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FOR DIFFERENT AUDIENCES, DIFFERENT ARGUMENTS: ECONOMIC RHETORIC AT THE BEGINNING OF THE LATIN AMERICAN SCHOOL

BY

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> *Speech is like a feast, at which the dishes are made to please the guests, and not the cooks.* (*Gracian*, *L'homme de cour*)

This paper consists of a rhetorical interpretation of two essays published fifty years ago, at the beginning of the so-called "Latin American economic school." Both were written by the Argentinean economist Raúl Prebisch (1901–1986), who was then working at the United Nations Economic Commission for Latin America (ECLA). As the most prominent Latin American economist, Prebisch fostered the construction of a theoretical framework that heavily influenced Latin American development policies after World War II.

My goal here is to analyze the rhetorical practices in the two essays by Raúl Prebisch. The first section describes the general historical context in which those essays came to light. In the following sections, I then turn to a comparative analysis of their argumentative structure. According to the twentieth-century classical piece on rhetorics written by Perelman and Olbretch-Tyteca (1969), this endeavor requires the consideration of the audiences to which the two essays were addressed. In this regard I argue that the fact that they were addressing different audiences can explain the different argumentative styles in both. Prebisch wrote the *Manifesto* (see Prebisch 1949) for a basically Latin American audience made up of businessmen and government staff, who were already convinced that Latin America needed to become industrialized. In the *Estúdio*, however, Prebisch had to face a second audience, made up of the regular public of UN publications, mostly outside Latin America and of neoclassical background.

The next section of the paper deals with the reception of Prebisch's ideas among specialized and lay readers. While most Latin American economists were persuaded by his arguments, this was not the case with economists from

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developed areas, who severely questioned the theoretical and empirical basis of his ideas. The final section of the paper presents some concluding remarks.

I. THE CONTEXT

In 1947, the Economic and Social Council of the United Nations established its first regional economic commissions for Europe and for Asia and the Far East. Their mission was to provide information concerning economic trends and special problems of each region. This was followed by a movement to create a similar organization for Latin America, a proposal that met with strong opposition from the United States government. The arguments were that a Latin American commission would duplicate functions already under the charge of the Organization of American States (OAS), which had its headquarters in Washington, and that the Cold War climate did not favor the creation of entities that did not clearly align with the United States (Pollock 1987, Street 1987).[1]

Despite this opposition, the Economic Commission for Latin America (in English, ECLA; in Spanish and Portuguese, CEPAL) was established provisionally in 1948 with its headquarters in Santiago, Chile. Prebisch, who had held important positions in the Central Bank of Argentina, and who was then teaching economics at the University of Buenos Aires, was invited to join the newly born institution. He entered the entity's secretariat in 1949, after a long period of intense public and academic activity in Argentina. In 1951, he was designated its chief executive. Under his leadership, the ECLA became a think tank for the generation of heterodox ideas that fostered the industrial development of Latin America.

By the time Prebisch became executive secretary of the ECLA, he had formed his own conception of the growth processes in Latin America, which would become the basis of the Latin American economic school. This conception is developed in one of his early essays entitled "*The economic development of Latin America and its principal problems*" (henceforth, "*Manifesto*"). Less than one year later Prebisch wrote the introduction to the ECLA annual report, called "Estúdio económico de América Latina 1949" (henceforth, "*Estúdio*").

The main thesis in both essays is that the "peripheral countries," as exporters of raw materials and primary products in general to "central" industrialized countries, suffered from a long-term decline in their terms of trade. This asymmetrical relationship maintained the former in a vicious circle of low productivity and low rate of savings.

In December 1949, Hans Singer, a member of the UN staff, presented a paper at the annual meeting of the American Economic Association (Singer 1950) a few months after the *Manifesto* was published in Spanish. Singer claimed that underdeveloped countries, by specializing in exports of food and raw materials, further contributed to the concentration of manufactures in the already-industri-

[1] Pollock (1987, p. 63) states that the OAS was geo-politically oriented and clearly aligned with the US. Likewise, Furtado (1978) claims that the ECLA orientation contrasted with the "docility" of the OAS. In the U.S., the opposition to the ECLA came mainly from the manufacturing sector.

alized countries. He argued for the reinvestment of profits resulting from technical progress in the underdeveloped countries (Singer 1950, p. 484).[2]

Both Singer and Prebisch relied on UN statistical data on international trade to depict a secular deterioration in the terms of trade of the poor countries. They concluded that the benefits of international trade were unequally shared by two groups of countries, namely, the producers of manufactures and the producers of raw materials. This external disequilibrium, coupled with rigidity of wages in the downward phase of the cycle and monopolistic pricing at the center, was a severe constraint for peripheral economies, one that could only be overcome by industrialization policies. Given the existence of already industrialized and highly productive central economies, peripheral countries should protect their foreign trade and concentrate on the production of an array of manufactured goods formerly imported. Import substitution was thus a necessary condition for peripheral growth, favoring structural changes in the economy.

