenos Aires. He passed his University life in the "Golden Age of Argentine Economy" before the World Crisis in 1929. Argentina expanded export of the primary products, and promoted industrialization such as processing sectors of the primary products based on the domestically produced materials. Dr. Prebisch graduated from the University in 1925. He started research and teaching there, and at the same time he contributed to the policy-making for the Argentine Government.

By the way, the World Crisis in 1929 gave a great impact to change the world economy. The world economy changed itself from open-multilateral system to blocked-bilateral economy. This structural change in the world economy gave the serious influence to Latin American economy. Argentina was not an exception. The United Kingdom, Argentina's most important customer, established the blocked economy within British Empire by Ottawa Treaty in 1932. Through this blocked

economy, Argentina was pushed out to the inferior position to the British market, comparing with the Dominions like New Zealand and Australia in exporting cereals and meat. In order to regain the lost market in the U. K., Argentina sent the economic mission to the U. K. to negotiate with British Government. Dr. Prebisch was appointed as a member of the mission. Argentine mission, being in the difficult and inferior position to negotiate, tried painstakingly to regain the export quota to the U. K. The two countries finally reached the agreement, which is called Roca-Runciman Pact named after the representatives of the both sides. Argentina was quite successful in regaining the export quota from the U. K., but it was obtained only with compensation of the various concessions to the U. K.

By the way, there arose a strong tendency of nationalism in Argentina, and it criticized that the Argentine mission gave excessive concessions to the U. K. Roca-Runciman Pact caused to fire anti-British nationalism. Dr. Prebisch was in the midst of struggling with finding the way out from the economic and political crisis. These agonizing efforts had brought him poignant realization of the fact that the primary product exporting countries had to face the severe economic crisis in the blocked world economy.

After two years from Roca-Runciman Pact, the Central Bank was founded in Argentina, and Dr. Prebisch was appointed as the first Governor. Until then, Argentine Government practically did not have any political means to control economy in monetary and financial fields. Now then Argentina had the Central Bank, and young Prebisch was loaded at controlling and adjusting Argentine economy against the structural change

of the international economy. He studied the theory of John Maynard Keynes carefully and in detail. We can see what Dr. Prebisch received from Keynesian theory through his publication of *Introducción a Keynes*⁽²⁾. In this book, he wrote that Keynesian economics gave him a clue to explain the economic phenomena such as chronic unemployment and economic depression which could not be fully explained by classical theory⁽³⁾. He was expected to reconstruct the depressed Argentine economy, using effectively the monetary and financial policy. Struggling with this task, he realized how deeply the primary products exporting economy depended upon the world economy, lead by the developed countries. This experience gave him an important indication to build Center-Periphery theory later.

In 1943, Dr. Prebisch resigned the governor of the Central Bank, and returned to the University in order to concentrate on the academic works. From 1946, Argentina was governed by the Peronist Party, and Dr. Prebisch had the opposing view to the Peronist, concerning to the developing strategy of Argentine economy. We will see it later. He energetically published works, such as *Introducción a Keynes* as I mentioned before, and “El patrón oro y la vulnerabilidad económica de nuestros países”⁽⁴⁾, and “The Economic Development of Lation America and Its Principal Problems” (from now on it is called as *Its Principal Problems*)⁽⁵⁾. In *Its Principal Problems*, he developed the challenging theoretical framework of Center-Periphery theory. Analyzing the causes of underdevelopment in the developing countries, he devided the world economy into two groups. The one is Center which includes exporting countries of manufactured products, and the other, Periphery which comprises exporting countries of primary products. He analyzed the trend of terms of trade, and reached the conclusion that the terms of trade deteriorated constantly for the

Periphery, on the other hand improve for the Center. Now this is well known as the theory of deterioration of terms of trade, and induced a strong and active debates in the international academic world. In the first stage, Dr. Prebisch devoted himself to economic problems in Argentina, and based on this experience developed the Center-Periphery theory which challenged the classical economics.

III

The second stage begins from 1950 when Dr. Prebisch moved to Economic Commission for Latin America (ECLA) as the Secretary General in Santiago, Chile. His works were extended from Argentine economy to Chilean. He fulfilled a most important role to establish the academic base to promote the creative and facts-finding research in the initial period of ECLA. He made great efforts to train and lead the young economists as well as developed his own works. He published various analytical works, focusing on the economic problems in Latin America. Some representative works among them are "Growth, Disequilibrium and Disparities: Interpretation of the Process of Economic Development"⁽⁶⁾, "Commercial Policy in the Underdeveloped Countries"⁽⁷⁾ and "Economic Development on Monetary Stability"⁽⁸⁾. In the last publication, he dealt with the debate between Monetarists and Structuralists, concerning to the chronic high inflation in Latin America, and promoted the structuralist theory which was born in Latin America in 1950's.

During the second stage, his main working base was concentrated on ECLA, but in a short period, he returned to Argentina accepting a role as an economic advisor to the new Argentine Government after the fall of Perón. He analyzed the real economic situation in Argentina, and critic-

ized severely the economic policy under the Perón Government in his report. The *Economic State of Argentina* was published in 1955. In 1956 he published *The Plan for the Economic Recovery of Argentina*, presenting the concrete policy to overcome the economic problems.

By the way, the main differences in the economic strategies between Dr. Prebisch and the Peronist were as follows. Firstly Dr. Prebisch presented the development strategy to promote import-substituting industrialization, based on the balanced growth of industry and agriculture, while the Peronist Government to promote industrialization with extreme preference over agriculture, so to speak unbalanced growth. Secondly the former presented the policy to accept the foreign capital as a pumping-priming factor for economic development in the developing countries, on the other hand the latter executed the rejecting policy toward foreign capital, and nationalized the foreign assets. Thirdly as the leading sector of economic development, the former emphasized the importance of the private sector, while the latter strengthened government control over economy.