This was, in a nutshell, the so-called Prebisch-Singer thesis. It pointed to a situation that could only be changed through structural reforms in the national economies. Hence, the name "structuralism" was also employed to designate this current of thought.[3]

II. THE AUDIENCES

The rhetorical approach to a particular discourse, such as that undertaken in this paper, requires the analysis of the argumentative schemes coming into play. According to Perelman and Olbretch-Tyteca (1969, p. 23), in order to achieve a successful argumentation, the rhetor must depart from theses acceptable to those he addresses. Since the goal of all argumentation is to create or increase the adherence of minds, the rhetor must be familiar with the views of his audience or audiences. A specific discourse can address a non-specialized audience or a highly qualified audience, such as a specialized academic circle. In both cases, the premises from which the rhetor departs—the starting point of the argumentation—must result from a "meeting of minds" (Perelman and Olbretch-Tyteca 1969, p. 65).

What audiences did Prebisch have in mind when he wrote the two essays that are compared in this paper? The answer to this question is different in each case, as suggested by Hodara (1987), Pollock (1987), and Furtado (1985).[4] In the *Manifesto*, Prebisch basically addressed an audience made up of businessmen and members of technical and executive areas of Latin American governments

[2] Incidentally, Singer and Prebisch came independently to their conclusions, since they had never met nor exchanged ideas at the time they wrote these essays. In the footnote of a later document that he wrote as Executive-Secretary of THE ECLA (ECLA 1951, p. 11) Prebisch makes this point, that he learned about Singer's ideas after writing the *Estúdio*. Love (1996, p. 130) states that Singer's work "provided an empirical foundation for Prebisch's thesis."

[3] Love (1996) depicts the external context in which Prebisch's structuralist thesis came to life in the early postwar period. One early influence on Prebisch was Friedrich List from the German historical school, who favored state interventionism.

[4] The Brazilian economist Celso Furtado joined the ECLA staff just before Prebisch did, and worked closely with him for several years.

concerned with the future of their countries. This audience identified with nationalistic, pro-development theses and was already convinced that Latin America needed to become industrialized. Hence, a bond of affinity between the rhetor and his audience, in the sense that they shared common values.

For this first audience, Prebisch needed to build a discourse that would legitimize their beliefs on theoretical grounds. It should lay the doctrinal foundations for political decisions—basically, import-substituting industrialization—which they were already inclined to adopt. With ECLA and the *Manifesto*, a theoretically grounded justification for import substitution emerged (Montecinos and Markoff 1999, p. 18).

This is not the case with the *Estúdio*, however. When put in charge of writing the introductory part of the the ECLA 1949 annual report, Prebisch faced the challenge of addressing not only the lay audience to whom he wrote the *Manifesto* but a specialized audience as well. He was now responsible for writing an official document, one that would be read by the regular public of UN publications, mostly outside Latin America. Due to its neoclassical background and share of liberal ideas, this second audience required specific communication skills. Its scientific background posed a real challenge for Prebisch, demanding arguments suited to this background. This may explain why the *Manifesto* and the *Estúdio* have different argumentative structures, as I will argue in the two following sections.

III. THE *MANIFESTO*

The essay, "The economic development of Latin America and its principal problems" (*Manifesto*), was written in 1949 and first published in Spanish. It was handled during the ECLA general assembly held in Havana, Cuba, in June 1949, as an appendix to the ECLA first annual report.[5] In order to stress its partisan style, Albert Hirschman (1971) nicknamed this document "*Manifesto*" (in English, "manifest").

A rhetorical approach to the *Manifesto* indicates that it is an argumentative discourse that actively advocates a certain point of view. To reach his audience, Prebisch avails himself of the center-periphery metaphor, one that would become central in the Latin American economic school. This metaphor is an argumentative figure and a central organizing principle for the text. Based on a spatial analogy, Prebisch associates one by one the elements in the "theme" (industrialized countries, non-industrialized countries) and in the "phoros" (respectively, center and periphery),[6] thus building the core argument in the *Manifesto*. On

[5] After this first edition in Spanish, a Portuguese version of the *Manifesto* was published in the *Revista Brasileira de Economia* and an English version was published by the UN under the title "The economic development of Latin America and its principal problems." However, the document was not widely read in the United States until 1962, when it was reprinted in vol. VII of the ECLA journal, *Economic Bulletin for Latin America*. In this paper, I quote from both the English 1950 and Spanish 1949 versions, but the exact quotations come from the English version.

[6] The *phoros* is usually better known than the theme which structure the rhetor intends to clarify by means of the analogy (Perelman and Olbretch-Tyteca 1969, p. 373).

page one of the text Prebisch coins the expression "periphery," and on page 8 he introduces, for the first time, the expression "peripheral countries."

This fusion of theme and phoros has a clear argumentative effect, stressing the unequal share of the world economic growth experienced by the two types of countries, the central and the peripheral.[7] As Perelman and Olbretch-Tyteca (1969, p. 400) point out, the procedure increases the strength of the argument, since "the implicit analogy is presented not as a suggestion but as a datum."

Prebisch divides the world into two great blocks: the center and the periphery. According to "classical" economics, he adds, the international division of labor should benefit both. However, as he argues in the opening sentence of the text, "In Latin America, reality is undermining the out-dated scheme of the international division of labor, which achieved great importance in the nineteenth century and, as a theoretical concept, continued to exert considerable influence until very recently" (*Manifesto* 1950, p. 1).

The assumption that technical progress spreads itself universally is severely questioned later in the text. Many arguments reinforce the idea, implicit in the metaphor, that the distance between both poles of the system is growing, and that the central countries appropriate the fruits of technical progress in the peripheral countries. The metaphor shifts the responsibility of underdevelopment from domestic conditions in Latin American countries to the center of the system, or more precisely, to the international division of labor.

After describing how technical and industrial progress spreads to Latin American countries, Prebisch claims that in these "other times" (*Manifesto* 1949, p. 6), this "new phase" in history, the mobility of production factors within each country was not as full as the theory presupposes (*Manifesto* 1949, p. 16). By associating the center-periphery pair to an "obvious disequilibrium" (*Manifesto* 1949, p. 1), Prebisch evokes a universal value—justice.[8] Peripheral countries were unable to benefit from productivity gains caused by technological progress. Productivity increases in the manufacturing sector in central countries were matched with increases in wage payments—mainly resulting from union pressures—thus making price reductions in industrial goods impossible (*Manifesto* 1949, pp. 8–14).

Perelman and Olbretch-Tyteca (1969, p. 404) warn their readers that the frequent use of a metaphor may result in the fusion of themes and phoros. As is often the case with analogies, the chosen metaphor highlights certain relationships while leaving others in the shadow. When turning the spotlight to the asymmetry of international trade relations, Prebisch minimizes the presence and importance of conflicts within the periphery of the system, such as those arising from disputes between the industrial business community and the farm elite or other forms of class struggle within Latin American societies. He also understates

[7] Love (1980) states that the idea that there was something fundamentally different about the economies of the "retarded regions" was still novel in the 1940s. The very concept of underdevelopment as a syndrome was only elaborated in that decade, chiefly after the creation of the regional UN agencies in 1947 and 1948.

[8] Perelman and Olbretch-Tyteca (1969, p. 77) state that reliance on abstract values is connected with change, since "they seemingly manifest a revolutionary spirit." Moreover, they "can be readily used for criticism" (Perelman and Olbretch-Tyteca 1969, p. 79).

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the differences (and virtual interest conflicts) between the several countries that compose Latin America, assembling them under the general label of periphery.[9]

As elements of persuasion, discursive techniques are means of creating "presence" in the sense that this word acquires in French, bringing to mind those addressed ideas and values that are not immediately present. By the very fact of selecting certain elements and presenting them to the audience, say Perelman and Olbretch-Tyteca (1969, p. 115), their importance and pertinence to the discussion are implied. The credibility of a text depends on how the author chooses and deals with data. Resorting to statistical data in support of a theory contributes to the effect of turning values shared by an individual or group into facts. By selecting data, the rhetor endows them with presence, which is an essential factor in argumentation.