Accepting the strong request of the Argentine Government, Dr. Prebisch took a role as an economic advisory. But he stayed in the position only for a short period, because of the widely spread anti-military feelings and at the same time great influence of Peronism among the Argentines.

Dr. Prebisch moved from ECLA to Latin American Institute for Economic and Social Planning, another United Nations Organization in 1962. He published *Towards a Dynamic Development Policy for Latin*

America⁽⁹⁾, in which he developed his research on Latin American economy with more detailed analysis and concrete policy presentation.

IV

The third stage starts from 1964 when Dr. Prebisch took office as the Secretary General of UNCTAD. He was engaged in the North-South problems, making the best use of his abundant experiences and the accumulation of research on Latin American economy. His publication on the problem of the developing countries, entitled *Towards a New Trade Policy for Development*⁽¹⁰⁾ attracted the world-wide attention. It was famed for “Prebisch Report” and received a special support from the developing countries. In this report, he explained the economic mechanism between North and South, based on Center-Periphery theory. He emphasized the importance of foreign trade, not aid, to develop the developing countries, and requested to the developed countries to open their market for the developing countries. Policies presented by Dr. Prebisch were partly modified and one of the most important goals for UNCTAD was set “both trade and aid” at the first General Assembly of UNCTAD. The second General Assembly was held in 1968, where he presented *Towards a Global Strategy for Development*⁽¹¹⁾. In this report, he focused on the analysis of obstacles to development in the developing countries, not only the external but also internal factors.

Dr. Prebisch made a great effort for his task to organize the developing countries with different economic and political conditions, and reach in accord on the policies among them. He however always worried that UNCTAD might become only a debating place between North and South, without any fruitful results. How to arrange the divergences between North and South, and among the nations in South, is the most important

task to him in the third stage.

V

After six years of work for UNCTAD, Dr. Prebisch returned to Latin America, and placed himself to lead the activities of Latin American Institute for Economic and Social Planning and ECLA in Santiago, Chile. He analyzed the Latin American economy, and published the book entitled *Change and Development : Latin America's Great Task*⁽¹²⁾. During 1970's Latin American countries experienced drastic changes both in politics and economy. Military coup d'état broke out in various countries including Chile and Argentina, and military control was strengthened in Latin America. The Military Governments introduced extremely liberal policy in economics. Under this tendency, economic nationalism which had flourished in 1960's, was fading away. The process of industrialization stepped backward, and as the result, Chile and Argentina faced the severe economic recession with debilitated manufacturing sectors. He warned the danger of the excessive economic liberalism in Latin America, affirming that it was anachronistic for the developing countries.

He developed further his Center-Periphery theory to Peripheral Capitalism, and published *Capitalismo periférico, crisis y transformación*⁽¹³⁾, integrating his works till then. In this book, he criticized the neoclassics and Marxism, and set up the extended framework of the theory of Peripheral Capitalism.

When Argentina recovered the civilian control in 1983 after seven years of the Military Government, Argentines elected the Radical Party in stead of the Peronist for the Government. President Raúl Alfonsín

eagerly requested Dr. Prebisch to help his country as the economic advisor. Argentina had puzzled nearly forty years, struggling with the ideological disputes between anti-foreign nationalism of the Peronist Party, and ultra economic liberalism of the Military Government. But now Argentines try to bid farewell to the ideological antagonism in economic policy. She has stepped forward to execute the more rational policies for economic development. Here Dr. Prebisch was asked to cooperate with the present Government in order to execute his economic strategies.

Through his life, Dr. Prebisch devoted himself on inquiring North-South problems, to begin with his own country, to Latin America and then to the developing countries as a whole in UNCTAD. Then after he returned Latin America and engaged himself with Latin American and Argentine economic problems. His Center-Periphery theory created the fundamentally new point of view for North-South problems. It has given a great influence to the Structuralist school and Dependency theory. It can be said that Dr. Prebisch provided the origin of the economics for the developing countries, which should be succeeded and developed, conquering the lament to Dr. Prebisch.

NOTES

- (1) It was compiled in Okabe, Hiroji ed., *Latin American Economic Development*, Institute of Developing Economies, Tokyo, 1972 (published in Japanese).
- (2) First edition was published in 1947.
- (3) Prebisch, Raul, *Introducción a Keynes*, 5 ed., Fondo de Cultura Económica, México-Buenos Aires, 1965, p.7.
- (4) It was published in *Jornadas*, NO.11, El Colegio de México, Centro de Estudios Sociales, Mexico.

- (5) It was published by U. N., Department of Economic Affairs, 1949, and republished in *Economic Bulletin for Latin America*, ECLA, VOL. VII, NO. 1, February, 1962.
- (6) It was published in *Economic Survey of Latin America 1949*, ECLA, 1951.
- (7) It was published in *American Economic Review*, VOL. XLIX, NO. 2, May 1959.
- (8) It was published in *Economic Bulletin for Latin America*, ECLA, VOL. VI, NO. 1, March, 1961.
- (9) It was published by U. N., 1963.
- (10) It was published by U. N., 1964.
- (11) It was published by U. N., 1968.
- (12) It was presented to Inter-American Bank and published in 1970.
- (13) It was published by Fondo de Cultura Económica, Mexico, 1981.