In favor of its central thesis, the *Manifesto* exhibits many statistical data on international trade. This was not a widespread procedure at the time Prebisch wrote it. On the contrary, the discursive style that predominated in Latin America was entirely different (Hodara 1987, p. 33). To counteract this situation, regional agencies such as the ECLA placed great emphasis on giving their theses some empirical support. As pointed out by Street (1987, p. 652), Prebisch contributed to this effort. In his final remarks in the *Manifesto* (1949, p. 59), he complains about the precariousness of the available information on Latin American economies, which posed severe problems for "a scientifically impartial investigation" of their economic cycles. Statistical data are presented in two tables and five graphs, mostly based on UN statistics. The figures represent estimates of the terms of trade between primary goods and manufactured goods, gold reserves in the United States, Latin America, and in the rest of the world, and import coefficients for the United States and eleven other countries in the first decades of the twentieth century.

Deliberate suppression of presence is an equally noteworthy phenomenon in communication (Perelman and Olbretch-Tyteca 1959, p. 118). While some sets of data are given presence in the *Manifesto*, others are left in the dark. Demographic variables belong to the second group. On page 43, Prebisch refers to the low levels of per capita income in Latin American countries. He speculates about possible ways of increasing those levels, which would include an increase in productivity and an increase in income itself. He does not mention, however, that the same result could be achieved through lower birth rates, which would act upon the denominator in the calculus of per capita incomes.

In general, the form of the *Manifesto* clearly denounces its partisan character. Actually, as Furtado (1985, p. 70) remarks, the text sounds like a war cry. Its title contains the word "problems," by which the author anticipates its normative content: there were problems, they had to be correctly diagnosed, and they also had to be solved.

Throughout the text, Prebisch talks openly about Latin American-specific

[9] As I argued elsewhere (Bianchi and Salviano, Jr. 1999), both the *Manifesto* and the *Estúdio* can be considered part of a pioneer and successful effort to define a new economic unit, Latin America. The same argument is presented by Montecinos and Markoff (1999, p. 21): "In a sense, it has been argued, Prebisch "created Latin America."

interests and aspirations (*Manifesto* 1949, pp. 29, 30, 47). The mere fact that he refers to a "long term *deterioration* in terms of trade" (*Manifesto* 1949, p. 10n) and to a "*loss* in income" (*Manifesto* 1949, p. 53, emphasis added) attests that his point of view is geographically circumscribed.

Another peculiarity of the *Manifesto* is the fact that, although Prebisch most often speaks in the third-person singular, he now and then employs the first-person plural.[10] By saying "us," he further reveals his close identification with the aspirations of Latin American countries. He stresses the importance of training economists to understand the problems faced by the continent and to look for adequate solutions (*Manifesto* 1949, p. 59). Actually, Prebisch urges his readers to engage in the only kind of policy that he felt would be able to foster economic progress in peripheral countries.

Values associated with social welfare appear regularly throughout the *Manifesto* (1949, pp. 6, 38, 45, 58), suggesting that Prebisch expected a certain sensibility to social problems from the audience he addressed. Even more importantly, one of the core values in the *Manifesto* is Latin America itself. Perelman and Olbretch-Tyteca (1969, p. 77) would define this as a concrete value, one that displays the unique value of an object. Prebisch concludes, for example, that Latin American economists should carry out a "scientifically impartial investigation" of the problems faced by their countries, in order to devise adequate solutions (*Manifesto* 1949, p. 59). This is a clear indication of the normative tone of the essay and, at the same time, of the author's personal commitment to that value.

Prebisch severely criticizes the neoclassical theory of trade in the *Manifesto*. After his bombastic opening sentence, quoted above, he goes on and on in his criticism, by saying that:

(1) reasoning on the economic advantages of the international division of labor is based upon a premise "which has been conclusively proved false by facts" (*Manifesto* 1949, p. 1);
(2) a serious error is implicit in that premise (*Manifesto* 1949, p. 1), that of attributing a general character to something that can only be said of the center and does not apply to the periphery of the world economy;
(3) the theoretical interpretation of Latin American problems demands a new investigative effort, since available studies "cannot be expected to solve problems of direct concern to Latin America" (*Manifesto* 1949, p. 2);
(4) one must beware of "dogmatic generalizations" (*Manifesto* 1949, p. 4); and
(5) from the viewpoint of the periphery, general economic theory suffers from a "false sense of universality" (*Manifesto* 1949, p. 7).

Prebisch argues that the good doctrine for Latin American countries is not ready yet (*Manifesto* 1949, p. 4).[11] A view from the periphery shows that general

[10] When the text was translated into English, the use of the first person plural was dropped, however. In the Portuguese translation Prebisch uses the first person plural on pages 48, 49, 68, 69, 73, 79, 80, 82, 83, 84, 85, 87, 90, 91, and 93.

[11] Actually, in the English translation the tone is milder than in the Spanish original. It reads: "Sound rules for these countries are still in the making" (*Manifesto* 1950, p. 4). The Spanish and Portuguese versions refer to a nonexistent "good doctrine" that would be adequate for peripheral countries.

economic theory needs a thorough reformulation, a task that should be accomplished by the new generation of Latin American economists (*Manifesto* 1949, pp. 7, 59). He then introduces an argument from authority, evoking Keynes's prestige in defense of his thesis (*Manifesto* 1949, p. 36).[12]

Concerning policy recommendations, as stated previously, Prebisch relies on import-substituting industrialization as the only way out of poverty and underdevelopment. Right on page one, Prebisch states that facts are imposing an import-substituting industrialization process. He immediately adds that this is the only means by which young countries could benefit from the fruits of technological progress and raise the living standards of their masses. Although not an end in itself, industrialization was the principal mechanism at the disposal of those countries for obtaining a share of the benefits of technical progress. National states, he asserts, should play a major role in the protection of newlyborn domestic industries.

IV. THE *ESTÚDIO*

The "*Estúdio económico de América Latina* 1949" (*Estúdio*) first appeared in May 1950, during the ECLA general assembly held in Montevideo, Uruguay. The essay that is analyzed here is the lengthy introductory part of this document written by Raúl Prebisch.

The *Estúdio* shares some common features with the *Manifesto*, the first being the fact that the center-periphery metaphor plays a prominent role in the explanation of the severe problems faced by Latin American countries. At the very beginning, Prebisch carefully explains that the international division of labor comprises at least two distinct stages: the first, in the nineteenth century, corresponding to the development of central countries; the second, already in the twentieth century, corresponding to the development of Latin American countries. Again, by associating the center-periphery pair with a "dramatic contrast" (*Estúdio* 1950, p. 60), he evokes the universal value of justice.

Like the *Manifesto*, the *Estúdio* brings statistical evidence in favor of its central theses. Secondary data based on UN statistics are further elaborated in it, as Prebisch benefited from data assembled by the ECLA staff. The agency's technical staff was put in charge of gathering statistical data about Latin America in order to compensate the chronic deficiency in this area.

The *Estúdio* contains twelve tables and six graphs scattered throughout the text, albeit mostly in its second chapter. Most of these data refer to the international trade market. They depict the decline in the import capacity of Latin American countries, from different standards of comparison: Latin America with the rest of the world (*Estúdio* 1950, p. 17), Latin America with the United States (*Estúdio* 1950, p. 21), and Latin America with Great Britain (*Estúdio* 1950, p. 25). In each case, Prebisch makes use of data assembled by the ECLA.

While data on international trade are given presence, data on demographic trends are once more kept in the shadow. Prebisch presents data showing that

[12] In 1947, while teaching at the University of Buenos Aires, Prebisch published *Introducción a Keynes* (*Introduction to Keynes*), Fondo de Cultura Económica, México.

the population in Latin America grew forty-four percent in the 1925–49 period, and concludes that this caused a structural surplus of labor in the primary sector. However, in interpreting these data, he singles out two factors as potentially responsible for the decreasing import capacity of Latin American countries: the fall in the absolute level of exports and the deterioration of the terms of trade. He does not make any reference to the effects of those high rates of population growth upon the low levels of per capita income.

Regarding its discursive style, the *Estúdio* is very different from the *Manifesto*. What strikes the reader is its cautious manner: it does not say everything that it insinuates. Although it has a clear normative dimension, the partisan style of the *Manifesto* is no longer there. It is written in the third person singular, a feature that typically lends neutrality to a discourse. Also, as is the rule in documents issued by the UN, it is anonymous. The author thus withdraws himself twice from the text, disappearing in a third-person narrator and writing a document which he does not sign.[13] Unlike the *Manifesto*, the *Estúdio* is an institutional manifestation approved by the ECLA assembly. As Hodara (1987, p. 13) points out, Prebisch was prepared to use euphemisms whenever required by the political nature of his audience.

The essay's title emphasizes this academic nature: *Estúdio* (study, survey, as in the English edition). Prebisch stresses this point up to the last page of the text, where he calls it a "report" and denies that it had an explicit normative content: "In exposing that fact, it is not intended that any particular policy be recommended, because this would mean going beyond the goal of this study" (*Estúdio* 1950, p. 88).

A second important difference, strictly connected to differences in style, is that values associated with social welfare and Latin America are absent. This might betray the fact that the author was addressing an educated, international audience. Criticism of the "classical" theory of trade is much attenuated. As a matter of fact, Prebisch develops typical neoclassical arguments in the *Estúdio*, such as the assumption of full mobility of production factors within each country and the theorem of factor-price equalization in international trade.[14] Equally worthy of observation is the fact that Prebisch consistently uses the word "theory" in the *Estúdio* (1950, pp. 38, 39, 47, 58, 60, 81), whereas the *Manifesto* occasionally refers to economic "doctrine" and uses this word interchangeably with "theory," as if they were synonymous.

Criticism of classical economic theory is by no means minor. However, it comes across later in the text, after a detailed and respectful exposition of the arguments presented by the classical theory of trade. Prebisch claims that the

[13] As I argued elsewhere (Bianchi and Salviano 1999), Prebisch was not trying to fool anyone. He was firmly convinced of his theses, and wanted to disseminate them to his audiences. He did not employ a certain mode of exposition because he was convinced that it was good rhetoric.

[14] Prebisch demonstrates understanding of the so-called Heckscher-Ohlin theorem and of Samuelson's contributions to the theory of international trade. It is interesting to mention that Samuelson's seminal articles on the equalization of factor prices were published just before the *Estúdio*, in the June 1948 and June 1949 issues of the *Economic Journal*. Prebisch makes no explicit reference to the authors, but on pages 69–71 of the *Estúdio* he describes how the marginal productivity of production factors tend to equalize.

severe economic crisis faced by the world after WWI (*Estúdio* 1950, p. 47) and the specific historical conditions experienced by peripheral countries (*Estúdio* 1950, p. 60) require "a serious effort of theoretical revision." Relying on premises that are closer to reality," he adds, "may help us to formulate the general lines of an economic development policy."

Regarding policy recommendations, like the *Manifesto*, the *Estúdio* relies on import-substituting industrialization as the only way out of poverty and underdevelopment. It also asserts that the national states should play a major role in the protection of domestic industries. However, the implicit message in the *Estúdio* is much subtler than in the *Manifesto*, the recommendation coming as a natural outcome of extensive theoretical discussion and data interpretation. The war cry was no longer there, and "Language was now serene, as is suitable for a text that also wanted to grasp the attention of the academic world" (Furtado 1985, p. 76).

V. THE RECEPTION

Perelman and Olbretch-Tyteca (1969, p. 49) state that argumentation can be evaluated by its effectiveness. Since an efficacious discourse increases the adherence of minds to its theses, it is much more than an intellectual exercise, devoid of practical concerns. Very often it aims to strengthen the disposition toward action in the minds of the audience. In this case, a successful discourse not only persuades at the rational level, it also stimulates the listeners/readers to act accordingly. In Perelman and Olbretch-Tyteca's words, "the intensity of the adherence sought is not limited to obtaining purely intellectual results, to a declaration that a certain thesis seems more probable than another, but will very often be reinforced until the desired action is actually performed" (Perelman and Olbretch-Tyteca 1969, p. 49).

The conjunction of positive and normative elements is recurrent in the field of international economics, as pointed out by Milberg (1996). International economists, he adds, even when they happen to embrace a *laissez-faire* view, have always been under pressure from other economists and policymakers to establish the political relevance of their work.

If this is generally true of economists writing in the field of international economics, it is especially true in the case of Prebisch and other structuralist writers. Concern with policy and with the political relevance of theoretical propositions characterizes this current. In this sense, as remarked by Love (1980), it is hard to distinguish Prebisch-the-emerging-economic-theorist from Prebisch-the-policymaker. Out of his studies came concrete proposals for economic policies and institution building in Latin America.[15]

How did the different audiences react to Prebisch's early essays? In terms of his lay audience, it was undoubtedly a success story. Burger (1999) asserts that the creation of the ECLA, right after the end of World War II, "embodied a

[15] Street (1987) stresses the affinity between Prebisch and the North American institutionalists. In his words, "Like John R. Commons, Prebisch was able to move easily from an academic environment to the political barricades and return again to rethink his position" (Street 1987, p. 657).

moment of extraordinary optimism in Latin America.'' It gave rise to a process that the author defines as corresponding to the creation of a powerful ideological canon. This movement has explicit institutional dimensions, influencing the academic and professional formation of the new generations throughout Latin America, as Prebisch urged. The group of ECLA economists felt closely identified with the region: "The ECLA economists, or *cepalinos*, built a strong sense of intellectual solidarity within an institutional framework that fostered ECLA's rise to influence and acceptance throughout the region'' (Burger 1999, p. 17).

On the empirical counterpart of this ideological and institutional movement, Prebisch succeeded in mobilizing the energies necessary to give a new impulse to the state-led industrialization process (Sikkink 1988). Industrialization through import substitution had begun earlier in Latin American countries such as Brazil, Argentina, and Chile, but it gained new momentum with the diffusion of structuralist ideas and policies. As a set of ideas and practices, import-substituting industrialization became the dominant development strategy for Latin America after World War II. With the ECLA, claims Burger (1999, p. 20), industrial policies came to represent a logical continuation of this early process, "one that was naturally systematized into a more coherent body of ideas.'' The late 1950s testified to the ECLA consensus, in the sense of a widespread acception of the structuralist agenda.

On the other hand, concerning the specialized audience and in spite of all his efforts, Prebisch came close to a complete failure. Dadone and di Marco (1972, p. 29) point out that whereas the majority of Latin American economists were persuaded by his arguments, this was not the case with economists from developed areas. There was no meeting of minds, no adherence to his thesis.

Economists outside Latin America read not only the *Estúdio* but the *Manifesto* as well, and seem to have applied the same standards to judge the two essays. According to Pollock (1978, pp. 66), at the beginning of the 1950s, the Prebisch-Singer thesis was considered naïve by some and heretical and even dangerous by others. It was received with harsh criticism in academic circles and with deep distrust by businessmen outside Latin America.

Street (1987, p. 652) points out that the thesis regarding the deteriorating terms of trade was criticized extensively by representatives of the U.S. government and of the International Monetary Fund. The critics questioned the policy implications of the analysis, which suggested that free markets could not be depended upon to bring the benefits of trade to all participants or to ensure the international transfers of technology necessary for balanced growth in developing countries. The same negative reaction occurred in the business world, where Prebisch was accused of manipulating his economic ideas to fit his personal interests (Pollock 1978, p. 67).

In 1951 Jacob Viner, while ministering a set of lectures in Rio de Janeiro, heavily criticized a number of publications by the United Nations staff, the *Manifesto* included. His reaction to the latter was particularly ironic: "I learn from this document that the doctrine of the mutual profitability of international division of labor is an obsolete dogma.''[16] Viner argued that Prebisch attributed

[16] In irony, say Perelman and Olbretch-Tyteca (1969, p. 207), one seeks to convey the opposite of what one actually says.

agricultural poverty to "inherent historical laws" which "... seem to me for the most part *mischievous fantasies*, or conjectural or *distorted history*, or, at the best, *mere hypotheses* relating to specific periods and calling for sober and objective testing" (Viner 1952, p. 62, emphasis added).

Haberler (1959) was another leading and highly severe critic in academic circles. He argued that the ECLA resorted to inadequate empirical measures and did not take due account of economic cycles. He considered the Prebisch-Singer thesis to be, "based on a *grossly insufficient empirical evidence*, ... (it) has misinterpreted the facts on which it is based, ... the *attempted explanation of the alleged facts is fallacious*, ... there is no presumption at all that the *alleged unfavorable tendency* of the terms of trade will continue in the future" (Haberler 1959, p. 19, emphasis added). A third early critic, Ellsworth (1956), blamed the disparity of criteria adopted by Prebisch to assess Great Britain's import prices. Whereas prices of products exported by Latin America were calculated in terms of CIF, prices used for Great Britain imports were expressed in FOB. Other targets of criticism were the likely improvement in the quality of products and the incorporation of new products in the international trade market, which tend to generate distortions for very long historical series.[17]

Even sympathetic readers, such as Baer (1962, p. 169), while suggesting that the ECLA theory "has never been fully evaluated" and "has some validity," concluded that "it is not a challenge to the classical theory of international trade" (Baer 1962, p. 180).

In general, as acknowledged by Dadone and di Marco (1972), Furtado (1985), and Love (1980), Prebisch met with a hostile reaction in academic circles outside Latin America. Most of the criticism fell upon the empirical data used to estimate the terms of trade in the international market. The specialized audience did not take as "facts" the empirical data that Prebisch presented to them as such. Being part of the audience, they were also part of the implicit political debate. In this condition, they refused to qualify the presumed evidence in the *Manifesto* and in the *Estúdio* as being "the truth." Rather, they looked for alternative data that could compete with those presented by Prebisch. The specialized audience questioned the empirical support of Prebisch's main thesis and reacted negatively to the fact that he was challenging mainstream economics. Not only did his estimates lack rigor, they were also considered to be theoretically deficient because they were conceived in a conceptual framework that was in itself questionable (Furtado 1985, p. 76).

This unfavorable picture worsened in the 1980s with the success of the outward-looking development strategies in Asia. The East Asian experience was taken as concrete evidence that developing countries could achieve industrialization

[17] Although this is not the primary concern of this paper, it is interesting to note that the issue remains controversial, for theoretical and empirical reasons. A few early critics, such as Kindleberger (1958), supported the Prebisch-Singer thesis. The empirical result of a recent study corroborates the hypothesis of a secular decline in the relative prices of non-fuel primary commodities (Grilli and Yang 1988). For more details on this debate see also Bloch and Sapsford (1998), Cuddington (1992), Diakosawas and Scandizzo (1991), Dutt (1988), Findlay (1980), Singer, et al. (1998), and Ziesemer (1998). Diakosavvas and Scandizzo argue that empirical research on this issue inevitably faces many ambiguities.

without relying on domestic markets to absorb their additional output. As pointed out by Rodrik (1998, p. 158), import-substituting strategy fell entirely out of favor, and "Raul Prebisch's name has become tainted by association with an apparently failed development strategy," a view that this author does not endorse.[18] Bruton (1998) likewise stresses that the outward-oriented approach eventually came to prevail among economists in academic circles, in international organizations, and in many national aid agencies. In consequence, "a number of countries have made noteworthy efforts to shift from an essentially import-substitution approach to a more outward-oriented approach, other countries are trying to do so, and virtually all countries are being urged to do so by aid donors and advice givers" (Bruton 1998, p. 904).

This caused what Krueger (1997) pictures as a radical departure from structuralism and related trends of thought, saying, "The contrast with views today is striking" (Krueger 1997, p. 1). Academic researchers and policymakers strongly believe that import substitution "at mininum outlived its usefulness." The current Washington consensus has nothing to do with the one that led to the adoption of import-substitution policies in the decades following World War II. Economists and politicians inside and outside Latin America now advocate a set of policy prescriptions fundamentally based on an outward-oriented trade regime, where there are fairly uniform incentives (mainly through the exchange rate) for production across exporting and import-competing goods.

VI. CONCLUSIONS

How can we explain this negative reaction to Prebisch and to his writings in specialized circles and business sectors outside Latin America? It is not difficult to understand why this happened during the last two decades of the twentieth-century, when the world economy experienced a thorough transformation. However, why did Prebisch's writings faced such a hostile reception when they first appeared and in the decades immediately following?

There is no doubt that Prebisch made mistakes and that his theses, based as they were on somewhat precarious data about the international trade market, had shortcomings. Also, critics claim that Latin American countries could have chosen other paths to development. But these shortcomings—some of which Prebisch was ready to admit himself—do not tell the whole story. A complete explanation of the hostility towards Prebisch in academic and professional circles has to take into account sociological factors concerning the reception of economic ideas. In what concerns the power structure of the economics profession, Prebisch questioned the long-established economic theory, associating it with "dogmatic generalizations" and arguing that it suffered from a "false sense of universality." Moreover, he proclaimed the virtues of an inward-looking development strategy, where a major role would be played by the national states.

[18] Rodrik (1999, p. 68) claims that import-substitution policies were responsible for a successful experience with growth in the developing countries. He shows evidence that the postwar period up until 1973 was a "golden era" for economic growth, when developing countries experienced growth rates "that were virtually unprecedented in the history of the world economy."

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In his later writings, he strongly advocated the necessity of central planning. For this reason, Prebisch and the ECLA together were blamed for undue tolerance towards socialist ideas.

I tend to agree with Pollock (1978, p. 66; 1987, p. 368), who attributes the hostility towards Prebisch and the ECLA to a mixture of theoretical, pragmatic, and geopolitical reasons. After all, the first decade of the ECLA corresponds to the Eisenhower presidency in the U.S. (1952–60), a period that was marked by the emergence of the “cold war syndrome,” with its strong emotional connotations. National security issues were given high priority in the conducting of internal and external affairs. Political leaders tended to distrust any person or organization that was not clearly aligned with the U.S. and with the West.[19] No wonder the militant personality that the ECLA had acquired was viewed with deep suspicion in that particular atmosphere.

Now that the Washington consensus has replaced the ECLA consensus, it is highly unlikely that the ideas of Prebisch and his followers will be revived. Fifty years later, their policy prescriptions are certainly inadequate to meet the demands of the new world economy. Nevertheless, a careful look at the *rationale* for these ideas and at the context in which they evolved allows us to arrive at better historical judgments.

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[19] Pollock mentions the names of John Foster Dulles, George Humphrey, and the senator Joseph McCarthy as influential political leaders in the Eisenhower government.

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